



WRI INDIA
—ROSS CENTER

Capacity Building for Improving the Implementation of Affordable Housing in Indian Cities

Affordable Rental Housing



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Introduction

Module Overview

Objective

To build a comprehensive understanding of affordable rental housing as an urban housing solution, and an implementable intervention.

Outcomes

Learners will gain a grounding knowledge of the affordable rental housing sector through its core definitions and policy frameworks. They will further be equipped with guiding recommendations toward decision making and implementation through case studies.



Image Source: Associated Press

‘Affordable Rental Housing’

Affordable

Housing made available at below-market rates for lower-income groups.

Demand

Large and escalating demand, primarily from migrant families, young workers, and students.

Market

Extremely fragmented and unorganized, with sizeable dependence the informal sector.

Rental

Housing leased by an owner to an occupant in exchange for a monthly fee for a mutually agreed upon term.

Supply

Primarily through private home owners; government and corporate involvement is currently minimal.

Framework

Currently restricted to old tenancy acts, but new policies and revised tenancy regulations are currently being reviewed.

Significance

Economy

Rentals account for 27% India's urban households, and account for 37% of demand for new housing, thereby possessing immense potential to reinvigorate the flagging real estate sector, unlock vacant housing stock, attract productive workforces to cities, and boost cities' output and competitiveness.

Environment

Shorter occupancy periods, and rotating occupancies offer scope for enhancing life-cycle efficiency of building, especially in view of construction-linked pollution, and vacant housing stock.

Equity

Rentals in the informal market are often the only urban entry for poor and vulnerable households, who may otherwise lack formal and financial inclusion to avail of home ownership, or are in transient vocations that disincline them from home ownership.

Background

Global Scenario

Urbanization and Economic Activity are key drivers

Popularity of rental housing in developed countries and major urban centres linked with large pool of young or poor workers, high property prices, and workplace impermanence.

Greenshoots for developing countries

As developing countries urbanize and transition to industrialization and service driven economies, their reliance on rentals is likely to grow – it is already visible in major cities.

India's dominance

Proportionally more reliant on rental housing than comparable large developing countries, by absolute size, India is likely to be the world's largest rental housing market.

Country	Share of rental housing	City	Share of rental housing
Large developed countries			
USA	33%	New York	66%
UK	31%	London	41%
France	40%	Paris	49%
Germany	57%	Berlin	88%
Large developing countries			
China	16%	Beijing	40%
South Africa	22%	Johannesburg	42%
Brazil	17%	São Paulo	20%
India	27%*	Bengaluru	55%

Source – Peppercom & Taffin, 2013; India data obtained from Census, 2011.

Indian Scenario



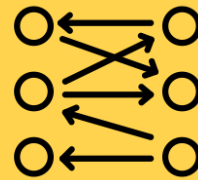
Significance of the Informal sector

25% of all rental households are situated in informal settlements, as per the 2011 census. These function largely on trust-agreements and lack any legal protection, putting both renters and owners at risk.



Driving Overall Housing Demand

Rentals, primarily affordable rentals, account for 37% of demand for new housing stock (as per 12th Five Year Plan estimates).



Mismatched, Fragmented Supply

Public sector has traditionally emphasized ownership, while private sector finds low yields and multiple barriers to entry and operation. Supply is thus distributed through a disconnected network of small-scale homeowners.



Antiquated Regulatory Framework

Outdated regulations like applicability of commercial taxes and rent controls disincentivize greater supply-side participation in the sector and proliferation of informal transactions.



Multiple Formats in Operation

Affordable rentals in India manifest as one of four types:

- (i) transitional, buffer, or temporary shelters,
- (ii) worker, student, and other need-specific housing,
- (iii) public or social rental housing, and
- (iv) private sector supplied rental housing.

Global Response

Recent Trend

The shift from emphasizing ownership to including rentals in national housing conversations is a recent but fast growing trend, adopted even in ownership-dominant countries like China.

Unlocking Supply is Critical

In the face of large, unmet demand, unlocking supply of affordable rental housing through fiscal and planning incentives is a prime policy concern globally.

Fortifying Demand is Important

At the same time, responses also equip renters with rental subsidies and institutional arrangements to ease and sustain access to affordable rentals.

Country	Supply-side intervention	Demand-side intervention
UAE (Dubai)	State rental development and management company; zero-cost land	Regulatory authority; controlled rent increase
Australia	Fiscal and planning incentives	Rent subsidies
USA	Tax credits for developers; organized student housing	Vouchers
Ireland	Fiscal incentives; rental authority	Rent-to-own schemes; rental subsidies; pooling of housing units by local authorities
South Korea		Vouchers
Germany	Rental management companies	
China	Rental housing scheme; worker housing programs; planning incentives	Rent subsidies
UK	Social housing program; organized student housing	Rent-to-own scheme
Canada	Rental housing program; rental housing reservation; fiscal incentives	Rental subsidies; housing supplement
Finland	Rental housing program; REIT; corporate investments	

Source – RICS and Knight Frank, 2019.

Indian Response

Toward an Enabling Rental Policy

In 2015, MoHUA released the first draft of the National Urban Rental Housing Policy, which noticeably emphasizes a need to boost supply of affordable rental housing by engaging all stakeholders through fiscal, planning, and operational incentivization; as well as regularization of the rental sector as a whole.

Updating of Legislations

There is also a push towards the scrapping of outdated and renter-biased regulations in favour of the Model Tenancy Act 2019, which is positioned as protecting of renter rights but at the same time encouraging towards owners.

... But Slow Progress

While the Rental Policy is yet to be finalized at the Centre, the Model Tenancy Act too is yet to be adopted by the states. Rental interventions remain ad hoc in nature, and only one state – Punjab – has launched a Rental Housing Policy.

11.09 million vacant houses in India; high potential for institutional rental housing: Report

To give boost to rental housing, model tenancy law proposed

Govt decides to put urban rental policy on the back burner

"The rental policy is unlikely to be formalised any time soon. The main reason is that it is very sensitive," a senior government official told ET on condition of anonymity.

