



National Urban Rental Housing Policy

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Government of India

Ministry of Housing and Urban Poverty Alleviation

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Abbreviations:

BSUP	: Basic Services for Urban Poor
CAA	: Constitutional Amendment Act
CBO	: Community Based Organisation
CSR	: Corporate Social Responsibility
EWS	: Economically Weaker Section
ECB	: External Commercial Borrowing
FSI	: Floor Space Index
FAR	: Floor Area Ratio
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
GoI	: Government of India
HFI	: Housing Finance Institutions
HRA	: House Rent Allowance
IHSDP	: Integrated Housing and Slum Development Programmes
ISHUP	: Interest Subsidy scheme for Housing the Urban Poor
JnNURM	: Jawaharlal Nehru National Urban Renewal Mission
LIG	: Lower Income Group
MDRH	: Market Driven Rental Housing
MoF	: Ministry of Finance
MoHUPA	: Ministry of Housing and Urban Poverty Alleviation
MIS	: Management Information System
MFI	: Micro Finance Institution
NGO	: Non Government Organisation
NSS	: National Service Scheme
NSSO	: National Sample Survey Organisation
NULM	: National Urban Livelihoods Mission
NURHP	: National Urban Rental Housing Policy
PG	: Paying Guest
PPP	: Public Private Partnership
PRH	: Public Rental Housing
PSU	: Public sector Undertaking
RCA	: Rent Control Act
RRY	: Rajiv Rinn Yojana
RAY	: Rajiv Awas Yojana
REITs	: Real Estate Investment Trusts

RRMC : Residential Rental Management Company
RHP : Rental Housing Policy
RWA : Residential Welfare Association
SPV : Special Purpose Vehicle
SRH : Social Rental Housing
SRHP : State Rental Housing Policy
SUH : Shelter for Urban Homeless
TFRH : Task Force on Rental Housing
ULB : Urban Local Bodies
UT : Union Territories

Definitions:

1. “Formal rental housing” means rental housing based on an agreement entered into between the owner and the tenant, which is registered with the competent authority under the law for the time being in force.
2. “Informal rental housing” means rental housing which is not based on an agreement entered into between the owner and the tenant, and is not registered with the competent authority under the law for the time being in force.
3. ‘Market Driven/Private Rental Housing’ means rental housing provided by individual owners or institutions/entities or private rental housing operators (such as hostel owners) wherein owners finance the construction and management of rental housing, independent of government assistance.
4. “Need Based Rental Housing” means rental housing based on need/requirement of different groups (such as students, teachers, working women/men, nurses, construction workers, migrants) who have a source of income, but find it difficult to afford the rent towards rental housing.
5. “Owner” means a person who, for the time being is receiving, or is entitled to receive, the rent of any residential rental premises, whether on his own account or on account of or on behalf of, or for the benefit of, any other person, or as a trustee, guardian or receiver of any person/institution who would so receive the rent or be entitled to receive the rent, if the premises were let to a tenant, and shall include his successor-interest;
6. “Public Rental Housing” means social rental housing that is owned by the government, local authority or its entities;
7. “Property Manager” means a person or company who is employed by the owner to manage the residential rental premises and who represents the owner in his dealings with the tenant.
8. “Rental Housing” means a property occupied by someone other than the owner, for which the tenant pays a periodic mutually agreed rent to the owner.
9. “Residential Rental Premises” means any building or part of a building which is or is intended to be let separately for the purpose of residence of the tenant and includes-
 - (a) any fixtures and fittings in such premises for the beneficial enjoyment thereof of the tenant; and
 - (b) the garden, grounds, parking, garage, out-houses etc. let out along-with the premises to the tenant.

10. Explanation:- For the purposes of this definition it is clarified that the definition of 'residential rental premises' does not include hotels, lodging houses, dharamshalas or inn etc "Shelter" means a covered structure that provides protection from the weather or danger for lodging of persons on a temporary basis with basic minimum civic facilities such as water, sanitation, electricity etc.
11. "Social Rental Housing (SRH)" means rental housing in which the rent is set at a level below the market rates to make it affordable for poor people (Economically Weaker Section & Low Income Group). It may be owned and managed by the government, local authorities, public sector undertakings, non-profit organizations, private or any others charitable institutions.
12. "Incentives" means a payment or concession to stimulate greater output or investment in rental housing, which may be fiscal and/or non-fiscal incentives (such as grants, low-interest loans, tax abatements etc.) that promotes housing to be accessible to those that cannot afford market rents.
13. "Tenant" means a person who has entered into a rental housing agreement, for any residential rental premises, with the owner, in lieu of rent payable towards the same.
14. Below Poverty Line (BPL) means a person holding a BPL card issued by the State Government from time to time¹.
15. Economically Weaker Section (EWS) means households having an annual income up to Rs. 3,00,000 (Rupees Three Lakhs)*.
16. Low Income Group (LIG) means households having an annual income above Rs.3,00,000 (Rupees Three Lakhs) and up to Rs.6,00,000 (Rupees Six Lakhs)*.

**States/UTs shall have the flexibility to redefine the annual income criteria as per local conditions in consultation with the Centre².*

¹ Report of the Expert Group to Review the Methodology for Measurement of Poverty, Government of India Planning Commission, June, 2014

**Over the year's methodology for estimation of poverty were based on the various recommendations made by different Working Group/Task Force/Expert Groups consisting of eminent experts in the field of poverty such as Lakdawala Committee (1993) Tendulkar Committee (2005), Hashim Committee (May 2010) and Rangarajan Committee (June 2012). The poverty lines in 2011-12 at the national level are expressed as monthly per capita consumption expenditure of Rs. 972 in rural areas and Rs. 1407 in urban areas, both at 2011-12 prices*

² Pradhan Mantri Awas Yojana, Housing For All (Urban), Scheme Guidelines-2015, Ministry of HUPA

Preamble

Housing is one of the basic necessities of life and the right to housing and adequate shelter is guaranteed in the Directive Principles of State Policy enshrined in the Constitution of India. The rapid pace of urbanisation in India has resulted in severe shortage of housing and basic services like potable water, well laid out drainage system, sewerage network, sanitation facilities, electricity, roads and appropriate disposal of solid waste. The urban housing shortage was estimated to be 18.78 million³ during the 12th Plan period with consequent increase resulting from intense urbanisation in future years. Provision of affordable housing has been a priority area for the Government of India; however, providing housing to all on ownership basis is difficult and may not be possible. The fact that a large percentage of households live in congested condition, indicates that a large section of population find decent and adequate housing unaffordable.

The growing urban housing shortages in India provide the rationale for policy focus on promotion of rental housing in urban areas which has been recognized by the National Urban Housing and Habitat Policy (NUHHP), 2007. This policy intends to promote sustainable development of ownership as well as rental housing stock in the country with a view to ensuring equitable supply of rental housing at affordable prices to all sections of society. Given the magnitude of housing shortage and budgetary constraints of both the Central and State Governments, it is amply clear that efforts of Public Sector alone will not suffice in fulfilling the rental housing demand. In view of this scenario, the National Urban Rental Housing Policy (NURHP), 2015 focuses on a multipronged approach such as enabling legal and regulatory measures, encourage involvement of Private Sector, Cooperative, Non-Governmental Sector, Industrial Sector (for labour housing) and the Services/Institutional Sector (for employee housing), to promote rental housing. The Policy seeks to promote various types of public-private partnerships for promotion of rental housing in the country which will act as a catalytic force to achieve the overall goal of Housing for All by 2022.

³ Report of the Technical Group On Urban Housing Shortage (TG-12) Urban Housing Shortage (TG-12) (2012-17), Ministry of Housing And Urban Poverty Alleviation, Government of India

National Urban Rental Housing Policy, 2015

1. Introduction

- 1.1. Urbanization is an undisputed driver of the process of economic growth. In tune with the global trend, India is undergoing through a process of rapid urbanisation. Whereas the total population of India has grown 3.4 times during the period 1951 to 2011, the urban population has grown 6 times during the same period i.e. from 62.4 million (1951) to 377.1 million (2011). The increasing pace of the urbanisation process could be gauged from the fact that whereas the overall population of the country grew by 17.64% during the decade 2001-2011, the urban population increased by 31.8% during this period.
- 1.2. Housing is not mere provision of four walls and a roof but it also requires to be supplemented by access to basic amenities such as water and sanitation, thereby offering a sense of privacy, safety, dignity and better living. The right to housing and adequate shelter as guaranteed in the Directive Principles of State Policy enshrined in the Constitution places an obligation on the Governments to ensure housing for all. With the rapidly increasing population of urban areas, the gap between supply and demand of the housing has been ever widening with increasing prices of real estate sector. Urbanisation in India is characterised with massive shortage of housing specifically towards the Economically Weaker Section (EWS) and Lower Income Groups (LIG), who are heavily dependent on governmental support for housing.

