Government of India
Ministry of Housing & Urban Poverty Alleviation
(Housing Section)
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Room No. 220-C, Nirman Bhawan, New Delhi
Dated June 14, 2017

NOTICE

Subject: Inviting comments from the general public and all stakeholders on the draft Model Public Private Partnership Policy for Affordable Housing in India - regarding.

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In order to facilitate the participation of private sector in the affordable housing sector in the country to fulfill the growing demand for affordable housing, Ministry of Housing & Urban Poverty Alleviation has prepared a ñDraft Model Public Private Partnership Policy for Affordable Housing in Indiaò, which is attached herewith.

2. The general public and all stakeholders are invited to send comments/views, if any, by the last date for submission of comments/views i.e. **30th June, 2017** on Email Id: commentsondraftmodelppppolicy@gmail.com.

Draft

Model Public Private Partnership Policy for Affordable Housing in India

June 2017

सत्यमेव जयते

Ministry of Housing and Urban Poverty Alleviation

Government of India

Contents

Abbreviations:

ABSH	Annuity based Subsidized Housing
AGSH	Annuity-cum-Capital Grant based Subsidized Housing
AHP	Affordable Housing in Partnership
CALF	Capital Advance Leasing Facilities
Capex	Capital Expenditure
CLSS	Credit Linked Subsidy Scheme
CLU	Change of Land Use
CMP	Community Mortgage Programme
CRE	Commercial Real Estate
DLC	District Level Committee
DROH	Direct Relationship Ownership Housing
DRRH	Direct Relationship Rental Housing
DSCR	Direct Relationship Ownership Housing
EMI	Equated Monthly Installment
EPC	Engineering, Procurement, and Construction
EWS	Economically Weaker Section
FAR	Floor Area Ratio
FSI	Floor Space Index
GoI	Government of India
HIG	Higher Income Group
HR	Human Resource

HQ	Head Quarters
HUDCO	Housing and Urban Development Corporation
INR	Indian Rupee
IRR	Internal Rate of return
IT	Information Technology
JnNURM	Jawaharlal Nehru National Urban Renewal Mission
KPI	Key Performance Indicator
LIG	Lower Income Group
MDCH	Mixed Development Cross-subsidized Housing
MHADA	Maharashtra Housing and Development Authority
MIG	Middle Income Group
NGOs	Non-governmental Organizations
NHAI	National Highway Authority of India
NHB	National Housing Bank
NWT	North West Territories
NPC	Net Present Cost
NPV	Net Present Value
PMAY (U)	Pradhan Mantri Awas Yojana (Urban)
PPP	Public Private Partnerships
RBI	Reserve Bank of India
RFP	Request for Proposal
RFQ	Request for Qualification

SWOT	Strength, Weakness, Opportunity, Threat
SHFC	Social Housing Finance Corporation
TDR	Transfer of Development Rights
ToR	Terms of Reference
ULBs	Urban Local Bodies
UTs	Union Territories
VAT	Value Added Tax

Chapter 1: Introduction

There are a number of challenges facing affordable housing. High cost of land, which is the consequence of a number of factors, is one of the principal challenges. Financing the land is another major challenge that Developers/ Builders face in delivering affordable housing. The absence of a clear title is also a serious deterrent for participation by financial institutions and real estate developers in new as well as redevelopment projects of real estate. In the absence of redevelopment and densification of available lands, land remains underutilized - further contributing to shortage of land and to high land prices.

For any strategy to enhance the provisioning of affordable housing, therefore, government interventions through financial and non-financial support as well as through policy reforms would be critical. Financial subsidies, subsidies in kind (e.g. in the form of government land) as well as cross-subsidies will have to play a central role in addressing the problem of vast sections of India's population being unable to afford housing at market prices.

While the potential for directing privately owned land towards affordable housing at a low cost is limited, appropriate PPP structures can be used to incentivize the private sector in that direction. Strategies attempted include directing private land for affordable housing in exchange for permission for more intensive utilization of land or in exchange for permission to build high-end housing. PPP strategies including government grants and subsidies can also be potentially deployed to unlock unutilized/underutilized parcels of both government as well as privately owned lands for affordable housing.

In addition to the issue of land, addressing the affordable housing challenge through PPP will require enhanced access to financing and capital markets, which will in turn require proactive government policies and innovative and entrepreneurial risk taking by the private sector. The private sector can also play an important role in reduction in costs through efficiency gains in construction and operations.

The potential gains of Public Private Partnership as a program implementation strategy and as a governance intervention, however, rest squarely on the appropriate allocation of risks, responsibilities, rewards and punishments among the various stakeholders. This risk allocation is the defining feature of any PPP strategy. The golden principle is that risks should be allocated to the entity best equipped to manage each risk. The expectation is that such an allocation of risks will not only produce the best possible program and project outcomes but also do so at the most optimum costs. This should lead to good quality outcomes at optimum prices. Well-crafted and balanced contracts backing PPP projects are, therefore, at the heart of addressing the PPP strategy to provide affordable housing.

In order to facilitate private sector participation and to meet the growing need of affordable housing in the country, the Ministry had set up a 'Committee on PPP/PPPP in Affordable Housing Sector'. It is envisaged that a sizeable and sustainable response through strategic PPP models will allow a self-propelled market to address the challenge of land availability and its high cost. In addition, private sector participation will also enhance access to financing and capital markets, as well as reduce costs through gains in construction, operations and time-bound delivery of dwelling units. The underutilized potential of directing privately owned land towards affordable housing would also give a fillip to the existing verticals of PMAY (Urban).

The Ministry, upon several consultations and stakeholder deliberations, has structured a 'Model Public Private Partnership Policy for Affordable Housing in India'. The policy deals with several issues in delivery of affordable housing in India and the mechanisms developed through this PPP policy to address such issues. In this regard, six generic PPP structures have been constituted for projects on government land. It also includes risk matrices and comparative analysis on 4 key parameters (scope of work, project structure, financing aspects and beneficiaries) across all the six models. These generic models for projects on government land are various permutations enabled by the guidelines on Affordable Housing Projects in PMAY (U). During the consultations, the need was felt to develop models for PPP arrangement on privately owned lands as well. The report consists of two such PPP models, linking with the two verticals of the Pradhan Mantri Awas Yojana

(Urban) - Credit-linked Subsidy Scheme (CLSS) and Affordable Housing in Partnership (AHP).

Chapter 2: Basic Strategy for Public Private Partnerships for Affordable Housing

2.1 Key Objectives of using PPP in Housing/Affordable Housing

The fundamental strategy underlying Public Private Partnerships as an implementation strategy for affordable housing is to combine the strengths of the private sector with those of the public sector in order to overcome challenges faced by affordable housing and to achieve superior outcomes. However, the success of PPP as a strategy will depend critically on designing PPP structures that make an appropriate allocation of risks, responsibilities, rewards and penances, and create the incentives for value creation. This is at the heart of the policies and contractual structures to be created for different PPP strategies to address the challenge of affordable housing.

2.2 Solving for the Affordable Housing Challenge: Alternative Choices of PPP Strategies

In the last chapter, problems of access to and cost of land, construction and operating inefficiency, and lack of access to low cost financing were identified as key obstacles for providing affordable housing. Various ways in which PPP can try to address these obstacles are described below:

2.2.1 Enhancing Access to Low Cost Land:

The issue of availability and cost of well-located land is central to the issue of affordable housing. Depending on project location, land costs can vary anywhere between 20 to 60% of the total project cost. However, the potential for directing privately owned land towards affordable housing at a low cost is limited. Through appropriate PPP structures the private sector can be incentivized to do so by adopting one or more of the following strategies.

a. **Private Land for affordable housing in exchange for permission for more intensive utilization of land:** Under this strategy, government seeks to leverage and monetize its powers to regulate land use. In exchange for giving permission to private sector entities for more favorable (intensive) utilization of land parcels owned by them, the government can require a portion of that land or other land to be made available for affordable housing. All schemes that seek to trade higher FAR/FSI granted to the private sector for affordable housing fall in this category. This kind of PPP is essentially a form of cross subsidy where the private sector is made to direct a portion of higher earnings provided by a higher FAR/FSI for the provisioning of affordable housing.

b. **Private Land for affordable housing in exchange for permission to build high-end housing**: Under this strategy, Government seeks to monetize its power to regulate real estate development and use it to get private sector to provide land and affordable housing. Private sector builders are required to provide affordable housing as a condition to be allowed to create high-end housing for which there is a profitable market. It can be safely assumed that under this strategy the builder shall, effectively, pass on a substantial part of the "burden" of the cost of creating affordable housing to the consumers of the high-end component of the project. Thus, the higher income customers will effectively provide the affordable housing, in the form of a cross-subsidy created under this PPP strategy, to low-income customers.

c. **Government Land for affordable housing by unlocking unutilized/underutilized parcels of government owned lands**: This can be a direct way of enhancing the land pool, available for creation of affordable housing. Many Central and State government departments and agencies own vast tracts of land, in excess of their requirements in the foreseeable future, those are very poorly utilized and are often illegally encroached. A systematic policy and effort can bring such lands under affordable housing and further be made available to the private sector, at a low cost, to develop and build affordable housing projects using private capital and efficiencies under suitable PPP structures. The housing created under this PPP strategy will effectively be in the form of a subsidy consisting of public lands provided by government to low-income clients.

d. **Land for affordable housing through Redevelopment of underutilized urban areas:** In Indian cities like Mumbai, Delhi and Kolkata, vast tracts of some of the world's most expensive land can today be found covered by slums. Even when the lands are privately owned and developed, they often host large number of ramshackle single storey or double storey tenements under CI sheet roofs. These structures are more like makeshift temporary structures rather than urban buildings on expensive land.

   More often than not such poor and inefficient utilization of privately owned urban lands is the consequence of policy bottlenecks, archaic land use restrictions, rent control acts, and land title issues. Policy reforms accompanied by PPP projects that seek to redevelop such unutilized/underutilized urban areas through area redevelopment programs should be at the heart of the approaches to address the affordable housing challenge. These re-development projects can co-create affordable housing along with commercial buildings and high-end housing.

   Redevelopment represents a win-win strategy in which all parties gain by better and more intensive utilization of the scarce land resources. Public Private Partnerships in such programs have the potential to create value by combining government's abilities to marshal public lands with private sector's ability to create world-class designs, construct superior real estate and unlock its value through creative marketing. Significantly, governments also play the role of a market-maker by providing regulatory oversight and playing the role of a referee and honest negotiator that help create confidence and trust among small land and property owners and tenants to participate in the redevelopment exercise with the large developers. A substantial part of the value so created can then be directed towards providing affordable housing.

e. **Land for affordable housing through Policy reform on Change of Land Use (CLU) of Agricultural Lands:** The several approaches outlined above are led by State interventions and can make an important contribution to the task of directing more land to affordable housing. However, the size of the challenge of affordable housing in India, like poverty, is a much larger problem. It cannot be solved through a beneficiary oriented, case-by-case approach alone.

Ultimately, a sizeable and sustainable response from PPP will require strategic changes in policy to allow a self-propelled market to address the challenge of cost of land and affordable housing on a large scale with a low, or no dependence on direct interventions by government through subsidies or cross subsidies. The prices of well-located lands have to decline to levels at which the low income and poor citizens of India can participate in the market. For the prices of land to decline to affordable levels, government can create an enabling environment, for a dramatic increase in the supply of land and of vertically dense development of houses and supporting infrastructure, through a controlled but easy and inexpensive process of change in land use.

The role of government shall be to create master plans that are transparent and sacrosanct. Case by case approval of change of land use should be neither allowed nor required. The regulatory functions of government should be separated from the development function and integrated with the planning function. Most importantly, governments must lead this opening up of new areas for real estate development by providing trunk infrastructure consisting of roads, water, sewage, electricity, etc. and public transport that would enable people to lead productive lives. *This would be the ultimate Public Private Partnership at a strategic level that has the potential of addressing the problem of affordable housing at its root. Further, the trunk infrastructure can in turn be provided by a combination of appropriately structured PPP as well as public sector projects.* The PPP projects for infrastructure can be implemented either on a standalone basis or can be integrated with affordable housing projects.

2.2.2 Reducing Costs through Efficiency Gains in Construction and Operations:

The private sector can be expected to contribute to efficiency gains in the development of land, construction, operations and maintenance for affordable housing through the use of technology, better management and construction practices. In addition the private sector should be expected to bring economies of scale from large projects and by involving a larger number of private partners. Delivery of projects at a lower cost and, without cost and time overruns, can potentially contribute to availability of affordable housing. In order to achieve these positive outcomes, PPP projects will need to be structured such that they create appropriate incentives for good performance by the private sector partner.

2.2.3 Access to Financing and Capital Markets:

Traditionally, Public Private Partnerships have also been seen as a source of private financing for a project. The private sector partner can indeed be expected to contribute to financing for affordable housing as well. Limited contributions could perhaps be garnered for this purpose through CSR funding. However, direct cash subsidies, if envisaged, will have to come primarily from governments.

The private sector may be called upon to provide or direct commercial funding seeking a fair return on investment for affordable housing. This could take the form of financing to cover the land and constructions costs, subject to recovery, in lump sum or installments, of the investment with a reasonable return upon successful delivery of the housing for purchase by the allottees. In addition, the maintenance costs could also be met by the private sector in the event of the affordable housing being rented or leased to the allottees. Such an arrangement would also have the effect of transferring the medium to long-term quality and maintenance risk onto the private sector partner. This could therefore, contribute to better construction, quality as well as maintenance of the assets created.

In both the above cases the private sector partner would, in addition to administering the financing arrangement, be taking a credit risk on the allottees. In doing so the private sector partner is serving the role of a financial intermediary. Such an arrangement has the advantage of effectively, even if indirectly, bringing the affordable housing customers into the debt market. The private sector developer would expect to be and should be compensated for providing the administrative service of managing the payments from the allottees and also for taking the credit risk. In effect the private sector partner is also playing the role of a micro-finance lender.

Alternatively, the allottees of affordable housing under any project could be directly linked with a retail lending or a microfinance institution. However, such arrangements could add substantial transaction costs and credit risk costs associated with them.

2.3 Risks for PPP in Housing and Possible Mitigation Strategies

The potential gains of Public Private Partnership as a program implementation strategy, and indeed as a governance intervention, rest squarely on the appropriate allocation of risks, responsibilities, rewards and penalties among the various stakeholders. Indeed, this risk allocation is the defining feature of the PPP strategy. The golden principle is that risks should be allocated to the entity best equipped to manage each risk. The expectation is that such an allocation of risks will not only produce the best possible program and project outcomes but also do so at the most optimum costs. This should lead to good quality outcomes at optimum prices.

In an affordable housing PPP project, identifying the risks of cost and time overruns, reducing the risk by careful project design, planning and budgeting, and then allocating these risks to a construction contractor through a well-crafted contract would constitute a good exercise in risk management. The responsibility of determining the list of eligible allottees would appear, prima facie, to be best borne by the government.

But the best-allocated risks will not deliver results unless the risk allocation is rigorously enforced. Enforcement of the risk allocation arrangements in turn requires that the arrangements are enshrined in legally enforceable contracts, and that the contracts define the consequences of non- fulfillment of obligations and the mechanisms for their enforcement consistent with the law of the land.

2.3.1 Risk Potentials in Housing Projects

An affordable housing PPP project may be divided into four different life cycle phases viz.

1) Pre-construction phase

2) Construction Phase

3) Allocation Phase

4) Operation and Maintenance Phase.

Each phase of Housing Project´s life cycle is susceptible to different types of risks. Various regulatory constraints like F.A.R limitations, unavailability of TDR, delayed land use conversion & approvals from Fire Department are important issues confronting private developers requiring them to engage with government and regulatory authorities. Relaxation of regulatory requirements is, arguably, one of the incentives that can be given for affordable housing.

2.3.2 Risk Matrix for PPP in Affordable Housing

A risk matrix identifies and outlines the typical risks that need to be addressed when adopting different variations of a PPP strategy for affordable housing. The Risk Matrix also indicates how the risks might be mitigated to the optimum extent and how best they can be allocated among the different stakeholders.

These risks include risks related to design and construction, maintenance & operations, financing, environment, land acquisition etc. Particular mention may be made here of off take Risk as one of the significant risk faced by affordable housing projects. Despite an acute shortage of affordable housing, it is not unusual for them to remain unoccupied. This happens usually due to the location of the affordable housing - lacking access to basic needs and means of livelihood. Poor quality construction of affordable housing may also discourage eligible beneficiaries from accepting the allotment.

It will be useful for the off take risk to be shared between the public authorities and the private developer. Involving the private sector developers in managing the off take risk has the potential of improving the outcomes. *A suitable bonus payment could be made to the private developer for every housing unit when an eligible allottee accepts the allotment.* This sharing of the off take risk between the public and private sector can provide incentives for creating affordable housing at suitable locations after undertaking reasonable demand assessment. It also creates an appropriate incentive for the private sector partner to ensure good quality construction of the housing stock. In other words it will ensure that private developers have 'skin in the game' leading to better decisions and better outcomes. The public authority should also ensure presence of trunk infrastructure on the identified site in order to mitigate the vacant stock risk.

This Risk Matrix can, thus, throw light on the possible designs of contracts for different models of PPP projects for affordable housing and assist in the drafting of contracts that capture those designs.

Chapter 3: Implementation Models

In the last chapter, the potential gains from Public Private Partnerships as an implementation strategy for affordable housing as well as the potential risks and mitigation strategies were discussed and analyzed. In this chapter, an attempt is made to develop various models of PPP to achieve these gains while allocating the risks appropriately. Attention is given, in particular, to a) the primary advantages that the models can deliver and b) the shared responsibility of the potential risks among various shareholders.

