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**President, Raigad**  
Vikas Bhamre  
**President, Navi Mumbai**  
Arvind Goel

Ref. No. : MCHI/PRES/15-16/176

January 29, 2016

To,  
**Hon'ble Smt Sushma Swaraj**  
Minister of External Affairs  
Government of India,  
New Delhi - 110011.

**Sub: MCHI-CREDAI's Presentation on Affordable Housing to PMO**

Respected Madam,

MCHI-CREDAI is an apex body consisting of members from Real Estate Industry among Mumbai Metropolitan Region (MMR) in State of Maharashtra. The focus of our Chamber is not only to provide Affordable Housing to buyers but also, is for meditating and negotiating with Central and State Governments for the purpose of Policy making and growing Economy for the State, through Real Estate sector.

MCHI-CREDAI had a privilege of presenting our vision on Affordable Housing in MMR to the PMO on the 7<sup>th</sup> of December, 2015. Please find the presentation attached herewith for your kind consideration.

Thanking you.

Yours faithfully,  
For MCHI-CREDAI



**Dharmesh Jain**  
President

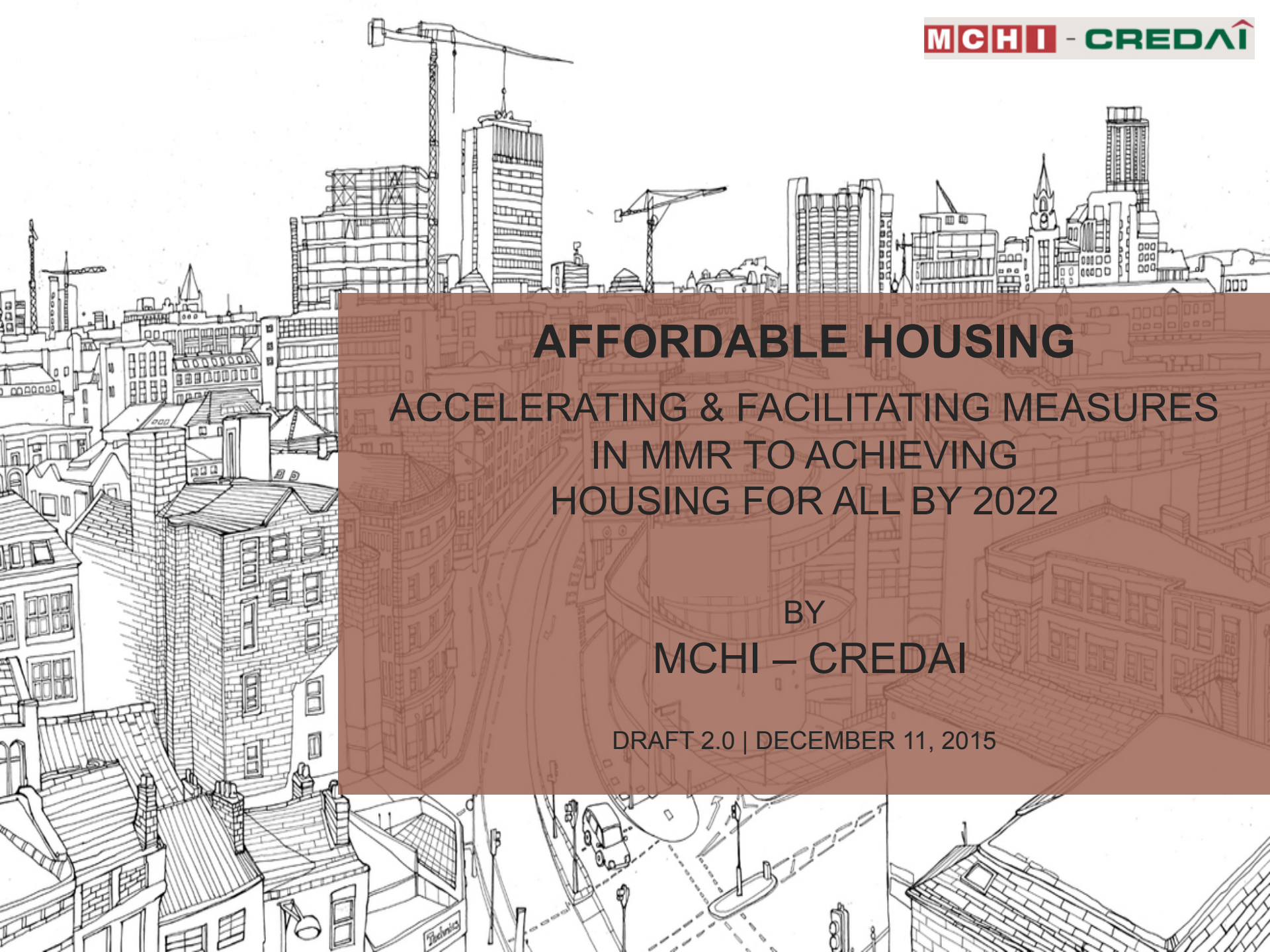


**Naimesh Shah**  
Hon. Secretary



**S. S. Hussain (I.A.S. Retd)**  
Chief Exec. Officer

*Encl : As Above*

The background of the slide is a detailed black and white line drawing of a city skyline. It includes various building styles, some with construction cranes, and a street scene at the bottom with a car and a boat. A large, semi-transparent red rectangle is overlaid on the right side of the image, containing the main title and subtitle in white text.

# **AFFORDABLE HOUSING**

## **ACCELERATING & FACILITATING MEASURES IN MMR TO ACHIEVING HOUSING FOR ALL BY 2022**

BY  
**MCHI – CREDAI**

DRAFT 2.0 | DECEMBER 11, 2015

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**CONTENTS****Page nos.****PART I: SUMMARY PRESENTATION**

MCHI-CREDAI'S Goal & Plan, Definition & Proposition for Affordable Housing 2-4

Important steps from a Buyer's perspective 5

Important steps from a Developer's perspective 6


Important steps from a Banker's perspective 7

A mention of other crucial factors 8

**PART II: ANNEXURES 9-23**

**PART III: A SNAPSHOT OF OTHER PARAMETERS 24-31**

End of Presentation

The background of the slide is a light gray with a stylized city skyline on the left side. The skyline consists of several vertical rectangles of varying heights, some of which have a grid pattern representing windows.