2. Historical context of policy interventions towards Housing in India:

- 2.1. The policies of urban development and housing in India have had a long journey since independence. In early 1950s, the pressure of urban population and lack of housing along with basic services was an issue of great concern to the Government as well as to the civil society. It has generally been the responsibility of States to intervene towards meeting the housing requirements of the vulnerable sections of society and to create an enabling environment for provision of shelter to all on a sustainable basis.
- 2.2. As part of the First Five Year Plan (1951-56), concrete governmental initiatives began with a focus on institution-building and housing for weaker sections of society. Government undertook construction of houses for Government employees and industrial workers (through Industrial Housing Scheme). The urban land was getting scarce for provision of housing especially for the middle and low income

groups, resulting in the government enacting the Urban Land (Ceiling & Regulation) Act, 1976. Housing and Urban Development Corporation (HUDCO) was set up in 1970 to provide affordable housing and provide specialized attention to critical segments of infrastructure development in cities and towns.

2.3. In the late 80's and early 90's, Government envisaged a larger role for the private sector in the construction of housing, whereas government focused on mobilization of resources, provision for subsidized housing for the poor and acquisition of land. The National Housing Bank (NHB) was set up as a wholly owned subsidiary of Reserve Bank of India (RBI), in 1988 under the National Housing Bank Act, 1987 to expand the base of housing finance. These were coupled with schemes aimed at provision of housing and basic services for the urban poor.

2.4. The first National Housing Policy was announced in 1988 to eradicate houselessness and improve the housing conditions. Thereafter a revised National Housing Policy was announced in 1994 as a by-product of economic reforms process initiated in 1991. The goal of this policy was to increase the supply of land and basic minimum services with a view to promote a healthy environment. Subsequently, a **Housing and Habitat Policy** was unveiled in **1998** with the vision of “**shelter for all**” and better quality of life to all citizens by using the potential of public, private and household sectors. The key objective of the policy was on creating strong **Public-Private Partnership (PPP)** for tackling the housing problem.

2.5. The **National Urban Housing and Habitat Policy (NUHHP) 2007** was formulated with the goal of ‘**Affordable Housing for All**’ with special emphasis on vulnerable sections of society such as Scheduled Castes/Scheduled Tribes, Backward Classes, Minorities and the Urban Poor. The spotlight was on ‘habitat development’ with a ‘**Regional Planning Approach**’ with the role of Government as a ‘facilitator’ and ‘regulator.’ The NUHHP-2007 lays emphasis on earmarking of land for EWS/LIG groups in new housing projects while retaining Governments role in social housing so that affordable housing is made available for EWS and LIG categories either on ownership or on rental basis.

3. Initiatives of Ministry of Housing and Urban Poverty Alleviation (MoHUPA):

3.1. The Central and State Governments incentivise the housing sector in order to ensure greater home ownership. Ministry of Housing and Urban Poverty Alleviation (MoHUPA) has had various programmes in the housing sector at different point of time namely Environmental Improvement of Urban Slums (EIUS) Scheme, National Slum Development Programme (NSDP), Valmiki Ambedkar

Awaz Yojana (VAMBAY), Basic Service for Urban Poor (BSUP) and Integrated Housing & Slum Development Program (IHSDP) under Jawaharlal Nehru National Urban Renewal Mission (JnNURM), Rajiv Awas Yojana (RAY), Interest Subsidy Scheme for Urban Poor (ISHUP)/Rajiv Rinn Yojana (RRY) etc.

4. Ministry of Housing and Urban Poverty Alleviation (MoHUPA) had constituted a Task Force on Rental Housing (TFRH)⁴ to suggest measures to give a fillip to rental housing . The task force had given thirteen recommendations which have been considered in formulation of the National Urban Rental Housing Policy, 2015.

5. Need for Rental Housing Policy:

- 5.1. As illustrated in the historical context of Housing Polices the focus of most of the policy/programmatic interventions of Government are oriented towards home ownership which is unlikely to solve the housing shortage in urban India keeping in view that majority of the urban housing shortage pertains to EWS and LIG categories. Although provision of affordable housing has been a priority area for the Government of India since independence, providing housing to all on ownership basis is difficult and or may not be feasible. These poor households live in congested conditions indicating that housing is unaffordable for a large section of population, be it ownership or rental. Even after interventions such as subsidies for housing loans and tax concessions, this segment cannot afford to own a house due to low disposable income, irregular income, ever increasing real estate prices etc. Further, affordability gap created by filtering⁵ and lack of creditworthiness of the urban poor prevents access to housing loan/finance. Banks are not very active in sanctioning small ticket-size loans and the reduction in the Outstanding Housing loans to the low income segments reflects that the housing loans to weaker sections is decreasing every year i.e. upto Rs. 2 lakh – from 2% to 1%, upto Rs. 5 lakh – from 14% to 9%, up to Rs.10 lakh from 34% to 26% during 2012-13 to 2013-14 (source: National Housing Bank).

As per National Sample Survey Organisation (NSSO), urban residents pay around 6.2% of their total expenditure on house rent, which has increased three fold from 2004-05 to 2011-12⁶.

The Income Tax Act provides exemption of tax deduction for House Rent Allowance (HRA) for an employee which is



⁴ Details available in the website: <http://mhupa.gov.in/> under What's New category

⁵ Filtering is a process in which people in higher incomes occupy houses meant for lower income groups as they are more affordable even though slightly congested and in the process enhance the rates, mainly rents.

⁶ Key Indicators of Households Consumer Expenditure in India: NSSO 68th Round (July 2011-June 2012), Ministry of Statistics and Programme Implementation, Gol.

around 40% on the basic salary. It is estimated that, the urban poor might be paying monthly 30% of their income as house rent without any incentives.

- 5.2. On one hand, there is huge housing shortage (urban) and on the other hand there are massive stocks of vacant houses. As per census 2011 data, 11.09 million houses are vacant in urban areas. While exact reasons for the vacant properties are hard to ascertain it is felt that low rental yield, fear of repossession, lack of incentives etc. are the possible reasons. If these vacant houses are made available for rental housing, then some, if not most of the urban housing shortage, could be addressed. There is no specific strategy/policy to deliberate on issues related to rental housing which is required for a systematic growth. The National Commission of Urbanisation has also highlighted the need to take curative steps to prevent landlords from keeping their houses vacant⁷.
- 5.3. In the absence of affordable rental housing options, growing families are forced to live in overcrowded houses which lead to slum like situations. Rental housing can provide an opportunity to the tenants as well as enable a steady source of income to the owners that converts urban land into an investment.
- 5.4. Time is appropriate to supplement ownership housing by a strong, vibrant and sustainable inclusion of Rental Housing market with different models to address diverse housing needs for various segments of the population. The country needs to encourage rental housing as an additional option for housing to all sections of the society, particularly to the EWS/LIG, migrants and vulnerable groups who may not be able to afford a home even with various incentives for ownership housing. Apart from the affordability standpoint, rental housing is desirable for a number of reasons.
- 5.5. As per Census 2011, over 27% of urban residents of the country are living on rent and most of them are informal in nature. The NSSO report has highlighted that, 25% of the hired dwelling units are informal and only 5% are formal⁸. As all the States in India are governed by their respective Rent Control Acts (RCA) which is skewed towards tenant protection, a fixed rent with limited options to increase rentals etc. has resulted in rental housing being economically unattractive and thereby creating an informal market. A ceiling on rents further reduced the quality and quantity of housing. These laws not only restrict supply but also drive away legitimate seekers of rental housing which force tenants into unrecorded and informal arrangements.

⁷ Report of the National Commission on Urbanization, August 1988, Volume-V, Part IV

⁸ NSSO 65th Round Report on Housing Conditions and Amenities in India (2008-09)

- 5.6. Migrants to urban areas form the single largest population segment that needs housing in the cities. A number of migrants come for varying durations of stay whether in search of employment or education. In 2007-08, the National Sample Survey (NSS) measured the migration rate (the proportion of migrants in the population) in urban areas at 35%. The Census of India data shows that 10.98 million people significantly migrated internally from Rural to Urban, 9.01 million Urban to Urban and 5.33 million from Urban to Rural areas between 1961 to 1971. Further, these rates have increased to 21.74 million, 15.16 million and 6.58 million people respectively in 2001⁹. Further, if not all, some urban residents may already have a house or a piece of land in their respective place of domicile and may not need (or be interested) in ownership housing in urban areas and would look for affordable rental accommodation. The reasons for migration vary significantly; amongst male migrants it is 37.6% on account of work/employment whereas for females it is 64.9% due to marriage. The proportion of males moving with household is 25.1% and the proportion of females moving with household is 18.9%. Since most of the male migration happens in the form of single individuals (rather than with family) they prefer to stay in affordable rental accommodation that allows them to minimise housing cost. Hence, addressing affordability issues of housing through promoting rental housing is necessary for inclusive urban development. Rental housing may also contribute towards preventing future growth of slums by providing affordable housing option to poor migrants. Rental housing provides options closer to the place of work and has the potential to improve their productivity.
- 5.7. Renting of homes is treated as a “commercial” activity which increases property tax for individuals and service taxes for institutional rental housing operators (i.e. Hostels/PGs/Dormitories etc.) wherein electricity and utility rates are calculated at par with commercial properties, hence reducing the rental yield. Higher outflow due to commercial treatment deters the growth of rental housing.