Challenges



Large Housing Targets

Policy-making remains overwhelmingly focused on home-ownership, and progress towards enacting rental housing regulations is impacted by its sensitive socio-political nature.



Weak Fiscal Framework

Fiscal provisions towards rental development and renting remain weak, disincentivizing owners and developers from entering or staying in a low-yield market, and making financial sustainability challenging for renters



Outdated Legislations

Existing legislations such as the Rent Control Act and Model Tenancy Act are seen as overtly renter-friendly, and owners often prefer keeping properties vacant due to the possibility of cumbersome tenant-led litigations.



Disorganized Sector

Lack of an organized marketplace for rental housing, and the penetration of the informal sector offer basic systemic challenges to the advancement of a rental housing framework

Challenges



Large Housing Targets

The large and ambitious housing targets nationally are unlikely to be met only through ownership-focused interventions (as is evidenced historically). A complimentary focus on affordable rentals can help better achieve such targets.



Flagging Real Estate Sector

Stringent regulations and an economic slowdown have created recession-like conditions for the real estate sector. The demand for affordable rentals can be a springboard towards reinvigorating the sector.



Stockpile of Vacant Houses

With over 11 million units (MoHUA 2015) across the country lie vacant even as demand for affordable housing grows. Rentals can offer a redistributive channel for vacant houses, while reducing pressure on other housing supply channels and lower potential environmental impacts of construction.



Discursive Momentum

There is increased and a currently sustained global and local interest in addressing affordable rentals through policy and intervention.

Group Discussion

In groups, discuss the following questions:

1. Is rental housing popular in your city?
2. How is it being supplied? Public or private?
Formal or informal?
3. Why do you think rental housing is popular in your city?
4. Is the local government active in the rental housing sector?
Why or why not?

Key Policies and Regulations

Affordable Rental Housing Complexes, 2020



Focus on Rapid Mobilization of Housing Stock

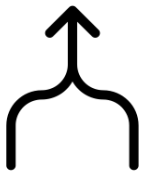
Drafted in response to the Migrant Crisis triggered by the Covid-19 Pandemic, the scheme facilitates quick supply of affordable rental housing supply through two channels:

- Retrofitting, operationalization, and maintenance of vacant government-funded housing by ULBs / Parastatals through concessionaire agreements with private sector.
- Construction, operationalization, and maintenance by public / private entities on their own available lands, with projects containing suitable mix of dormitories, 1BHKs, and 2BHKs.



Enabling Private Sector Participation

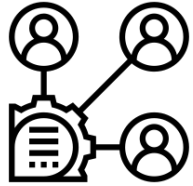
Scheme relies on 25-year concessionaires for private sector for retrofitting/construction, operationalization, and maintenance. Viability Gap Funding and Single Window Clearances have been enabled to incentivize their participation, and potential tie-ups with aggregators have also been envisaged. Participating entities additionally receive fiscal benefits such as income tax exemption on profits, and land-use incentives, such as additional FAR.



Convergence with Other Initiatives

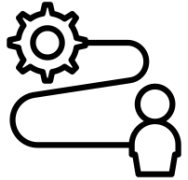
ARHCs to be kept outside the purview of existing state legislations, and to adhere to Model Tenancy Act. Convergence with sustainability, livability, and technology-advancement ideals as envisaged under GHTC-India also enabled. Under Model 1, vacant houses under existing central and state schemes such as JNNURM / RAY to be mobilized.

Affordable Rental Housing Complexes, 2020



Devolution of Roles and Responsibilities

States free to pursue scheme by signing MoUs with Central Government, and responsible for facilitating conducive regulatory framework for success of scheme (single window clearance, fiscal and land use benefits etc.). ULBs tasked with beneficiary identification and allotment, as well as trunk infrastructure provision. Landowning entities take the lead in facilitating concessions.



... Yet to be Taken Up

Scheme has only recently (July 2020) been ratified, and is yet to pick up traction toward implementation. So far, only Gujarat has notified the scheme at the state level.



... Beneficiary Identification, Yields, and Project Location may be Challenges

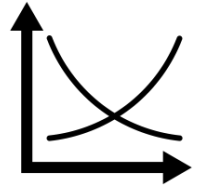
Beneficiary identification process may face challenges as it lacks sufficient guidelines. Further, existing vacant housing stocks are typically located in urban peripheries that may not be attractive for uptake. Institutional and industrial lands, meanwhile, may only serve employees. Low yields in rentals may be a deterrent for private sector players if projects are not of a sufficient scale.

Affordable Rental Housing Complexes, 2020



Emphasis on Formalization, Enabling and Participation

Given the size, scale, and projected growth of the rental housing sector, the policy stresses the need for governments to shift from the role of a provider of housing to an enabler of housing. As such, it recommends enhanced cooperation with other stakeholders towards collaboratively supplying and maintaining rental housing. The policy also argues for greater regulation and formalization of the sector to ensure protection of renters as well as owners.



Boosting Supply while Protecting Demand

The policy proposes several supply-side measures such as introduction of institutional rental housing owners and managers, creation of funding avenues toward rental housing provision, adoption of the Model Tenancy Act 2019, exploring fiscal incentives for enhanced rental supply, and mandating rental housing planning. At the same time, demand-side interests are fortified through the endorsement of measures such as tax exemptions and adoption of voucher-based programs.



...But Slow Progress

The Centre is yet to revise and finalise the Policy as of 2019 – a process expected to take longer due to socio-political sensitivities.

Affordable Rental Housing Complexes, 2020



Rebalancing Renter-Owner Relationship

Former rent control and tenancy acts are overtly renter-biased, and have consequently been blamed for causing owner apathy towards property upkeep and disincentivizing new owners from renting, leading to slumming and vacant housing. The Model Tenancy Act seeks to build confidence in owners and encourage them to rent, while protecting the basic interests of renters.



Focus on Dispute De-Escalation and Resolution

Most provisions of the act aim to give a formally recognized structure to renting, renter-owner negotiations, and dispute resolution. Pro-renter provisions include a cap on security deposit to be charged and disallowing of mid-term increase of rents. Pro-owner provisions include strict penalties for errant tenants and greater legal recognition for mutually signed contracts. However, the act will only be applied prospectively and not in existing rental properties.