3.1 Generic PPP Models for Affordable Housing

Model 1: Government-land Based Subsidized Housing (GLSH)

Model Description

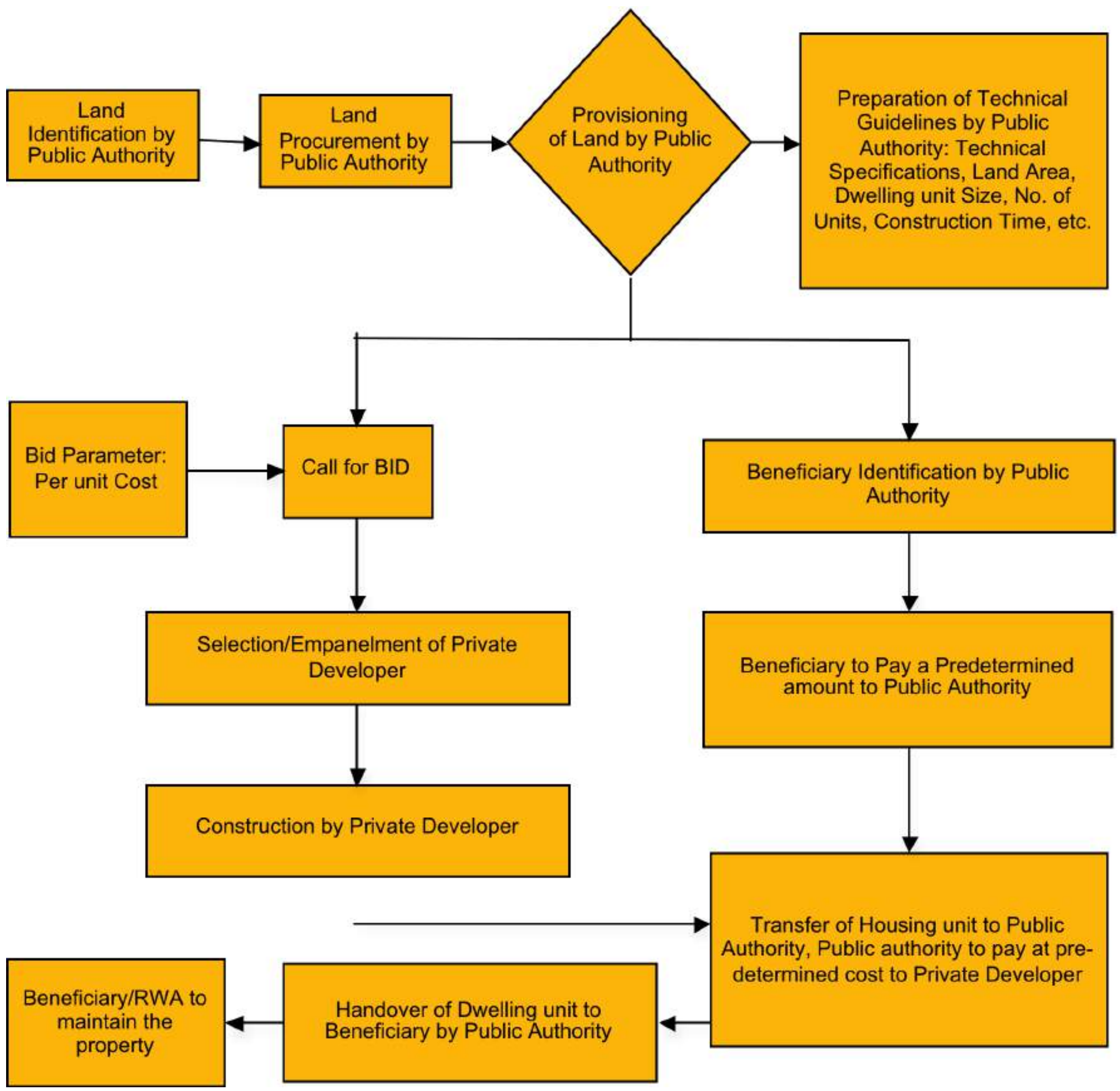
Under this model, the public authority will provide land on a long-term lease (preferably on a nominal lease rental) to the selected private developer. This would effectively constitute a state subsidy for the project. The private developer will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services of predetermined standards, at a pre-determined cost and within a pre-determined time. The public authority will undertake to compensate the private developer for the housing stock on the satisfactory completion and handing over of the units, as per prescribed standards, cost and time. Thus, the responsibility and risk for cost recovery rests on the public authority.

The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the public authorities. The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the public authority. The same will be announced prior to the implementation of the project. Public authority will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

In order to incentivize proper site selection and good quality construction, a bonus payment could be included for every housing unit accepted and paid for, by an eligible allottee. There is no involvement of private developer and public authority for the maintenance of the units after the transfer of units to allottees. A Resident welfare Association (RWA), inclusive of members from all economic class of residents, may be constituted for upkeep of common areas and public spaces within the Group Housing premises.

The private developer will transfer the housing stock to the public authority. Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions to the allottees for this purpose. An interest subsidy for the allottees could also be built into a financial subsidy regime through central nodal agency (NHB/HUDCO).

Activity Flowchart for Housing Projects under GLSH (Stages and Responsible entities)



Salient Features

Land as Subsidy: Under this model, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *of predetermined standards, at a pre-determined cost and within a pre-determined time.*

Maintenance by the Beneficiary: There is no involvement of private sector and government for the maintenance of the units after the transfer of units to allottee. A Resident welfare Association (RWA), inclusive of members from all economic class of residents, may be constituted for upkeep of common areas and public spaces within the Group Housing premises.

Pubic Authority to compensate the Private Sector Partner: The public authority will undertake to compensate the private developer for the housing stock on the satisfactory completion and handing over of the units as per prescribed standards, cost and time. Thus, the responsibility and risk for cost recovery rests on the public authority.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of, and in collaboration with, civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to a government department or agency nominated by the government.

Payments by Allottees: The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the public authorities.

Financial Assistance to Allottees: Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions or other intermediaries to the allottees for this purpose. An interest subsidy for the allottees could also be built into a financial subsidy regime.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

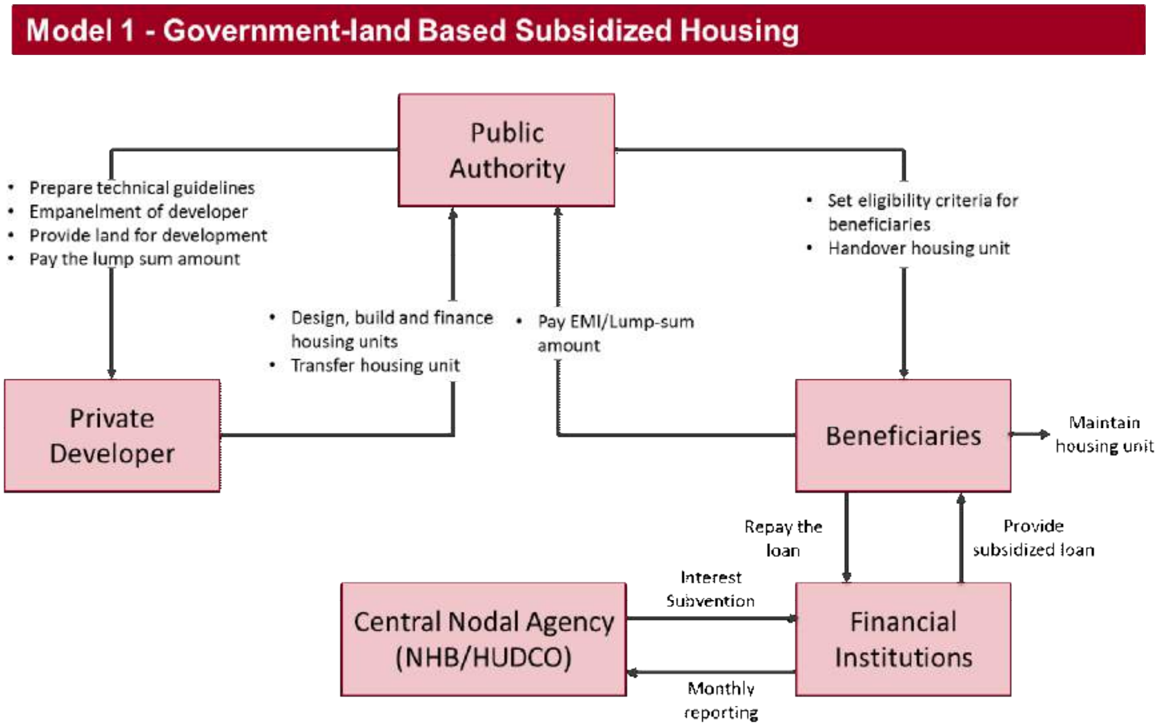
Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance responsibility will be transferred on the private sector. The credit risk of financing the allottee with a housing loan will be taken by financial institutions – public or private – or by government authorities.

Bid Parameter: A good bidding strategy, under this model, would consist of selecting the private developer based on per unit cost as the bid parameter. It would be necessary to a-priori prescribe the number of housing units to be provided together with area, technical specifications and construction time period.

Risk Matrix

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

The roles and responsibilities of the various stakeholders in Model 1 has been summarized below:



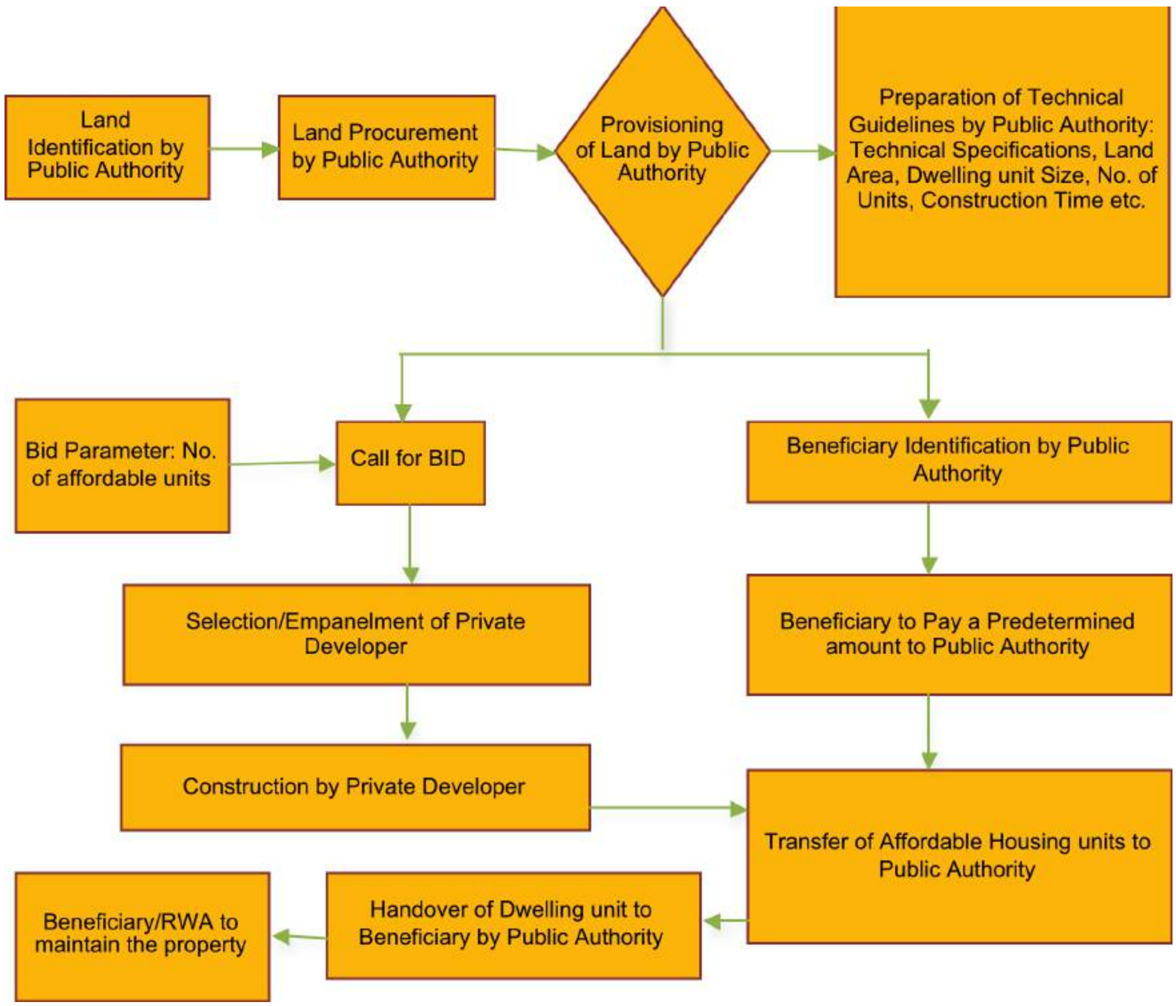
Model 2: Mixed Development Cross-subsidized Housing (MDCH)

Model Description

The essential difference in this model from model 1 will be that the developer does not receive any payment from the public authority for providing the affordable housing stock. Instead, the private developer will be allowed to build and sell high-end housing on a portion of the land allotted. The private developer could even be allowed to utilize the entire land made available by government for high-end housing in exchange for providing affordable housing at another location, on land to be arranged by the private developer. *Effectively, this constitutes a cross subsidy between the high-end housing and affordable housing in addition to the subsidy in the form of land provided by the government.*

The value creation for the private developer can be further enhanced by providing higher FAR, TDR as well as fast track clearances for undertaking the development of high-end housing. In exchange for all this value creation, the private developer will be required to provide affordable housing free of cost. In order to encourage the private developer to share off takes risk and to incentivize proper site selection and good quality construction, a bonus payment could be included for the developer for every housing unit accepted and paid for by an eligible allottee. All other aspects of this model would remain the same as in Model 1.

Activity Flowchart for Housing Projects under MDCH (Stages and Responsible entities)



Salient Features

Land as Subsidy: Under this model, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *of predetermined standards, at a pre-determined cost and within a pre-determined time.*

Maintenance by the Beneficiary: There is no involvement of private sector and government for the maintenance of the units after the transfer of units to allottee. A Resident welfare Association (RWA), inclusive of members from all economic class of residents, may be constituted for upkeep of common areas and public spaces within the Group Housing premises.

Cost Recovery by Private Sector Partner: The private developer will recover the cost of affordable housing through the revenue generated from high-end housing that is created as a collateral activity.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to the government or to an agency nominated by the government.

Payments by Allottees: The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the public authorities.

Financial Assistance to Allottees: Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions or other intermediaries to the allottees for this purpose. An interest subsidy for the allottees could also be built into financial subsidy regime.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

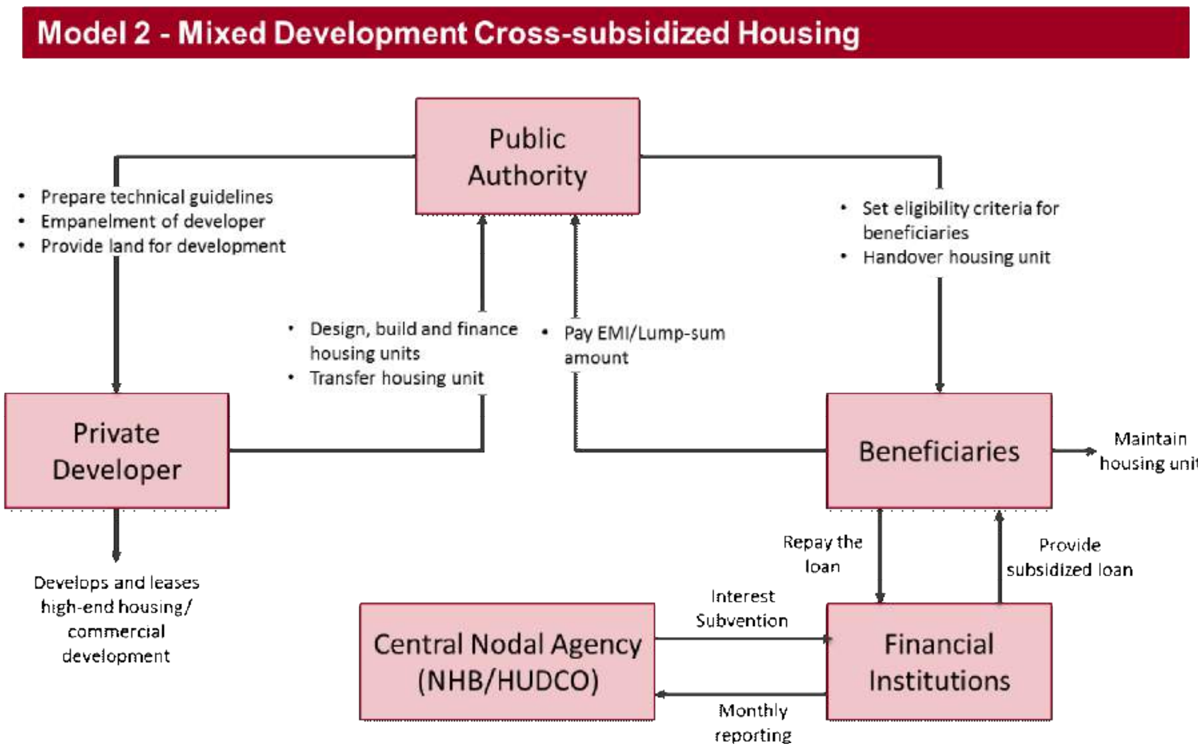
Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance risk and cross subsidy will be transferred to the private sector. The credit risk of financing the allottee with a housing loan will be taken by financial institutions – public or private – or by government authorities.

Bid Parameter: Since the goal of this model is to maximize affordable housing at minimum cost to government, the number of affordable housing units to be provided on a given plot of land would be a useful bid parameter for bidding out such projects. It would be necessary to a-priori prescribe the area, technical specifications and construction time period etc. for each housing unit.