6. Issues and challenges:

- 6.1. Further, the rent control law indirectly discriminates against the small owners/ underprivileged residents of urban India. Housing loan payments can be deducted from Income Tax, but not rent paid specially by the poor and vulnerable section of the society. In most cities rental yields have not kept pace with the increase in prices of real estate. Rental yields were at levels of 6% or so in Mumbai

⁹ Migration Tables D- Census, 2001

during 2006, around 3.5% in 2009 and 1.5% in 2011¹⁰. At current yields there is limited participation of the investors in the rental housing market. According to **Savills World Research study**¹¹ despite continued growth in Mumbai, it has moderately negative rental growth combined with very low net yields (detail enclosed at *Annexure-I*). The main factors preventing investment in rental housing are rent control laws; unrealistically low rental yields; poor maintenance of rental stocks; low quantity of housing constructed for rental purposes; holding back unoccupied houses for fear of losing control etc.¹². RCA has resulted in substantial reduction in residential construction for rent and all new residential developments are built invariably for sale¹³.

- 6.2. Rental housing has the potential to minimise the capital requirement on the part of government as well as to promote inclusive growth. The **“High Level Task Force on Affordable Housing for All, 2008”** also endorsed the need for rental housing and recommended fostering an environment that would make rental housing for EWS and LIG categories of households; Public-Private Partnership (PPP) in the production and management of rental housing; along with setting up of a regulator to track rents and fix prices etc.
- 6.3. Further on account of urbanisation coupled with demographic shifts, existing housing shortage has created a demand for massive investment in housing. This capital requirement can be fulfilled by bringing public and private sector participation through appropriate policies, review/modification in the existing rules/regulations to bring transparency and accountability in the system to enable public and private investment. The growth of service sector, rising aspirations of young population, frequent change of job and dynamic growth potential with flexible career opportunities will create greater demand for rental housing which is likely to grow over the years especially in urban areas which are a pool/hub of new and global opportunities. By adopting a systematic approach to housing by including rental housing a balanced approach may be ensured that will support future growth. It is with this background that the National Urban Rental Housing (NURHP) Policy has been formulated.

¹⁰ Report on Policy and Interventions to Spur Growth of Rental Housing in India, Task Force on Rental Housing, September, 2013

¹¹ Insights, World Cities Review, H2, 2013, Yolande Barnes, Director of Savills World Research

¹² The Report of the National Commission on Urbanisation, August 1988, Vol-I

¹³The Report of the National Commission on Urbanisation, August 1988, Interim Report, Jan 1987: State Housing Boards no longer construct any rental housing i.e. during 70's Madhya Pradesh Housing Board sold away thousands of rental units to industrial workers as it could no longer afford to maintain them on the rent that prevailed, the perception of most house owners that once the house is given on rent, it will never be available to the owner this advertisements stating that company lease are preferred are a pointer to this because it was felt that a company might vacate a building, whereas an individual tenant never would that's why rental market has tended to be restricted and supply of rental housing extremely limited.

7. National Urban Rental Housing Policy (NURHP), 2015

7.1. Vision

'To create a vibrant, sustainable and inclusive rental housing market in India'.

7.2. Policy Objectives:

The broad objectives of the NURHP, 2015 are:

- 7.2.1. To create adequate rental housing stock by promoting Social Rental Housing (SRH) with direct or indirect support from Government (State) with special focus on affordability of vulnerable groups and urban poor.
 - 7.2.1.1. To promote Shelter facilities for the most vulnerable groups within the homeless population such as single women and their dependent minor children, aged, infirm, disabled, mentally challenged etc.
 - 7.2.1.2. To promote Social Rental Housing for urban poor (EWS and LIG as defined by Government of India from time to time) as a viable alternative housing option.
 - 7.2.1.3. To promote Need Based Rental Housing (short/mid/long term basis) for specific target groups such as migrant labour, single women, single men, students (any other target group as defined by the State) who have the ability to pay only up to a certain amount of monthly rent¹⁴.
- 7.2.2. To promote Market Driven Rental Housing (MDRH may or may not be eligible for direct benefits from government):
 - 7.2.2.1. To promote Private Rental Housing (PRH) as an interim measure towards aspirational home buyers.
 - 7.2.2.2. To enable Institutional Rental Housing (Hostels/PGs/dormitories) for working class with special focus on low earning employees working with Government/PSUs/Corporate houses/Industries/NGOs etc (any other category as defined by the State Government from time to time).
- 7.2.3. To remove legal, financial and administrative barriers for facilitating access to tenure, land, finance and technology.
- 7.2.4. To enable formalization/regularization of Rental Housing on pan India basis through adoption of Model Tenancy Act, 2015 of Ministry of HUPA.
- 7.2.5. To facilitate fund flow from government and private sector through innovative financial Instruments to incentivise rental housing.
- 7.2.6. To promoting Public-Private Partnership (PPP) to construct, manage, maintain and operate rental housing stock (Cooperative societies, Neighbourhood Associations, Resident Welfare Associations etc.).

¹⁴ As defined by Government of India from time to time, physical definition of minimum space or habitable area to be adopted as per National Building Code (NBC)

7.3. Target groups

7.3.1. **Shelter for the Homeless:** Shelter for the homeless, street children, destitute and other vulnerable groups of the society will be covered under the Shelter for Homeless (SUH) scheme under the National Urban Livelihoods Mission (NULM)¹⁵.

7.3.2. **Social Rental Housing (SRH) for Urban Poor:** Social rental housing which caters to the urban poor needs to be devised based on international experiences (enclosed at *Annexure-II & V- Models on Rental Housing*). Special thrust will be given on the following target groups:

- Below Poverty Line (BPL), Economically Weaker Section (EWS) and Low Income Group (LIG) households.
- Tenant due to constraints (Annexure-VI Criteria that may be adopted in identification of target groups for prioritization)

7.3.3. **Need Based Rental Housing for various target groups i.e. migrant labour, working women, working men, students, transgender, single women, widow or any other group as identified by the States.**

- Migrant labour: People who migrate temporally to different cities/towns in search of employment/livelihood. Most of these segments are either industrial or construction labourers dependent on rental accommodation.
- Students/working women/man: This segment usually stays for 6 months to 5 years preferably at a single location. Mostly depend on hostels provided by educational institutes or private hostel operators or individual owners providing paying guest accommodation.
- PSU/Government Housing: People employed by PSUs or Government Department (both Central and State), but not provided with accommodation. Characterised as economically better off as compared to other migrants, this segment depends on low cost rental housing that exists in the open market and prefer ownership housing after retirement and can hence be categorised as aspiring home buyers.
- States/UTs can come up with their own methodology for identification and prioritising the target groups for rental housing interventions especially for the social and need based target

¹⁵ http://mhupa.gov.in/NULM_Mission/NULM_Mission.htm

groups taking into consideration the SECC data along with possibility of linking with Unique Identity (Annexure-VI: Criteria that may be adopted in identification of target groups for prioritization).

7.3.4. **Market Based Rental Housing:** It is presumed that, the rental housing requirement of other categories i.e. Middle and Higher Income Groups (such as employees of Central/State/ULBs/PSUs/NGOs/Corporate houses/industries/private sector institutions) will be catered to by the market forces keeping in view their affordability.

8. Demand and Supply side interventions

For creation of a vibrant, sustainable and inclusive rental housing market in India following action points/interventions are proposed:

8.1. Interventions proposed for **demand generation** in the rental housing sector:

8.1.1. Identification of various target groups and assessment of their preferences/likely demands through primary and secondary survey.

8.1.2. Government at all levels to act as an enabler and facilitator to promote rental housing through policies and regulations.

8.1.3. Provide incentives (fiscal and non-fiscal) to the tenants i.e. tax exemptions, housing vouchers etc.

8.1.4. Encourage creation of institutional owners such as REITs, Corporate firms, Not-for-profit entities, Municipal Housing Companies, PSUs etc.

8.2. Interventions proposed to increase supply in the rental housing sector:

8.2.1. Undertake regulatory reforms such as implementation of Model Tenancy Act, 2015.

8.2.2. Encourage Public Private Partnership (PPP), Special Purpose Vehicle (SPVs), Residential Rental Management Companies (RRMCs) for creation of Social/Need Based rental Housing.

8.2.3. Design programme/schemes and earmark budgets/identify funding sources along with dovetailing of CSR and other funds (Labour Cess funds) etc. for creation of Social/Need based Rental Housing Scheme.

8.2.4. Earmarking certain percentage of dwelling units for Social/Need Based Rental Housing under various Central/State level Housing Schemes.

- 8.2.5. Mandatory registration of rental housing specially Social/Need Based Rental Housing.
- 8.2.6. Promote Information technology (IT) enabled platforms for access to rental housing stock such as online portals/database for Social/Need based rental housing.
- 8.2.7. Provide incentives (fiscal and non-fiscal) to the owners i.e. tax exemptions both direct and indirect by Central, State and ULBs, maintenance allowance etc.
- 8.2.8. Reduce transaction costs and informality through IT enabled platforms.
- 8.2.9. Prepare strategy/action plan for bringing vacant/locked properties into the rental housing stock.

