PPPs IN AFFORDABLE HOUSING
SHARING BIHAR’S PERSPECTIVE
AFFORDABLE HOUSING SCENARIO IN INDIA

According to the McKinsey Report (2010), India will have 40 per cent of its population living in urban areas. Consequently, the potential market size for affordable housing in urban India is forecasted to grow to 38 million in 2030.

Key Factors driving growth in demand for AH include:

1. **Rapid Urbanization**: India’s urban population is forecasted to grow to 590 million by 2030.
2. **Rising demand for affordable houses**: With home prices far outpacing general inflation and wage growth, premium houses in Tier 1 cities have largely become unaffordable, increasing demand for affordable houses.
3. **A culture of Home ownership**
AFFORDABLE HOUSING SCENARIO IN INDIA – DEMAND SUPPLY GAP

• Rapid urbanisation has given rise to development challenges in the form of urban congestion, pressure on basic amenities like water and sanitation and most importantly, severe housing shortages in cities, especially, in the low cost segment.

• As per the Report of the Technical Group (TG-12) on Estimation of Urban Housing Shortage (2012), there is a huge gap in demand and supply of urban housing in India.

• Housing development has primarily focused on creating stock for MIG+ segment of the society, which has been the focus of private sector, due to higher returns.

• Over the last decade, select real estate developers have developed projects for LIG, but EWS housing has been neglected.

• EWS and LIG accounts for 96% of the total housing shortage in India.
Multiple stakeholders
Each relies on the next
Always an opportunity to improvise the chain

Supply Side Issues
- Suitability of project site
- Availability of trunk infrastructure
- Limited appetite for affordable housing projects

Demand Side Issues
- Affordability of the weaker section
- Identification of beneficiaries
- Availability of home mortgage products / low mortgage penetration

Government
- Enables
- Regulates
- Incentivizes
### Policies and Initiatives by Government of India - Post 2000

#### Jawaharlal Nehru National Urban Renewal Mission 2002-05
- Aimed to reform the property tax system, rationalize tariffs to augment local government finances and boost investment in urban infrastructure.

#### Rajiv Awas Yojana (RAY) – 2011-13
- Provision of Integrated Slum redevelopment and AH program with assistance from Central government.
- Provides for contribution of 50% of the capital and O&M cost by the central government towards provision of civic and social infrastructure and housing units.
- RAY envisaged creating social/rental housing building AH stocks in peri-urban areas, and undertaking slum-rehabilitation projects jointly with private sector.

#### Pradhan Mantri Awas Yojana - Urban (PMAY-U) 2015
- PMAY-Urban (PMAY-U) subsumes all the previous urban housing schemes and aims at ‘Housing for All’ to be achieved by the year 2022.
- Granting infrastructure status to AH
- Increasing the time for project completion to affordable housing promoters from earlier three years to five years;
- Revision of the qualifying criteria for affordable housing from saleable area to the carpet area;
- Announcement of a new CLSS for the MIG
- Refinancing facility by National Housing Bank for individual loans for AH segment.

#### Union Budget 2017-18
- Public-Private Partnerships (PPP) have emerged as the preferred mode of AH Development
- Bihar like many other states announced its AH Policy in 2017 linked to GoI schemes
WHY PUBLIC PRIVATE PARTNERSHIPS?

Housing development under a PPP model can help simultaneously solve several housing sector challenges, and help create a vibrant ecosystem.

Can enable appropriate allocation of risks and responsibilities between stakeholders.

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<thead>
<tr>
<th>Resources provided</th>
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<td>• Expeditious development of affordable housing</td>
<td>• Balanced risk sharing</td>
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<td>• Price caps for affordable housing in line with target households’ income levels</td>
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<td>• Limited / no cash outlay</td>
<td>• Long term O&amp;M</td>
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<tr>
<td>Government resources</td>
<td>• Land (including viable title)</td>
<td>• Efficient Design and construction expertise</td>
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<td>• Trunk infrastructure to site</td>
<td>• Construction financing</td>
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<td>• Permits and approvals</td>
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<td>• Beneficiary identification and allotment of housing stock</td>
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PROJECT- AFFORDABLE HOUSING PPP IN BIHAR PROJECT

To develop a State-wide network of green affordable housing projects for EWS and LIG beneficiaries at multiple locations on sites provided by Government of Bihar, to be developed on PPP basis under the state’s Affordable Housing Policy of 2017.

• Bihar is the third most populous state of India with total population of 103.8 million

• Share of urban population in State’s total population has doubled in last 70 years i.e., from 6.42% in 1951 to 11.3% in 2011.

• An estimate by the Urban Development & Housing Department (Govt. of Bihar) indicates that the total housing shortage in urban Bihar is ~0.7 million, out of which more than 85% is in the Economically Weaker Sections (EWS) and Low-Income Group (LIG) categories
  • ~ Annual income less than US$ 9000.

• Govt. of Bihar has engaged IFC for advising on structuring and implementing the first AH PPP in Bihar
### ROLE/RISK ALLOCATION (INDICATIVE)

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<th>Government (UDHD)</th>
<th>Private Sector Concessionaire</th>
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<td>• Provide unencumbered project sites</td>
<td>• Design of the overall affordable housing area including unit design</td>
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<td>• Oversee and approve project structure</td>
<td>• Finance and construct specified number of EWS/ LIG housing units per specified specifications and timelines</td>
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<td>• Undertake competitive bidding for selecting private Concessionaire with assistance from IFC</td>
<td>• Guarantee structural integrity of the affordable housing construction</td>
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<td>• Undertake process to secure GoI PMAY subsidies</td>
<td>• Undertake long-term operation and maintenance of the internal common infrastructure of the affordable housing area</td>
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<td>• Fix EWS/ LIG unit prices, identify EWS / LIG beneficiaries and allot housing units to them</td>
<td>• Facilitate access to housing finance to the identified EWS/LIG beneficiaries.</td>
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<td>• Collect payment from EWS / LIG allottees</td>
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<tr>
<td>• Monitor the performance of Concessionaire</td>
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<tr>
<td>• Provide grant payment to the Concessionaire (to be determined through competitive bidding) linked to the performance</td>
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KEY STRUCTURING ISSUES

Site Suitability

Financial Analysis

Configuration of Bid Package

Site Sizing – Demand/Supply Assessment

Bid Packaging

Legal Framework

Site Planning and Project Design

Contractual framework for O&M

Other Structuring considerations
TRANSACTION STRUCTURE – ODISHA PPP

**Development Authority**
- Develop AH units and social infrastructure
- Hand back to Govt. free of cost
- Responsible for O&M
- Address structural defects as per contractual requirements

**AH Beneficiaries**
- Identification & allotment

**Government fund for programmatic implementation**
- Facilitate access to housing finance to beneficiaries

**Developer**
- Develop as per market needs and retain development proceeds

**Developer Area**
- Free hold rights in phased manner

**Handover of Land**
- Grant / Premium

**Affordable Housing Area under concession f/w**
- Develop AH units and social infrastructure
- Hand back to Govt. free of cost
- Responsible for O&M
- Address structural defects as per contractual requirements

**Housing Finance Companies**
INVESTMENT OPPORTUNITY - US$ 150 MILLION IN BIHAR AH PPP

• Due diligence and Project structuring underway
• Bids to be launched by Q3 CY19
• Likely to be awarded by Q1 CY 20
• Opportunity to enter the much bigger Indian/South Asian market
Thank you

for details, please contact:

1) Pratyush Kumar-Pratyush Kumar pratyush.kumar0208@gmail.com
2) Pankaj Sinha- psinha1@ifc.org