Risk Matrix:

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

The roles and responsibilities of the various stakeholders in Model 2 have been summarized below:



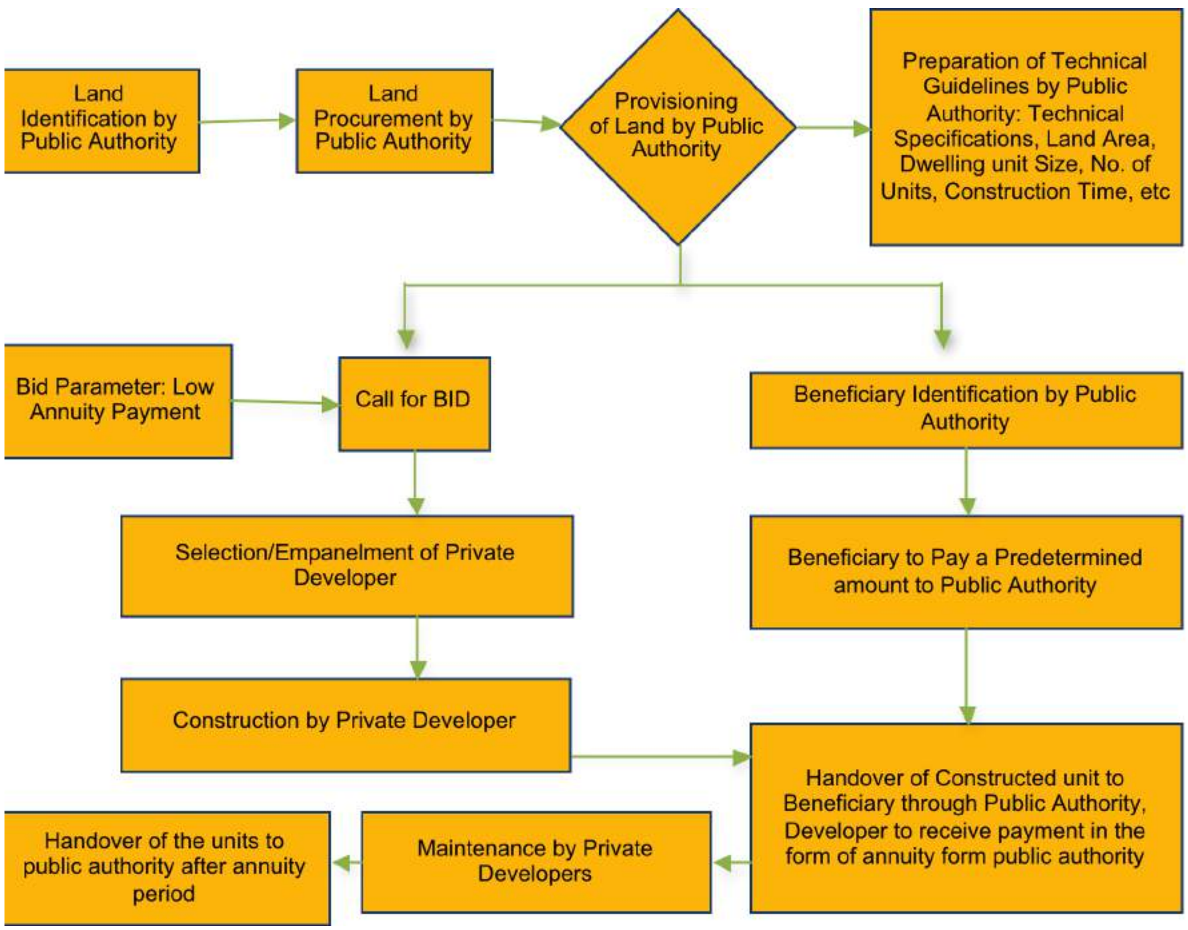
Model 3: Annuity Based Subsidized Housing (ABSH)

Model Description

As in Model 1, government will provide land under this model as well. The key difference in this model will be that the developer receives revenue from the government in the form of regular annuity payments for a period of time (say 15-20 years) instead of a lump sum amount at the time of handover. This long-term association of the Developer with the project will also require the developer to maintain the assets during this period and transfer the dwelling units back to the public sector or its nominees at the end of the period. The public authorities will monitor the quality of the maintenance and there will be rewards and penalties linked to the long-term quality of service received by the occupants. These rewards and penalties will be reflected in the annuity amounts paid every year.

The primary objective of this model is that in addition to the construction risks, the maintenance risk is also transferred to the private sector. Also, it is expected that this will improve the construction quality itself since the developer will now be responsible for the long-term performance of the asset. Also, under this model the responsibility of government to compensate the Developer is spread over a long time through the annuity structure. The responsibility for raising and servicing the financial investment would of course continue to vest in the developer. In order to encourage the private developer to share the offtake risk and to incentivize proper site selection and good quality construction, a bonus payment could be included for the developer for every housing unit accepted and paid for by an eligible allottee.

Activity Flowchart for Housing Projects under ABSH (Stages and Responsible entities)



Salient Features

<u>*Land as Subsidy:*</u> Under this model, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design, Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *at a pre-determined cost and within a pre-determined time.*

Maintenance by the Private Developer: The private developer is held accountable not only for the construction but for the medium to long-term maintenance of the housing units as well. The annuity payments made to the private sector can be impacted in the event of maintenance standards not being met.

Pubic Authority to enable Cost Recovery by Private Sector Partner: The public authority will undertake to compensate the private developer for the housing stock on the satisfactory completion and handing over of the units as per prescribed standards, cost and time. The cost recovery would take the form of an annuity payment by the public authority to the private developer.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries, in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to the government or to an agency nominated by the government.

Payments by Allottees: The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the public authorities.

Financial Assistance to Allottees: Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions or other intermediaries to the allottees for this purpose. An interest subsidy for the allottees could also be built into financial subsidy regime.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

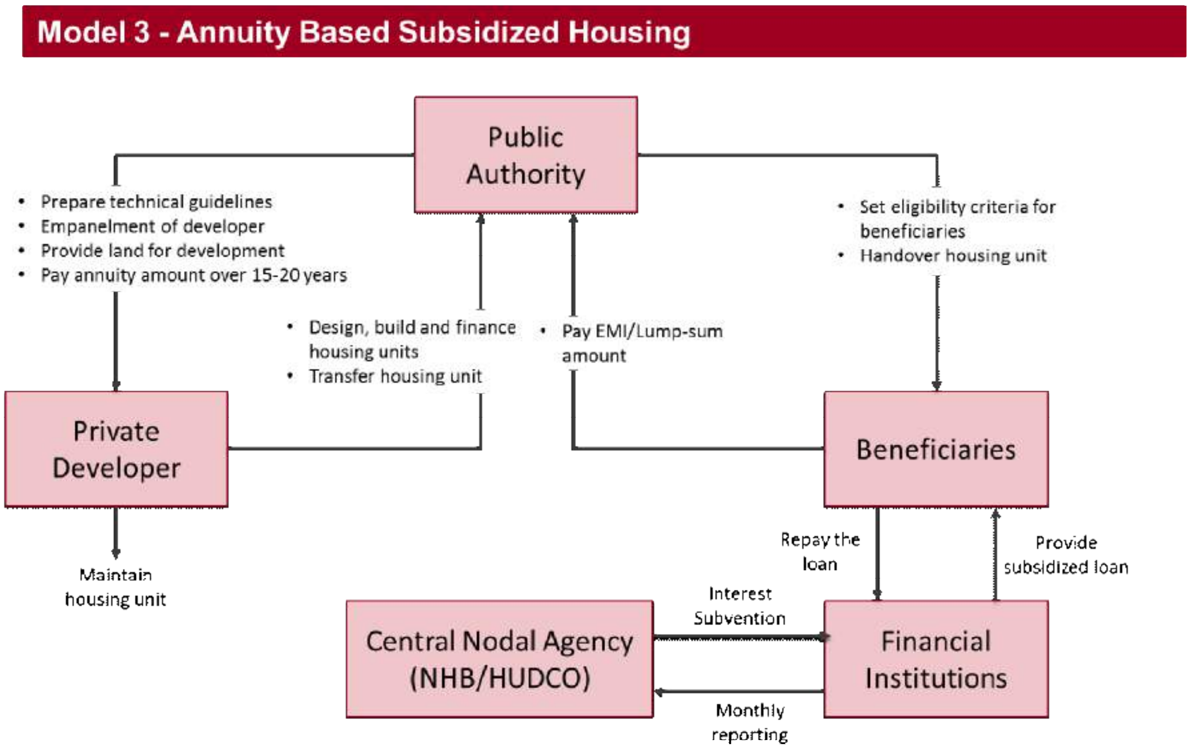
Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance responsibility will be transferred on the private sector. The credit risk of financing the allottee with a housing loan will be taken by financial institutions – public or private – or by government authorities.

<u>Bid Parameter:</u> As in the case of Model 1, the selection of the private developer can be based on "per-unit-cost" as the bid parameter. However, the "per-unit-cost" in this case would be the annuity amount due to be paid every year. The bidder seeking the lowest level of annuity amount would be the preferred bidder. It would of course be necessary again to a-priori prescribe the number of housing units to be provided together with area, technical specifications and construction time period etc.

Risk Matrix

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

The roles and responsibilities of the various stakeholders in Model 3 have been summarized below:



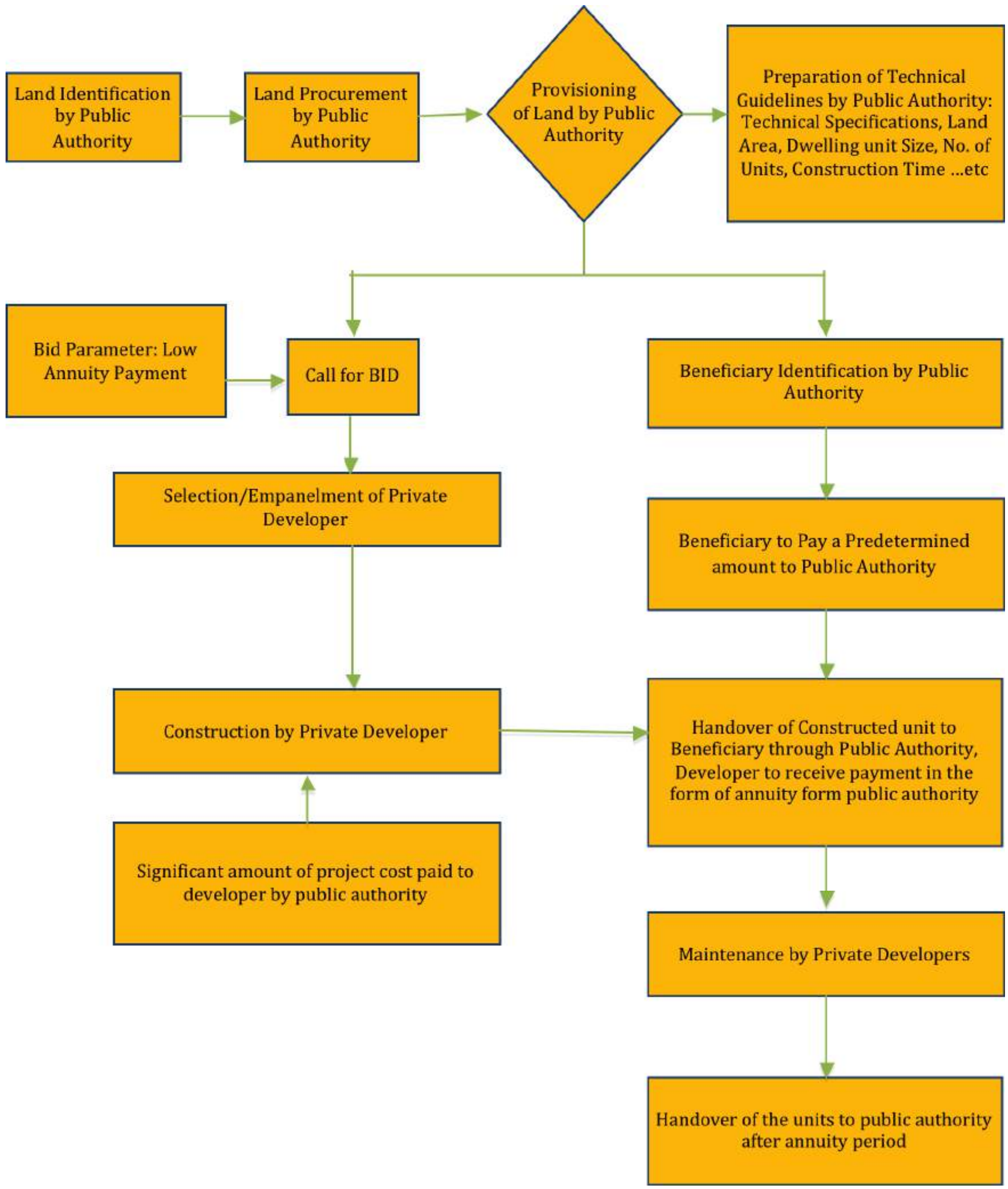
Model 4: DBFMT –Annuity cum Capital Grant based Subsidized Housing (AGSH)

Model description

This model is similar to the Model 3: DBFMT Annuity Model, except that under this model a significant proportion of project cost (say 40-50%) is paid to the private developer during the construction phase itself. The remaining amount is paid to the developer as an annuity during the next 15 to 20 years after the successful completion of the project. The annuity amount will of course be lower under this model than under Model 3 since the developers will also receive a capital grant.

Developers will continue to bear the responsibilities of construction as well as maintenance and their rewards will continue to be substantially linked to the long-term performance of the asset. The annuity payments are subject to good performance of the asset and provision of maintenance services. In order to encourage the private developer to share the off take risk and to incentivize proper site selection and good quality construction, a bonus payment could be included for the developer for every housing unit accepted and paid for by an eligible allottee. *However, to the extent that government will* *finance a part of the construction cost, the financing cost and risk on the private sector will be reduced. This is also expected to bring down the total project cost.*

Activity Flowchart for Housing Projects under AGSH (Stages and Responsible entities)



Salient Features

Land as Subsidy: Under this, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design, Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *of predetermined standards, at a pre-determined cost and within a pre-determined time.*

Maintenance by the Private Developer: The private developer is held accountable not only for the construction but for the medium to long-term maintenance of the housing units as well. The annuity payments made to the private sector can be impacted in the event of maintenance standards not being met.

Pubic Authority to enable Cost Recovery by Private Sector Partner: The public authority shall undertake to compensate the private developer for the housing stock on the satisfactory completion and handing over of the units as per prescribed standards, cost and time. The cost recovery would take the form of an upfront grant during construction and annuity payment by the public authority to the private developer.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to the government or to an agency nominated by the government.

Payments by Allottees: The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the public authorities.

Financial Assistance to Allottees: Loans at an appropriate rate of interest and appropriate tenure could also be made available, through housing finance institutions or other intermediaries, to the allottees for this purpose. An interest subsidy for the allottees could also be built into financial subsidy regime.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance responsibility will be transferred on the private sector. The credit risk of financing the allottee with a housing loan will be taken by financial institutions – public or private – or by government authorities.

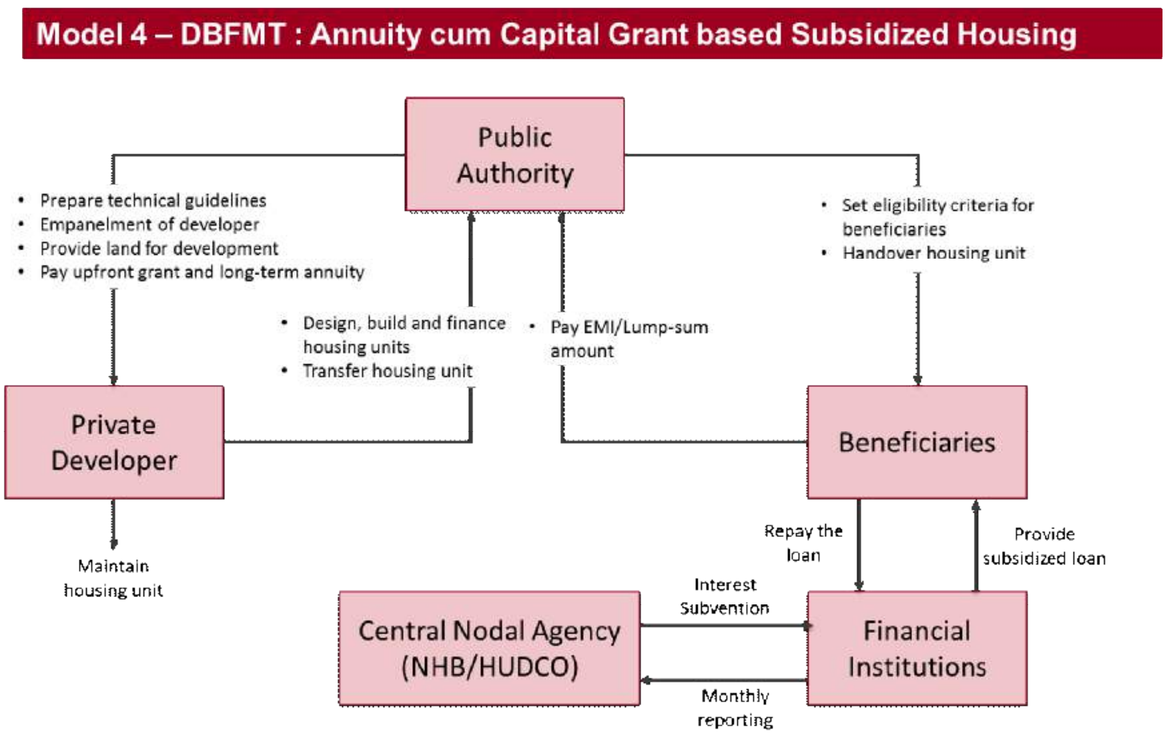
Bid Parameter: The private developer can again be selected based on the annuity amount – the bidder with the lowest annuity amount would be preferred. It would be necessary to a-priori prescribe the number of housing units to be provided together with area, technical specifications and construction time period *as well as the upfront capital grant amount.* Alternatively, the annuity amount can be fixed a-priori and the capital grant can serve as the bid parameter.

