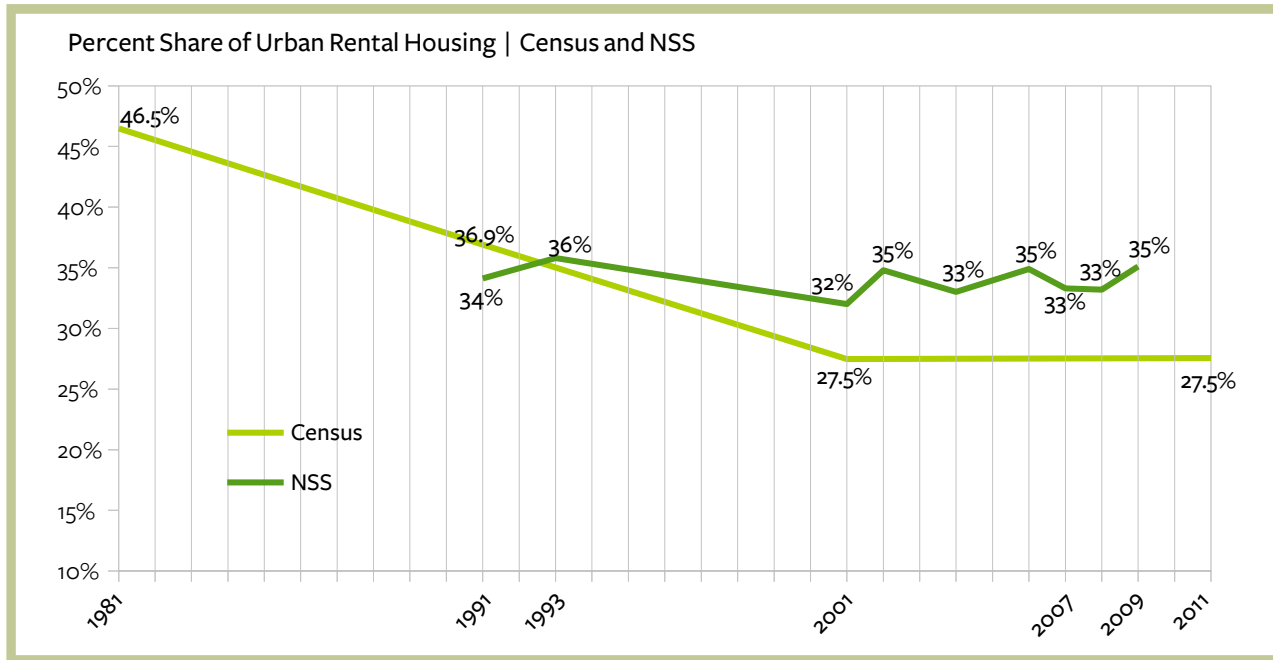


## Instituting Rental Housing



How many urban residents live in rented accommodation? Official data is somewhat divergent about this—while the Census states that about 27.5 per cent of urban households lived in rented houses in 2011, the NSS found that close to 35 per cent of urban households lived on rent in 2009. Moreover, according to the NSS, this proportion has remained steady since 1991, while the Census records a significant decline from 46 per cent in 1981.

Apart from making evident the ambiguity surrounding the nature of the rental housing market in Indian cities, these data remind us that between a quarter and a third of households in Indian cities lives in rented housing. Also, the rental housing market is almost exclusively a private market of small-scale providers.

### Housing Policy and Rental Housing

Public policy has rarely encouraged rental housing in the private market or in public schemes. Ownership seems to have been the singular aim of housing policies in India. In fact, the Rent Control Acts, designed to safeguard the interests of tenants, resulted in the choking of supply of rental housing due to overprotective regimes of rent-setting and eviction procedures.

More recent policy initiatives have chosen a different path. The JnNURM encouraged states to reform their Rent Control Acts to make them more market oriented. The Rajiv Awas Yojana (RAY) explicitly allowed rental housing to be proposed for central funding. Recently, the Mumbai Metropolitan Region Development Authority (MMRDA) launched a Rental Housing Scheme, though with limited success.