...But Slow Progress

The act has only been adapted by Tamil Nadu so far. During the Lockdown, MoHUA announced that the MTA would be finalized and recirculated for state-led ratification.

State-level Interventions



Punjab Rental Housing Policy

Punjab is the only state to have drafted a dedicated affordable rental housing policy as of 2019. The Rental Housing Accommodation Policy, 2018, offers fiscal and planning incentives towards boosting of formal sector supply of affordable rental housing, and regularization of the rental housing market.



MMRDA Rental Housing Scheme

Maharashtra's erstwhile rental housing scheme, channeled through the MMRDA, focused on boosting affordable rental housing supply through public-private partnerships by incentivizing private sector partners with enhanced FSI in exchange for provision of affordable rental units.



Chandigarh Rent-to-Own Scheme

Chandigarh Housing Board's rent-to-own scheme hinges on direct supply of suitable affordable rental housing in exchange for unlocking of slum lands for other urban development. Tenants are additionally offered a term-based rent-to-own scheme.



Kerala Rental Housing PSU

Kerala hosts a PSU, Bhavanam Foundation, which is engaged in the construction of workers' hostels and rental accommodations for institutions who in turn rent it to their respective workforces.



Tami Nadu Regulation of Rights and Responsibilities of Landlords and Tenants Act, 2017 (New Tenancy Act)

Rebalances tenant-landlord relations on the lines of MTA, and promises to erase archaic struggles in marketization, upkeep, and expansion of the rental sector in the state.

Tamil Nadu 'New Tenancy Act' - TNRRRLTA 2017

Based off MTA

The act uses the MTA as a base framework, with some contextualization specific to the TN experience.

Converges with national framework.

Does away with Rent Controls

'Fair Rent' concept has been abolished in favour of rents as agreed upon by landlord and tenant.

Creates confidence for rental housing suppliers.

Mandates Agreements

Agreements must be necessarily registered with Rent Authority, or not be given any legal recognition or weight.

Brings rental transactions within ambit of legal safeguards.

Declutters Eviction Process

Requirement to prove wilful default or necessity done away with, and replaced with notices and moratoriums.

Boosts supplier confidence, reduces litigations.

Sets up a Regulatory Framework

Rent Authority set up for administrative matters, and Rent Court and Rent Tribunal set up for judicial purposes.

Creates a comprehensive regulatory umbrella, reduces pressure on High Court.

Eases Repair and Maintenance

Responsibilities are now shared between tenant and landlord, and expenses may be compensated against rent.

Addresses issue of dilapidation of existing rental housing stock.

Transference is Streamlined

Landlord may sever tenancy as per agreement terms, and inheritance scope expanded among immediate family.

Reduces litigation pressure.

Landlord-Tenant Rebalance

Rights and responsibilities have been rebalanced among both, with clear guidelines on offences and penalties.

Landlord confidence is boosted, whilst maintaining safeguards for tenants.

... Impact on Affordable Limited

Act overhauls regulatory environment for rental housing and will boost supply, but its impact on affordable segment, which still relies on informal rentals, will likely remain limited without other ecosystem measures.

Group Discussion

In groups, discuss the following questions:

1. Were you aware of these new policies and regulations?
2. What are the advantages and disadvantages of these if they were to be applied in your city?
3. How would you contextualize these to your city?

Recommendations

Policy and Legal Recommendations



Undertake market assessments

Already a mandate of the NURHP, market assessments are crucial to for understanding the localized dynamics of the rental sector, and subsequently informing policy.



Identify key action areas

Use the assessments to identify major intervention areas, key stakeholders, demand-supply dynamics, and nature of intervention itself – regulatory, legal, fiscal, operational, or hybrid.



Draft an iterative rental housing policy

Sound policies are built through diverse consultations and reviews, as they not only are more realistic and implementable, but are built with the collaboration of actual stakeholders.



Review associated implementation tools

Other regulations, policies, programs, and schema which in some way address rental housing or aspects thereof should also be reviewed in light of the rental housing policy, and be suitably amended.



Become a facilitator and enabler

Governments need to shift from supply to enabling, and encourage collaboration and participation from other sectors. A step toward this can be through setting up rental watchdogs.

Fiscal Recommendations



Ease the financial burden on renters

Renters incur additional expenses such as relocation, brokerage, and security deposits, but are not offered any tax breaks (unlike home owners). Demand and yields can be stimulated by offering renters suitable fiscal incentives.



Create an organized marketplace for renting

Fragmentation in the market and exploitation of renters / owners should be addressed through an institutional or organizational renting platform, such as a rental watchdog and a unified platform..



Incentivise participation from the private sector

Low yields and unattractive fiscal policies deter large scale private sector participation in rental housing supply. Devising appropriate incentives such as tax benefits or construction rights can help attract them to the high-demand rental sector.



Earmark sources of government funding

Governments need to anticipate and allocate resources towards addressing rental needs. This can be through REITs, levies etc., and will be essential for any proposed intervention.

Operational Recommendations



Incentivise development of affordable rental housing

Planning and construction regulations can be leveraged towards the production of affordable rental housing units. These can be through the form of incentives such as TDRs and enhanced FAR/FSI for the developer, or by providing access to subsidized lands.



Create an action plan for vacant housing stock

The large number of vacant houses should be inventoried, and strategies devised for their value-linked redistribution in the housing market, such as through conversion to hostels or co-living spaces, or introducing rental vouchers.



Encourage the creation of rental institutions

Steps should be taken towards encouraging the creation of non-governmental rental institutions such as residents groups, rental management companies, municipal rental departments etc. that can play steering roles in the rental housing ecosystem.



Better monitoring and enforcement

Once new policies and regulations for rental housing have been ratified, steps should be taken to ensure their proper enforcement. This step takes on added significance given in cases of litigation and evictions, and a strong enforcement system can re-affirm both renter and owner faith in systems.

National Case Examples

Chandigarh Housing Board

CHB launched the country's first rent-to-own scheme in 2006, which continues till date.

Scope

25,278+ units are to be built for 23,841 beneficiary families (100,000 individuals).