Risk Matrix:

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				

Credit Risk				

The roles and responsibilities of the various stakeholders in Model 4 have been summarized below:



Model 5: Direct Relationship Ownership Housing (DROH)

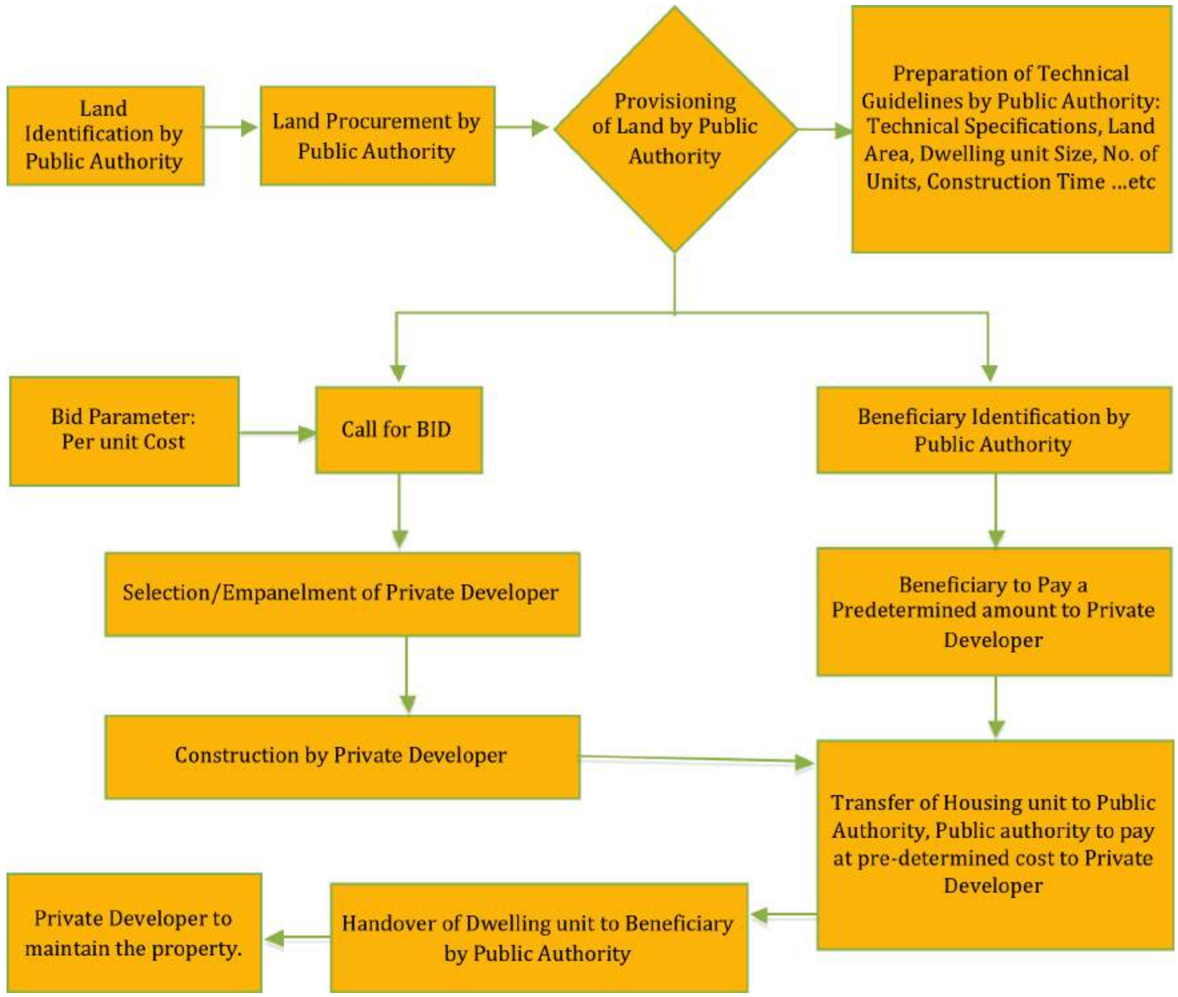
Model Description

The essential difference between this Model and Model 1 is that in this model there will be a direct financial relationship between the Developer and the Allottee. The land will be allotted by the government and will constitute a significant subsidy. However, the Allottees would be required to make payments towards the cost of the housing unit directly to the Developer. Thus the private developer will undertake to recover the cost of affordable housing directly from allottee. This recovery may take the form of a lump-sum payment at the time of transfer of housing unit to allottee or in the form of equated monthly installment (EMI) for a fixed period of time leading to the transfer of unit to the allottee. The risk of cost recovery will be transferred to the Developer. The developer will also be responsible for the maintenance of the dwelling units for a pre-determined period that can be same as the cost recovery period.

This model entails the highest level of risk transfer to the private sector amongst the earlier 4 models. In order to recover costs the Developer will need to have eligible customers who are willing to pay the cost. The Developer's interests are thus aligned with providing a well-constructed and well-maintained house to a customer. If properly implemented, this should result in good outcomes. However, as in Model 1, the eligibility of the beneficiaries can continue to be established and announced by the government before the implementation of the project. The government or public authorities in collaboration can also make the selection of the allottees from amongst the eligible beneficiaries with the Developer or NGOs and civil societies.

Collection of monthly payments in the form of EMI is a significant risk to be borne by the Developer under this model. Empowering the Developer to impose reasonable penalties, for delay or non-payment, shall mitigate this risk. Access to speedy dispute resolution between the Developer and the Allottee will also be required for this model.

Activity Flowchart for Housing Projects under DROH (Stages and Responsible entities)



Salient Features

Land as Subsidy: Under this model, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *of predetermined standards, at a pre-determined cost and within a pre-determined time.*

Maintenance by the Private Developer: The private developer is held accountable not only for the construction but for the medium to long-term maintenance of the houses as well.

Cost Recovery by Private Sector Partner: The private developer shall undertake to recover the cost of affordable housing directly from allottee. This recovery may take the form of a lump-sum payment at the time of transfer of housing unit to allottee or in the form of equated monthly installment (EMI) for a fixed period of time leading to the transfer of unit to the allottee. Rental housing could form an important subset of such projects, wherein housing units continue to be owned by the developers but can be allotted to allottees on payment of monthly rental.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to the individual allottees nominated by the government.

Payments by Allottees: The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the private developer.

Financial Assistance to Allottees: Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions or other intermediaries to the allottees for this purpose. An interest subsidy for the allottees could also be built into financial subsidy regime.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance responsibility will be transferred on the private sector. The credit risk of financing the allottee with a housing loan will be taken by financial institutions – public or private – or by government authorities.

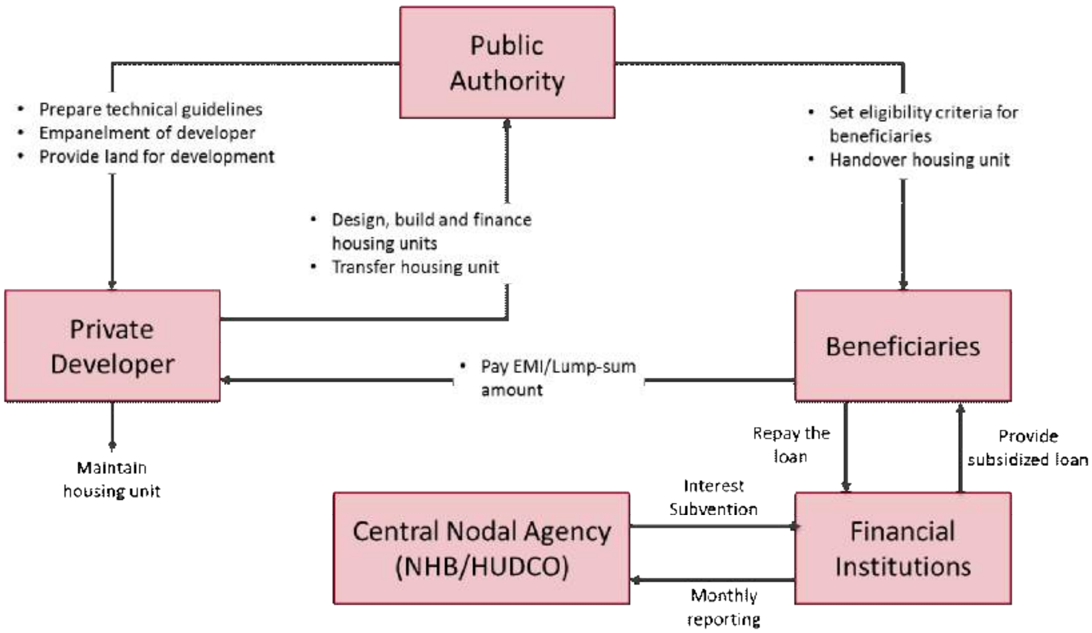
Bid Parameter: The private developers can be selected based on per-unit-cost. The per-unit-cost will in turn be in the form of the monthly payment (EMI) that the Developer will be allowed to recover from the Allottees. It would of course be necessary again to a-priori prescribe the number of housing units to be provided together with area, technical specifications and construction time period etc.

Risk Matrix:

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

The roles and responsibilities of the various stakeholders in Model 5 have been summarized below:

Model 5 – Direct Relationship Ownership Housing



Model 6: Direct Relationship Rental Housing (DRRH)

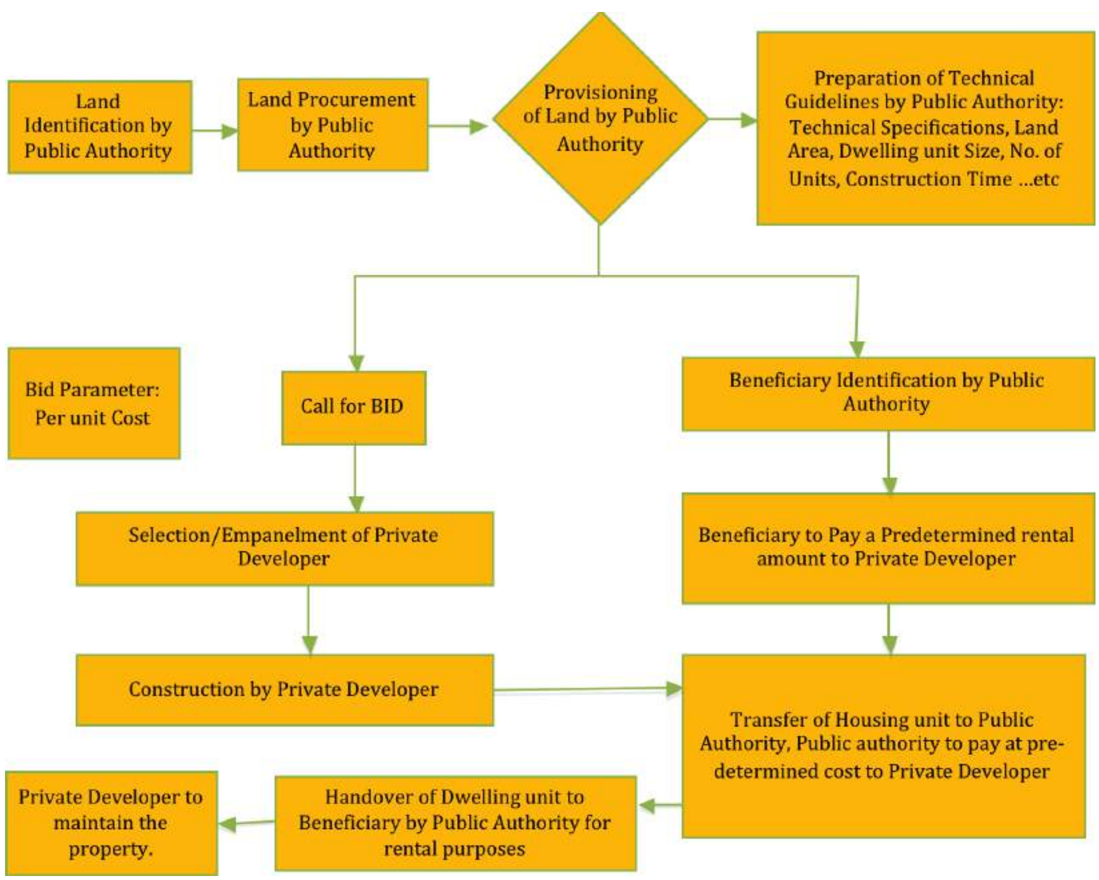
Model Description

The essential difference between this Model and Model 5 is that in this model the Allottees would be required to make rental payments towards the usage of the housing unit directly to the developer, whereas these units continue to be owned by the developers. Thus the private developer will undertake to recover the cost of affordable housing directly from allottee. The developer will also be responsible for the maintenance of the dwelling units for a pre-determined period.

This model entails the highest level of risk transfer to the private developer among all the models. In order to recover costs, the developer will need to have eligible customers who are willing to pay the requisite rent. The Developer will also need to expend its own resources to find clients in case the existing tenant move out of their housing units. The developer might not find eligible customers to occupy the housing units in case of economic downturn, which might result in extension of cost recovery period. However, as in Model 5, the eligibility of the beneficiaries can continue to be established and announced by the public authority before the implementation of the project. The public authorities in collaboration can also make the selection of the allottees from amongst the eligible beneficiaries with the developer or NGOs and civil societies.

Collection of monthly payments in the form of rent is a risk to be borne by the developer under this model. Empowering the developer to impose reasonable penalties, for delay in rental payments or rental non-payment, shall mitigate this risk. Developer shall mandate a fixed date by which the customers should pay the rent to the developer. Developer would also have the additional rights to evict the customers on non-payment of rentals with the certain time period. For the success of this model, access to speedy dispute resolution between the developer and the Allottee will also be required for this model to be acceptable to the private developer. It is however important to emphasize that the risk of nonpayment of rents by EWS is considerably overstated. The experience of banks and other financiers is that small borrowers are a low risk as long as the favorable conditions exist for enforcement and dispute resolution and the process stays insulated from undue political pressures. The rental model for affordable housing is the preferred model in many western countries.

Activity Flowchart for Housing Projects under DRRH (Stages and Responsible entities)



Salient Features

Land as Subsidy: Under this model, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period. This would effectively constitute a state subsidy for the project.

Design Build & Finance by Private Sector: The private sector will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services *of predetermined standards, at a pre-determined cost and within a pre-determined time.*

Maintenance by the Private Developer: The private developer is held accountable not only for the construction but for the medium to long-term maintenance of the housing units as well.

Cost Recovery by Private Sector Partner: The private developer will undertake to recover the cost of affordable housing directly from allottee. This recovery may take the form of a monthly payment for a fixed period of time. Rental housing could form an important subset of such projects, wherein housing units continue to be owned by the developers but can be allotted to allottees on payment of monthly rental.

Beneficiary Identification by Public Authorities: The establishment of the eligibility of beneficiaries will be the duty and the prerogative of the government. The same will be announced prior to the implementation of the project. Government will make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

Distribution: The housing stock will be transferred by the private sector to the government or to an agency or individual allottees nominated by the government.

Payments by Allottees: The allottees would be required to make monthly payment of a pre-determined amount to the private developer for a predetermined period of time.

Public Private Partnerships for Trunk Infrastructure: The responsibility for the trunk infrastructure and connectivity will be borne by the public sector. However, the government could undertake the financing and implementation of the same through separate PPP arrangements or directly.

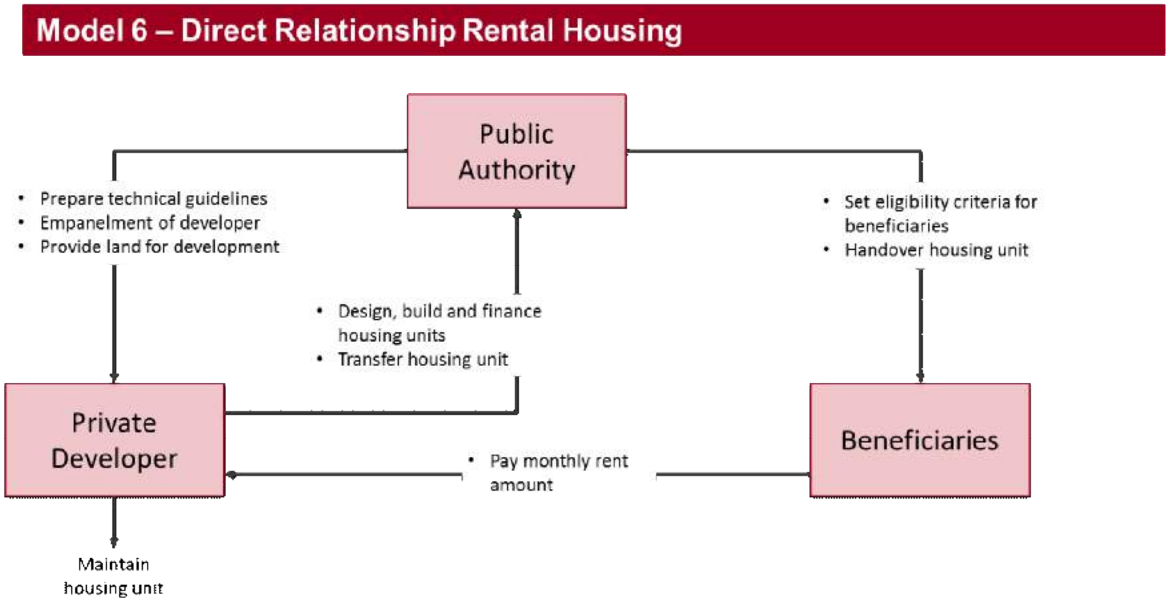
Risk Sharing: In this way the responsibility for land, subsidy, and trunk infrastructure will be taken by the public authorities while the performance responsibility will be transferred on the private sector.

<u>Bid Parameter:</u> The private developers can be selected based on per-unit-cost. The per-unit-cost will in turn be in the form of the monthly rental payment that the Developer will be allowed to recover from the Allottees. It would of course be necessary again to a-priori prescribe the number of housing units to be provided together with area, technical specifications and construction time period etc.

Risk Matrix

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk	Not Applicable			

The roles and responsibilities of the various stakeholders in Model 6 has been summarized below:



3.2 Comparative analysis across PPP models for affordable housing

A comparative analysis has been done in this section to outline the key aspects to the implementing agency, which are different across the various affordable housing PPP models.

3.2.1 Scope of Work

The key aspects related to scope of work, which are different across models, have been summarized below:

→ **Designing and building of units:**

The private developer will be responsible for designing and building of affordable housing units across all models.