## **PART I: SUMMARY PRESENTATION**

ONLY FIRST PRIORITY POINTS HIGHLIGHTED



## MCHI-CREDAI's GOAL & PLAN



THANE
KALYAN
VASAI
VIRAR
AMBERNATH
BHIWANDI
KARJAT
MIRA ROAD
KANDIVALI
BADLAPUR
MURBAD
NERAL - KARJAT
KANJUR MARG
WADALA
PALGHAR
ASANGAON
TITWALA

Even as on date, MCHI-CREDAI members have committed to developing over 100,000 homes upto 60 sq. mtrs. in the mentioned locations.

However, due to the project life cycles being at various stages of approvals, most of these have not begun yet.

## DEFINITION OF AFFORDABLE HOUSING AND SHORTAGE THEREOF

For EWS: 30 sq. mtr. / 322 sq. ft. of Carpet Area

For LIG: 60 sq. mtr. / 646 sq. ft. of Carpet Area

Approximately 2 crores homes are required to fill the gap as on date.

While the exact data of the break-up of requirements between EWS, LIG, MIG, HIG may be unavailable down to the last percentage, it is safe to assume that maximum shortfall is in the EWS and LIG categories.

This presentation probes into possible accelerators and facilitators for addressing urban home shortage in MMR.

Immediate steps are mentioned in the next four slides, with details and other possibilities coming up in Annexures and part II of this presentation respectively.

## AFFORDABLE HOUSING PROPOSITION

### MMR

- Housing unit admeasuring upto 60 sq.mtrs. carpet area
- Value in the range of Rs.25 ~ 50 lakhs
- FAR / FSI up to 4.0

### MUMBAI CITY AND SUBURBS

- Housing unit admeasuring 35 ~ 60 sq. mtrs. carpet area
- Value starting at Rs.50 lakhs
- FAR / FSI of 4.0



## FROM A BUYER'S PERSPECTIVE

ISSUES	SOLUTIONS
<b>FINANCIAL ELIGIBILITY &amp; CLOSURE</b>	<ul style="list-style-type: none"> <li>• Due to non-existent credit and banking histories coupled with lack of assets, most in the EWS and LIG self-employed categories do not qualify at all for loans. Government could step in to provide additional security required on their behalves to ensure the eligible &amp; deserving families receive such loans.*</li> </ul>
<b>FINANCE &amp; SUBSIDIES</b>	<ul style="list-style-type: none"> <li>• In the metros and mini-metros, the subsidy of up to INR 6 lakhs ought to be enhanced to INR 25 lakhs keeping in mind the market rate and the ready reckoner prices of those areas.**</li> <li>• A much lower rate of Interest may be considered, eg. 6.5%</li> </ul>
<b>TAXES</b>	<ul style="list-style-type: none"> <li>• Instead of the prevalent taxes that go up to 11.25% including Service Tax, VAT, Stamp Duty, etc., make it a flat 5% transaction cost, if not a token amount as opted for by the Rajasthan Govt. for example. ***</li> <li>• Increase tax benefits on interest on housing loans to INR 4 lakhs.</li> </ul>

\*, \*\* & \*\*\*: The detailed and supporting slides are compiled under Annexure I from slide nos. 10 to 13.

## FROM A DEVELOPER'S PERSPECTIVE

ISSUES	SOLUTIONS*
<b>APPROVALS</b>	<ul style="list-style-type: none"> <li>• ENVIRONMENT CLEARANCE - ULB to lay conditions thereby eliminating the need of SEAC and SEIAA pre-appraisal.</li> <li>• SELF-CERTIFICATION – Up to 50% of the potential can be approved in principle by Local Architects themselves; in the mean time authorities will have ample time to review the same and approve/disprove the same without the project having to suffer time cost over-runs.</li> </ul>
<b>TAXES</b>	<ul style="list-style-type: none"> <li>• All ULB taxes &amp; premiums linked to development approvals may be capped at 10-15% as this could benefit the buyers.</li> <li>• Affordable Housing Developments in particular may be given tax relaxations.</li> </ul>
<b>PRIORITY SECTOR STATUS – AT PAR WITH INFRASTRUCTURE SECTOR</b>	<ul style="list-style-type: none"> <li>• A 7.8% contributor to the GDP, the second largest job generator with over 250 ancillary businesses dependent on this one sector, Real Estate has only 2% NPAs. These compelling facts alone support the demand for being treated at par with Infrastructure, let alone housing being a priority requirement at all times.</li> </ul>

\* The detailed and supporting slides are compiled and posted as Annexure II from slide nos. 15 - 22

## FROM A BANKER'S PERSPECTIVE

ISSUES	SOLUTIONS
<b>FINANCE</b>	<ul style="list-style-type: none"> <li>Allow tie-ups with Pension Funds, FDI, etc. to fund Affordable Housing projects.</li> </ul>
<b>SECURITY COVER</b>	<ul style="list-style-type: none"> <li>Due to Financial eligibility being low to non-existent in many cases of EWS buyers, Government can step in to cross securitize such units/developments.</li> </ul>
<b>INNOVATIONS</b>	<ul style="list-style-type: none"> <li>HDFC has worked out a model whereby the buyer's capacity can increase and they can opt for a different loan instrument factoring their incremental incomes. *</li> </ul>

\* A detailed and supporting report is annexed at the end of the entire presentation.

## A SNAPSHOT OF OTHER PARAMETERS

While the top three important parameters affecting the affordability in the sector are listed in the afore-presented slides, there are a few more important issues that need to be looked into.

Mentioned in Part III of this presentation, they are:

LAND

INFRASTRUCTURE

CIVIL AVIATION APPROVALS

Following these details are some innovative concepts that may be considered for better planning of Affordable Housing projects.

The background of the slide features a stylized, light gray city skyline on the left side, with several rectangular buildings of varying heights. The rest of the background is a solid light gray.

