ABSTRACT

Housing – Announcement - Tamil Nadu Affordable Urban Housing and Habitat Policy – Formulated – Approved - Orders - Issued

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HOUSING AND URBAN DEVELOPMENT [(SC-1(2)] DEPARTMENT.

G.O.(Ms).No.61 Dated:18.03.2020
விகாரி வருடம், பங்குனி – 5,
திருவள்ளுவர் ஆண்டு 2051,

Read:

1. G.O.(2D)No.183, Housing and Urban Development Department, dated 14.11.2019.
2. G.O.(Ms) No.194 Housing and Urban Development Department, dated 16.12.2019.
3. From the Joint Managing Director and Project Director (World Bank and Asian Development Bank Projects) Tamil Nadu Slum Clearance Board, letter No.WB/16175/2019, dated 22.11.2019 and 12.03.2020.

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ORDER:

The Hon'ble Deputy Chief Minister in his Budget Speech for the year 2019-2020, has announced as follows:

"In line with the Sustainable Development Goal (SDG) of ensuring access for all to adequate, safe and affordable housing and basic services and to improve slums by 2030, the Government will soon unveil the State Urban Housing and Habitat Policy. The role of the Government as a provider of housing to poorest and as an enabler of housing markets to ensure access of the poor and middle classes to affordable housing will be strengthened."

2. In the Government order first read above, orders were issued according in principle approval for the formulation of Tamil Nadu Housing and Habitat Policy for the Urban Poor. In the letters third read above, the Joint Managing Director and Project Director (World Bank and Asian Development Bank Projects), Tamil Nadu Slum Clearance Board has stated that in response to the proposal submitted by the Housing and Urban Development Department to the World Bank, the World Bank proposes to finance the Tamil Nadu Housing Sector Strengthening Program through the Development Policy Loan of USD 450 million with a first Development Policy Loan of USD 200 million. Development Policy Loan of the World Bank provides rapidly-disbursing budget support to borrower against 'Prior Actions' and 'Triggers' comprised of policy reform and/or institutional actions as per the agreement with the Bank. Formulation and approval of State

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Urban Housing and Habitat Policy is one the prior actions to be achieved by the Housing and Urban Development Department under the proposed World Bank financed Tamil Nadu Housing Sector Strengthening Program.

3. In the Government Order second read above, a Housing Policy Committee was formed to periodically discuss the draft Tamil Nadu Urban Housing and Habitat Policy and finalize the policy. After periodical consultations in the Housing Policy Committee meetings, consultation with stakeholders from Government departments, Private Developers, Housing Finance Companies, Civil Society Organizations, Academic Institutions working in the housing sector and after duly incorporating the suggestions from Housing Policy Committee members, stakeholders and the suggestions/instructions from the senior officials/policy makers, the draft Tamil Nadu Affordable Urban Housing and Habitat Policy has been finalized. The Joint Managing Director and Project Director (WB and ADB Projects), Tamil Nadu Slum Clearance Board has, therefore requested the Government to approve the draft Tamil Nadu Affordable Urban Housing and Habitat Policy.

4. The Government after careful examination of the Draft Tamil Nadu Affordable Urban Housing and Habitat Policy forwarded by the Joint Managing Director and Project Director (World Bank and Asian Development Bank Projects), Tamil Nadu Slum Clearance Board have decided to accept it and accordingly accord approval to the 'Tamil Nadu Affordable Urban Housing and Habitat Policy' as appended to this order.

5. This order issues with the concurrence of the Finance Department vide its No.985/FS(P)/2020, dated 13.03.2020.

(BY ORDER OF THE GOVERNOR)

RAJESH LAKHONI
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Managing Director,
Tamil Nadu Slum Clearance Board, Chennai –600 005.
The Joint Managing Director/ Project Director (WB and ADB Projects),
Tamil Nadu Slum Clearance Board, Chennai –600 005.
The Managing Director,
Tamil Nadu Housing Board, Chennai-600 035.
The Member-Secretary,
Chennai Metropolitan Development Authority, Chennai-600 008
The Director of Town and Country Planning, Chennai-600 002.
The Registrar of Co-operative Societies (Housing), Vepery,
Chennai-600 007.