→ **Maintenance of units:**

In the first two models, the beneficiaries would do the maintenance whereas in the remaining models he private developer is responsible for maintenance of the affordable housing units.

→ **Distribution of units:**

In the first four models, the private developer would be responsible for transfer of housing stock to the public authority, which in turn would hand over the units to the beneficiaries. In the remaining models i.e. direct relationship housing models, the private developer would be responsible for handover or allocation to beneficiaries.

→ **Development mix:**

The development mix would primarily include development of affordable housing across all the models, except in the case of mixed development cross subsidized model where the development mix would include development of high end housing or commercial development along with affordable housing.

→ **Responsibility of trunk infrastructure:**

The responsibility of the component identification for trunk infrastructure and providing connectivity for the affordable housing units will be borne by the public authority in all the six models

→ **Implementation of trunk infrastructure:**

The design, implementation and development of the trunk infrastructure and providing connectivity for the affordable housing units would be done under a separate EPC or PPP arrangement in all the six models

Parameters	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Designing and Building of units	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner
Maintenance of units	Beneficiaries	Beneficiaries	Private partner	Private partner	Private partner	Private partner
Distribution of units	Private partner to Public authority	Private partner to Public authority	Private partner to Public authority	Private partner to Public authority	Private partner to beneficiaries	Private partner to beneficiaries
Development mix	Affordable housing	Affordable housing & high-end housing/ commercial development	Affordable housing	Affordable housing	Affordable housing	Affordable housing
Repsonsibility of trunk infrastructure	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority
Implementation of Trunk infrastructure	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement

3.2.2 Project Structure

The key aspects related to project structure, which are different across models, have been summarized below:

→ **Land Provision:**

Under all the models, land will be provided by public authorities on a long term lease (preferably on a nominal lease rental) to the selected private developer.

→ **Lease Period:**

The lease term for all the models would be 30 to 99 years so that the private developer can generate commensurate returns over a longer time period.

→ **Contract Period from Conditions Precedent:**

The contract period for first two models will be only 2-4 years within which the developer will be responsible and held accountable for designing, building and financing of affordable housing stock and associated services and maintenance will be the responsibility of beneficiaries whereas the contract period for rest of the four models will be for a period of 15-20 years since the private developer will also be responsible for maintenance post construction of affordable housing units.

→ **Bid Parameter:**

The bid parameter would differ across different models. In the first model, the bid parameter would be lowest per unit cost (lowest lump sum amount) quoted by the private developer. In the second model, the bid parameter would be the maximum number of units to be built by the developer over and above the minimum no of units mandated by the public authority as the goal of this model is to maximize affordable housing at minimum cost to public authority. In the third model, the bid parameter would be lowest monthly/ yearly annuity amount to be paid by the public authority to the private developer. In the fourth model, the bid parameter would either be lowest monthly/ yearly annuity amount to be paid by the public authority to the private developer or lowest upfront capital grant to be paid by the public authority to the private developer. In the fifth model, the bid parameter would be lowest monthly EMI or lowest lump sum, which will be paid to the private developer by the beneficiaries. In the sixth model, the bid parameter would be lowest monthly rent, which will be paid to the private developer by the beneficiaries

→ **Off take Risk and Responsibility:**

The off take responsibility will be borne by the public authority in the first 4 models whereas the off take responsibility will be borne by the private developer in the remaining two direct relationship housing models. However, the risk can be shared between the public authority and the private developer for models 2, 3 and 4.

→ **Performance Risk:**

The performance risk would be invariably be borne by the private developer across all the models.

Parameters	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Land provision	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)
Lease period	~ 30 to 99 years for affordable housing	~ 30 to 99 years for affordable housing and commercial component	~ 30 to 99 years for affordable housing	~30 to 99 years for affordable housing	~ 30 to 99 years for affordable housing	~30 to 99 years for affordable housing
Contract period from conditions precedent	2 to 4 years	2 to 4 years	15-20 years	15-20 years	15-20 years	15-20 years
Bid parameter	Per unit cost (lowest lump-sum amount)	No. of affordable units to be provided on given plot	Per unit cost (lowest annuity payment)	Lowest annuity amount or lowest upfront grant	Per unit cost (lowest EMI or lowest lumpsum)	Per unit cost (lowest Rent)
Offtake responsibility	Public authority	Public authority	Public authority	Public authority	Private partner	Private partner
Performance Risk	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner

3.2.3 Financing Arrangements

The key aspects related to financing arrangements, which are different across models, have been summarized below:

→ **Financing:**

In all the affordable housing models except one, the financing for the construction of the housing units has to be arranged by the private developer. In annuity cum capital based subsidized housing, the public authority will pay significant proportion of project cost (say 40-50%) to the private developer during the construction phase itself

→ **Recovery by developer:**

Cost Recovery by developer would vary across different models. In 1st model, public authority would pay a lump sum amount post satisfactory completion of construction of the affordable housing units. In 2nd model, the private developer is expected to recoup its costs via revenue generated from high-end housing or commercial development. In 3rd model, public authority will pay the developer regular annuity payments for a period of time (15-20 years) instead of a lump sum amount at the time of handover. In the 4th model, public authority will pay significant proportion of project cost (say 40-50%) to the private developer during the construction phase itself along with regular annuity payments for a period of time (15-20 years). In 5th model, the private developer is expected to recoup its costs via lump sum payments or EMI payments from the beneficiaries. In the 6th model, the private developer is expected to recoup its costs via monthly rental payments from the beneficiaries

→ **Subsidy for developer:**

In all the affordable housing models, land will be provided by public authorities on a long-term lease (preferably on a nominal lease rental) to the selected private developer co-terminus with the agreement period, which effectively constitutes a public authority subsidy for the project.

→ **Performance bonus for developer:**

In the first 4 models, the performance bonus, limited to 10-15% of revenues generated, will be paid out to the developer by the public authority. The performance bonus will be linked to the number of housing units sold so as to mitigate the demand risk faced by the public authority during identification and allocation of affordable housing units. The performance bonus would not be applicable for both types of relationship housing models wherein private developer would be responsible for identification and allocation of affordable housing units to beneficiaries.

Parameters	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Financing	Private partner	Private partner	Private partner	Public authority and Private partner	Private partner	Private partner
Recovery by developer	Govt. pays private partner lump sum amount on completion	Revenue generated from high-end housing	Govt. pays long-term annuity to private partner on completion	Govt. pays upfront grant and annuity to private partner	Beneficiaries pay (Lump-sum or EMI) to Private partner	Beneficiaries pay monthly rent to Private partner
Support/subsidy for developer	Land	Land	Land	Land	Land	Land
Cross subsidy for developer	Not Applicable	Land provided for high end housing	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Offtake related Performance bonus for developer	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	Not Applicable	Not Applicable

3.2.4 Beneficiaries

The key aspects related to beneficiaries, which are different across models, have been summarized below:

→ **Beneficiary eligibility:**

Setting the beneficiary eligibility criteria is the responsibility of the public authority across all the six models

→ **Beneficiary identification:**

The beneficiary identification is the responsibility of the public authority in the first four models only. Private developer will be responsible for identification of beneficiaries in both types of direct relationship housing models

→ **Payments by beneficiaries:**

The beneficiaries will pay the lump sum amount or monthly EMI to the public authority in first four models. In remaining two models, beneficiaries will pay the lump sum amount or monthly EMI to private developer in direct relationship ownership housing and monthly rent to private developer in the direct relationship rental housing.

→ **Sourcing of funds by beneficiaries:**

The beneficiaries will either contribute a certain percentage of the monthly income towards lump sum or EMI payments or obtain loans from financial institutions in the first five models. In the direct relationship rental housing, the beneficiaries will contribute a certain percentage of the monthly income for paying rents to the private developer, as financial institutions don't provide loans for rental housing.

Parameters	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Beneficiary eligibility	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority
Beneficiary identification	Public authority	Public authority	Public authority	Public authority	Private partner	Private partner
Payments by beneficiaries	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Private partner	Rent to Private partner
Sourcing of funds by beneficiaries	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Monthly income

3.3 Models involving Private Land

Each of the above models can also potentially be implemented on land that is privately owned instead of being publicly owned. In variations involving private land the total private cost of affordable housing will naturally increase substantially. In order that such projects involving private land are to be successfully executed, either the government will have to provide financial support to offset the high cost of private land or the degree of cross subsidy from high-end housing will need to be increased.

In addition to the financial incentives for affordable housing on private land as described above, incentives and legal requirements in the form of permissions, approvals, FAR and policy directions can be used to create affordable housing on private land. The underutilized potential of directing privately owned land towards affordable housing would also give a fillip to the existing verticals of PMAY (Urban).

In order to address the problem at hand and maintain uniformity of approach, the 'Committee for Drafting Model Contract for PPP/PPPP in Housing Sector' also suggested utilizing private lands with increased financial and institutional support from Government so as to offset the high land cost and ensure timely approvals in order to reduce time cost of delay, respectively. With these views in place, the Ministry, upon several consultations and stakeholder deliberations, has developed illustrative guidelines for PPP projects on privately owned land, supplementing the two verticals of PMAY (Urban) i.e. Credit Linked Subsidy Scheme (CLSS) and Affordable Housing in Partnership (AHP). The two PPP models suggested are Model A: PPP framework for CLSS approach and Model B: PPP framework for AHP approach.

PPP Framework for Private Land based Subsidized Housing in Association with PMAY (U)

1. Model A: Taking advantage of CLSS

1.1 Model Description:

Under this model, private developer will provide land as well as be responsible and accountable for designing, building and financing of affordable housing stock and associated services of predetermined standards, at a pre-determined cost and within a pre-determined time. The private developer will undertake steps to compensate it for the costs involved in satisfactory completion of housing stock and handing over of the units as per prescribed standards. Thus, the responsibility and risk for cost recovery rests on the private developer. The allottees would be required to make pre-determined payment for the cost of the housing unit at the time of handover. Alternatively, the allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the private developer.

The establishment of the eligibility of beneficiaries will be the duty of the Banks extending the loans to the applicant; in this particular case this would be as per the PMAY (U) Guidelines. The selection of the allottees from amongst the eligible beneficiaries, in case of over subscription, can be made either by public authority or the developers in a transparent and equitable manner. It is also proposed that the Public Authority may congregate the beneficiaries, banks and builders in order to facilitate the selection of allottees. This would further enable in mass awareness of the project and help in dissemination of correct information. Involvement of banks would help in making available loans at an appropriate rate of interest and appropriate tenure to the allottees.

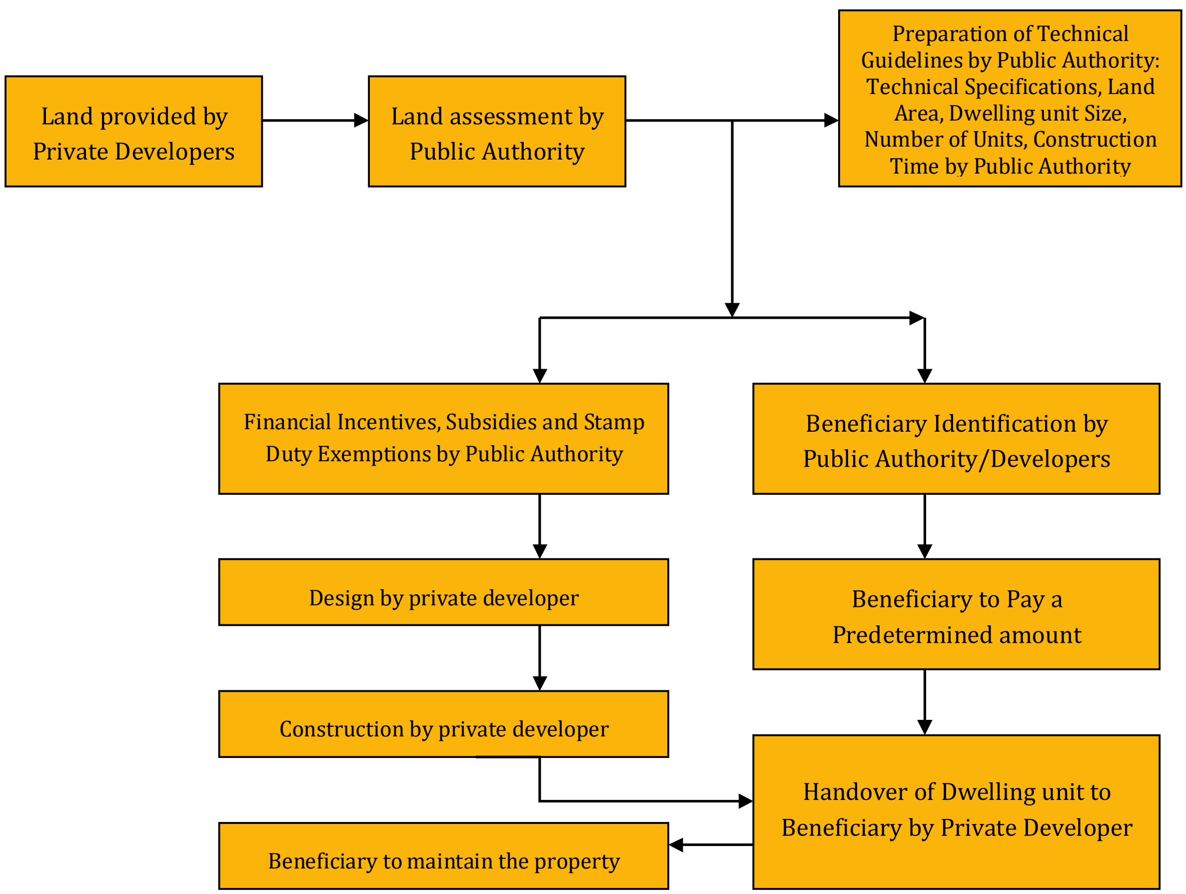
An interest subsidy for the allottees would be built into a financial subsidy regime through central nodal agency (NHB/HUDCO). For identification as an EWS/LIG/MIG beneficiary under the scheme, an individual loan applicant will submit self-certificate/affidavit as proof of income. Public Authority identified by States/UTs for implementing the mission will facilitate the identified eligible beneficiaries in getting approvals and documents, etc. to avail credit-linked subsidy.

In order to incentivize proper site selection and good quality construction, a bonus payment may be included for every housing unit accepted and paid for by an eligible allottee. The public authority shall further incentivize usage of modern and innovative building materials and construction technologies, in particular, pre-fabricated technology.

The private developer shall transfer the housing stock directly to the beneficiaries. Upon handing over, the maintenance of the units is the sole responsibility of the allottees. A Resident Welfare Association, inclusive of members embodying all economic classes of residents, may be constituted for upkeep of common areas and public spaces within the Group housing premises.

The concerned public authority dealing with project approvals will ensure the timely provision of trunk infrastructure, for such projects, by the Urban Local Bodies (ULB). In this regard, a separate PPP between the developer and the ULB may be propagated based on the revenue share model.

1.2 Activity Flowchart under Private Land Based Models (CLSS Scheme):



1.3 Salient Features:

a) Land Allotment and other exemptions:

Under this model, private developer shall provide land. The Public Authority may grant subsidies, exemptions and concessions such as State subsidy, stamp duty exemption, EDC/IDC exemption, higher FAR, TDR, single window clearance etc. to incentivize the private developer for building affordable housing units. Taxation benefits under Section 80 IBA of the Income Tax Act 1961 can also be made available to the developer, subject to fulfillment of other pre-requisites.

b) Design, Build & Finance by Private Sector:

The private sector shall be responsible and held accountable for designing, building and financing of affordable housing stock and associated services of predetermined standards, at a pre-determined cost and within a pre-determined time.

c) Maintenance by the Private Developer:

There is no involvement of private sector and government for the maintenance of the units after the transfer of units to allottee. Maintenance, therefore, is the responsibility of the beneficiaries.

d) Cost Recovery by Private Sector Partner:

The private developer shall undertake to recover the cost of affordable housing directly from allottee. This recovery may take the form of a lump-sum payment at the time of transfer of housing unit to allottee or in the form of equated monthly installment (EMI) for a fixed period of time leading to the transfer of unit to the allottee. The developer shall also have part of the cost recovery through the state subsidy, stamp duty exemption and other concessions provided by the Public Authority.

e) Beneficiary Identification by Public Authorities:

The banks extending loans to the applicants, in consonance with the PMAY (U) Guidelines, will establish the eligibility of beneficiaries. The selection of the allottees, from amongst the eligible beneficiaries, will be made either by the government or private developer in a transparent and equitable manner, in case of over-subscription. This could be done with the assistance of and in collaboration with civil societies, NGOs, or any other organization as deemed fit.

f) Distribution:

The housing stock shall be transferred by the private sector directly to the beneficiaries.

g) Payments by Allottees:

The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined EMI for a predetermined period of time to the private developer.

h) Financial Assistance to Allottees:

Beneficiaries of Economically Weaker section (EWS) and Low Income Group (LIG) seeking housing loans from Banks, Housing Finance Companies and other such institutions would be eligible for an interest subsidy at the rate of 6.5 % for a tenure of 20 years or during tenure of loan whichever is lower. For extending CLSS to MIG, an interest subsidy of 4.00% and 3.00% have been extended to MIG I category (defined as having an annual household income of INR 12,00,000) and MIG II category (defined as having an annual household income of INR 18,00,000) respectively for tenure of 20 years or during tenure of loan whichever is lower.

The Net Present Value (NPV) of the interest subsidy will be calculated at a discount rate of 9 %. The credit-linked subsidy will be available only for loan amounts up to Rs 6 lakhs for EWS/LIG, Rs 9 lakhs for MIG I and Rs 12 lakhs for MIG II. Additional loans beyond the aforementioned specified limit, if any, will be at non-subsidized rate. Interest subsidy will be credited upfront to the loan account of beneficiaries through Primary Lending Institutions (PLI) resulting in reduced effective housing loan and Equated Monthly Installment (EMI).