In order to take forward the aforesaid interventions the role of various stakeholders is outlined below:

9. Role of Central Government:

Government of India (GoI) will support States/UTs in following aspects:

- 9.1. Act as a 'facilitator' and 'enabler' for promoting rental housing.
- 9.2. Advise/guide States/UTs to adopt and implement NURHP, 2015 and extend support in preparing State specific Policy on Rental Housing.
- 9.3. Encourage States to repeal/amend their respective Rent Control Acts and adopt the Draft Model Tenancy Act, 2015.
- 9.4. Facilitate income tax concessions for institutional owners that create mass rental housing especially catering to the affordable SRH sector.
- 9.5. Encourage States to provide subsidies for low income tenants (e.g. Rental Housing Vouchers¹⁶) and finance for private owners who provide low-income rental housing or for improvement of existing low quality rental housing.
- 9.6. Develop economically viable rental housing models (such as Rent-to Own Scheme, Shared Ownership Scheme, PPP Model, Rental Voucher Scheme, Rental Allowance Scheme etc.).
- 9.7. Extend fiscal and non-fiscal concessions for rental housing including that for PPP in rental housing.

¹⁶ Rental Housing Vouchers: Transfer a certain amount of subsidy to the urban poor for meeting their housing costs, vouchers (equivalent of cash) provided to the urban poor, vouchers could be used by the urban poor to top up the rent they are paying to move into a habitable space.

- 9.8. Encouraging building of mass rental housing either for own employees or for other socially vulnerable section of the society under Corporate Social Responsibility (CSR), by allowing 100% deduction of the capital expenditure¹⁷ incurred.
- 9.9. Create a separate category of depreciation for Hostels and Dormitories.
- 9.10. Recognise and award best/innovative practices adopted by the States/private sector/implementing agencies for their contributions on rental housing sector and disseminate related success stories.
- 9.11. Encourage Residential Real Estate Investment Trust (RREITs).
- 9.12. Facilitate adoption of the Model Tenancy Act, 2015.
- 9.13. Facilitate modification in the legal and regulatory mechanism namely in Lease/Rent Agreement, Building Permissions etc.
- 9.14. Coordinate with other respective Ministries on issues related to rental housing sector i.e. Ministry of Labour and Employment (MoL&E), Ministry of Urban Development (MoUD), Ministry of Finance (MoF) etc.

10. Role of State Government:

- 10.1. 'Housing' being a State subject, it is the primary responsibility of State Governments to ensure housing for all. Following important action are to be taken by the State/Urban Local Bodies (ULBs)¹⁸ in this regard:
- 10.2. Develop State Rental Housing Policy in consultation with the respective Urban Local Bodies (ULBs) based on local needs and demand assessment.
- 10.3. To undertake appropriate reforms and create conducive environment to make Social Rental Housing viable.
- 10.4. Earmark/reserve certain percentage of newly build flats/units/FSI/land within large housing projects at affordable rent especially for SRH (of a certain size and scale) in Master/statutory plans.
- 10.5. Create an online portal of database on rental housing stock, vacant houses/properties.

¹⁷ Capital expenditures (CAPEX) are expenditures altering the future of the business, incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life extending beyond the taxable year.

¹⁸ *Do's and Don'ts for States while formulating State Policy/Schemes on rental housing (Annexure-III)

- 10.6. Facilitate online system for mandatory registration, enquiry on rental housing at State/ULB level such as availability of rental properties, price, location etc.
- 10.7. Provide incentives like exemption from stamp duty, registration charge etc to boost Social Rental Housing¹⁹ (affordable rent as decided by the State) projects.
- 10.8. Advise Urban Local Bodies (ULBs) and other entities to treat SRH properties like hostels (including private hostels) as residential properties for the purpose of calculating property tax, and towards other charges like electricity/water charges etc.
- 10.9. Provide support to public and private agencies for effective planning and execution of social rental housing programmes/schemes.
- 10.10. Exempt property tax for predefined period (say for 5 to 10 years) for Social Rental Housing properties.
- 10.11. Ensure convergence of various housing and livelihood generation schemes/programmes at various levels.
- 10.12. Develop strategy to deal with the vacant/locked properties in consultation with various stakeholders and come up with options/alternatives.
- 10.13. Facilitate Rental Housing Projects especially Social Rental Housing Projects by creating Special Purpose Vehicles (SPVs)/ offering loans on lower interest rates allocate certain percentage of fund especially for Social Rental Housing / offer opportunity to buy back from private sector affordable housing builders and to make it available on rent, rent to own.
- 10.14. Repeal/amend existing Rent Control Legislations and adopt the Draft Model Tenancy Act, 2015 (of MoHUPA) to create a conducive atmosphere towards enhancing investment opportunity in rental housing sector. The Model Tenancy Act, 2015 suggests:
 - Entering into contractual agreements balancing the rights and responsibilities of owners and tenants.
 - Introducing smooth online registration process and grievance redressal mechanism to enable growth of rental housing.

¹⁹Affordable Rental Housing (defined above as flats less than 60 sq. mt) including Affordable Hostels and Dormitories (total charges less than pre defined per month per bed at current prices) and Captive Employee Housing should get cost benefits so as to improve Yields/Margins- Task Force on Rental Housing (TFRH), MoHUPA.

- Provide for fast adjudication process for resolution of disputes through rent tribunals.
 - Repossession of the premises by the owner through rent courts.
- 10.15. Adopt/amend/formulate appropriate legislations/rules for creation of institutions to operate, maintain and management of rental housing stock, both social and market based.
- 10.16. Prepare customised strategy/action plan to address the issues of vacant/locked houses through a time bound action plan.
- 10.17. To promote Residential Rental Management Companies (RRMC) to bring efficiency especially in operation, maintenance and management of large scale rental housing projects/schemes.
- 10.18. To encourage formation of cooperative societies, municipal housing companies, neighbourhood associations, not for profit entities or other entities that would create, operate, maintain and manage rental housing stock..
- 10.19. To take initiative towards a gradual shift from existing rental market to formal vibrant rental housing market by promoting voluntary registration drives through appropriate fiscal and non-fiscal incentives at local level.
- 10.20. To encourage employers to offer Rental Housing / Rent-to-Own facilities to their employees (i.e. specific grants / financial assistance, loans at lower interest rates etc).
- 10.21. To encourage corporate houses, charity organisations, RWAs, NGOs to initiate rental housing projects targeting the urban poor.
- 10.22. Initiate programmes to create/support system that accelerate rental housing projects specialty social/need based rental housing category.
- 10.23. Build capacity of various stakeholders in planning and implementation of housing projects/schemes with special focus on Rental Housing.
- 10.24. Promote use of local technology/design based on the local know how and needs for housing in general and rental housing in particular.

11. Role of Urban Local Bodies (ULBs):

- 11.1. The Urban Local Bodies shall take pro-active lead role in drafting and implementing the State policy on urban rental housing i.e. assessment of the present situation to analyse and prepare strategies (short, mid and long term) with support of State Government and other stakeholders.
- 11.2. To identify target groups and total requirements for social/need based rental housing with the support of State Government.
- 11.3. To prioritise interventions/strategies to construct, maintain, manage and operate rental housing stocks addressing Social/Need based rental Housing.
- 11.4. To implement Central and State sector schemes/programmes, pertaining to Rental Housing at the city level.
- 11.5. To reduce the informality by rationalizing transaction costs in rental housing and to simplify registration process in a time bound manner.
- 11.6. To develop/adopt fast track dispute resolution mechanisms through a systematic and exclusive online portal on rental housing.
- 11.7. To developing innovative Public Private Partnership (PPP) projects for creation of rental housing stock based on the local dynamics.
- 11.8. Treat rental housing stocks at par with owner occupied premises in terms of property tax treatment and calculating other utility charges (water/electricity etc).
- 11.9. Make a separate budgetary provision for rental housing projects/schemes.
- 11.10. Create innovative models on rental housing to supplement/compliment Central/State policies/programmes.
- 11.11. To constitute Municipal Housing Companies to create social/need based rental housing stocks and undertakes construction of affordable rental housing to promote socially diverse neighbourhoods.
- 11.12. Allocate land for social and need based rental housing projects.

12. Role of other institutions/entities

- 12.1. Banks and Housing Finance Institutions (HFIs) may promote innovative financial instruments to finance Social Rental Housing Schemes.
- 12.2. Corporate/Private Sector may take up staff housing and undertake Social/Need Based Rental Housing as part of Corporate Social Responsibility (CSR).
- 12.3. Co- operative Housing Sector and Non-Government Organizations' (NGO) may encourage rental housing societies and housing federations to actively participate in promoting rental housing and provide information to tenants and encourage development of tenant associations by active participation of NGO's.
- 12.4. State Public Agencies like Housing Boards/Development Authorities may create appropriate SRH.

