

Centre announces new PPP Policy to promote private investments in affordable housing

Central assistance of up to Rs.2.50 lakh per house now available for building houses on private lands

HUA Minister Shri Hardeep Singh Puri questions private sector shying away despite best eco-system

Policy aims at tapping private and public lands for affordable housing under 8 PPP options

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Central Government today announced a new PPP Policy for Affordable Housing that allows extending central assistance of up to Rs.2.50 lakh per each house to be built by private builders even on private lands besides opening up immense potential for private investments in affordable housing projects on government lands in urban areas.

Minister of Housing & Urban Affairs Shri Hardeep Singh Puri announced this policy that gives eight PPP (Public Private Partnership) options for private sector to invest in affordable housing segment. He was addressing the 'Real Estate & Infrastructure Investors Summit-2017' organized by real estate body NAREDCO in Mumbai. Shri Puri explained that this policy seeks to assign risks among the government, developers and financial institutions, to those who can manage them the best besides leveraging under utilized and un-utilized private and public lands towards meeting the Housing for All target by 2022.

The two PPP models for private investments in affordable housing on private lands include extending central assistance of about Rs.2.50 lakh per each house as interest subsidy on bank loans as upfront payment under the Credit Linked Subsidy Component (CLSS) component of Pradhan Mantri Awas yojana (Urban). Under the second option, central assistance of Rs.1.50 lakh per each house to be built on private lands would be provided, in case the beneficiaries do not intend to take bank loans.

Shri Puri stated that eight PPP options, including six for promoting affordable housing with private investments using government lands have been evolved after extensive consultations with States, promoter bodies and other stakeholders. The six models using government lands are:

1. DBT Model: Under this option, private builders can design, build and transfer houses built on government lands to public authorities. Government land is to be allocated based on the least cost of construction. Payments to builders will be made by the public authority based on progress of project as per agreed upon milestones and buyers will pay to the Government.
2. Mixed Development Cross -subsidized Housing : Government land to be allotted based on number of affordable houses to be built on the plot offered to private builders, cross subsidizing this segment from revenues from high end house building or commercial development.
3. Annuity Based Subsidized Housing: Builders will invest against deferred annuity payments by the Government. Land allocation to builders is based on unit cost of construction.
4. Annuity-cum-Capital Grant Based Affordable Housing: Besides annuity payments, builders could be paid a share of project cost as upfront payment.
5. Direct Relationship Ownership Housing: As against government mediated payments to builders and transfer of houses to beneficiaries in the above four models, under this option, promoters will directly deal with buyers and recover costs. Allocation of public land is based on unit cost of construction.
6. Direct Relationship Rental Housing: Recovery of the costs by builders is through rental incomes from the houses built on government lands.

Under these six Government land based PPP models, beneficiaries can avail central assistance of Rs.1.00 to Rs.2.50 lakh per house as provisioned under different components of PMAY(Urban). Beneficiaries will be identified as per the norms of PMAY(Urban).

Shri Puri expressed concern over the private sector so far not entering affordable housing segment despite huge scope for the same under Pradhan Mantri Awas Yojana(Urban) and an enabling eco-system put in place through several concessions and incentives offered including the grant of infrastructure status for this segment.

Referring to the 'Way Forward' for heralding a new era of growth in real estate sector suggested by KPMG and NAREDCO in a publication last month, Minister of Housing & Urban Affairs Shri Hardeep Singh Puri said that the Government has already initiated action in respect of each of the suggestions made therein. Elaborating on this, Shri Puri said that only last week he announced a time bound review of FSI/FAR norms in 53 cities with a population of million and above each and State capitals to enable better utilization of scarce urban land parcels.

The Minister informed that a view would soon be taken on allowing urban housing projects in peripheral villages and talks are going on this regard with the Ministry of Rural Development. Online mechanism for time bound approvals for building plans and construction permits has already been introduced in Mumbai and Delhi and the same would happen soon in 53 cities with population of above one million each, he said. Shri Puri informed that Model Tenancy Act and National Rental Housing Policy would be announced soon.

Shri Puri exhorted private developers to seize the investment opportunities in affordable housing in the prevailing enabling environment saying "It is time to stop debate and swing into action".

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