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Copy to:-

The Office of the Hon'ble Chief Minister, Chennai-600 009
The Office of the Hon'ble Deputy Chief Minister, Chennai-600 009
The Resident Audit Officer, Chennai-600 009.
The Office of the Principal Accountant General (G&SSA), Chennai-600 009.
The Office of the Principal Secretary to Government, Housing and Urban Development Department, Chennai-600 009.
The Finance Department, Secretariat, Chennai-600 009
The Municipal Administration and Water Supply Department, Chennai-600 009.
The Revenue and Disaster Management Department, Chennai-600 009.
The Housing and Urban Development (OP-1/Budget /SC-2) Department, Chennai-600 009.
Stock file / Spare Copy.

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18/3/2020

SECTION OFFICER

18.3.2020

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ANNEXURE

(G.O.(Ms).No. 61, Housing and Urban Development [SC-1(2)] Department, dated 18.03.2020)

Tamil Nadu Affordable Urban Housing and Habitat Policy 2020

Housing and Urban Development Department

Government of Tamil Nadu

Secretariat, Chennai – 600 009

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Abbreviations

AIF	Alternative Investment Fund
AHFC	Affordable Housing Finance Company
CLSS	Credit Linked Subsidy Scheme
EWS	Economically Weaker Section
GDP	Gross Domestic Product
HIG	High Income Group
HFC	Housing Finance Company
IZ	Inclusionary Zoning
LIG	Low Income Group
NBFC	Non Banking Financial Company
MFI	Micro Finance Institution
MIG	Middle Income Group
SDG	Sustainable Development Goal
SFB	Small Finance Bank
TNCHF	Tamil Nadu Co-operative Housing Federation
TNHB	Tamil Nadu Housing Board
TNHAC	Tamil Nadu Housing Advisory Committee
TNRERA	Tamil Nadu Real Estate Regulatory Authority
TNSCB	Tamil Nadu Slum Clearance Board
TNSF	Tamil Nadu Shelter Fund
TOD	Transit Oriented Development

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1. Preamble

Tamil Nadu has always been at the forefront of economic dynamism and spatial transformation in India. Tamil Nadu tops the list of urbanized States with about 50% of the population in urban areas and will remain the most urbanized state for the next 15 years. By the year 2030, about 67% of the population of Tamil Nadu will live in urban areas.

Tamil Nadu is the second-largest state economy in the country, which contributes to 8.4% of India's GDP. The majority of GDP is generated in urban areas, reflected in the contribution of the services (58 percent) and industry (30 percent) sectors to the state's economy. Chennai, in particular, is well known for its auto production, earning itself the nickname of the "Detroit of India." Chennai's economic dynamism has made the capital city very attractive to migrants from within and outside Tamil Nadu.

Tamil Nadu has identified universal access to housing as a key priority within the state's Strategic Plan for Infrastructure Development, *Vision Tamil Nadu 2023* unveiled by our late Hon'ble Chief Minister Puratchi Thalaivi Amma. In this Plan, Tamil Nadu has put forward the State's vision to "become India's most prosperous and progressive State; free from poverty, where its people enjoy all the basic services of a modern society and live in harmonious engagement with the environment and rest of the World", and where "all urban residents in Tamil Nadu have access to universal, equitable and affordable housing towards overall improved quality of life." This vision of the state and the Sustainable Development Goal (SDG) of ensuring access for all to adequate, safe and affordable housing and basic services and to improve slums by 2030, forms the guiding principle for the development of this policy.

Government of Tamil Nadu recognizes that the pace and scale of housing provision by the State alone may not address the increasing demand. Government of Tamil Nadu is committed to addressing supply-side constraints to ensure the provision of affordable housing at the scale needed to accommodate anticipated urban growth.

In order to maintain its position as a progressive State, the Government wants to move to a model where State-led affordable housing provision is supplemented by a robust affordable housing market to ensure access of the poor and middle classes to affordable housing, prioritizing limited public resources to the most needed, unlocking supply-side constraints and increasing private sector participation in affordable housing provision.