These initiatives are a sign of acceptance that public housing programmes require more flexible tenure options. How is this to be enabled and scaled?

### Public Provision of Social Rental Housing

Some of the oldest examples of public social rental housing are from Mumbai and Kolkata. Mumbai had several 'chawls' which were privately and publicly owned rental housing for workers. Kolkata was one of the first places where more than 75 Rental Housing Estates were developed in the 1960s and 1970s. However, in recent times, there has been a movement towards the privatization of these housing estates, mostly located in prime areas in Kolkata, on account of 'difficulties' faced in maintenance, rent collection and eviction of defaulters.

In Mumbai, the MMRDA's 2009 Rental Housing Scheme has largely failed to create public social rental housing, due to lack of knowledge about rental management, dubious density standards, and a misreading of low-income housing dynamics. The units are now affordable units for various public agencies to use as they wish.

## Taking rental housing seriously

Studies have shown that providing rental housing can be cheaper for the government than subsidizing ownership. However, several dynamics need to be imagined, designed and implemented for the successful provision of public social rental housing at scale.

### Rental Management

As has been found from the Kolkata and MMRDA experiences, and as reiterated in the MoHUPA's report on the policies and interventions to encourage rental housing, robustly designed Rental Management Companies are needed. Rental housing management requires, a) technical, b) social, c) financial, and d) tenure management capacities.

### Location

Rental housing is directly connected with livelihoods, education and opportunity, even more so than ownership housing, according to some. Households may choose to own a home away from the city for investment and future use, but will only rent where they are close to work and education.

### Diversifying portfolios

The public sector owns land across Indian cities. Several options for utilizing this land for rental housing can be envisaged—from social rental housing on shorter terms such as labour and student housing to long-term lease for communities. An option is to develop rent-to-own models as being implemented by the Urban Improvement Trust Kota in Rajasthan under the RAY.

### Addressing empty houses

There are more than 9 million empty housing units in urban India, as per the TG-12 report from the MoHUPA. Several disincentives discourage house owners to let their stock enter the rental market. But there are options for encouraging this supply—from reforming the RCAs to rationalization of property tax, to equalization of tax regimes for owned and rented housing.

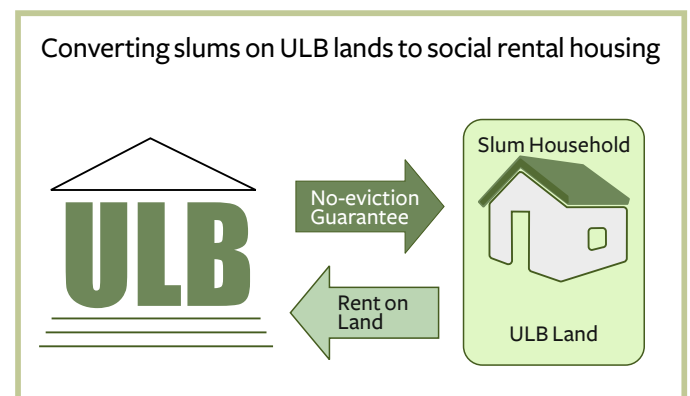
The following table illustrates which institutions can take actions at what scales to address these concerns:

Rental Management	ULBs and State Housing Boards are well positioned to create Rental Management Companies.
Locations	ULBs and Development Authorities can use well located public land for creating social rental housing.
Diversifying Portfolios	Central and State governments can develop guidelines, and provide initial support for creating sustainable rental housing.
Empty Houses	State governments can speed up modifying their RCAs. State governments and ULBs can work together to equalize tax regimes for owned and rented housing.