13. Way forward:

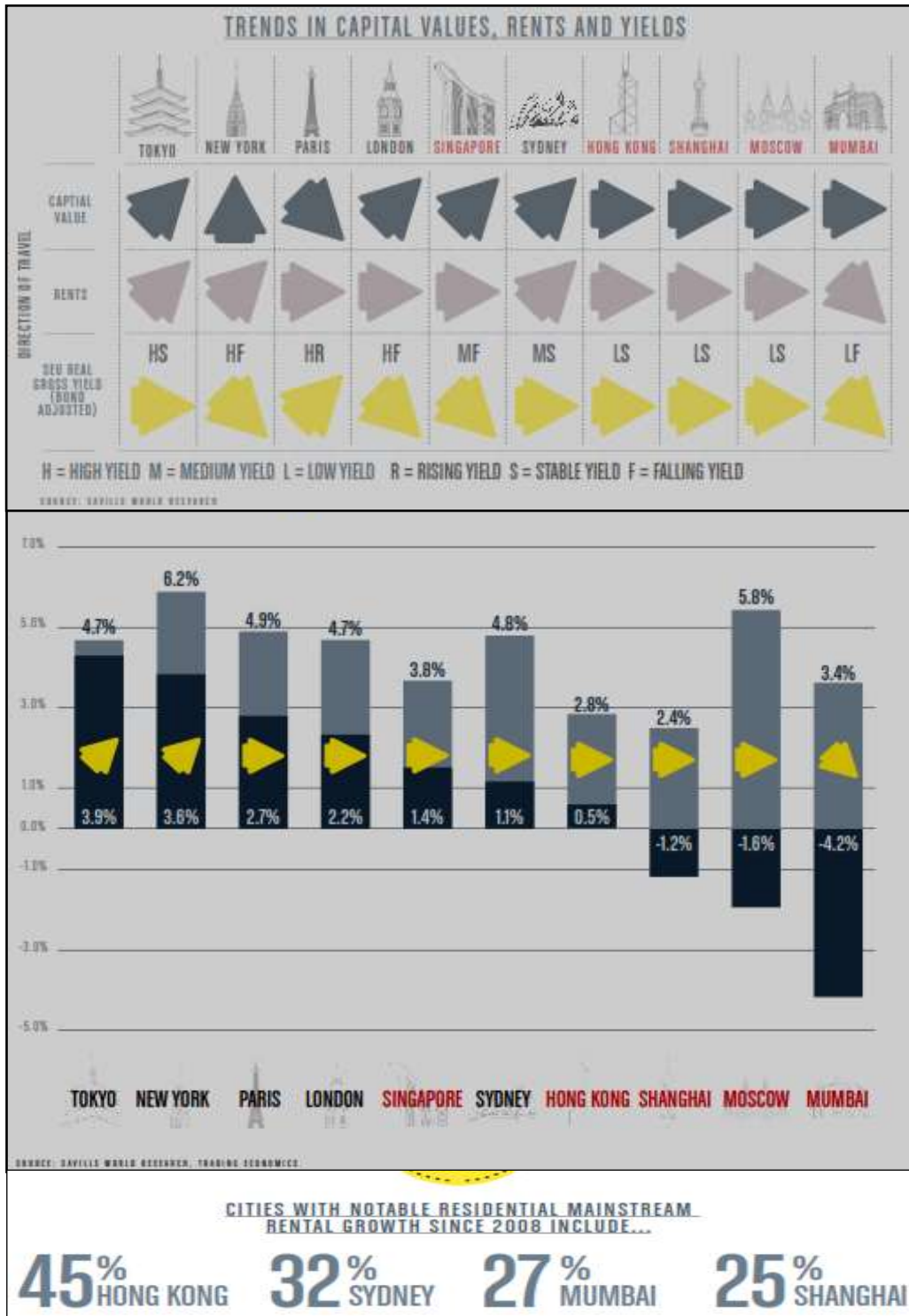
Access to housing has emerged as one of the most daunting challenges of the 21st Century in many countries including India. Due to lack of focused policy intervention towards rental housing, low yields, informality and poor quality of spaces, rental housing has been often confined to margins.

Past interventions by the State Governments towards providing rental housing to its employees or to the poor/migrants has not been successful owing to lack of mechanisms for operations and maintenance and lack of funding to sustain these interventions. Therefore the formal rental sector deserves greater attention and expertise, as properly developed rental markets can play a formidable role in promoting affordable and decent quality housing especially for the socially and economically weaker sections of the society. Compared to developed countries where large scale institutional rental housing developers play a vital role, India still has a long way to go in creating the rental space and mainstream rental housing as a part of formal Housing market and an alternative to ownership housing.

The Draft NURHP, 2015 is a stepping stone towards realizing the vision to create a vibrant, sustainable and inclusive rental housing market in India. Government of India along with State Governments may develop various models on rental housing and start earmarking budgets to mainstream rental housing in India. As the respective housing markets are different, States/UTs will have to come up with their own rental housing policy along with schemes with different models on

rental housing (i.e. rent to own, shared ownership, model on management of rental properties with private partners in raising necessary funds, resources etc.) especially towards providing Social/Need Based Rental Housing. The states should also necessarily come up with criteria of identification of target tenants for whom it would like to provide rental housing and support.

Annexure: I - Rental yield across various countries



Source: Insights World Cities Review, H2, 2013, Savills

Annexure: II - Case studies on Rental Housing from across the World

1. United States of America:

1.1. Housing Choice Vouchers:

Housing Choice Vouchers programme allowing tenants to seek their own housing from private landlords, rather than confining low-income tenants to public housing ghettos.

United States of America, in the early 1970 started Section 8 Housing Choice Voucher program (originally called certificates) aimed at low-income rental housing as part of their federal housing policy. It supplements rent payments for approximately 2.2 million low-income families and individuals. Recipients choose a house or apartment available in the private market and contribute roughly 30% of their incomes toward rent, with the program paying the difference up to a locally defined "payment standard." When families first receive a voucher, they are responsible for finding a house or apartment that meets the program's housing quality standards with a landlord who is willing to participate in the program. Some recipients are able to remain in their original housing unit by convincing the landlord to accept subsidy payments from the Section 8 program. Once they find a qualified housing unit, families or individuals can begin receiving housing assistance.

Similar income vouchers for lower income groups are also being administered in South Korea

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the **U.S. Department of Housing and Urban Development (HUD)** to administer the voucher program. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the PHA.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.

1.2. Low Income Tax credit (LIHTC)

In US, Low-Income Housing Tax Credit (LIHTC) is the nation's largest and most successful affordable rental housing production programme. LIHTC Program is an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households. Having financed more than 2 million homes since 1987 and more than 1,20,000 annually in recent years. Approximately,90% of all affordable rental housing is financed through LIHTC.

For further details following links may be seen:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/about/fact_sheet

http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/about

<http://portal.hud.gov/hudportal/HUD>

<http://www.census.gov/programs-surveys/ahs.html>

<http://www.usa.gov/Citizen/Topics/Family-Homes.shtml>

2. Australia:

2.1. Affordable Housing:

Australians for Affordable Housing is a coalition of over 60 national housing, welfare and community sector organisations. The coalition will highlight the problem of housing affordability and call on all levels of government to make the changes necessary to ensure all Australians can find an affordable home. Governments at all levels influence the housing market through tax incentives, first home owners grants, affordable housing programs, planning controls and rent assistance.

As government housing policy is to ensure that all Australian households can access affordable housing and that government action needs to be coordinated to deliver that goal. To do this a clear national plan to deliver affordable housing to all Australians that include:

- Investment in more low cost rental housing;
- More opportunities for low income households to get into home ownership;
- Better financial assistance for low income renters;
- Initiatives to make home ownership more achievable for first home buyers;
- Changing the housing investment tax arrangements that drive up house prices; and
- A single cabinet level housing minister who is responsible for delivering these changes.

2.2. National Rental Affordable Scheme:

- The Government has launched National Rental Affordability scheme (NRAS) to help increase the supply of affordable rental dwellings by up to 50,000 by 2012, with a further 50,000 to be made available post July 2012 subject to demand.
- Rent for these properties will be charged at 20% below the market rate for eligible tenant.
- Australian Government will provide funding to increase the supply of affordable rental dwellings; reduce rental costs for low to moderate income households; and encourage large scale investment and innovative delivery of affordable housing.
- This scheme offers annual incentives for a period of 10 years and the two key elements of the scheme are :
- A Commonwealth Government incentive of \$6000 per dwelling per year refundable tax offset or payment; and
- A State or Territory Government incentive of \$2000 per dwelling per year in direct or in kind financial support.

2.3. Eligibility criteria:

- Must be an Australian citizen, have permanent residency or have been issued with a temporary protection or bridging visa
- Must be a Queensland resident or provide evidence of a definite need to move to Queensland.
- Household members must not own or part-own property within Australia or overseas. This includes residential or commercial property, land, mobile home or caravan (permanently connected to utilities)
- Household's combined liquid assets, meaning money in the bank, shares, investments and superannuation pay-outs, must not exceed \$84,812.50 for a single person or \$105,375.00 for two or more household members

2.4. Important points:

- Household income cannot exceed initial income limit at the point of application.
- Tenants whose income exceeds the relevant upper income limit for their household type for two consecutive eligibility years cease to be eligible tenants.
- Income eligibility limits for the National Rental Affordability Scheme are higher than those for social housing.
- Income levels above are assessed on the total income for a household, not individuals within the household.
- Yearly rent increases for scheme properties are capped at the rental component of the Consumer Price Index (CPI).
- Tenants renting a property through the Scheme may be eligible for rent assistance, subject to the normal Centre link eligibility criteria.
- The appointed tenancy managers of Scheme properties will select which eligible applicants will be housed through the Scheme.
- The department has no involvement in the management of these tenancies.