2. Housing Sector Context and Background

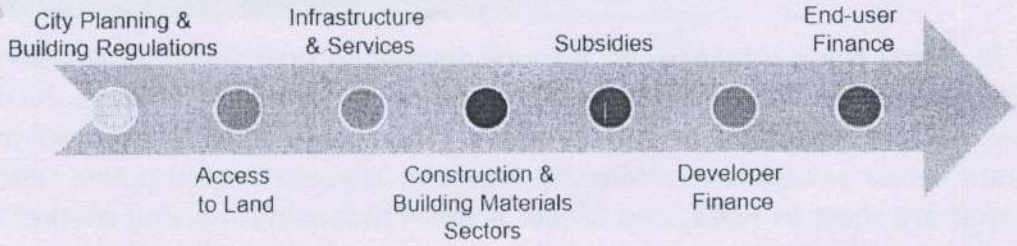
The economic vibrancy of large urban centres offers diverse employment opportunities and means of livelihood. Higher rate of urbanization is also an indicator of economic development since urban areas are major contributors to the Gross Domestic Product of any country. Large urban centres witness migration of diverse groups of people, thereby giving them a cosmopolitan character.

While urbanization generates agglomeration economies and thereby spurs more rapid economic growth, urban density and congestion lead to changes in lifestyle and more intensive use of natural resources. The concentration of large populations in urban centres places considerable strain on land, natural environment, and physical infrastructure. The proliferation of slum often accompanies rapid urbanization and poses the greatest social and policy challenge.

In order to maximize the benefits of urbanization, it is important to ensure that cities are free from slums, to provide adequate opportunities for productive employment, and a decent quality of life to all their inhabitants irrespective of their income, cultural background and gender. Cities should be equipped with quality infrastructure so that they can compete in attracting national and international investments. They should also be able to provide a decent living environment for migrant workers, women, and children as cities experience a surge in migratory labour. Cities also should be equipped to optimally utilize their natural endowments and preserve and foster their cultural and natural heritage.

In this context, urban housing goes beyond the construction of a housing unit in isolation, but it rather requires interventions in policy, institutions, regulations, and programs across the supply chain spectrum. The housing supply chain covers four key elements: (i) planning and regulation to integrate housing solutions into the urban fabric (i.e. jobs, public services, urban amenities), (ii) access to land which will enable the increased provision of housing, (iii) complementary infrastructure and services that make housing units habitable, and (iv) the different elements of housing finance (for developers, the State, and end users) which will bring demand closer to housing supply (see Figure 1).

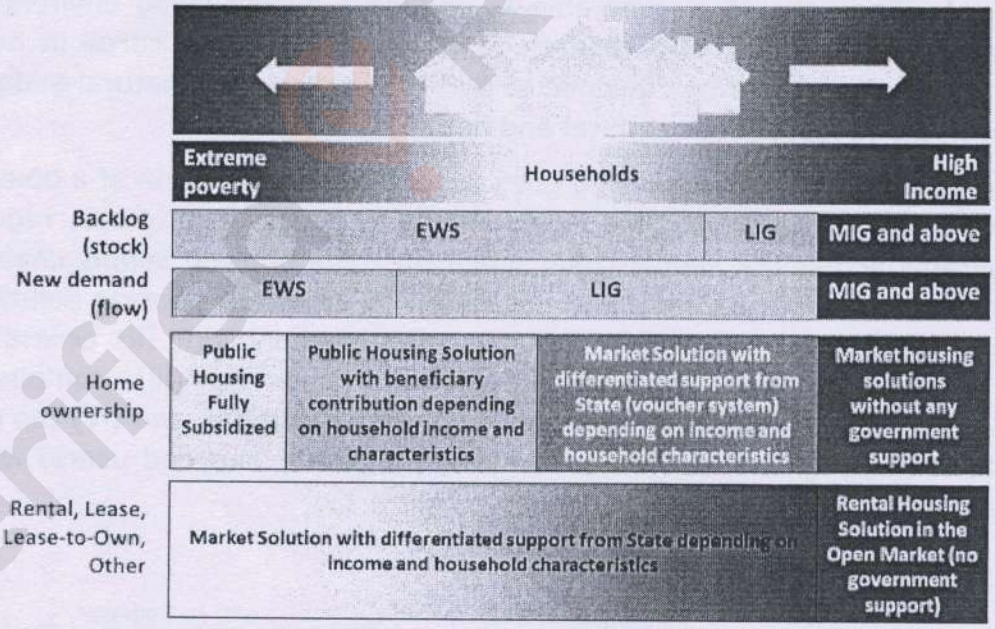
Figure 1. Housing supply chain



A well-functioning housing market is one in which supply can meet demand. In a well-functioning housing market, housing solutions are diversified, sustainable, inclusive, and responsive to citizens' needs and these housing solutions should be able to meet different demands from citizens effectively. International experiences show that as the housing sector matures, housing institutions should invest in diversifying housing products to respond to different needs and preferences for affordable housing, such as up-front subsidy programs, rental housing, and risk mitigation products for developers.