Implementation framework

The scheme began as a standalone Slum Rehabilitation project, and was later included as part of JNNURM's BSUP project.

Financials

The original outlay of Rs. 5.6 billion was revised upwards to Rs. 10.2 billion in 2012 to account for inflation and cost overruns.

Current Status

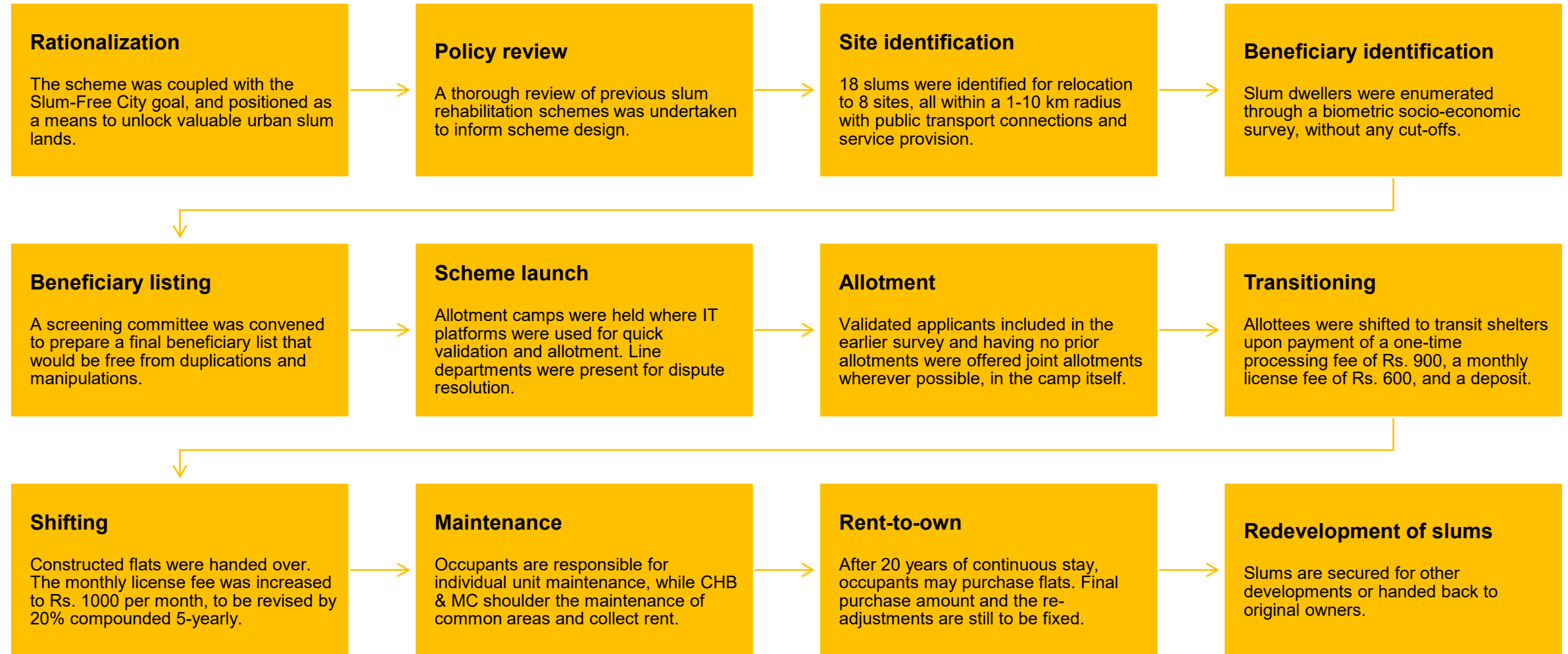
Scheme has passed over two deadlines –2014, and 2016. Allotments are continuing on a piecemeal basis. As of June 2019, CHB had built 12,736 flats of the 25,728 proposed in locations such as Sector 38, Maloya, Dhanas, Mauli Jagran, and Ram Darbar.

Completed flats under CHB rent-to-own scheme. Image Source: Asian Development Bank



Chandigarh Housing Board

Implementation process



Chandigarh Housing Board

Best Practices

- Community engagement – the scheme engaged with the communities to be relocated from the very start, helping build trust in the process and gain community co-operation. Slums were vacated as speedily as a few days only.
- Acceptance of migrant workers – the scheme accepted the role and importance of migrant workers in the city's economy and allowed their registration without the imposition of politically motivated cut-offs.
- Use of IT-based platforms – the use of IT platforms for allotments and verifications at all stages of the scheme implementation helped quicken the pace of implementation and reduce work load for officers.
- Collaboration with line departments – the involvement of other city departments at allotment levels, and the proposed handover of units to the city's municipal corporation for maintenance helps build an institutional network for rental housing.

Challenges

- Delays and overruns – the scheme continues to lag behind its original implementation date. This is due to unspecified logistical challenges faced in the completion of flats for handover.
- One size does not fit all – emerging complaints from the occupants highlight the scheme's reliance on a single template of small flats which may not suit the needs and aspirations of all occupant households. However, the overall layout of the housing projects, including its provisioning of ample open and community spaces, has been appreciated.
- License fee collection – As of 2019, the CHB had issued notices to 10,000 persons regarding non-payment of license fees. CHB continues to organize special camps to recover all pending arrears from occupants.

Chandigarh Housing Board

Images



Finished flat interiors.



Finished flats in Dhanas



Beneficiary in a handed-over flat



Transit shelter



Image Sources: Asian Development Bank

MMRDA

Maharashtra piloted a rental housing scheme through MMRDA in 2008-2015.