The minimum carpet area of houses being constructed under this component should be up to 30 square meters for EWS, 60 square meters for LIG, 90 square meters for MIG I and 120 square meters for MIG II in order to avail of this credit linked subsidy.

i) Public Private Partnerships for Trunk Infrastructure:

The responsibility for the timely provision of trunk infrastructure and connectivity shall be borne by the public sector and shall be in place before final possession is handed over to the beneficiary. The government could undertake the financing and implementation of the same through separate PPP arrangements of revenue sharing or directly.

j) Risk Sharing:

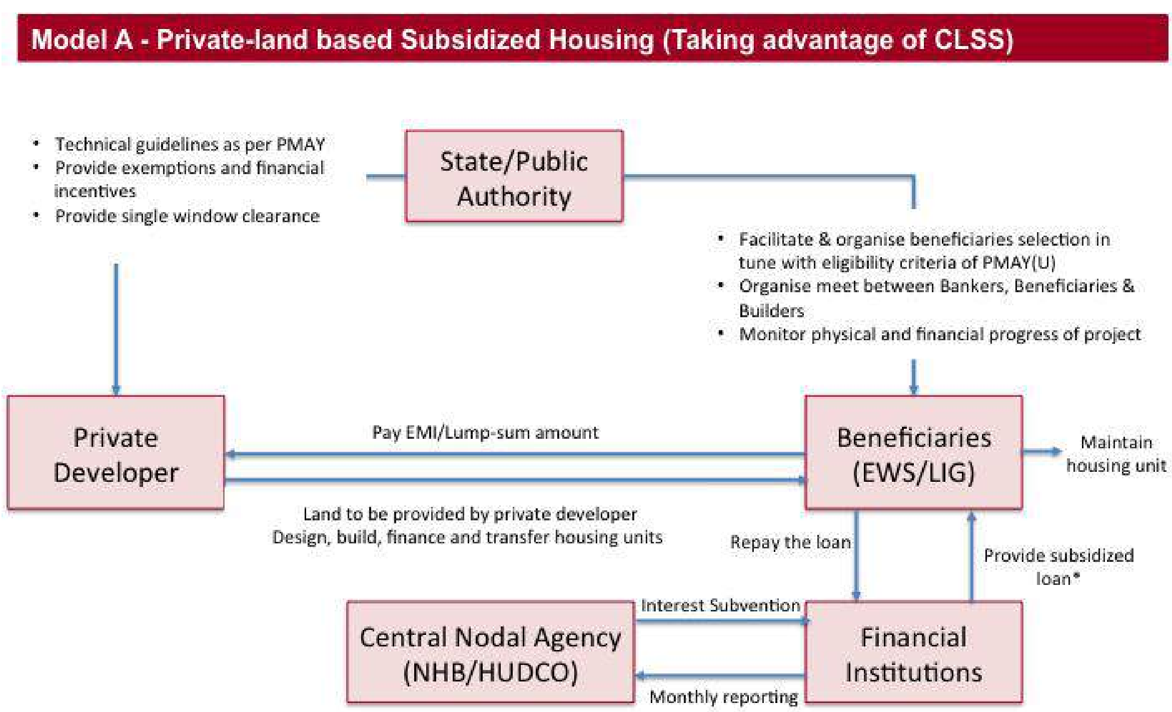
In this way the responsibility for subsidy and trunk infrastructure shall be taken by the public authorities while the land delivery and performance responsibility shall be transferred on the private sector. Financial institutions shall take the credit risk of financing the allottee with a housing loan – public or private.

1.4 Risk Matrix:

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

1.5 The roles and responsibilities of the various stakeholders in Model A have been summarized below:



**CLSS benefits will be available to EWS, LIG and MIG beneficiaries as per the PMAY (U) Guidelines.*

2. Model B: Private Land Based Models under AHP scheme

2.1 Model Description:

Under this model, private developer shall provide land as well as be responsible and accountable for designing, building and financing of affordable housing stock and associated services of predetermined standards, at a pre-determined cost and within a pre-determined time. The private developer shall take actions to recover the costs involved in satisfactory completion of housing stock and handing over of the units as per prescribed standards. Thus, the responsibility and risk for cost recovery rests on the private developer. The public authority shall fix the cost of the dwelling unit. The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the private developer. Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions to the allottees.

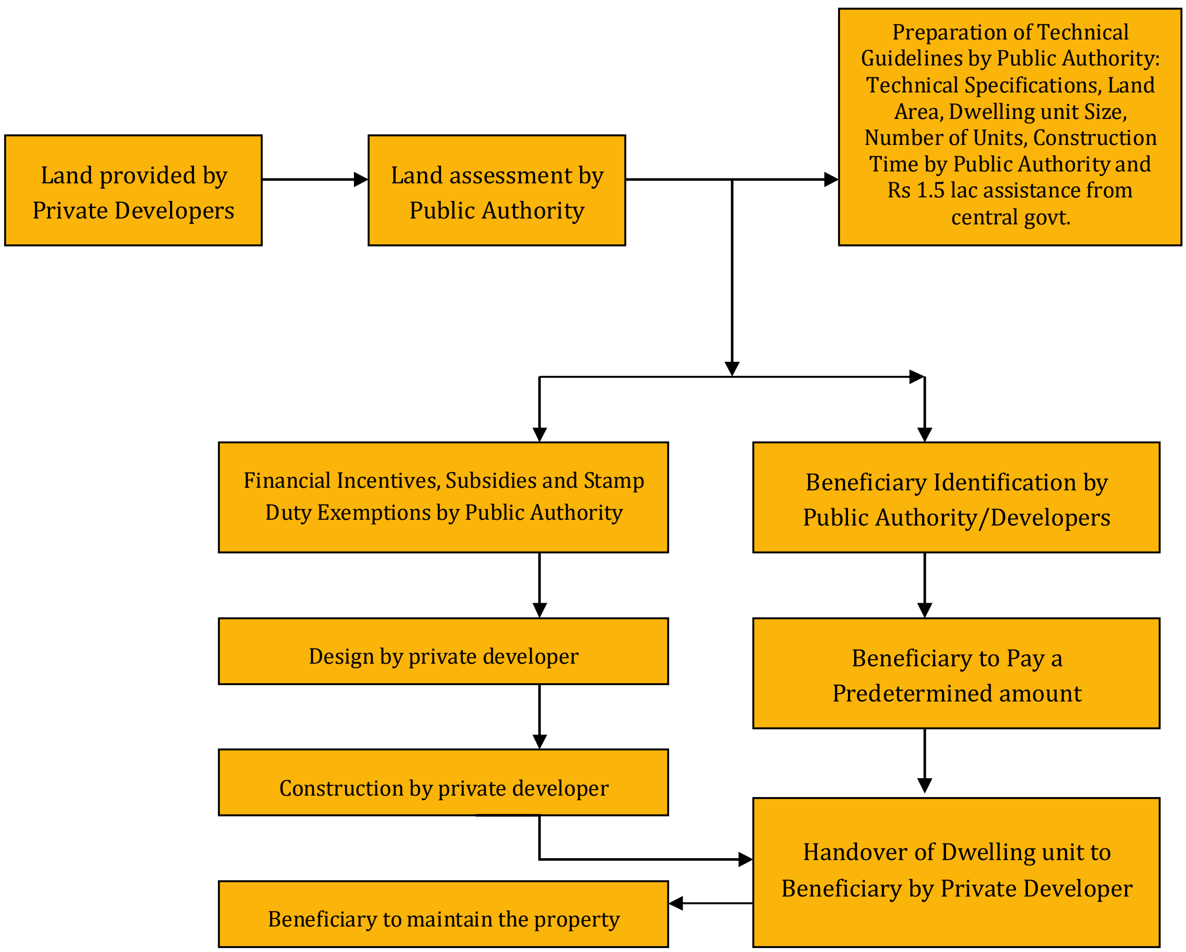
The establishment of the eligibility of beneficiaries shall be the duty and the prerogative of the public authority. The same shall be announced prior to the implementation of the project. Public authority or the developer shall make the selection of the allottees from amongst the eligible beneficiaries in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with civil societies and NGOs.

In order to incentivize proper site selection and good quality construction, a bonus payment may be included for every housing unit accepted and paid for by an eligible allottee. The public authority shall further incentivize usage of modern and innovative building materials and construction technologies, in particular, pre-fabricated technology.
There is no involvement of private developer and public authority for the maintenance of the units after the transfer of units to allottees. Maintenance, therefore, is the responsibility of the beneficiaries. A Resident Welfare Association, inclusive of members representing all economic classes of residents, may be constituted for upkeep of common areas and public spaces within the Group Housing premises.

An affordable housing project can be a mix of houses for different income categories but it shall be eligible for central assistance, if at least 35% of the houses in the project are for EWS category. Central Assistance at the rate of Rs. 1.5 Lakh per EWS house would be available for all EWS houses in such projects. Taxation benefits under Section 80 IBA of the Income Tax Act 1961 can also be made available.

The States/UTs would decide on an upper ceiling on the sale price of EWS houses in rupees per square meter of carpet area in such projects with an objective to make them affordable and accessible to the intended beneficiaries. For that purpose, State and cities may extend other concessions such as their State subsidy; stamp duty exemption, higher FAR, single window clearance, etc.

2.2 Activity Flowchart under Private Land Based Models (AHP Scheme):



2.3 Salient Features:

a. **Land Allotment and Other Exemptions**:

Under this model, private developer shall provide land. The Public Authority may grant other subsidies, exemptions and concessions such as state subsidy, stamp duty exemption, higher FAR, TDR, single window clearance etc. to incentivize the private developer for building affordable housing units.

b. **Design Build & Finance by Private Sector:**

The private sector shall be responsible and held accountable for designing, building and financing of affordable housing stock and associated services of predetermined standards, at a pre-determined cost and within a pre-determined time.

c. **Fixing of Sale price of Dwelling Unit**:

PMAY (U) Scheme guidelines (Para 6.3) state that the sale prices for AHP projects may be fixed, either on the project basis or city basis, through an open transparent process factoring in incentives provided by Centre/States/ULBs. It is suggested that the appropriate authority in State, which is currently fixing the sale price of AHP projects presently being developed with ULBs/parastatals under PMAY (U) Mission, should extend its mandate to the projects with private sector participation too. The intention is to make a dwelling unit affordable to a beneficiary and not make the dwelling unit out of reach of the target group.

It is mentioned that as per Scheme Guidelines, a private developer can determine the sale price of LIG or MIG units as a method of cross-subsidisation in lieu of price fixed for EWS units by State agency.

States shall ensure linking the sale of other-than-EWS component and availing the Central assistance to the completion and transfer of EWS houses and related project area by the private party to Implementing Agencies of States/UTs.

The Central assistance shall be released by the State to the private entity when the EWS dwelling units are ready to be handed over to the allottees and the project is complete with infrastructure provisions, as envisaged.

d. **Maintenance by the Private Developer:**

There is no involvement of private sector and government for the maintenance of the units after the transfer of units to allottee. Maintenance, therefore, is the responsibility of the beneficiaries.

e. **Cost Recovery by Private Sector Partner:**

The private developer shall undertake to recover the cost of affordable housing directly from allottee. This recovery may take the form of a lump-sum payment at the time of transfer of housing unit to allottee or in the form of equated monthly installment (EMI) for a fixed period of time leading to the transfer of unit to the allottee. The private developer shall also make part of the cost recovery through the State subsidy, stamp duty exemption and other concessions provided by the Public Authority.

f. **Beneficiary Identification by Public Authorities:**

For selection of beneficiaries, Para 6.5 of the Scheme Guidelines should be adhered to. It states that allotment of houses to identified eligible EWS beneficiaries in AHP projects should be made, following a transparent procedure as approved by SLSMC, and beneficiaries selected should be part of HFAPoA. Preference in allotment may be given to differently-abled persons, senior citizens, Scheduled Castes, Scheduled Tribes, Other Backward Classes, minority, single women, transgender and other weaker and vulnerable sections of the society. While making the allotment, the families with differently-abled person and senior citizens may be allotted house preferably on the ground floor or lower floors.

For this, Demand Assessment / HFAPoAs/ AIPs prepared by States as a part of PMAY (U) should necessarily form a part of data pool of potential beneficiaries. Ensuring proper identification of beneficiaries as per eligibility as well as allotment of house to such beneficiaries shall be the responsibility of the States/UTs in their ULBs.

Public authority shall make the selection of the allottees from amongst the eligible beneficiaries, in a transparent and equitable manner. This could be done either directly by public authorities themselves or with the assistance of and in collaboration with developers, civil societies and NGOs.

g. **Distribution:**

The housing stock shall be transferred by the private sector directly to the beneficiaries.

h. **Payments by Allottees:**

The allottees would be required to make payment of a pre-determined amount for the cost of the housing unit at the time of handover. Alternatively, the Allottees could be required to pay predetermined equated monthly installments for a predetermined period of time to the private developer.

i. **Financial Assistance to Allottees:**

Central assistance at the rate of Rs. 1.5 Lakh per EWS house would be available for all EWS houses in such projects. Loans at an appropriate rate of interest and appropriate tenure could also be made available through housing finance institutions or other intermediaries, to the allottees, for this purpose.

j. **Public Private Partnerships for Trunk Infrastructure:**

The responsibility for the timely provision of trunk infrastructure and connectivity shall be borne by the public sector and shall be in place before final possession is handed over to the beneficiary. The government could undertake the financing and implementation of the same through separate PPP arrangements of revenue sharing or directly.

k. **Risk Sharing:**

In this way the responsibility for subsidy and trunk infrastructure shall be taken by the public authorities while the land delivery and performance responsibility shall be transferred on the private sector. Financial institutions shall take the credit risk of financing the allottee with a housing loan – public or private.

l. **Institutional Mechanism to oversee the project:**

The Scheme Guidelines have a provision for two Institutional Structures i.e. SLSMC headed by Chief Secretary and SLAC to oversee the projects from execution stage to occupation. Accordingly, Para 6.6 of the Guidelines state that DPRs of AHP projects prepared by concerned implementing agencies should be approved by SLSMC. Therefore, the existing institutional mechanism of SLSMC as per Para 16.4 (for approval of projects) and SLAC as per Para 16.6 (for techno-economic appraisal of DPRs submitted by ULBs/ Implementing Agencies) of the Scheme Guidelines will continue to accord approval to DPRs for the Mission, as it is already empowered and conversant with the activities and features of the Mission.

The SLSMC will also monitor activities related to physical progress of the project (Para 16.4 of the Guidelines) along with the quality of construction conforming to BIS, NBC and related DCRs. NRCs and TPQMAs (Third Party Quality Monitoring Agencies) could be considered as agencies to supplement this activity.

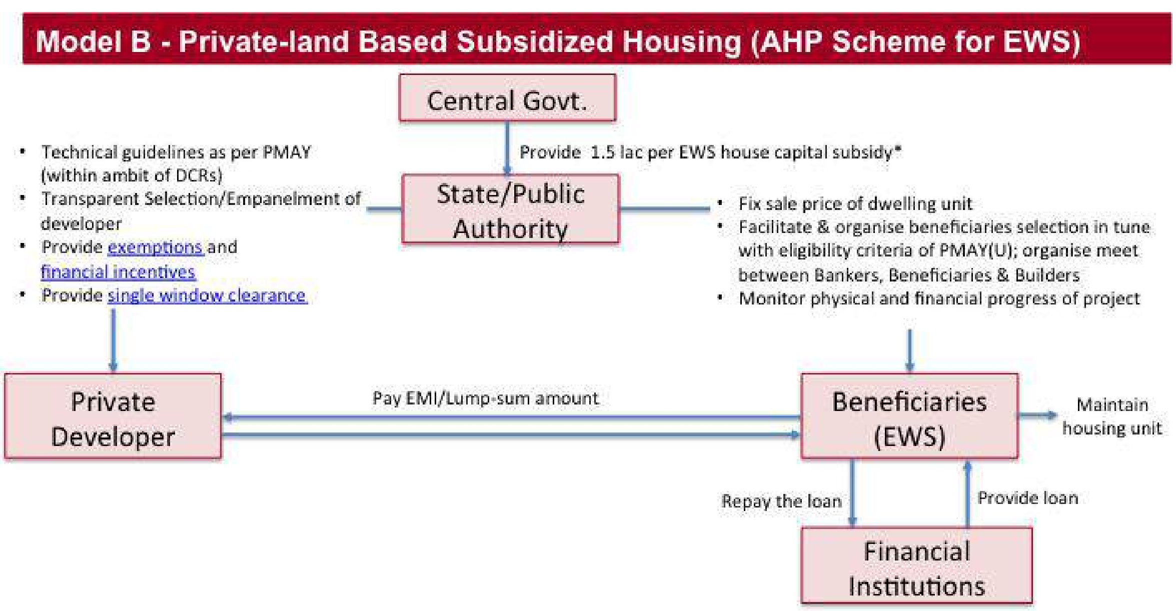
It should be left to the States/UTs whether they would like to explore alternate institutional arrangements such as JVs/SPVs/BoT and its variants etc. if the need arises based on modality of a specific project.

2.4 Risk Matrix:

Risks	Risk Allocation			
	Government	Private Developers	Financial Institution	Beneficiary
Land				
Design				

Risks	Risk Allocation			
	Government	**Private Developers**	**Financial Institution**	**Beneficiary**
Construction				
Maintenance				
Financing				
Cost Recovery				
Off-take				
Trunk-Infrastructure				
Credit Risk				

2.5 The roles and responsibilities of the various stakeholders in Model B have been summarized below:



**Assistance provided only if at least 35% of the houses in the project are for EWS category.*

The State Government shall give a guarantee to the Central Government that the 1.5 lac subsidy per unit will be used only for AHP involving EWS and in case of default, the State

Government will remain liable to return the entire amount of subsidy received for the project to Government of India.

3. Selection of Private Sector Party/Developer

For both the models i.e. Model A and Model B, a mechanism to bring forth a fair, transparent, level-playing platform to engage private sector developers in AHP and CLSS vertical will have to be put in place by the States/UTs for selection of private sector partner. Possible criteria could include:

a. An open advertisement with pre-determined criteria calling for Expression of Interest, Empanelment, two stage bidding, Swiss Challenge, etc. for separate zones, cities, regions as per demand assessed and establishment of need for private land for such purpose.

b. Similarly, the detailed terms and conditions of selection of the private entity could follow the extant processes being adopted by the States for procurement rules for works contracts. States/UTs can explore options to facilitate online mechanisms to maintain transparency and outreach of the procedure.

c. A procedure to validate the financial credentials of the private entity, owning the land, could be put in place.