Housing solutions need to match local demand in terms of desirable quantity, livelihoods, location, typology (rental, ownership) and affordability. Figure 2 shows the continuum of affordable housing solutions. At the far-left side, there are people who are in crisis, or without the level of affordability needed to pay for a housing solution. At the far-right, there are independent renters and homeowners. Between these two, there are people who can pay a share of their housing (either for ownership, rental or other) with different levels of support from the State. There is a need for differentiated roles of the public and private sectors along the spectrum.

Figure 2. Affordable Housing Continuum



As Tamil Nadu advances to a more developed economy, it will be important for Government of Tamil Nadu to also redefine its role and shift its focus as an enabler, partner, regulator or entrepreneur. This would allow to promote and bring in private sector solutions in affordable housing, allocate limited public resources to those that are most in need, and create a well-functioning housing market that can respond to market demand.

3. Urban Housing Sector of Tamil Nadu

With a well-diversified economy, Tamil Nadu has grown faster than the Indian average in recent years. The state's per capita income is well above the national average. Tamil Nadu´s economic dynamism is linked to rapid urbanization. Tamil Nadu is the leading urbanizing state among the large states in India and is an economic powerhouse supporting economic and spatial transformation.

The demand for urban housing in Tamil Nadu is only likely to increase, as the state continues to see rural to urban migrations and changing demographic profiles. The state's strong economic performance will continue to attract urban migration. Managing the future demand for affordable housing will be critical so that the continued urbanization does not translate into the further proliferation of slums and further disparity in access to basic services.

3.1 Urban Housing Sector Institutions in Tamil Nadu

Tamil Nadu has been a progressive state in terms of designing and implementing housing and habitat-centric schemes and programs. Over the years, the state government has created several institutions to address the issues related to affordable urban housing, including;

1. Tamil Nadu Housing Board (TNHB)
2. Tamil Nadu Slum Clearance Board (TNSCB)
3. Tamil Nadu Co-operative Housing Federation (TNCHF)
4. Tamil Nadu Shelter Fund (TNSF).

TNSCB and TNHB are the two main State providers of affordable urban housing in Tamil Nadu. TNSCB was established under the Tamil Nadu Slum Areas (Improvement and Clearance) Act of 1971, and it is the leading provider of affordable urban housing in the state. The role of TNSCB has been growing as most of the housing shortage is in the urban poor segment, increasingly focusing on housing for people who are marginalized, who have either squatted on public spaces or who lack a shelter because of their poverty and consequent unaffordability. It implements a variety of housing schemes including in-situ development, reconstruction, and rehabilitation. The TNSCB had implemented Sites and Services schemes which envisaged the provision of basic infrastructure like roads, street lights, stormwater drains, pavements, public fountains in-situ in the major cities of Tamil Nadu. The slum dwellers were provided land tenure for their plots and disbursed financial assistance under the various schemes for the construction of houses. The Site and Services schemes increased the supply of legal and affordable serviced land in urban and peri-urban areas, improved the housing conditions and living conditions by providing basic infrastructure facilities. The TNSCB has a record of robust performance in housing delivery for the EWS segment, backed by inter-agency coordination, technical capacity, and fiscal

allocation. The Revenue Administration and Disaster Management Department of Government of Tamil Nadu has revamped the special scheme for the regularization of residential encroachments on poramboke lands in August 2019. Under this scheme, residential encroachments on unobjectionable poramboke lands will be regularized and house site pattas will be granted. Unobjectionable lands in urban areas will be also alienated to the Tamil Nadu Slum Clearance Board for the construction of multistoried housing units. This scheme will increase the supply of land and will promote affordable housing.

TNHB was established under the Tamil Nadu Housing Board Act, 1961. Its mandate consists of developing planned layouts of plots and constructing housing units and flats in neighbourhood developments with amenities included, for all income categories (EWS, LIG, MIG, and HIG) for-profit basis. TNHB played an important role during the 70s and 80s in creating township across the state, and facilitating the expansion of the Chennai metropolitan area, utilizing public land for housing development schemes.