Scope

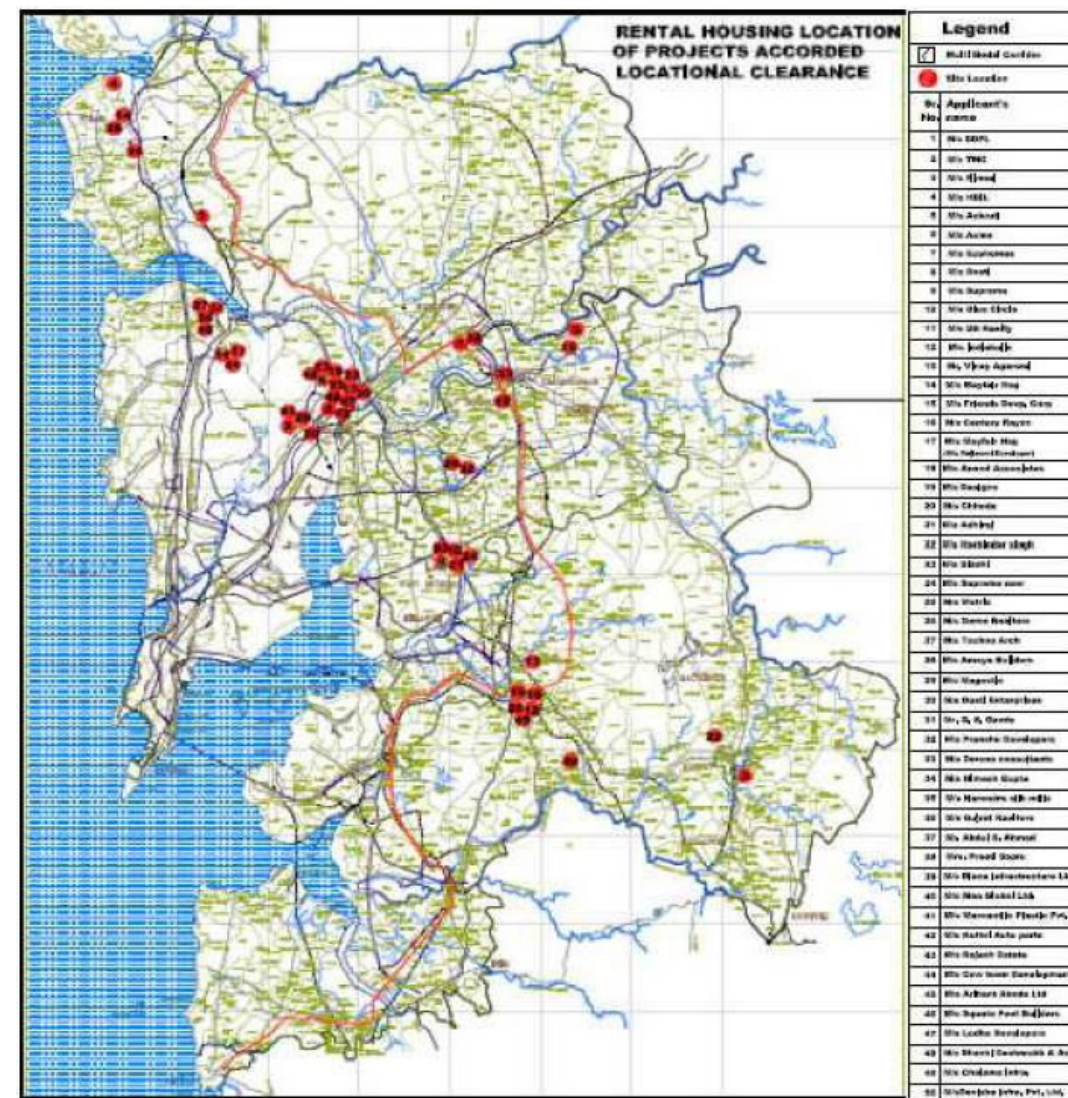
50 projects were sanctioned in the MMRDA area, with targeted delivery of 100,000 units a year.

Implementation Framework

Scheme was instituted in keeping with the Maharashtra Housing Policy which outlined a vision for public-private collaboration to deliver affordable rental housing.

Current Status

The scheme was labelled a modest success but ultimately failed to attract the scale of private sector participation it first envisioned. In 2015, it was subsumed into a broader affordable housing scheme. Rental units built henceforth would continue to be transferred to MMRDA, Mumbai Metropolitan region ULBs, and the state government which can, in turn, use it towards staff quarters, shelters for project affected persons, or transit accommodation.



Locations of MMRDA Rental Housing scheme projects. Image Source: Asian Development Bank

MMRDA

Financials

The scheme incentivized private sector participation by offering relaxed construction norms which were deemed very valuable in a high pressure market like Mumbai. Built rental stock would be handed over to MMRDA free of cost, with the remaining commercialized through freesale. Three models were put in place –