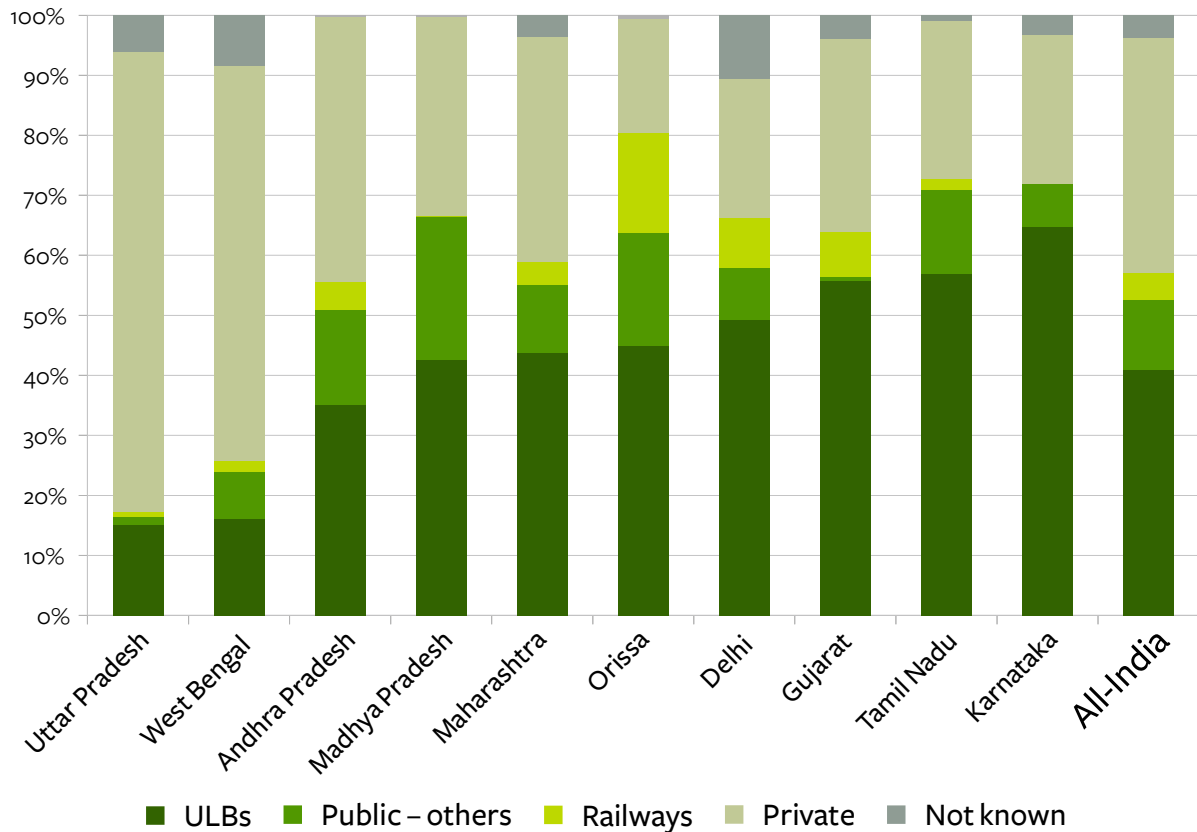
## Proposition: Convert slums on ULB lands to social rental housing

About 40 per cent of all slums in India are on lands that belong to Urban Local Bodies (ULBs). Between 3 and 5.5 million households are, in other words, living in slums on ULB lands. This provides an immense opportunity not only to address their inherent insecurity of tenure, but also to provide much-needed revenue to ULBs, through rental housing.

This proposition simply disaggregates such slum houses into two parts—the ULB's land on the one hand, and the housing unit on the other, which is an investment made by the household. The ULB provides a no-eviction guarantee of a certain period, say 5 to 15 years, to the slum household in exchange for a nominal rent on the land used.



Percentage of Slums by Land Ownership | NSSO Round 534 - 2008



### Security of Tenure for All Households

The household gains security of tenure—it becomes the official renter of the land and the owner of the housing unit. The household can continue its development pathway without disruption and can invest in its lifestyle. Further, renters in slum houses and their landlords can continue their relationship, an aspect most public housing schemes overlook.

### Significant Revenue for ULB

The ULB retains ownership of the land, and in fact begins to leverage its 'lost asset' by generating revenue from it. A conservative calculation for a small town with a population of about 3,00,000 in South India shows that the rent from 6 slums of a total of 21 that are on ULB lands, can be to the tune of 10 per cent of the ULB's own revenue.