The ULBs/Implementing Agencies will forward projects selected through open and transparent procedure for appraisal by SLAC and approval of SLSMC, before recommending the project to the CSMC for central assistance.

4. Release of Central Assistance

The release of Central assistance under such projects may be considered based on the following:

a. The land selected for the project must be free from all encumbrances so as to avoid any litigation and any consequent delay in the delivery of the project. An institutional arrangement should preferably be in place to ensure speedy decisions/ confirmations.

b. All AHP proposals should be appraised by SLAC and approved by SLSMC before being forwarded to MoHUPA for release of Central assistance.

c. Central assistance will be released to the States/UTs as per the PMAY (U) Mission guidelines. The States/ UTs, as per Para 14 of the PMAY (U) Guidelines, will release the funds to developers. No funds will be released directly to the private developer / landowner by the Central Government.

d. It would be the responsibility of the State/UT government to forward the Utilisation Certificate (UC) for the amount of central assistance released in the particular project. Central assistance released to States/UTs for any AHP project involving a private landowner is to be utilised only for the specific project as approved by SLSMC and CSMC. It would be the responsibility of the States/UTs to ensure that private party does not divert funds for any other purpose. Appropriate city wise / project wise accounts may be maintained for accounting purpose of such projects.

e. The terms and conditions of the procurement process between States/UTs and private sector party must clearly indicate the roles and responsibilities of the concerned parties regarding source of funds, disbursal stages, liability, grievance redressal etc.

f. Each stage of fund disbursal shall be subject to certification from NRCs/TPQMAs/identified party for achievement of physical progress and quality of finished product.

g. In case any project under AHP is abandoned / terminated or held up due to any unforeseen circumstances, it would be the responsibility of the State Government to recover and remit the central assistance released in respect of the project from the private entity as per the extant provisions. State Government shall give a guarantee to the Central Government regarding the same.

h. Provisions of Real Estate (Regulation and Development) Act, 2016 and any other relevant statutes would be enforced, as applicable.

5. Other Incentives

In addition, it is suggested that following incentives (in addition to suggestions like extension of State subsidy, stamp duty exemptions, provision of additional FAR/FSI/TDR etc. made in Scheme Guidelines) may be considered / provided by States for participation under these PPP frameworks:

I. For usage of innovative / alternate / prefab technologies and materials as well as for Green Buildings, incentive could be in the form of reduced fees and charges.

II. Upto 10% of permissible FAR/FSI may be made free for provision of amenity/ commercial development.

III. Provision of type designs for EWS/LIG/MIG units as per local climatic conditions.

IV. Provision of single window clearance and fast track approval / deemed approval to project under Ease of Doing Business.

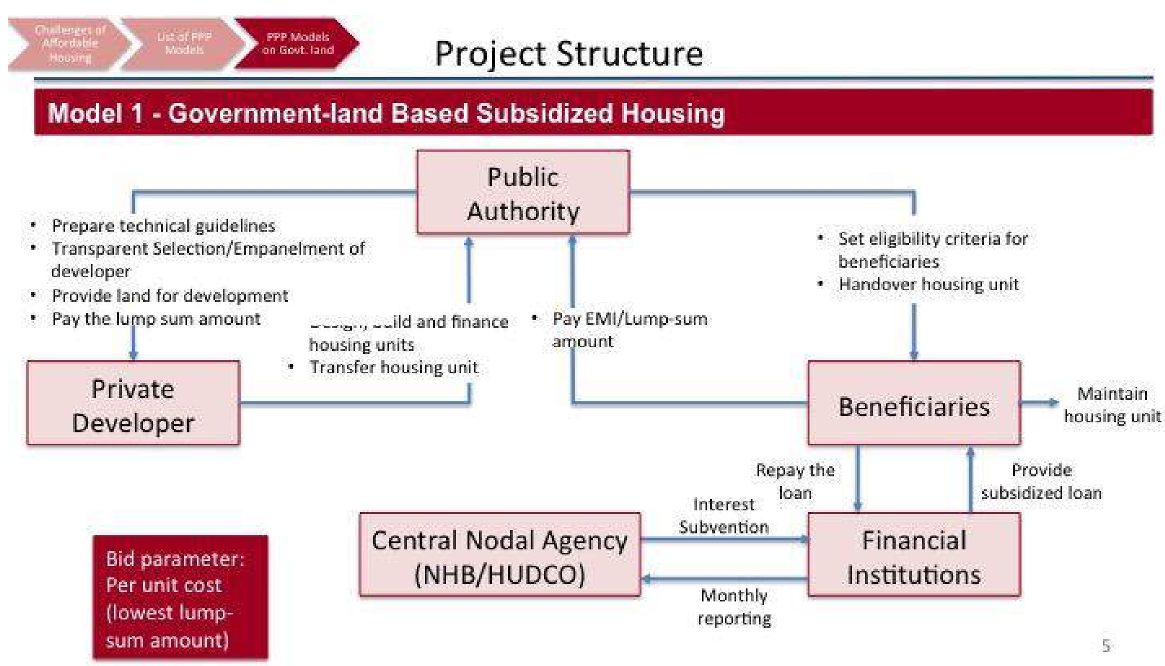
V. All sanctioned projects should be given wide publicity through various channels. Details of site location, project plan, offer price etc. should be made available on PMAY and concerned State Mission portal. It is also suggested that in the online process of building plan sanctioning, an option may be created for single window clearance and other incentives, through automatic route, as prescribed in the PMAY (U) guidelines. This will also enable the States in identifying a PMAY (U) project and creating a database of the same. In turn, it would also help in branding the scheme.

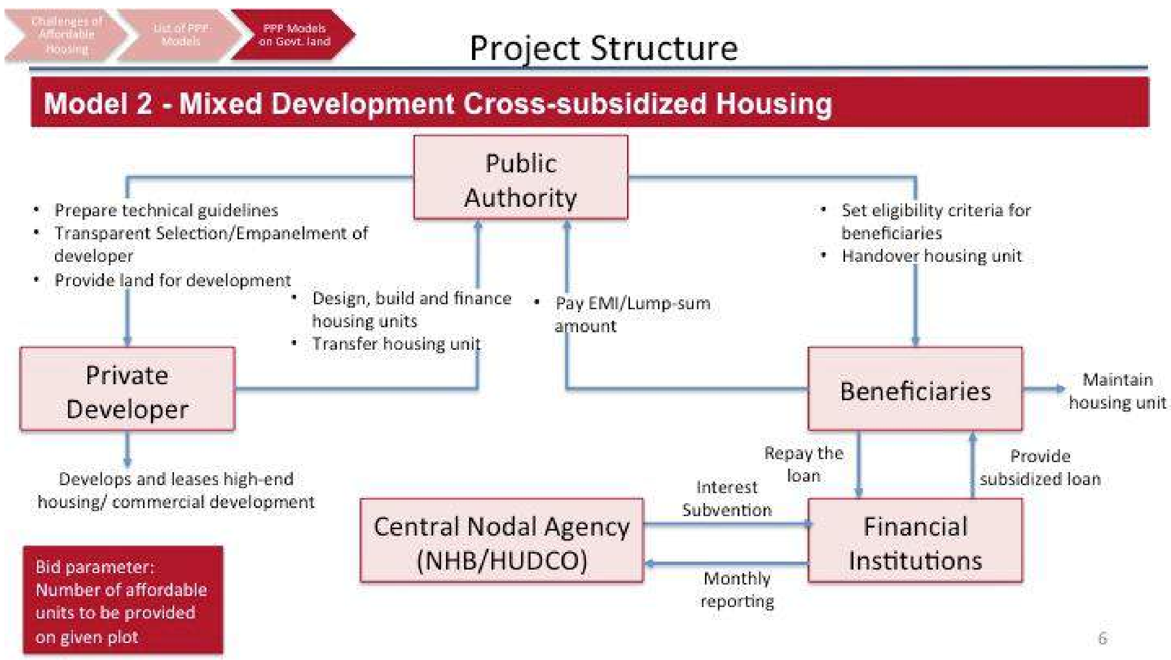
VI. Taxation benefits under Section 80 IBA of Income tax Act 1961 may be extended to eligible developers.

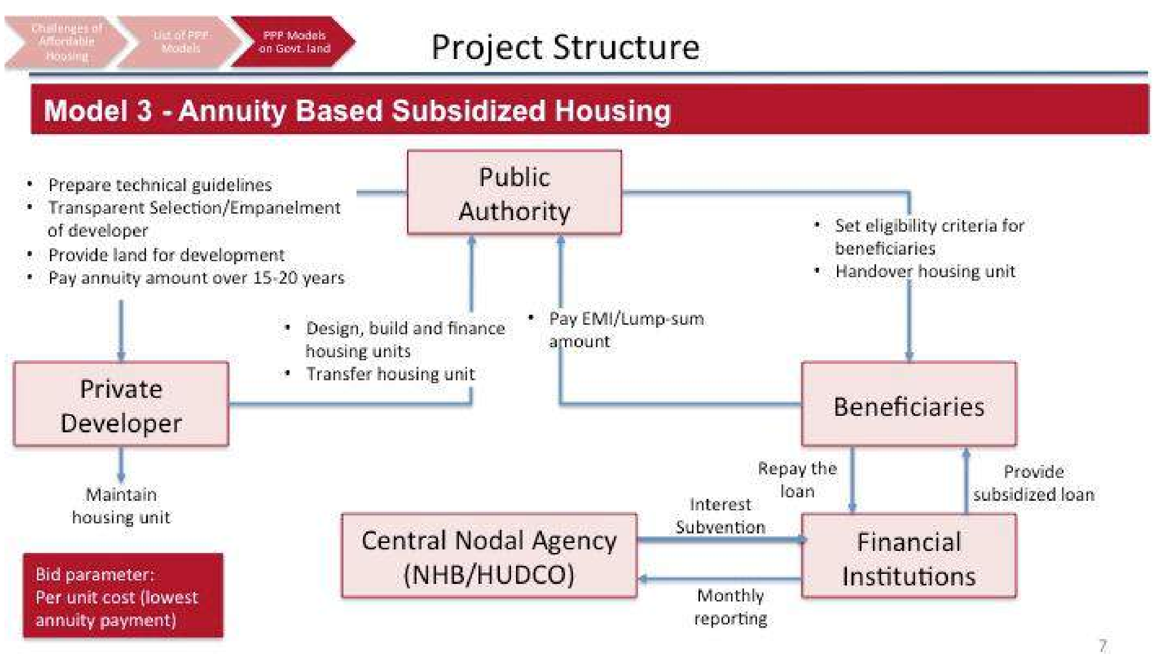
States may consider extending similar benefits to projects being taken up in partnership with ULBs/ parastatal bodies.

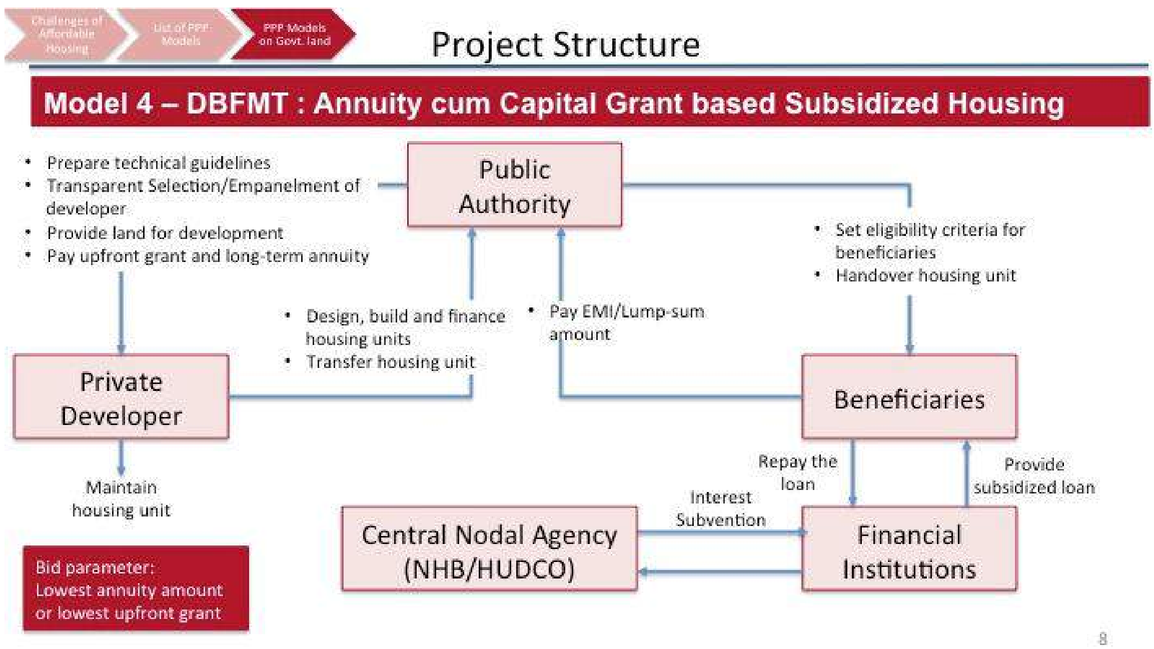
Annex

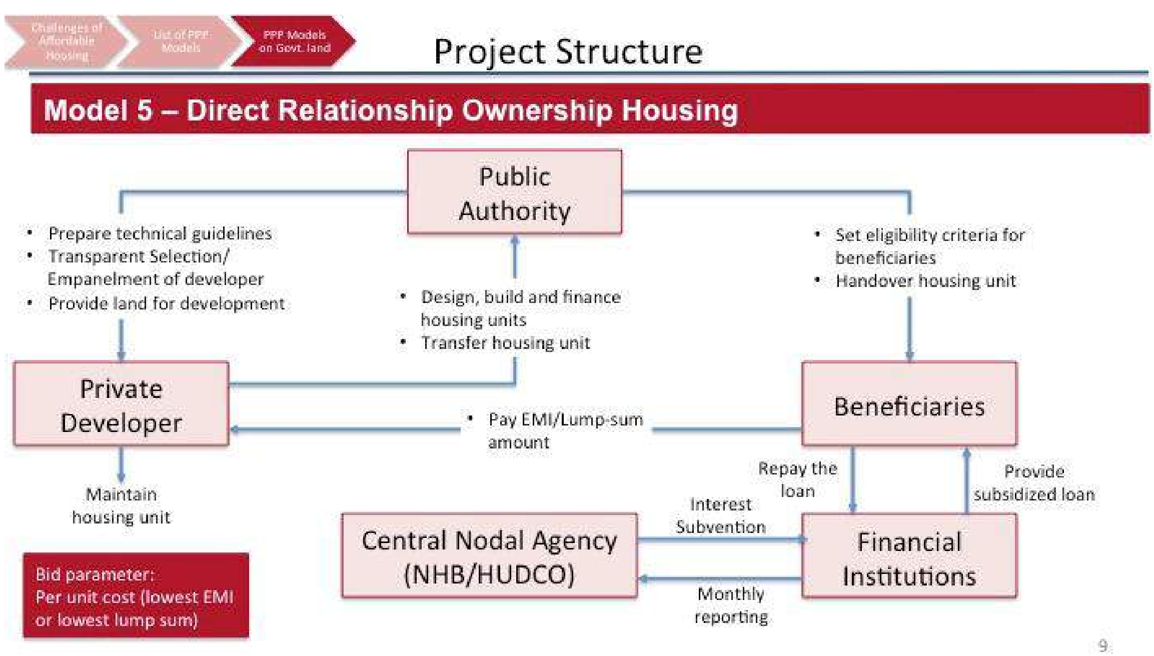

Challenges of Affordable Housing
List of PPP Models
PPP Models on Government Land
1 Government-land Based Subsidized Housing
2 Mixed Development Cross-subsidized Housing
3 Annuity Based Subsidized Housing
4 DBFMT : Annuity cum Capital Grant based Subsidized Housing
5 Direct Relationship Ownership Housing
6 Direct Relationship Rental Housing
PUBLIC PRIVATE PARTNERSHIP MODELS
PPP Models on Private Land
A Private-land based Subsidized Housing (CLSS Scheme for EWS/LIG/MIG)
B Private-land Based Subsidized Housing (AHP Scheme for EWS)