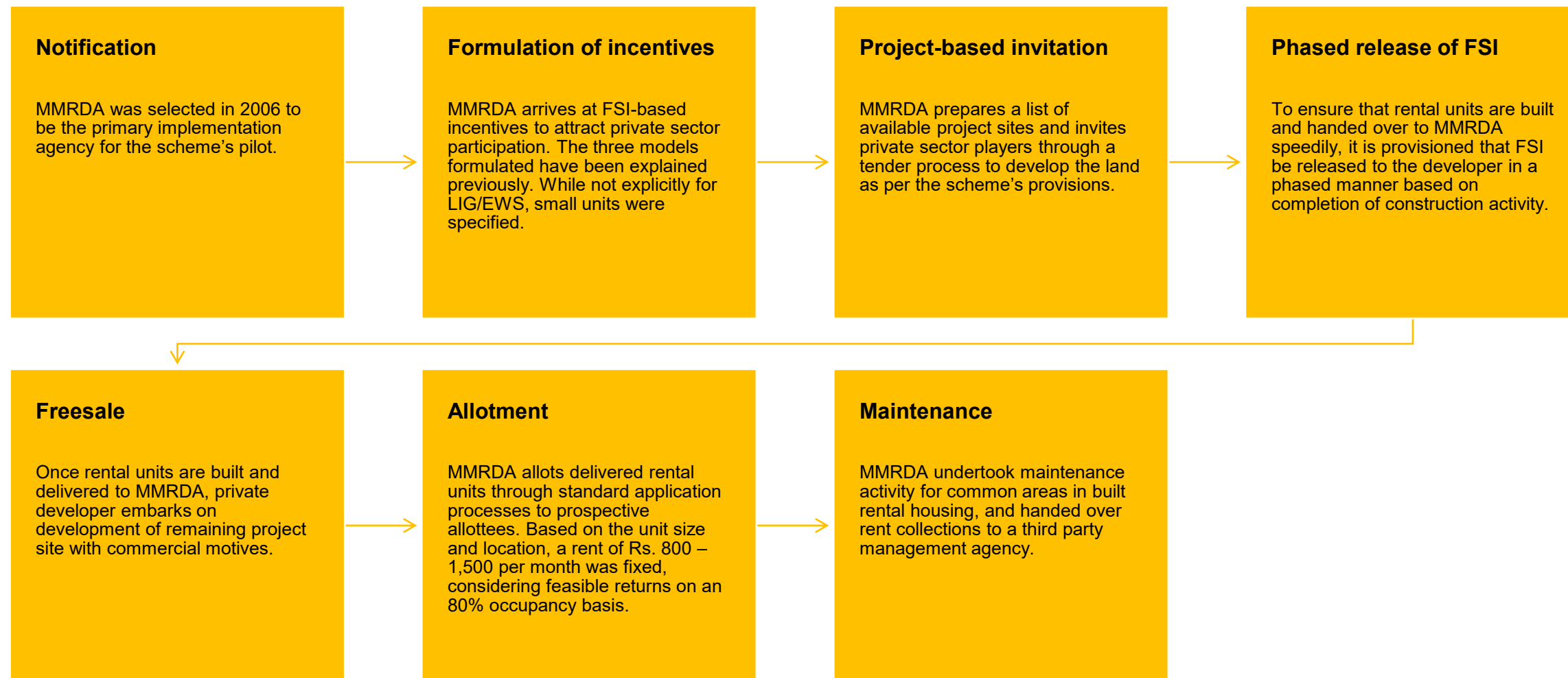
FSI of 4.0 with TDR for development on private land, provided that FSI 3.0 is utilized towards development of affordable rental housing units. Remainder could be utilized towards freesale.

FSI of 4.0 without TDR for development on private lands, provided that FSI 1.0 is utilized towards affordable rental units. Remainder could be utilized towards freesale.

FSI of 4.0 on MMRDA land, with FSI 3.0 utilized towards affordable rental units, and remainder for commercial development.

MMRDA

Implementation Process



MMRDA

Best Practices

- Engagement of private sector – the scheme was the first in India to engage with the private sector for the delivery of affordable rental housing. It explored interesting planning incentives which caught the attention of developers, evidencing that fiscal incentives alone may not be necessary to attract private sector attention in high-value markets.
- Attempts to capture land value – the scheme linked development of rental units on a site with a freesale component, allowing a balance capturing of land value whilst catering to a social need. The introduction of multiple incentive model also gave a degree of flexibility to the private developer in adopting the most profitable option as per their computations.

Challenges

- Poor design – pressure to deliver units in short timelines forced developers to compromise on architectural design and liveability, leading to issues such as poor ventilation, vertical slumming, and inflexibility of created space.
- Densification without service provision – higher FSIs led to the creation of densely populated projects, but were not always accompanied by adequate service provision.
- Non-alignment with third party vendors – stringent government norms made it difficult for the scheme to align with rental management companies, and created several operational challenges.
- Abandonment of scheme – the scheme was subsumed into a generic affordable housing program in 2015, as explained previously. This was not accompanied by a comprehensive analysis and redressal.

MMRDA

Images



A rental housing project site.



Finished



Inside a rental housing project



Inside a rental housing project



Image Sources: Asian Development Bank

International Case Examples

São Paulo

The Parceria Social scheme for social renting vouchers was launched in 2007, following several failed attempts by the city to implement a rental scheme.

Scope

Scheme offered transition housing through rental vouchers, for households being relocated to social housing projects.

Implementation Framework

The program runs as a scheme of the city municipality, then following the vision set out under the country's Ministry of Cities.

Financials

The municipality pays the full amount of rent to the private owner for a period not exceeding 30 months.

Current Status

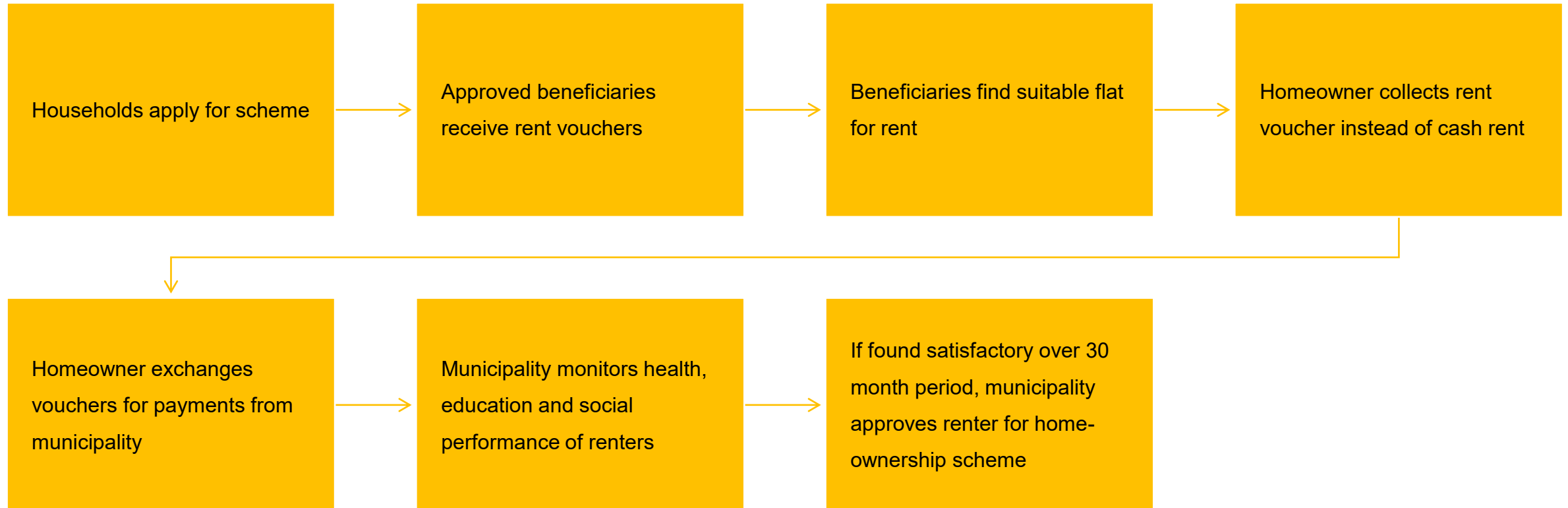
The program was ended in 2010, having benefitted 1,012 families, owing to a funding crunch.