### Atmosphere of Fiscal Responsibility

The challenge in this proposition is that of the political economy around slums which insidiously discourages public sector owners to take ownership of their own land, in light of the

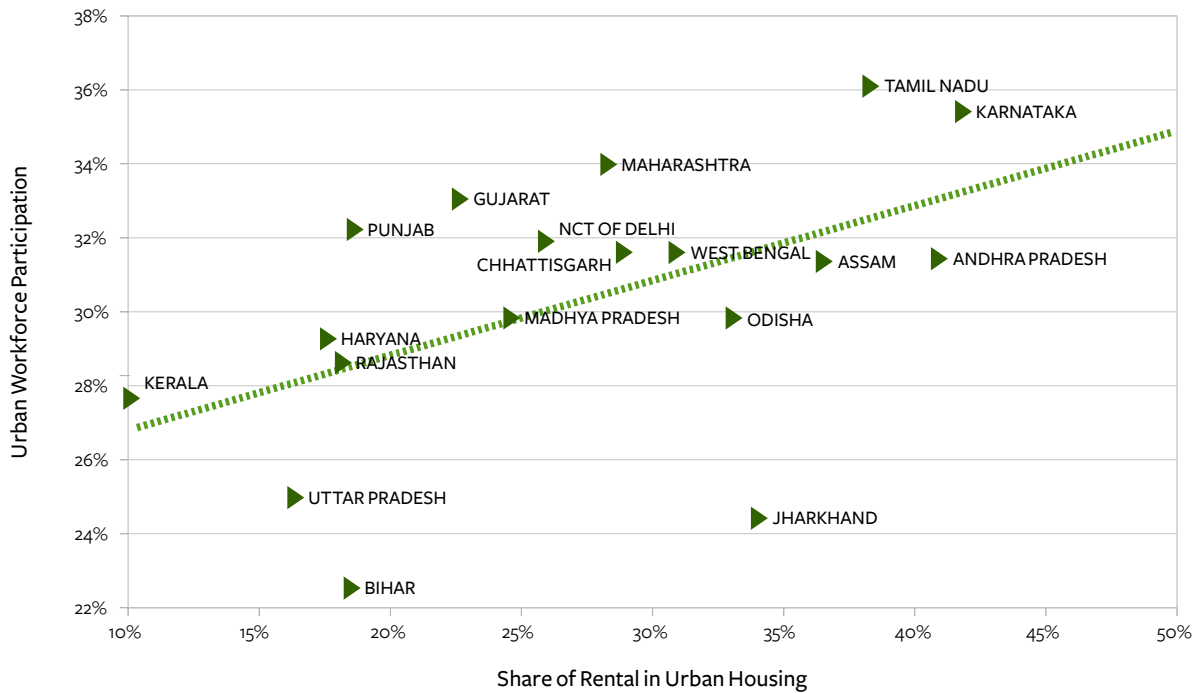
speculative value of land in and near city centres. It is also at risk due to populist 'give-away' actions in order to achieve 'clientage' among populations there. Therefore it may be more suitable to start this in smaller towns first.

### Economic Sense

Yet, the proposition makes sound economic sense. ULBs will be able to generate better financial foundations and gain more autonomy from state and external grants and loans. Massive numbers of vulnerable households in slums gain security of tenure and better chances to develop their opportunity set and lives, without risk of eviction.

If such an idea takes root, it may encourage other land owners such as the central and state governments, as well as private entities to apply it to their lands that are occupied by slums. An emergent vibrant social rental housing paradigm such as this can lead to greater labour mobility and work-force participation, and therefore greater productivity for the city.

Co-relation between Workforce Participation Rate and Share of Rental Housing in Urban India  
18 Most Populous States - Census 2011



## Key Actions

- There is diversity in the demand in urban housing markets. Policy needs to diversify public housing portfolios, enable use of public lands for these, and encourage fiscal equity between owned and rented housing.
- The greatest challenge to be addressed is the knowledge and capacity gaps to manage rental housing.
- Converting existing slum pockets on ULB lands to social rental housing can give tenure security to millions of households and generate significant revenues for ULBs.
- Rental housing can function only in a political climate that encourages fiscal responsibility from all stakeholders.

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