For further details following links may be seen:

<http://www.housing.wa.gov.au/housingoptions/rentaloptions/nras/Pages/default.aspx>

<https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme>

<https://www.sa.gov.au/topics/housing-property-and-land/housing/renting-and-letting/national-rental-affordability-scheme-nras>

<http://www.hpw.qld.gov.au/Housing/PartnershipInitiatives/NationalRentalAffordabilityScheme/Pages/default.aspx>

http://en.wikipedia.org/wiki/National_Rental_Affordability_Scheme

http://en.wikipedia.org/wiki/Public_housing_in_Australia

http://www.dhw.wa.gov.au/HousingDocuments/Rental_Policy_Manual.pdf

https://life.curtin.edu.au/local/docs/UL_AS_G_RentingHomeWA.pdf

3. Ireland:

The Republic of Ireland in particular has large-scale of immigration, with 4,20,000 foreign nationals as of 2006, about 10% of the population. A quarter of births (24%) in 2009 were to mothers born outside of Ireland. Chinese and Nigerians, along with people from other African countries, have accounted for a large proportion of the non-European Union migrants to Ireland.

3.1. Rental Housing Scheme:

This scheme enables the purchase of a new or a second-hand home on the open market with the local authority or the not-for-profit housing agency initially taking at least 40% stake, which they rent to the beneficiaries. The individual funds their equity stake through a local authority loan and committed to take out all the equity in the property over 25 years. They make payments on a mortgage for the part they own and pay rent to the local authority for the other part. Irish housing policy also aims to enhance the role of private rental sector by reforming tenancy legislation.

Interest on borrowings for the purchase, improvement or repair of any rented residential property can be offset against rental income and tax relief can be claimed on capital expenditure on refurbishment of rented residential accommodation after April 2001. The stamp duty for letting houses has been abolished.

Social security recipients may be entitled to receive a supplementary welfare allowance, a rent supplement to cover the substantial part of the average market rent in their local area.

Under Rental Accommodation Scheme introduced in 2004, local authority will progressively take over responsibility for procuring new rental accommodation on a long term basis for approximately 30,000 house rent supplement recipients transferred to them. The scheme is run by local authorities and makes the final decision regarding who is eligible under the scheme. In general, people who are getting Rent Supplement for more than 18 months are considered for RAS.

Under the scheme local authorities draw up contracts with landlords to provide housing for an agreed term for people with a long-term housing need. The local authority pays the rent directly to the landlord. Tenant to pay continue rent to the respective local authority, not to landlord.

The key elements of the scheme are:

- Local authorities pay the full rent to the landlord on behalf of the tenant.
- Landlords must register tenancies with the Private Residential Tenancies Board (PRTB) and the tenancies are governed by the Residential Tenancies Act 2004.
- The property must meet minimum standards for private rental accommodation.
- Deposits are not required since the local authority has entered into a contract with the landlord.

For further details following links may be seen:

http://www.citizensinformation.ie/en/housing/owning_a_home/help_with_buying_a_home/shared_ownership.html

<http://www.ucd.ie/geary/static/publications/workingpapers/gearywp201306.pdf>

http://en.wikipedia.org/wiki/ESB_Group

<http://www.habitatireland.ie/2015/01/importance-housing/?gclid=CK2T8omh88UCFREsjgodTXUAJw>

<http://ireland.angloinfo.com/housing/renting-accommodation/>

http://www.citizensinformation.ie/en/housing/local_authority_and_social_housing/rental_accommodation_scheme.html

4. China:

The government of China has promoted the commercialization of housing in urban areas since 1978. Property development has become big business in China, with new cities and suburbs springing up with new apartments and house prices have rocketed in recent times.

4.1. Rental housing:

The Chinese government provides old flats on rental at a very low price and called 'Lian Zu Fang' (literally 'low-rent house' or 'low-rent housing'). It has another popular scheme called the "Public Rental Housing" (PRH) scheme which is the first attempt to use non-ownership housing to solve the housing problem of people, mainly focusing on relieving the accommodation stress of local young staff and migrant workers who have relatively low income.

China has introduced a series of tax exemptions for companies responsible for building and managing public rental-housing projects, on state. Low-income rental housing is led by government, using rent subsidies and direct providing low-rent housing. Rental housing subsidies mean that the government will provide different rent subsidies to eligible family based on rent standards. Fund mobilisation for rental housing done through following measured:

- A special fund has been created in the governmental fiscal budget for rental housing;
- Creation of a low-rent housing guarantee fund;
- After the complete construction of public rental housing project, the management cost, maintenance fee and capital cost are paid by rent.
- Country is also exploring new ways like Real Estate Investment Trusts (REITs) to expand the financing channel for public rental housing.
- There are also private funds that raise funds exclusively for public rental housing
- Incentives for developers and investors to participate in PRH construction

Since the price difference between public rental housing and commercial housing, the local government is bound to provide a series of preferential policies to attract more companies to join.

4.2. Some of the incentives are:

- The developers negotiate with the authority about land price in case they are building rental housing;
- The government does not levy any tax on urban land use for land developed for public rental housing. It does not levy stamp duty for the construction of such projects, and waives both taxes and stamp duties in cases where a property-management firm buys apartments for use as public rental housing.
- Exemptions are also offered on deed tax and property tax
- There are some beneficial rules for public rental housing, such as 50%-70% discounts for land transfer fee, and 1.5 to 2 times of residential floor area ratio compared with commercial housing.

For further details following links may be seen:

http://en.wikipedia.org/wiki/Housing_in_China

<http://www.chinadaily.com.cn/bizchina/07house.html>

<http://www.chinalawandpractice.com/Article/2660697/Channel/7576/Public-Rental-Housing-Scheme-brings-opportunities.html>

<http://www.diva-portal.org/smash/get/diva2:437080/FULLTEXT01.pdf>

http://www.lincolnst.edu/pubs/1871_Affordable-Housing-in-China

5. United Kingdom:

Ministry was set up to coordinate a mass council housing program to overcome a huge housing shortfall. However, as the housing markets have matured over the last 50 years, there has been a Government policy aimed to increase social rented housing in favour of home ownership and to increasing withdrawal of state capital subsidies. This has resulted in a significant decline in the affordable rented sector. The private rented sector has started playing an increasingly important role in satisfying housing need, supported by revenue benefit funding from the Government.

Additionally, Housing Associations, which are more than 1,500 in the UK, have also begun to promote 'rent to buy' schemes, in which aspiring buyers can let/rent an affordable new-build home for up to five years, while they amass a deposit to secure a loan to buy the same. These government-backed schemes offer discounted rent of no more than 80% of what tenants would pay on the open market and often less and some tenants even return some of the rent for use as part of the deposit when they graduate to ownership. In most cases, the buyer in such schemes can expect to be allowed to buy on a shared ownership basis, purchasing only as much of the property as they can afford, and continuing to rent the remaining portion.

5.1. Major initiatives:

- Allowing local flexibility on waiting lists, types of tenancies and social tenants' and landlords' rights and responsibilities.
- Helping social landlords stop tenancy fraud and anti-social behavior.
- Providing more affordable housing, including through a new model of affordable rent that allows registered housing providers to charge no more than 80% of local market rent.
- Changing the housing revenue account subsidy system to a new, fair, locally controlled system where local authorities are responsible and accountable for their housing services.
- Funding local authorities to refurbish their housing stock.
- Supporting tenants to play a bigger role in managing their accommodation through the tenant empowerment programme.
- Encouraging more investment in the private rented sector through schemes like new loan guarantees and the Build to Rent Fund.

For further details following links may be seen:

http://en.wikipedia.org/wiki/Affordability_of_housing_in_the_United_Kingdom

<http://www.housing.org.uk/>

http://www.ons.gov.uk/ons/dcp171766_373513.pdf

<http://www.jrf.org.uk/sites/files/jrf/migrants-private-rental-sector-full.pdf>

<https://www.gov.uk/government/topics/housing>

<http://www.jrf.org.uk/sites/files/jrf/1859353622.pdf>

https://www.lse.ac.uk/geographyAndEnvironment/research/london/events/HEIF/HEIF4b_10-11%20newlondonenv/prslaunch/Book.pdf

6. Canada :

6.1. Canada Rental Supply Program (CRSP):

CRSP was introduced in 1981 with the objective of stimulating private rental investment in cities with tight rental vacancy rates. It targeted the production of 30,000 new rental dwellings over three years (1982–1984). The result of the program was actual production of roughly 24,000 rental units over the three years (CMHC, 1988). The mechanism used was **an interest-free loan that was designed to reduce the amount of investor equity required for the development to be viable**. The maximum assistance was calculated at the difference between 80% of cost and the level of mortgage financing the project could carry at market rents, after allowing for approved operating expenses and a fair return on equity to the investor. The maximum amount of the loan was \$7,500 per unit. The loan was secured as a second mortgage on title and **no payments of either principal or interest were required for 15 years**. After 15 years, the property owner had the option of repaying the original capital amount as a lump sum or amortizing the amount with ongoing interest payments at the then prevailing government direct lending rate. There was no restriction on rent, but owners were obligated to offer 33% of the units to provinces for rent supplement tenants (a separate contract to provide a subsidy lowering net rent to eligible low income tenants. As such, the primary objective was to stimulate supply/construction of rental units.

6.2. Rental assistance (to separately address affordability issues):

Rent Supplements Rent supplements have been used in Canada as a **contractual arrangement with landlords to be allocated certain units to eligible low-income households**. The contract specified the market rent and rate at which this rent can be annually increased (usually an inflation linked rent index). Households pay partial rent based on 30% of income, with the program then paying the difference between this 30% RGI payment and the market rent. These supplementary payments are made directly to the landlord.