Sao Paulo downtown, and a social housing project in the city. Sources: Agencia Fepasp; Daniel Cohen

São Paulo

Implementation process



São Paulo

Best Practices

- Unlocking of private inventory – the scheme revitalized vacant housing stock, thus easing pressure on itself to ‘build’ housing. Use of vouchers also built confidence in homeowners regarding rental incomes.
- Rental housing as transition housing – the scheme positioned rental housing as an intermediary step towards home ownership, in line with occupant aspirations. Occupancy was also leveraged to extract social development commitments from the renters, such as education and health progresses.
- Freedom of choice for renter – the provision of vouchers freed the renter from the compulsion of occupying government designed and delivered housing, which was usually too small or inflexible or poorly located or inadequately serviced. The renter could choose a private unit of his/her liking in this scheme.

Challenges

- Lack of a sound financial basis – the scheme was not underlaid by a feasible funding provisions, relying on partitioning of existing affordable housing funding without any provision for scaling or self-financing. It was ultimately abandoned after only a few years in operation.
- Weak policy framework – Brazil’s affordable housing program has been undergoing constant change over the last two decades, and Sao Paulo itself has haphazardly experimented with multiple housing programs for both ownership and rental housing. The inconsistency of backing policy frameworks also contributed to the failure of this scheme.

Nanjing

As an aging second-tier city, Nanjing unrolled a talent attraction programme with several incentives, including substantial rental subsidies for eligible settlers.

Scope

The scheme is open for skilled young migrants with potential to contribute to urban economic growth. No caps have been envisioned yet.

Implementation Framework

The scheme is managed by the municipality, with inputs from larger regional and national planning guidelines that promote creation of counter-magnets to tier-1 cities.

Financials

The scheme is fully financed by the municipality, with the expectation that urban economic growth will help the recovery of investments.

Current Status

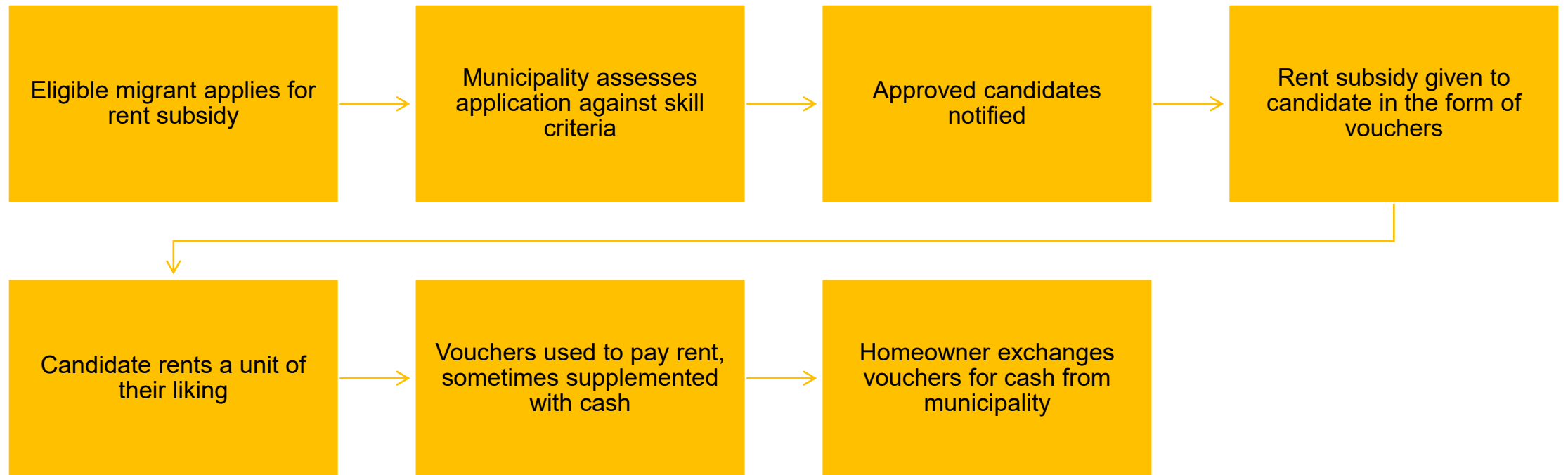
The scheme is ongoing and has been adapted across many other Tier-2 and 3 cities of the country.



Nanjing downtown and a social housing complex. Image Source: South China Morning Post

Nanjing

Implementation Process



Nanjing

Best Practices

- Positioning of affordable rental housing as a vehicle for urban economic growth – the scheme realizes the centrality of affordable rental living for migrant workers, and leverages it to catalyze urban growth.
- De-linked subsidies – subsidies provided are not restricted for use in public or private housing, and allow the renter freedom of choice.

Challenge

- Financial viability – the scheme hinges on the assumption that talent attraction will fuel urban economic growth, which in itself is a long-term proposition that many other cities may not be feasibly able to attend to.
- Differing governmental structure – China's highly centralized system of governance and planning means that Nanjing's rental housing model may not be easy to replicate elsewhere.

Berlin

Background & Scope

Germany's highly urbanized and industrial nature make it a renter-majority nation, and lend it with a complex but comprehensive system of renting frameworks and regulations that smaller provinces and cities can amend and adapt to best suit their housing needs. Berlin, where upto 88% households live on rent, interprets these policies through a variety of means, of which the most popular ones are:

- Private rental housing supplies over 60% of the city's housing stock, including the bulk of its 'social' or affordable rental stock.
- Public rental housing, built through 6 Municipal Housing Companies, supplies 15% of the city's housing stock.
- Cooperative rental housing, a uniquely Germanic concept, supplies a further 11% of the city's housing stock.