Co-operative Housing Societies affiliated to Tamil Nadu Co-operative Housing Federation (TNCHF), functions around the provision of loans for house construction, buying land, preparation of layout, provisioning of sites at a lower cost to the members of the co-operative societies. At present in Tamil Nadu, 675 co-operative housing societies are affiliated to the TNCHF, out of which 509 co-operative housing societies cater to the housing needs in urban areas.

The Tamil Nadu Shelter Fund (TNSF) is a regulated investment trust established to finance affordable housing projects for increasing the supply of housing for the population that is currently underserved by the housing market. As a consequence, TNSF was established as an irrevocable and determinate investment trust under the provisions of the Indian Trusts Act of 1882 under a deed of indenture dated February 2, 2018. The two tier Tamil Nadu Shelter Fund is India's first impact investment fund for funding urban affordable housing projects.

The Tier-I Shelter Fund is constituted as a Government-regulated fund. This fund is now fully operational with the notification of the Tami Nadu Shelter Fund Rules, 2020 which enables shelter charges levied on construction projects to be credited to the Fund. Tier II of the Shelter Fund is a Category I Social Alternative Investment Fund registered with the Securities and Exchange Board of India as a Category I Alternative Investment Fund (AIF) - Social Venture Fund. The Tier II of Shelter Fund has been set up to attract domestic and global investors providing 'Social Impact Investments'. This fund would be deployed to create an environment friendly, quality affordable housing for sale to the poor and middle-class families. The fund will also be used to set up affordable hostel facilities for working women to address their needs for good quality, affordable and safe accommodation and affordable assisted living facilities for senior citizens and the differently-abled.

3.2. Urban Housing Sector Challenges in Tamil Nadu

The pace and scale of housing provision by the State need to be augmented to address the existing housing deficit. Moreover, the public sector housing provision does not consider varying income levels and affordability, and different demands for housing solutions among LIG and EWS. There is no product differentiation to satisfy needs of the LIG and EWS, accommodating different household sizes and preferences, or housing solutions for industrial complex or female employees. The transit/rental housing for migrants and industrial workers is not available.

The current model of the public provision faces sustainability shortcomings, requiring strong efforts and high budget allocation. This is resulting in a growing fiscal burden on the State as it tries to respond to the growing housing needs of the poor. A majority of the formally built housing units are delivered by TNSCB and TNHB, with support from the National programs.

Supply-side constraints have been identified as one of the key challenges in delivering housing solutions in Tamil Nadu. To increase effectiveness and sustainability, the State will need to support developing a well-functioning market in which the private sector also participates in the provision of affordable housing. It will also need to design programs that are progressive, where government programs should take into account beneficiaries' ability to pay. With adequate incentives, the private sector can gradually help to address the housing shortage and diversify the market solutions (i.e. rental), while the government remains as a key player to support the very poor.

Planning constraints are particularly relevant for the development of rental housing, which is a key solution for Tamil Nadu. Compared to other states in India, the proportion of renters is higher, consistent with a higher urbanization rate. As per Census 2011, the share of renters in urban areas of Tamil Nadu is 40.21 percent, higher than the national average of 27.5 percent. Planning constraints are particularly relevant for the development of rental housing given that demand for rental units is particularly sensitive to location and access to amenities. Rental housing has a very strong potential for market growth. Rental housing has the potential to become the key housing solution to the prevalent problem of overcrowding in Tamil Nadu. Rental housing can also help households to create a payment history that could later be taken into account for access to finance.

Housing Finance organizations are important for providing credit to home buyers. Specifically, the efficacy of the "financial ecosystem" to support the housing sector (and the affordable housing sector in particular) is critical for increasing access to affordable housing and to meet the growing housing demand. Several measures in recent years have contributed to the strengthening and

institutionalization of the affordable housing market and associated processes supporting affordable housing. While accelerated growth in the financial ecosystem supporting housing has taken place, there is still a need for further development of the marketplace to move on the growth trajectory and realize the full potential of affordable housing itself.