Housing Allowances unlike a rent supplement, a housing allowance does not involve directly contracting with a landlord. It **leaves recipients to freely choose where they live and to select their own unit**. It is possible to have minimal condition or size standards in order to ensure the program is not supporting poor quality housing. The subsidy payment similarly uses a percentage of income, such as 30% but adds a further formulaic element, a “percentage of gap” between the 30% level and actual market rent. So if the market rent is \$500 and 30% of income is \$375, the gap is \$125. The percentage of gap covers a specified percent of this gap such as 6% (so \$75) or 75% (\$93.75). The percent of rent in programs in British Columbia and Manitoba varies, starting at 90% for the lowest-income recipients declining linearly to 60 % in Manitoba). This approach requires the recipient to pay part of the gap and thus induces an element of consumer control so that the recipient that is paying part of the cost has incentive to select a lower cost unit. The cost is also managed by imposing a maximum rent for eligible assistance.

6.3. Non-profit Housing Program (1978–1985):

The objective was twofold: to generate supply of rental units and to ensure they are made available at rents affordable to low-moderate income individuals and families. Eligible developers were non profit corporations and cooperatives, in which the distribution of net operating surplus for personal gain was prohibited. Thus these corporations have no incentive to generate profit and instead tend to minimize any increase in rent levels to an amount necessary to cover break-even costs. Project **sponsors/developers were eligible to obtain insured mortgage loans covering 100% of capital cost**. The resulting operating expenses, plus debt servicing expenses, were well above the level that could be covered by low affordable rents. Accordingly, an ongoing operating subsidy was provided (with 35-year duration, matching the amortization period of the mortgage). During the 1978–1985, form of the operating subsidy was finite, calculated as the difference between the amortizing mortgage payment calculated at the prevailing mortgage rate and the amount calculated at 2%. The non-profit owner would then charge rents sufficient to cover an effective mortgage payment at 2% plus operating expenses. A minimum 15% of units were required to be provided at rents set at 25% of tenants gross income (this was raised to 30% in 1991), although in practice most non-profit owners significantly exceed the minimum proportion of rent geared to income basis (RGI) units (averaging around 40% of all units). The remaining units were rented at a “low end of market (LEM) rent, typically about 95% of market rate, so that there was a mix of low and moderate income (avoiding issues of concentrated poverty and stigmatization of rental properties).

For further details:

Source: *Development of the Rental Housing Market in Latin America and the Caribbean* by Steve Pomeroy Marc Godbout, Inter-American Development Bank (IDB) paper, No. IDB-DP-173, February 2011.

7. Germany:

Germany was one of the best examples of European social housing both quantitatively and qualitatively. However, the significance of social housing as a mechanism of urban policy has weakened like in other EU countries (e.g. The Netherlands) in last couple of decades. There has been a shift from direct supply of houses under ownership to assistance to the families for payment of rents of the houses which has resulted in the creation of vast rental market from private owners. All the three tiers Federal, State and local bodies have defined accountability for housing policy i.e. Federal Government sets the legal framework (tenancy law, housing benefits, social assistance). The States (16) participate in the legislation, promote social housing (finance the programs) and Municipalities (ULBs) plan city and land use, provide the local infrastructure of housing and care for people in need of help on the housing market, develop own social housing programmes. Federal governments and States intervene in case of ULBs are unable to meet the demand.

Housing policy in Germany has progressively shifted the focus from the supply of houses to support for individual families. Housing Policy is based upon few policy mechanisms or instruments the provisions of existing tenancy law are more regulatory in character and have strong protective meaning for the tenants and opposite for the house owners. Tenants are protected against eviction; rent increases are capped; and the landlord is under duty to maintain dwelling. The landlords are free to choose their tenants, pass on costs of refurbishment to the tenant and are entitled to cancel contract in case of serious violations of tenant's duties. Housing benefits for those who are unable to get government sponsored dwelling for themselves and have a rental accommodation in the free housing market wherein direct subsidy to the individuals who satisfy a list of criteria laid down by the law. Beneficiaries of this assistance must be tenants, to afford satisfactory dwelling space. Although this policy instrument is regulated by a federal law, payments to beneficiaries are shared by both the federal and state governments in equal ratio. On the other hand home ownership subsidy was one of the biggest and long lasting subsidy programmes in Germany which was effective during 1949-2006. It provided subsidy to the 'first buyers' to encourage ownership available to individuals through tax deductions. Since 1996, this has been modified and paid only to individuals with less than a certain limit. Social Housing Policy aimed to eliminate housing shortage, funds up to 80% of cost of site and construction within a stipulated framework. Beneficiaries identified through municipalities, are supposed to obey restrictions on resale or renting out for a predetermined (medium to long term) period. The houses thus created are a form of cooperative housing.

Social housing law, aimed to eliminate housing shortage, used to fund up to 80% of cost of site and construction within a stipulated frame work. Social is only a limited part of the housing stock. Only 9% of housing units in the West Berlin and 24% in the East Berlin were classified as 'social or quasi-social' housing in 2006. The rise of rents makes it impossible for the low-income to afford. In the last decade, stock of social housing has reduced in size because of privatization of such stocks by ULBs facing fiscal difficulties. It has been estimated that tens of thousands of such public housing units were sold to global institutional investors, predominantly US, British or Japanese pension funds.

This has reflected by the fact that out of 39 million dwellings 60% of the housing stocks are rented premises (1 out of 5 households with rented accommodation receives financial assistance for housing) (Source: Christiane Droste et al., Social Housing in Germany, LSE London, 2007). 40% of all households consist of 1 person only.

Six Municipal Housing Companies (owned around 17% of the total housing stock of Berlin around 2,84,000 DUs) were constituted with the following functions:

- Provide affordable , quality housing
- Moderating effect of low rents on the whole housing market
- Promotion of socially diverse neighborhoods

For further details:

Source: Study Report, SNPUPR study Programme to Germany-United Kingdom 2014-15, MoHUPA.

8. Finland (North Europe):

Rental Management Company, SATO:

SATO is a leading Finnish housing investment company. We contribute to growth and evolution in society through our provision of housing

SATO is one of Finland's leading corporate investors in housing. It owns a total of about 23,500 rentable homes in Finland's largest centres of urban growth and St. Petersburg. Their investment assets have a fair value of roughly 2.1 billion Euros.

SATO's investment in housing business includes both privately financed and state-subsidised housing property, of which the latter is affected by restrictions set by housing legislation both at the company level and for individual properties and enjoys state subsidy and interest subsidised credit. This segmentation enhances the transparency of operations and reporting related to the state-subsidised housing stock. SATO actively buys and sells properties and develops property for Rental purposes. Its yield is around 6.2% on the fair value of its properties. Using a combination of Rental Income and Income from Asset Disposal, SATO has been able to give a healthy 12% return to its Shareholders. SATO's biggest shareholders are Finnish pension insurers and other insurance companies.

REIT Schemes:

- Be a Public Listed Company for Rental Housing.
- Have a minimum equity of 5M€ distributed over 5 separate investors.
- Minimum holding period: 5 years.
- At least 80% of its assets have to be invested in residential real-estate.
- At least 80% of the REIT's gross revenues must come from residential rental income.
- At least 90% of the REIT's taxable income, excluding unrealised capital gains, to be distributed to shareholders through dividends.
- Corporation is income-tax-exempt, but the shareholders will have to pay individual income tax on the dividends.
- Largest individual shareholder may own less than 10% of company shares.

For further details following links may be seen:

<http://www.sato.fi/en/housing-solutions/sato-renthome-star-rated-rental-homes>

Annexure: III - Do's and Don'ts for States

Sl. No.	Do's	Don't
1.	Recognise that many urban households live in rental and shared housing	Ignore non-owners and assume that they all wish to become homeowners now
2.	Consider renting to be one of the various ways to improve housing condition	Neglect rental option and focus only on home ownership
3.	Estimate number of rental households and landlords	Attack landowners as a class; large numbers are just poor as their tenants
4.	Evaluate whether regulatory frameworks for rental housing are functioning properly and producing desirable results	Assume that poor households benefit from rent controls; poor landlords most certainly do not, nor do tenants and potential tenants who are not covered by those controls
5.	Count the tenant families that live in settlements before beginning a settlement upgrading project and recognise their special needs	Demolish or close down poor quality rental accommodation unless it is dangerous to the inhabitants
6.	Produce simple rental contracts templates that can be brought in local stores	Assume that long contracts are desirable for every kind of tenant
7.	Set up a cheap arbitration and conciliation service for landlords and tenants that works quickly	Assume that the court system provides adequate protection for either poor tenants or poor landlords
8.	Provide credit facilities or subsidies for poor landlords who wish to extend or improve their accommodation	Subsidise only new home buyers
9.	Upgrade the rental properties based on recognising the special needs of the tenant families that live in the settlement	Not consider or recognise the need of existing tenants families in the settlement.
10.	Facilitate online registration of rental properties, property dealers working in informal sector, grievance redressal system	Restricted to lengthy manual registration of rental properties, property dealers, and grievance redressal process
11.	Adopting the Model Tenancy Act, 2015	Continue with the existing Rent Control Act
12.	Incentivise poor owners and tenants through subsidies and tax incentives/rental vouchers etc.	Provide incentives/tax rebates only to the home owners
13.	Treat rental housing properties at par with residential rates while imposing property tax, water and electricity charges.	Not having any consideration or incentives on rental housing, treat them at par with commercial properties like hotels
14.	Develop simple rental agreement templates which can be brought in local market or ULBs with a minimum fees	Have no focus on formal agreements or without standardisation, most of the rental agreements were based on informal agreements