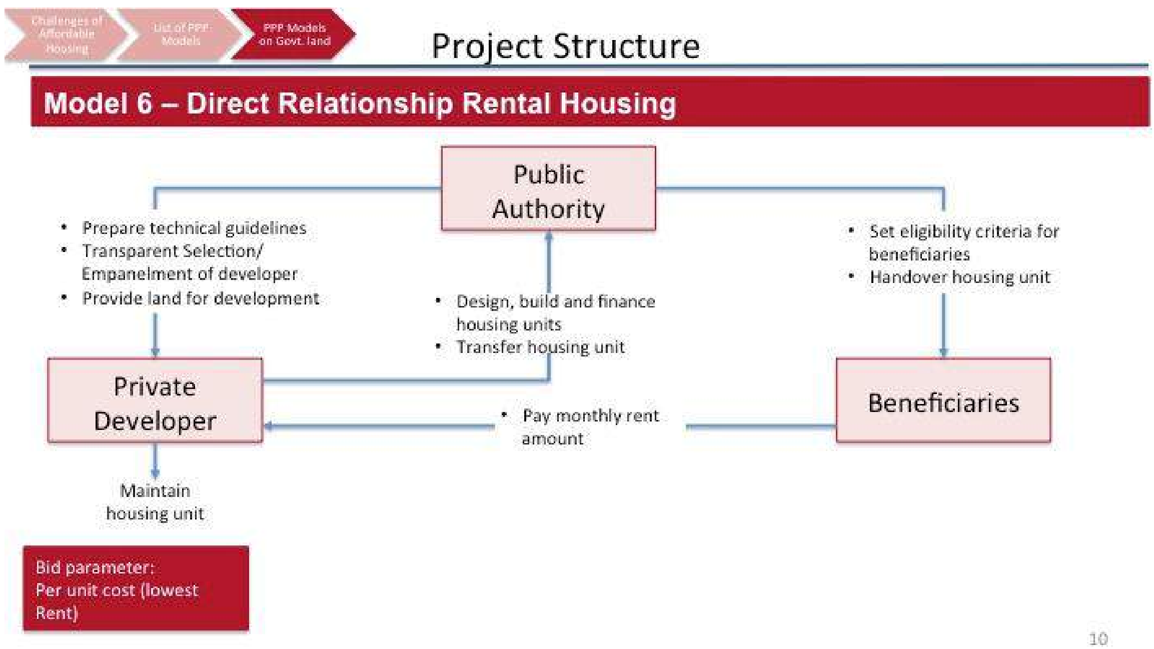

Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 1 - Government-land Based Subsidized Housing
Public Authority
• Prepare technical guidelines
• Transparent Selection/Empanelment of developer
• Provide land for development
• Pay the lump sum amount
uild and finance housing units
• Transfer housing unit
• Pay EMI/Lump-sum amount
• Set eligibility criteria for beneficiaries
• Handover housing unit
Private Developer
Beneficiaries
Maintain housing unit
Repay the loan
Provide subsidized loan
Interest Subvention
Central Nodal Agency (NHB/HUDCO)
Financial Institutions
Monthly reporting
Bid parameter: Per unit cost (lowest lump-sum amount)
5


Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 2 - Mixed Development Cross-subsidized Housing
Public Authority
Prepare technical guidelines
Transparent Selection/Empanelment of developer
Provide land for development
Set eligibility criteria for beneficiaries
Handover housing unit
Design, build and finance housing units
Transfer housing unit
Pay EMI/Lump-sum amount
Private Developer
Beneficiaries
Maintain housing unit
Develops and leases high-end housing/ commercial development
Repay the loan
Provide subsidized loan
Interest Subvention
Central Nodal Agency (NHB/HUDCO)
Financial Institutions
Monthly reporting
Bid parameter: Number of affordable units to be provided on given plot
6

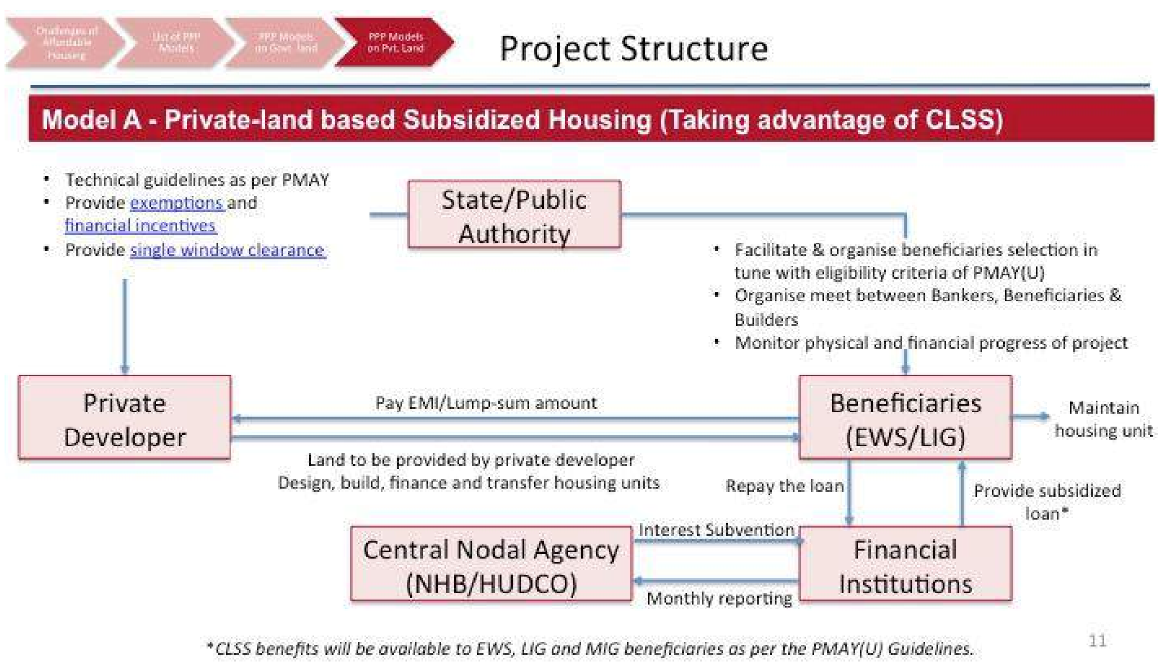

Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 3 - Annuity Based Subsidized Housing
Prepare technical guidelines
Transparent Selection/Empanelment of developer
Provide land for development
Pay annuity amount over 15-20 years
Public Authority
Set eligibility criteria for beneficiaries
Handover housing unit
Design, build and finance housing units
Transfer housing unit
Pay EMI/Lump-sum amount
Private Developer
Beneficiaries
Maintain housing unit
Repay the loan
Provide subsidized loan
Interest Subvention
Central Nodal Agency (NHB/HUDCO)
Financial Institutions
Monthly reporting
Bid parameter: Per unit cost (lowest annuity payment)
7


Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 4 – DBFMT : Annuity cum Capital Grant based Subsidized Housing
• Prepare technical guidelines
• Transparent Selection/Empanelment of developer
• Provide land for development
• Pay upfront grant and long-term annuity
Public Authority
• Set eligibility criteria for beneficiaries
• Handover housing unit
• Design, build and finance housing units
• Transfer housing unit
• Pay EMI/Lump-sum amount
Private Developer
Beneficiaries
Maintain housing unit
Repay the loan
Provide subsidized loan
Interest Subvention
Central Nodal Agency (NHB/HUDCO)
Financial Institutions
Bid parameter:
Lowest annuity amount or lowest upfront grant
8


Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 5 – Direct Relationship Ownership Housing
Public Authority
• Prepare technical guidelines
• Transparent Selection/ Empanelment of developer
• Provide land for development
• Set eligibility criteria for beneficiaries
• Handover housing unit
• Design, build and finance housing units
• Transfer housing unit
Private Developer
Beneficiaries
• Pay EMI/Lump-sum amount
Maintain housing unit
Repay the loan
Provide subsidized loan
Interest Subvention
Central Nodal Agency (NHB/HUDCO)
Financial Institutions
Monthly reporting
Bid parameter:
Per unit cost (lowest EMI or lowest lump sum)
9



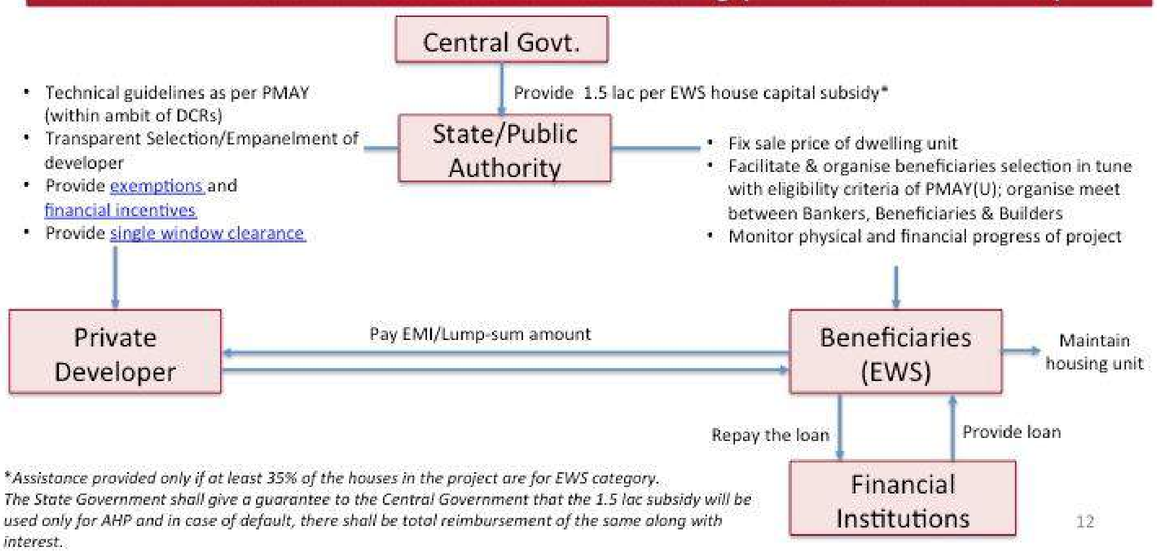
Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
Project Structure
Model 6 – Direct Relationship Rental Housing
Public Authority
• Prepare technical guidelines
• Transparent Selection/ Empanelment of developer
• Provide land for development
• Set eligibility criteria for beneficiaries
• Handover housing unit
• Design, build and finance housing units
• Transfer housing unit
Private Developer
Beneficiaries
• Pay monthly rent amount
Maintain housing unit
Bid parameter: Per unit cost (lowest Rent)
10



Challenges of Affordable Housing
List of PPP Models
PPP Models on Govt. land
PPP Models on Pvt. Land
Project Structure
Model A - Private-land based Subsidized Housing (Taking advantage of CLSS)
• Technical guidelines as per PMAY
• Provide exemptions and financial incentives
• Provide single window clearance
State/Public Authority
• Facilitate & organise beneficiaries selection in tune with eligibility criteria of PMAY(U)
• Organise meet between Bankers, Beneficiaries & Builders
• Monitor physical and financial progress of project
Private Developer
Pay EMI/Lump-sum amount
Land to be provided by private developer
Design, build, finance and transfer housing units
Beneficiaries (EWS/LIG)
Maintain housing unit
Repay the loan
Provide subsidized loan*
Central Nodal Agency (NHB/HUDCO)
Interest Subvention
Monthly reporting
Financial Institutions
*CLSS benefits will be available to EWS, LIG and MIG beneficiaries as per the PMAY(U) Guidelines.
11

Project Structure

Model B - Private-land Based Subsidized Housing (AHP Scheme for EWS)



*Assistance provided only if at least 35% of the houses in the project are for EWS category.
The State Government shall give a guarantee to the Central Government that the 1.5 lac subsidy will be used only for AHP and in case of default, there shall be total reimbursement of the same along with interest.

12

Public Authorities Role

Exemptions/Concessions

- Stamp duty exemptions
- External/ Internal Development Charges (EDC/IDC) concessions
- Certain percentage of permissible FAR/FSI may be made free for provision of amenity/ commercial development

Financial Incentives

- State Subsidy
- Infrastructure Status
- Benefit of Section 80 IBA of IT Act 1961**
- Reduced fee and charges for usage of innovative/ alternate/ prefab technologies and materials

Single Window Clearance*

- Provision of type designs for EWS/LIG/MIG units as per local climatic conditions
- Provision of fast track approval within 30 days and thereupon deemed approval to such projects

***For Model B - Private-land Based Subsidized Housing (AHP Scheme for EWS), the infrastructure status benefit under Sec 80 IBA of IT Act 1961 will be applicable only if the project has 50% of FAR/FSI dedicated to dwelling units of minimum 60 sq. m. carpet area. Therefore, apart from 35% of houses for EWS, the project would be required to construct remaining percent of FAR in either the EWS/LIG category to qualify for the above benefits.*

For such projects, a combination of Model A and B can also be worked out.

* *In the online process of building plan sanctioning, an option may be created for the developer to get single window clearance and other incentives, through automatic route, as prescribed in the PMAY guidelines. This will also enable the States in identifying a PMAY (U) project and creating a database of the same. In turn, it would also help in branding the scheme.*

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Key features of Guidelines on PPP on private land

Beneficiary Identification

- In Model A (taking advantage of CLSS) the banks, extending loans to the applicants as per the PMAY (U) Guidelines, facilitated by the public authority will establish the eligibility of beneficiaries.
- In Model B (AHP scheme for EWS), allotment of houses to identified eligible EWS beneficiaries in AHP projects should be made, following a transparent procedure as approved by SLSMC, and beneficiaries selected should be part of HFAPoA.

Institutional Mechanism

- For Model B (AHP scheme for EWS): The existing institutional mechanism of SLSMC as per Para 16.4 (for approval of projects) and SLAC as per Para 16.6 (for techno-economic appraisal of DPRs submitted by ULBs/ Implementing Agencies) of the PMAY (U) Guidelines will continue to accord approval to DPRs.

Fixing Sale Price of DU

- For Model B (AHP scheme for EWS): The appropriate authority in State, which is currently fixing the sale price of AHP projects presently being developed with ULBs/ parastatals under PMAY (U) Mission, would continue to do so in this model as well.
- For projects using a combination of Model A and B: As per Scheme Guidelines, a private developer can determine the sale price of LIG or MIG units as a method of cross-subsidisation in lieu of price fixed for EWS units by State agency.

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Comparative Analysis – Scope of Work

Parameters	Government-land Based Subsidized Housing	Mixed Development Cross Subsidized Housing	Annuity Based Subsidized Housing	Annuity cum Capital Based Subsidized Housing	Direct Relationship Ownership Housing	Direct Relationship Rental Housing	Private-land based Subsidized Housing (CLSS Scheme for EWS/LIG/MIG)	Private-land Based Subsidized Housing (AHP Scheme for EWS)
Designing and Building of units	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner
Maintenance of units	Beneficiaries	Beneficiaries	Private partner	Private partner	Private partner	Private partner	Beneficiaries	Beneficiaries
Distribution of units	Private partner to Public authority	Private partner to Public authority	Private partner to Public authority	Private partner to Public authority	Private partner to beneficiaries	Private partner to beneficiaries	Private partner to beneficiaries	Private partner to beneficiaries
Development mix	Affordable housing	Affordable housing & high-end housing/ commercial development	Affordable housing	Affordable housing	Affordable housing	Affordable housing	Affordable housing	At least 35% of the houses in the project are for EWS category as per PMAY guidelines
Responsibility of trunk infrastructure	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority
Implementation of Trunk infrastructure	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement	Separate EPC or PPP arrangement

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Comparative Analysis – Project Structure

Parameters	Government-land Based Subsidized Housing	Mixed Development Cross Subsidized Housing	Annuity Based Subsidized Housing	Annuity cum Capital Based Subsidized Housing	Direct Relationship Ownership Housing	Direct Relationship Rental Housing	Private-land based Subsidized Housing (CLSS Scheme for EWS/LIG/MIG)	Private-land Based Subsidized Housing (AHP Scheme for EWS)
Land provision	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Public authority (on long term lease)	Private entity	Private entity
Lease period	~ 30 to 99 years for affordable housing	~ 30 to 99 years for affordable housing and commercial component	~ 30 to 99 years for affordable housing	~30 to 99 years for affordable housing	~ 30 to 99 years for affordable housing	~30 to 99 years for affordable housing	-	-
Contract period from conditions precedent	2 to 4 years	2 to 4 years	15-20 years	15-20 years	15-20 years	15-20 years	-	-
Bid parameter	Per unit cost (lowest lump-sum amount)	No. of affordable units to be provided on given plot	Per unit cost (lowest annuity payment)	Lowest annuity amount or lowest upfront grant	Per unit cost (lowest EMI or lowest lumpsum)	Per unit cost (lowest Rent)	As per PMAY requirements	As per PMAY requirements
Offtake responsibility	Public authority	Public authority	Public authority	Public authority	Private partner	Private partner	Private partner	Private partner
Performance Risk	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner	Private partner

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Comparative Analysis – Financing

Parameters	Government-land Based Subsidized Housing	Mixed Development Cross Subsidized Housing	Annuity Based Subsidized Housing	Annuity cum Capital Based Subsidized Housing	Direct Relationship Ownership Housing	Direct Relationship Rental Housing	Private-land based Subsidized Housing (CLSS Scheme for EWS/LIG/MIG)	Private-land Based Subsidized Housing (AHP Scheme for EWS)
Financing	Private partner	Private partner	Private partner	Public authority and Private partner	Private partner	Private partner	Private partner with incentives from Public Authority	Private partner with incentives from Public Authority
Recovery by developer	Govt. pays private partner lump sum amount on completion	Revenue generated from high-end housing	Govt. pays long-term annuity to private partner on completion	Govt. pays upfront grant and annuity to private partner	Beneficiaries pay (Lump-sum or EMI) to Private partner	Beneficiaries pay monthly rent to Private partner	Beneficiaries pay (Lump-sum or EMI) to Private partner	Beneficiaries pay (Lump-sum or EMI) to Private partner
Subsidy for developer	Land	Land	Land	Land	Land	Land	Financial incentives, exemptions and single window clearance	Financial incentives, exemptions and single window clearance
Performance bonus for developer	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	10%-15% performance bonus linked to the no of units sold	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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Comparative Analysis – Beneficiaries

Parameters	Government-land Based Subsidized Housing	Mixed Development Cross Subsidized Housing	Annuity Based Subsidized Housing	Annuity cum Capital Based Subsidized Housing	Direct Relationship Ownership Housing	Direct Relationship Rental Housing	Private-land based Subsidized Housing (CLSS Scheme for EWS/LIG/MIG)	Private-land Based Subsidized Housing (AHP Scheme for EWS)
Beneficiary eligibility	Public authority	Public authority	Public authority	Public authority	Public authority	Public authority	CLSS benefits will be available to EWS/LIG and MIG beneficiaries as per the PMAY(U) Guidelines.	As per PMAY guidelines
Beneficiary identification	Public authority	Public authority	Public authority	Public authority	Private partner	Private partner	Combined efforts of Public authority, private entity and banks	Combined efforts of Public authority, private entity and banks
Payments by beneficiaries	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Public authority	Lump-sum or EMI to Private partner	Rent to Private partner	Lump-sum or EMI to Private partner	Lump-sum or EMI to Private partner
Sourcing of funds by beneficiaries	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Financial Institutions/ Monthly income	Monthly income	Financial Institutions/ Monthly income	Central Govt subsidy to EWS and State Govt subsidy + Financial Institutions/ Monthly income

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