## **PART II: ANNEXURES**

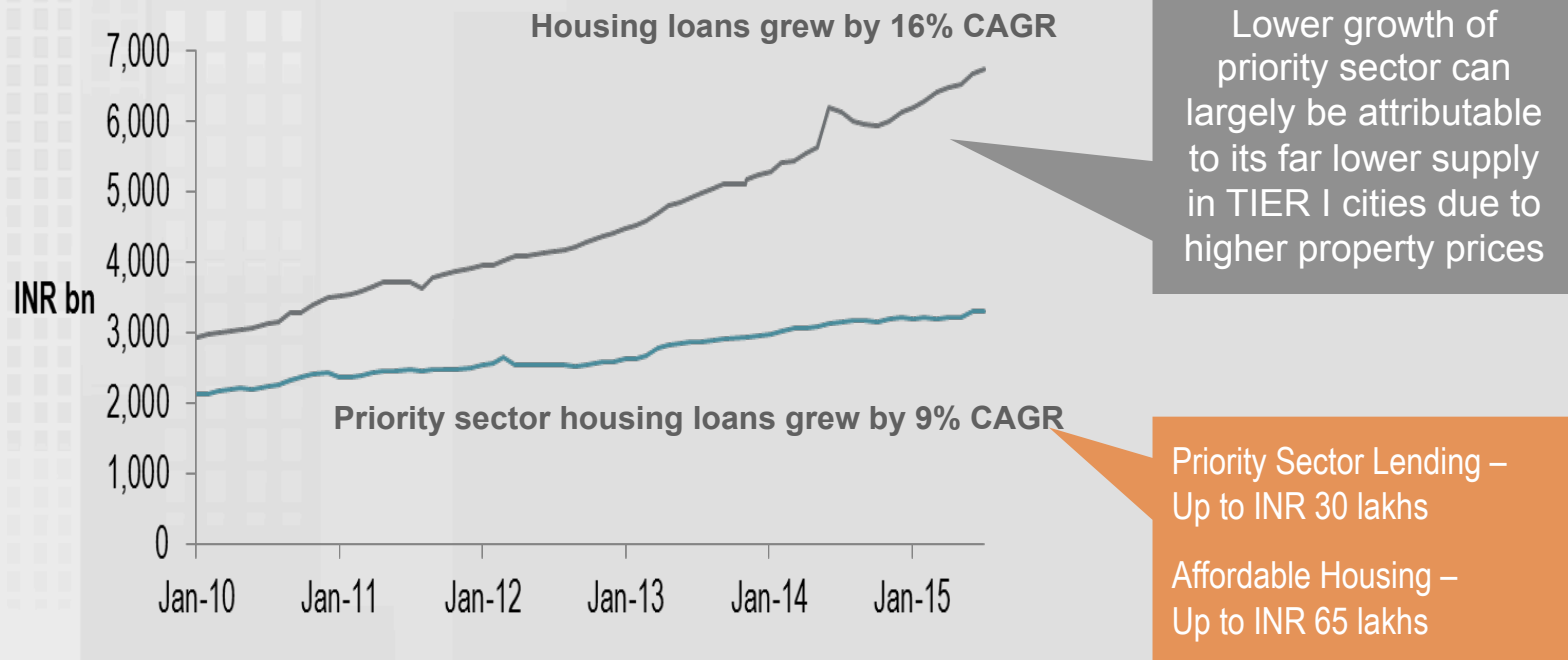
### **SUPPORTING DATA FOR THE SUMMARY PRESENTATION**

## **ANNEXURE I**

1. Percentage difference between the home loan portfolio of Regular Housing and Affordable Housing
2. Details of prevalent taxes
3. Ready Reckoner rates amongst the least as prevalent in some Mumbai suburbs currently
4. How incentive schemes gave a fillip to Housing



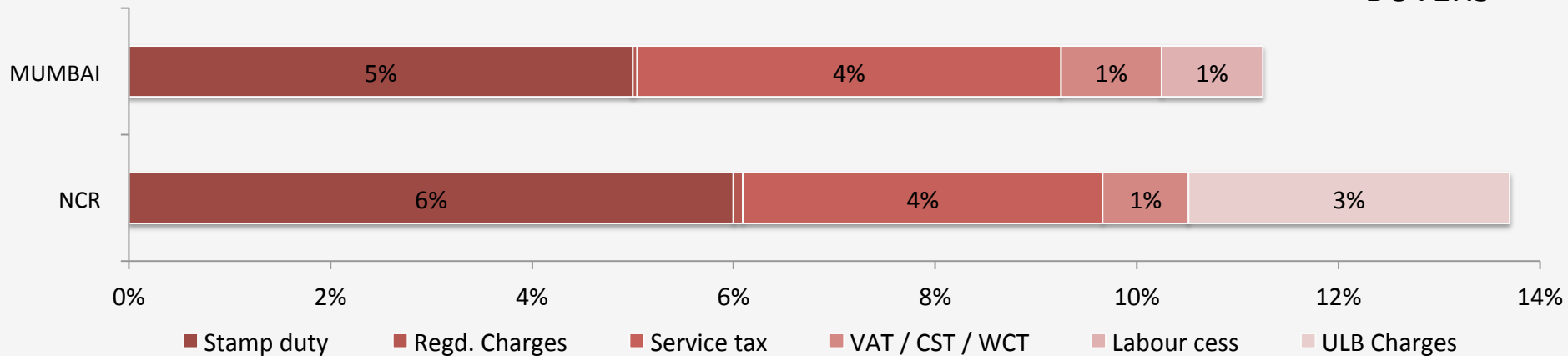
## BROADER COVERAGE FOR PRIORITY SECTOR HOUSING



Even the existing Gross Bank Credit to Real Estate sector is USD 42 bn. This figure is just 13% of future requirement for just the affordable housing schemes.

# TAX BREAK-UP FOR BUYERS

## BUYERS



We propose reducing the tax burden for affordable housing category first home buyers in Affordable Housing category. VAT, Service Tax, Stamp Duty, Registration charges for such homes may only be token amounts; for eg. as has already been in practice in Rajasthan at Re. 1/- .