15.	Most essential items to be included in rental agreement are: <ul style="list-style-type: none"> ▪ Definition and description of the rental unit ▪ Duration / timelines of contracts ▪ Rent setting and rent increases ▪ Procedure for resolving conflicts and stability ▪ Procedure for termination of contracts 	Have non-standard rental agreements
16.	Prepare inventory of vacant and locked properties and strategy to deal with the same	Have no strategy or system on vacant and locked properties
17.	Create systems that encourage rental properties that are safe and habitable	Have non-standards or safety measures
18.	Ensure commitments to provide affordable rental.	Do not commit to provide affordable rental housing
19.	States could consider providing temporary tax exemptions to shift properties currently in the informal sector to the formal sector and provide incentives for property improvement	Do not have any incentives or tax exemptions for property improvement
20.	Work out deductibility of main costs such as maintenance work and interest paid, set standard for economic depreciation of rental properties based on the existing condition	No deduction for maintenance charges or interest paid, depreciation etc.
21.	Explore possibilities of strengthening of insurance markets for both owners and tenants through rental income guarantee or insurance scheme where proportion of rental income is paid in the event of non-payment by the tenant; however govt must be careful that the entire burden does not fall on it, and strict and transparent insurance standards to be set to avoid moral hazards.	No innovation in insurance for rental housing
22.	Grants, land or infrastructure provided at reduced cost in exchange for keeping rents affordable for EWS/LIG and other vulnerable groups as notified by the Government from time to time.	Do not have any provision to provide grants, lands or infrastructure facilities for rental housing
23.	Establish Property Management Institutes/company for large scale owners, encourage those already in commercial property management to start residential arms, offer training to small scale or individual owners which will increase investment opportunities	Property Management Institute/company only for commercial properties

Source: Sl. number 1 to 8: A Policy Guide to Rental Housing in Developing Countries Quick Policy Guide-Volume 1, by Alan Gilbert, UNHABITAT.

Annexure: IV - Percentage of Rental Housing in Developed Countries

Country	Percentage of total housing stock*		Percentage of social housing stock by**	
	Social rental	Private rental	Pure public sector	Housing assoc (Limited profit/non-profit)
UK	20	10	54	46
Ireland	7	11	90	10
USA	3	29	31	69 [^]
Australia	5	22	85	8
Canada	6	28	34	66
Austria	23	17	43	53
France	16	24	Some [^]	90 [^]
The Netherlands	35	12	1	99
Denmark	19	18	-	100
Germany	6	51	18	Some [^]
Switzerland	6	59	Some [^]	Some [^]
Singapore	<10	-	100	-
Republic of Korea	9	35	Some	-
Hong Kong	31	-	100	-

Note: Housing associations are for profit, non-profit or limited profit organisations that build and/or manage low-cost or 'social' housing

*Reminder of total housing stock is predominantly ownership

**The social housing stock includes both social rental and ownership units

[^]Include some for profit associations, co-operatives, modern rent agencies and regulated private landlords, Some associations have tenant shareholders.

Source: *International experience in providing affordable housing, IDFC 2011*

Annexure: V – Models on Rental Housing

1. Rental housing for the prospective migrants/homeless:

Slums are created when large number of migrants arrive in the city with limited resources and are unable to afford decent accommodation. There is a need to create sufficient number of rental accommodation which can be made available to the target groups i.e. migrants, homeless and destitute etc. (i) for families and (ii) for single person dormitory. State government along with the Urban Local Bodies may construct rental houses up to various sizes for families and single room hostels/dormitories in sufficient numbers which can be let out by the Urban Local Bodies or other agencies including private sector to people who cannot afford to buy a house initially.

Such houses can be given on rent up to a certain time on a short to long term basis, thereafter occupants (other than tenants such as homeless, destitute, people with special needs, aged etc.) are expected to move to their own houses. The ULBs shall manage the rental housing stocks, including identification of tenants, rent fixation, ensuring reuse of the stock. Corporate houses under their Corporate Social Responsibility (CSR) activities may also be allowed to fund these rental housing.

2. Rent to own scheme:

Rent to own housing model typically involves the initial allotment of the unit on a leased basis for a fixed number of years. The buyer deposits the monthly rent (equivalent to Equated Monthly Installment) in bank account. The EMI contains a certain percentage of rent and rest as thrift. When EMI amount reaches certain percentage (i.e.10%) of total unit price, property will be registered on buyer's name and hypothecated to bank and government.

In case of non-payment of EMI, bank and government will resell property. Thrift amount will be returned to buyer without interest. Resale powers lie with bank and government till the completion of tenure. Once 100% payment is done, property papers are handed over to the buyer by de-hypothecation.

3. Converting Slums on ULB Land to Rental Housing²⁰:

Between 9 and 141 million households live in about 33,500 slums in India (Census of India, 2011; MoSPI, 2013). One of the biggest challenges that slum households face is the security of their tenure. If a slum household does not have the legal right to stay on the land it is occupying, it is liable for eviction—a phenomenon not so uncommon in large cities and metropolises. Insecurity of tenure also discourages households from investing in health, education and other development actions, as any such investment is at risk of being lost in the event of displacement or forceful eviction. Nearly 60% of slums across urban India are on government owned lands, in which 40% are on lands that belong to Urban Local Bodies (ULBs) – municipalities, municipal corporations, town panchayats, municipal councils, etc. In some states such as Karnataka, almost 65% of slums are on lands owned by locally elected urban governments (MoSPI, 2010).

²⁰ Making Rental Housing Work: A Case for Slum Households and ULBs, Swastik Harish – Senior Consultant, Indian Institute for Human Settlements- June 2015

The feasibility of large scale housing intervention in urban areas can be enhanced by rental housing mechanisms that can address access to land, questions of tenure as well as operations and maintenance of housing assets. Rental housing is also associated with higher workforce participation, since it enhances labour mobility through the provision of diverse housing options for low income households at various life stages. There is a positive co-relation between rental housing and work force participation as more rental housing is associated with higher workforce participation.

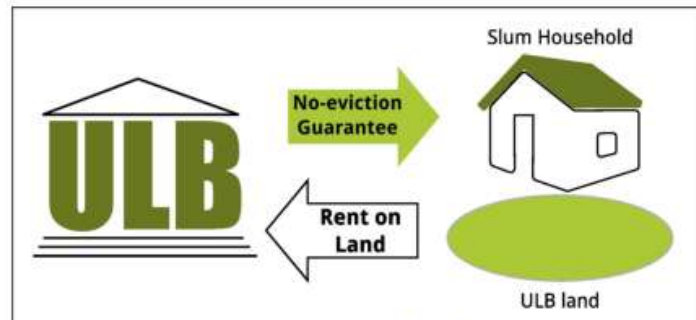


Illustration 3: A win-win situation for slum households and ULBs

Slums occupying ULB land can be converted to rental housing household as tenant and the ULB as the social landlord that rents land to the household. A slum which is on ULB land is made of two asset classes—first, the ULB's land, and second, the housing unit, which is clearly an investment made by the household. In this context, the ULB can give a 'no eviction guarantee' to the household for 10 years or more, and gain rent revenue from the household in exchange for the utilization of the ULB land. The ULB can also upgrade the unit, and recover the investment through rent on land. Occupying households pay rent on the land occupied, in exchange for a time-bound no-eviction guarantee. They retain ownership of the housing unit itself. They can invest further in the house and associated services since they have security of tenure for a definite time period. Existing renters in slums maintain their relationship with their landlords, as these landlords continue to be the owners of the housing unit, and only become renters of the land. Model options: Rent, lease or 'Leave and License' models available and can be applied based on tenability analysis and projected land-use. Rent-price (subject to local-level maximum) could be based on land area occupied and could be indexed to local rent levels and depreciation value of any infrastructure or unit up-gradation provided.

The key outcome of this proposition is security of tenure for vulnerable slum households. Security of tenure, even if for a limited time, allows households to invest in their housing units and reap developmental gains in health, education, and income. The Ahmedabad Slum Networking Programme has proven that such no-eviction guarantees for about 10 years or so lead to higher levels of income and better health and education outcomes. The other critical outcome of this proposition is significant revenue for the ULB. This model could generate between 15 and 25 % of the ULBs' revenue.

Annexure: VI – Criteria that may be adopted in identification of target groups for prioritization

1. Tenants by **constraint**.
 - Slum dwellers or homeless people squatting
 - Workers who migrated for employment reasons
 - Working families who have no access to credit because they have low or non-existent credit records owing to insufficient or irregular income
 - People with special needs
 - Street Children
 - Aged
 - People affected by natural and manmade disaster
 - Socially and economically vulnerable people i.e. deserted women, children etc.
 - Defaulted borrowers

2. Tenants **by choice** are usually less numerous:
 - Young couples and singles who want to remain mobile
 - Middle- and upper-income professionals who do not desire home ownership
 - Students
 - People Employed in Government, PSUs and other private sector
 - Empty nesters who want to downsize after their children have grown
 - All other persons who, for work or personal reasons, prefer a short-term residence
 - Others as identified by the State/ULBs

Annexure: VII - References

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