The EWS households lack access to housing finance since many of them are employed in the informal sector. Banks and traditional housing finance companies require formal documentation of income to provide housing loans, something the EWS households employed in the informal sector lack. The small ticket sizes and difficulty in assessing the creditworthiness of such customers make them unattractive to banks, traditional HFCs, and many Affordable Housing Finance Companies (AHFCs). Primary Lending Institutions such as Small Finance Banks (SFBs) and Non Banking Financial Companies – Micro Finance Institutions (NBFC-MFIs) seem more willing to finance the EWS households, but NBFC-MFIs require longer tenure debt to finance such loans.

While the developer-led housing sector has seen rapid growth in India, there is a limited private sector active in the affordable housing segment in Tamil Nadu. The housing developer industry in Tamil Nadu is highly concentrated in middle or high-income segments and a handful number of private actors in the low-income housing segment.

4. Policy Objective, Principles and Focus Areas

4.1 Policy Objective

The objective of the Policy is to increase access to affordable urban housing solutions. The overarching policy objective guides the key policy principles and policy focus areas. The current public sector-led provision of affordable housing needs to be transformed to ensure access to housing for the population.

Government of Tamil Nadu envisions a robust market architecture where scarce fiscal resources are prioritized for the most vulnerable and the private sector (developers and financial institutions) bring expertise and capital to the sector to increase the housing options for all. A fundamental shift in the policy, institutions, and regulations in Tamil Nadu's housing sector is needed to increase access to affordable housing in the state to meet the current and projected demand.

4.2 Policy Principles

The Tamil Nadu Affordable Urban Housing and Habitat Policy will guide the policies, institutions, programs and decision-making processes which will be supported under the following principles.

4.2.1. Inclusion

As the key principle, inclusion brings the spirit of partnerships to the Policy by setting the state as enabler and partner with the private sector and civil society. Housing involves coordination between government, private players (including co-operatives), and beneficiaries. The Government need not always the builder of housing units, but rather have different roles depending on the demand needs ('ownership', 'rental', or 'shared ownership').

Government's focus, programs, and support should prioritize the poorer segments which will need additional support to access a housing solution and gradually decline (or become less direct), as the income of households increases. As such, the government role will gradually transition towards the principal actor to create an enabling environment to increase the supply of housing. To support this, it will foster private sector participation and facilitate the operation of various models of housing while ensuring inclusion and access. With adequate incentives, the private sector can gradually help to address the housing shortage and diversify the market solutions (i.e. rental), while the government remains as a key player to support the very poor.

Historically, the cities in Tamil Nadu have mixed-income neighbourhoods, with lower-income families occupying smaller plots, and middle-income and high-income families occupying larger plots. The policy will promote mixed-income and mixed-use neighbourhoods where the poor and the rich live together resulting in the creation of jobs.

Inclusive housing means to design programs that are progressive, where targeting considers the ability to pay and where government resources are prioritized for those that are more in need. This principle highlights that all sectors of the population should have their voice heard. Programs should aim to introduce clear, transparent and progressive criteria for allocation of resources. Special attention will be given to address the gaps in access to the housing between men and women and sections of the population with special needs.

This principle will ensure there is social equity in affordable urban housing. Policies and programs will aim to minimize the negative impacts on the population, particularly those in the situation of poverty. As such, the proposed policy should give first preference to in-situ upgradation of slums whenever possible. Where this is not an option, the policy will (i) to the extent possible, resettle untenable slums through the provision of housing, basic infrastructure, tenure security, where resettlement is done in proximity to the original slum to maintain social and economic networks, and (ii) integrate social infrastructure, such as health, education, childcare, and related social infrastructure, mobility, and livelihoods.

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4.2.2 Sustainability

Improving quality of life in Tamil Nadu in the medium and long term is multifaceted, and as such, the principle of sustainability refers to programs that are fiscally sustainable, that are harmonious with the protection of the environment and the communities, and that generate wealth and well-being of the population. It is important that the housing programs are embedded in the sustainability consideration that are: (i) fiscally and financially responsible, (ii) climate-resilient and harmonious with the environment, and (iii) able to ensure quality of structures and quality of life of inhabitants.

4.2.2.1. Fiscally and financially responsible

Government financing is finite and can only achieve so much. It is not sustainable for the public sector to provide a solution for all the low-income segments. Government can significantly increase fiscal sustainability and efficiency of their spending in the housing sector by actively pursuing the first principle of inclusion. Specifically, by (i) defining the role of State housing agencies (TNSCB and TNHB) as the main providers of housing exclusively for the very poor, thereby directing limited public resources to attend to the needs of the poorest population; and (ii) focusing on institutional and regulatory reform to enable and expand private participation in the housing market. These measures should set the foundations of a robust market system.