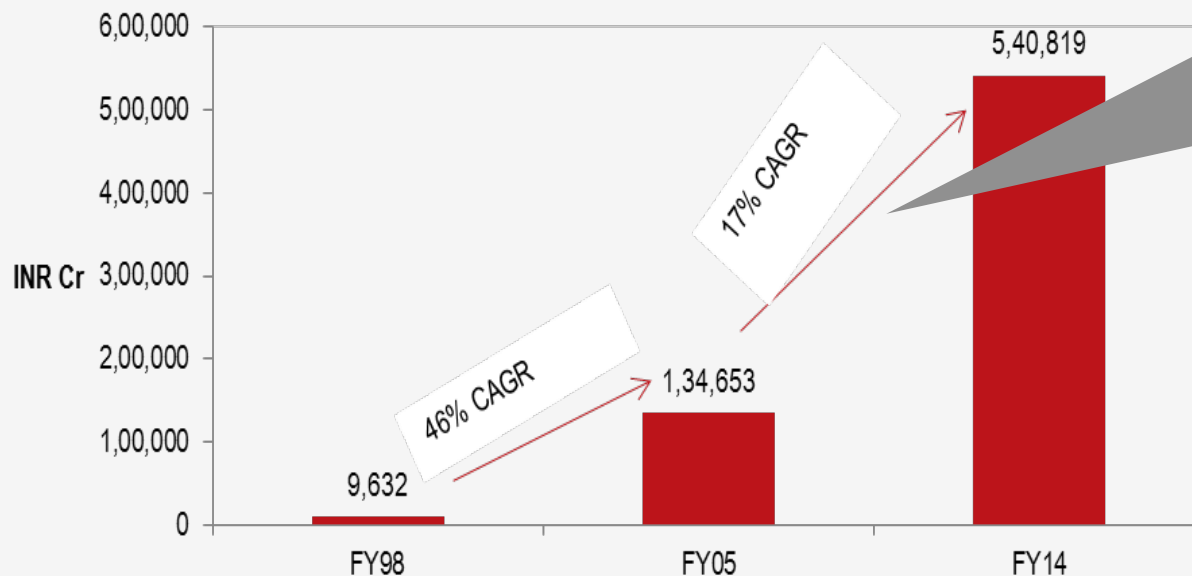
## HOW, EVEN AS PER THE READY RECKONER, THE BASE HOUSE RATE IN MUMBAI BY ITSELF INDICATES ENHANCING THE SUBSIDY OF 6 LAKHS TO 25 LAKHS

LOCATION	LAND RATE	SALE RATE	EFFECTIVE PRICE FOR 322 SQ. FT. HOMES AS PER THE RR	EFFECTIVE PRICE FOR 646 SQ. FT. HOMES AS PER THE RR
Mazgaon	23300	69000	20,64,103	41,41,026
Parel-Sewri	21800	73800	22,07,692	44,29,097
Salt Pan 5/116	41300	82300	24,61,966	49,39,223
Dharavi	24800	73000	21,83,761	43,81,085
Madh	19500	50300	15,04,701	30,18,748
Pahadi Eksar	23400	59800	17,88,889	35,88,889
Malad East	25900	66600	19,92,308	39,96,990
Vikhroli	28600	75800	22,67,521	45,49,127

The stamp duty implications alone shall cause a major cost to the buyer, as visible from the table above; and these are some of the lowest rates in the RR of Mumbai City.

# INCENTIVE SCHEMES FOR PRIORITY SECTOR HOUSING

Fiscal incentives to home loan borrowers and developers helped massive growth in mortgage book between 1998 and 2005