A cooperative rental housing society in Berlin. Image Source: TheLocal.de

Berlin

Implementation Framework, Financials & Implementation Process

The three rental models offer access to affordable rentals in differing ways:

Private Rental Housing

State subsidies, often in the form of interest free loans are made available to developers for opening their housing inventory for renting at below-market rates to beneficiaries recommended by the municipality.

Municipal Housing Companies

These build housing for profit, but are answerable to the government on social issues. Only 10% of their stock is in the affordable bracket, but they are an important pool of social housing in contingency situations – a WW2 legacy.

Cooperative Rental Housing

These are owned by cooperatives that charge a nominal rent – covering only ongoing maintenance and repair reserves – to renting families, which are in turn encouraged to stay for longer. Often characterized by highly participatory decision making, cost-saving interior finishes, and ample community spaces.

Berlin

Current Status

Following waves of housing construction in the city, many private rental houses completed their subsidy terms in the 1990s and 2000s, prompting a temporary suspension of subsidies. These were, however, reinstated in 2014 as pressures on rising rents became evident.

Municipal housing companies, meanwhile, have recently pledged to increase their share of affordable rental units in response to the city's ongoing construction and real estate boom. Co-operative housing is also being encouraged as the government has begun piloting the award of development land to them at lowered prices and with special incentives.

Following mass protests against rising rents, the city froze rents for a period of 5 years beginning June 2019.



Signs of protests against rising rents in Berlin. Sources: Euronews; The Independent

Berlin

Best Practices

- Sectoral vibrancy – Berlin's rental housing sector is exceptionally vibrant in the various kinds of responses it offers to those seeking affordable rentals. While such vibrancy has been based off a strong history of welfare and cooperative housing, Berlin remains unique in its conducive affordable renting ecosystem, ahead of even comparable socialist democracies like France and the Scandinavian countries.
- Balanced engagement of the private sector – Berlin, like Germany, is accepting of the state's shortcomings in fulfilling housing needs. It instead relies on incentives and regulations for the private sector and allows the market to fulfil the supply of affordable rental housing.
- Cohesive rental communities – The long history of rental living in the city has created cohesive renting networks and communities, best evidenced by cooperatives.

Challenges

- Rising real estate pressure – Berlin is in the midst of a construction boom, placing high commercial pressure on land. This is a disadvantage for Municipal Housing Companies.
- Private sector monopolization of flats – Large scale purchase of apartments by private sector companies is leading to rapid increase in rents and retaliatory protests by residents.
- Financial viability – While the rental market in Berlin is in a state of constant evolution, government responses towards ensuring the financial viability of rent control measures remain weak and reliant on past paradigms.

Group Discussion

Based on the case studies, think of the following questions:

1. How is the case example similar to and different from your city?
2. What best practices and recommendations do you think are most useful for your city?

Summary

Takeaways

- Affordable rental housing is an important and growing component of urban housing demand across the world. It is particularly important for low-income households who are incapable or unwilling to purchase homes due to various socio-economic reasons.
- Globally, affordable rental housing has traditionally been ignored by policy-makers in favour of home-ownership. However, the situation is changing with several countries attempting to introduce regulations and interventions to address the demand for affordable rental housing in cities.
- India has a significant and rapidly expanding affordable rental housing demand, which is currently addressed largely through private sector supply, especially informal markets. The sector, consequently, is unregulated and faces several systemic challenges such as lack of renter security and disincentivisation of owners. Policy response to affordable rental housing remains recent and yet to be actioned.
- Key challenges affecting the sector include the lack of a cohesive rental housing policy, presence of fiscal disincentives that make affordable rental housing a low-yield market, outmoded but still-active rent controls, and the absence of an organised renting marketplace.
- However, the scale and growth of the sector, and the catalytic roles it can play in reinvigorating the lagging real estate sector, redistributing a growing stockpile of vacant houses, reduce pressure on governments to achieve housing targets, and contribute to urban economic growth, offer a compelling rationale for enhancing implementation focus on the sector.

Takeaways

- Key policy responses to consider here are the drafts for the National Urban Rental Housing Policy and the Model Tenancy Act, both of which are pending ratification. These regulations aim to protect renter rights, while creating an attractive atmosphere for public, private, and collaborative suppliers to enter and scale. Once ratified, states will be expected to adapt them to their own rental policies and regulations.
- States, which are directly responsible for land and housing, are yet to take significant action towards rental housing. Punjab remains the only state to have introduced a rental housing policy, which is broadly similar to the National Urban Rental Housing Policy with a few contextualisations. Other administrations, like Chandigarh, Maharashtra, and Kerala, have only experimented with project-specific responses such as rent-to-own schemes, public-private rental housing delivery, and institutional rental housing.
- Key recommendations for implementers include the drafting and revision of rental housing policies and regulations based on comprehensive market surveys, derivative analysis, and iterative consultations. These policies should subsequently aim to catalyse the supply of affordable rental housing through means like private sector incentivisation and public sector budgeting; while protecting renter concerns by providing financial breaks and fostering the creation of an organised rental marketplace or ecosystem. To operationalise affordable rental housing, implementers should consider modification of planning controls to ease the construction of rental units, creation of a strategy or action plan to unlock vacant privately owned residential units, encourage the creation of rental management institutions, and work towards better enforcement of policy and regulations.

Card Game

There are two decks of cards – one for ‘solutions cards’, the other for ‘challenge cards’.

Audience will be divided into groups of five.

A deck of solution cards will be distributed among the group members.

A deck of challenge cards will be placed on the table, face down.

In turns, each group member will pick a challenge card from the deck placed on the table.

The member will try to ‘solve’ the challenge on the card picked with the ‘solutions’ available with them.

If the rest of the group is convinced with the solution, the member may dispense of the solution and challenge card.

The first group member to dispense of all the cards in their hand, wins.

Module Anchor | Project Coordinator

Prayash Giria
Senior Project Associate – Urban Development, WRI India
✉ Prayash.Giria@wri.org

Project Director

Rejeet Mathews
Director – Urban Development, WRI India
✉ RMathews@wri.org

Thank you.