## ANNEXURE II

### 1. APPROVALS

### 2. TAXES

Details of indirect taxes at the state level

Details of Project related Taxes

Details of fees and premiums payable in the Mumbai context

Break-up of other taxes

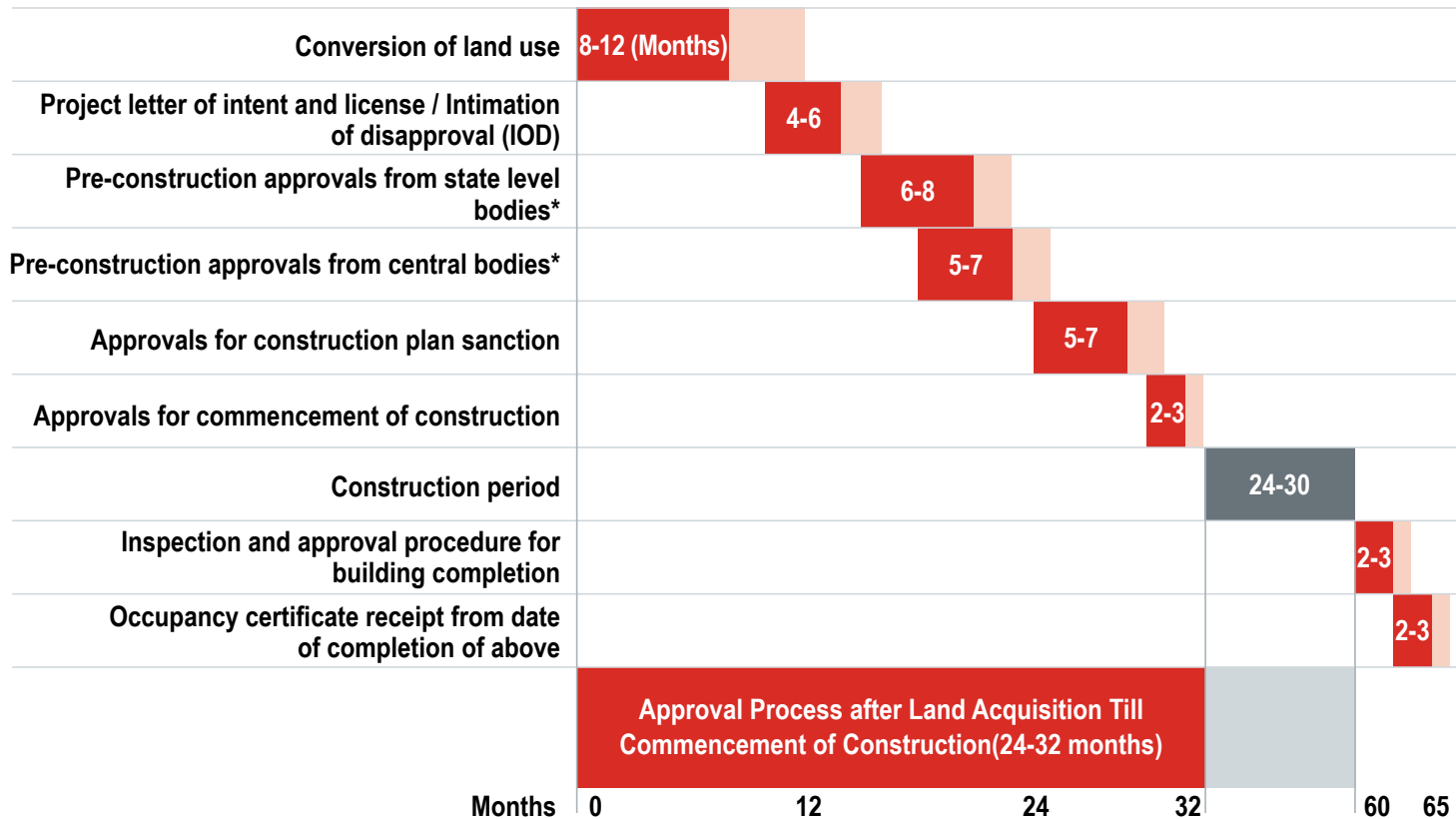
### 3. PRIORITY SECTOR STATUS

How is Real Estate Sector eligible?

Low Risk Weightage

The classic paradox of displaying all characteristics yet having no recognition

# A SNAPSHOT OF APPROVAL LED DELAYS



Source: CREDAI-Jones Lang LaSalle Real Estate Transparency Survey 2011

Note: The stages – Pre-construction approvals from state level bodies and central bodies can happen simultaneously.



## INDIRECT TAXES AT STATE LEVEL



## PROJECT RELATED TAXES



# IN THE MUMBAI CONTEXT ALONE!

## List of Various payments to MCGM & Other departments

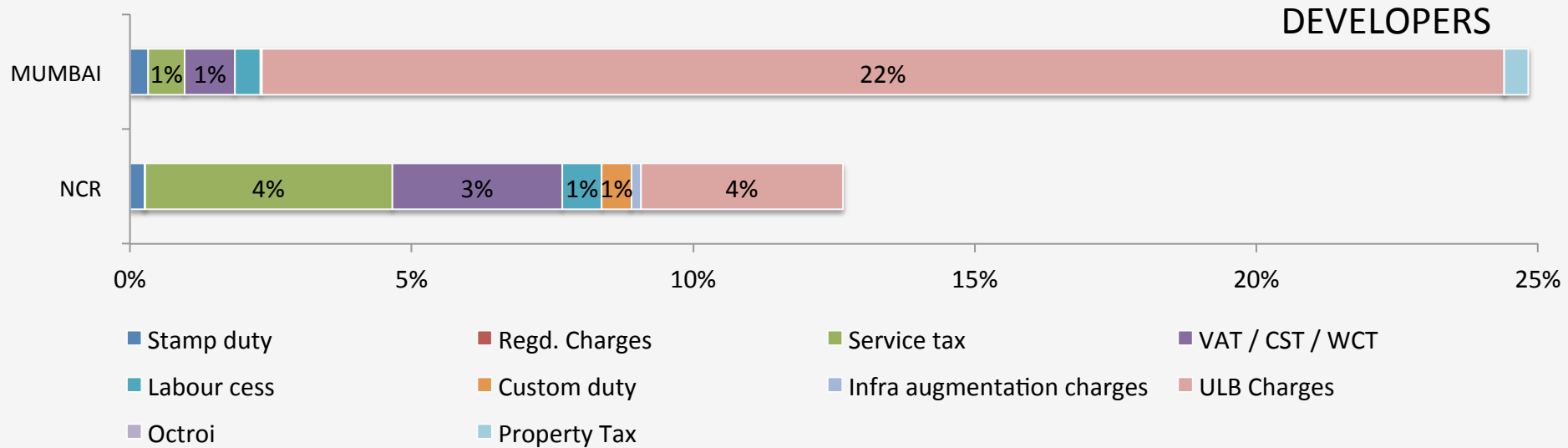
Fees for Scrutiny					
1	Scrutiny Fees for IOD	5	Scrutiny fee for SWD Remarks	9	Scrutiny Fees for M&E NOC
2	Scrutiny Fees for Layout approval	6	Scrutiny Fees for CFO NOC	10	Scrutiny fees for SWD Remarks
3	Scrutiny Fees for Parking Layout approval	7	Amended Scrutiny Fees	11	Scrutiny fees for Railway NOC
4	Scrutiny Fees for HE NOC	8	Tree Cutting - Processing fees		

Fees for Remarks					
1	Survey Remarks	4	D.P. Remarks fees	7	D.P. Demarcation
2	CFO Capitation Fees	5	R.L. Remarks	8	R.L. Demarcation
3	Site Elevation Remarks Fees	6	T.P. Remarks		

Other Fees & Charges					
1	Premium for DG Set Room	9	Premium for 0.33% addtion FSI	17	Water Connection Charges
2	Premium for Steps in open space	10	Development Charges	18	TDR utilisation charges
3	IOD/CC Revalidation Fees	11	Deficincy in car Parking	19	LUC Tax
4	Royalty Charges	12	CFO Capitaion fees	20	Assessmet Tax
5	Carriage entrance fees	13	PCO Charges	21	NA Conversion Tax
6	Staircase Premium	14	HE NOC	22	Road Opening Charges
7	Balcony Enclosure Charges	15	Carriage way supervision charges		
8	Premiun for Fungible FSI	16	Labour welfare fund		

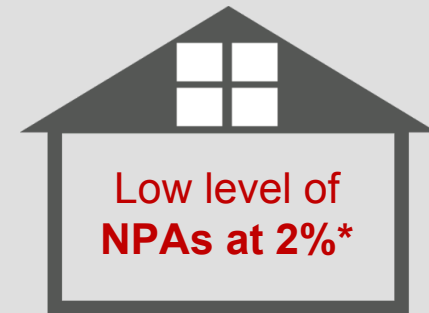
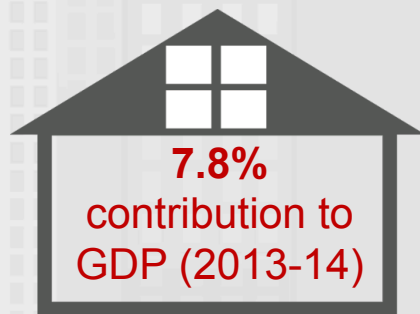
Various Deposits					
1	IOD deposit	3	Debris Removal Deposit	5	Various Regularisation Charges
2	Basement Deposit	4	Tree Cuting Deposit	6	Dewatering Deposit

## TAX BREAK-UP FOR DEVELOPERS



We propose capping the above taxes at 10-15% as the buyers will be the direct beneficiaries of such reductions.

## WHY REAL ESTATE OUGHT TO BE CONSIDERED AT PAR WITH INFRASTRUCTURE INDUSTRY.



## LOWER RISK WEIGHTAGE

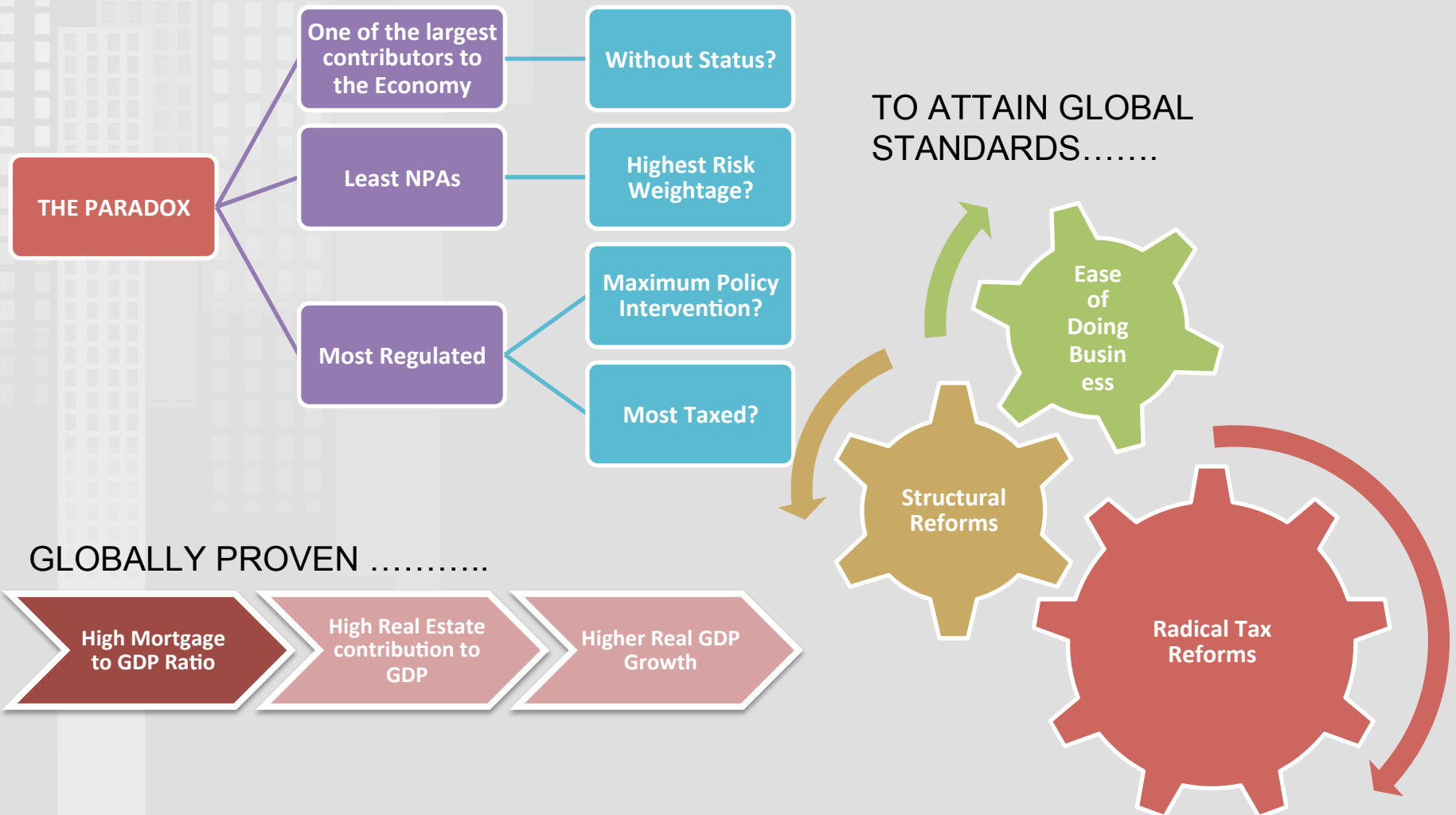
### Percentage of NPAs Industry-wise

Aviation	27%	Power	19%	Telecom	16%	Mining	9%
Textiles	23%	Infrastructure	17%	Iron & Steel	15%	<b>Real Estate</b>	<b>2%</b>

Due to the product by itself being a securitize-able physical asset, as well as the basic raw material – LAND – also being a security, coupled with Corporate / Company / Personal guarantees in cases where even physical security is not enough, there are far lesser instances of NPAs as is visible from the figures above.



# PRIORITY SECTOR CHARACTERISTICS VS CURRENT STATUS



## PART III: A SNAPSHOT OF OTHER PARAMETERS

Affordable Housing locations – Greenfield and Brownfield

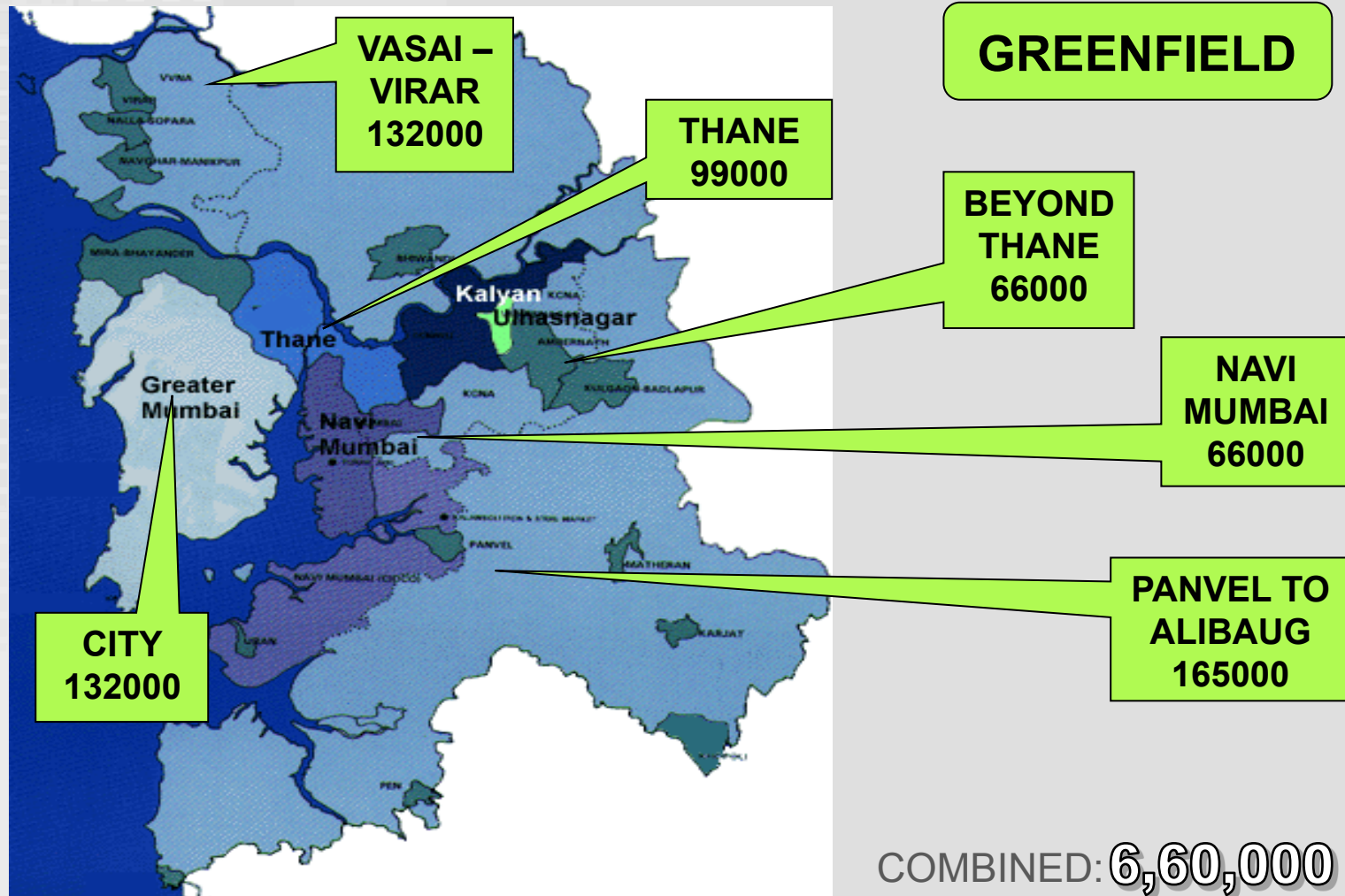
Issues related to Land

Select approvals – Central & State Government

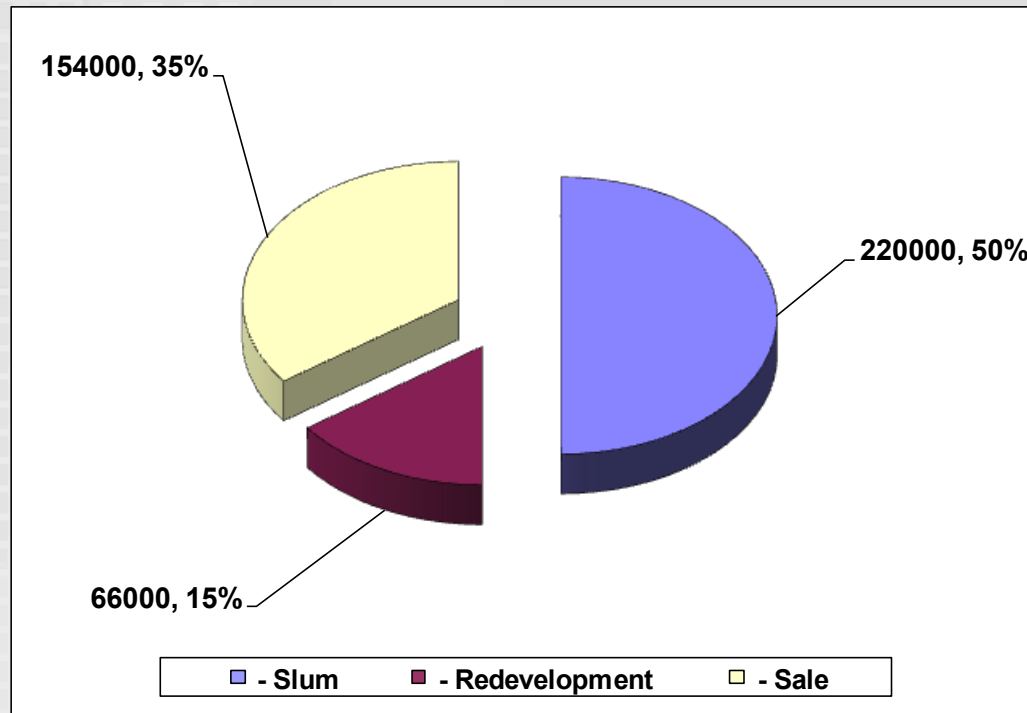
Expenditure apportioned in a typical Mumbai project

Other options for enhancing supply

## AFFORDABLE HOUSING LOCATIONS



## AFFORDABLE HOUSING LOCATIONS



### BROWNFIELD

Brownfield means urban renewal of Slums / Chawls and old dilapidated buildings currently existing in Mumbai.

4,40,000

# LAND

CHALLENGES	SOLUTIONS
<b>CRZ II</b> Locking up huge developable lands	CRZ II (where infrastructure already exists) is a huge land mass that can be unlocked for Affordable Housing; hence should be freed from CRZ II restrictive norms
<b>SGNP BUFFER ZONE</b> Approximately 200 acres of blockage to developable land	As an 8' wall covers the entire SGNP along the periphery, thereby avoiding any man-wildlife conflict, the buffer zone should be eliminated
<b>MOD LAND</b> Minimum 100 acres of land development has been blocked	Needs to be unlocked to benefit creation of Affordable Housing in the heart of Mumbai City
<b>AGRICULTURAL LAND</b> Time taken for transfer of ownership & zoning delays project commencement	Automatic NA for Affordable Housing Schemes

## APPROVALS: CENTRAL GOVT.

### CHALLENGES

#### CIVIL AVIATION

- Despite having higher development potential, redevelopment projects, including those under MHADA / SRA (both affordable housing initiatives), are unable to achieve the development potential owing to restrictions of Civil Aviation. Thereafter, after approaching ICAO that additional height is permitted.
- Tremendous waste of time leading to huge cost overruns and cost of individuals approaching ICAO is huge.

### SOLUTIONS

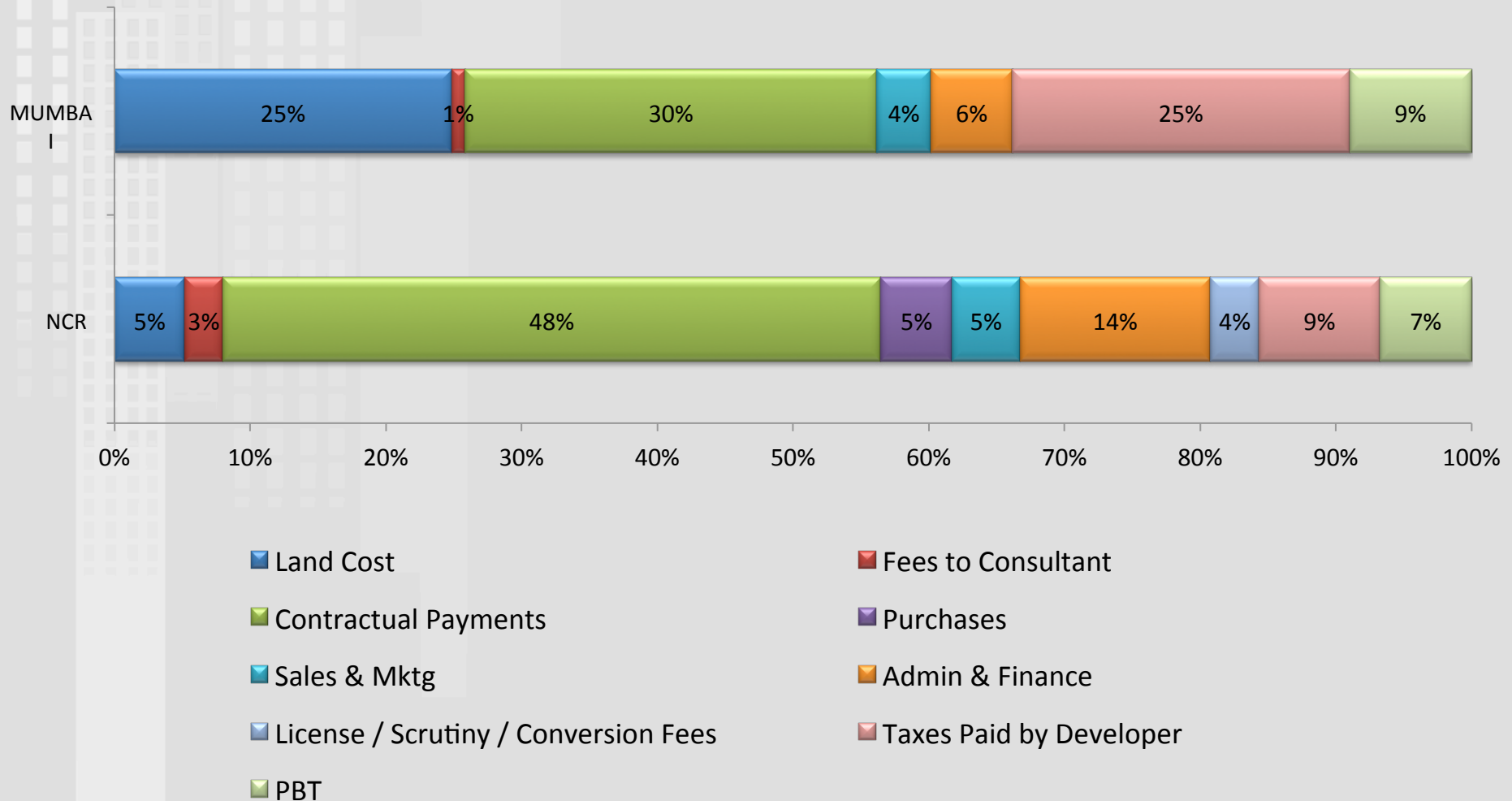
- By improving the infrastructure with modern day equipment & technology, (as is done in Singapore & Hong Kong) it is possible to allow for improving the height for development, thereby opening huge land for affordable housing.
- The tremendous saving of costs & time would further improve the affordability



## APPROVALS: STATE GOVT.

CHALLENGES	SOLUTIONS
<b>ULC</b> State of Maharashtra is the only state which is still trying to keep in operation the ULC Act provisions, in spite of adoption of the Repeal Act.	ULC should be scrapped with immediate effect thereby unlocking a huge development potential.
<b>CONVERSION FROM AGRI TO NA LAND</b> Takes around 9~12 months	Automatic NA for Affordable Housing Schemes.
<b>FLEXIBILITY TO DEVELOPERS FOR USE OF FSI AS PER SITE CONDITIONS</b>	<ul style="list-style-type: none"> <li>• Automatic Sanad for Class-1 land</li> <li>• Separate TILR</li> <li>• Composite building, separate building, flexibility in use of FSI to be allowed as per site conditions.</li> </ul>

# WHERE DOES THE RUPEE GO?



## OTHER OPTIONS FOR ENHANCING SUPPLY

### SMART CITY FORMATS

- 1000 acres+ lands are available in many peripheral areas like Dombivali, Kalyan, Karjat, Mumbai-Pune corridor, Vasai, Virar, to name a few.
- There are many small villages within these areas where the villagers do not want to move to big cities but get benefit of the development happening right there.
- Smart City inclusive formats can offer them the solution of retaining their locations even while being a part of the projects and thereby getting access to all the add-ons as well as future incomes on those lands. Like the one that's being pursued at Khalapur with 11 villages going together for development.
- If the infrastructure and transport development for these projects can go hand in hand with house construction, the volumes available would be huge.

**THANK YOU**