It is equally important that housing solutions are financially sustainable at every step of the value chain. Developers should be able to access land and dedicated finance for project development at prices that allow scale and quality of affordable housing. Financial institutions should be interested in participating in the sector and enable financing for affordable housing for lower-income segments. And ultimately, housing programs should aim to increase economies of scale, optimize the use of existing serviced land, and other regulatory measures to ensure that housing remains an important but not an overburden expenditure for families.

4.2.2.2. Climate-resilient and harmonious with the environment.

Addressing climate vulnerability, especially households living in high-risk areas is crucial across housing programs. Increase in extreme temperatures and extreme weather events (heavy rainfall, cyclones, sea surges, etc.) is expected in future decades in Tamil Nadu, with the vulnerable population affected the most due to their housing location (on waterways and along coastal areas prone to sea surges). Urban flooding is another significant problem identified with Chennai and its suburban areas worst affected by flooding. Acute shortage of housing stock in urban areas result in the proliferation of slums that are located in high climate and disaster risk-prone areas.

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The proposed policy will consider various incentives to promote ecological and environmentally sustainable designs. Sustainable housing includes the ecological aspects of living conditions and housing development. It deals with energy efficiency in construction and design, the choice of building material that does not put strain on natural resources, integration of housing design that can withstand the impacts of climate change and an obligatory greening of the housing sector. Mainstreaming environmental challenges can lead to the strengthening of institutions and in turn result in the affordability of housing, which is sensitive to environmental sustainability and urban resilience. Adopting international standards will help adapt best practices for affordable housing to build climate resilience in the state.

4.2.2.3. Quality of structures and quality of life of inhabitants

Improving quality of housing units and quality of life of inhabitants require integration of sustainable land use planning, so that urban areas are compact, easily serviced, with efficient infrastructure, enabling mobility for goods and people, and accessible by all social groups with resilient shelter and services. Mixed but compatible land uses provide convenient access to a range of social and economic amenities. Development of housing at scale must focus on building communities and not just housing.

Sustainable communities with livable housing units require the interaction of complementary goods and services that enable the quality of life of inhabitants. This implies access to basic services and infrastructure, such as access to water, wastewater management, telecommunication, energy, transportation, social infrastructure. For instance, access to transport infrastructure and services needs to be integrated with major prospective locations of employment.

Furthermore, the structural sustainability of the dwelling unit refers to the quality of physical assets across time. Housing constructions are envisaged to last for lifetime with full functionality. This requires maintenance (both continuous and periodic) without which the system's sustainability is compromised – i.e. sections of housing assets may exist, but maybe adversely impacted and even reflect premature dilapidation. Preventive maintenance and related services, along with elements of appropriate design and quality of construction, support the sustainability of housing constructions.

4.2.3. Transparency and Participation

Greater market discipline and transparency in the housing sector is crucial to create the market conditions that will incentivize other players to participate in the provision of affordable housing. Clear roles and rules in the housing sector reduce uncertainty for main stakeholders, bringing reliability and accountability in the sector, and allowing for efficient and more effective decision-making. It will be

critical that the real estate and developer industry, the financial sector, service providers and civil society receive clear signals from government in terms of housing sector priorities, budget allocation, eligibility criteria, and standards.

As the Government of Tamil Nadu adopts the new policy and articulates its institutional framework, a permanent coordination mechanism to bring different stakeholders into the decision-making process, and to enhance accountability and transparency of the housing sector will be required. A coordination platform will allow for continued monitoring and course correction as well and to design the type of programs needed to address the affordability challenge. This includes coordination with stakeholders responsible for service delivery, housing programs, land, and urban planning.

It will also be critical that programs reflect and address the current sector's specific bottlenecks that are hindering the supply of housing. A broader governance mechanism for the sector, allowing wider representation in the setting of policies and the design of programs can increase confidence from investors and market players, which will ultimately lead to higher investment in the sector. Coordination will help to identify issues that need to be resolved before they become bottlenecks that undermine the credibility of the policy.

4.3 Policy Focus Areas

The Policy focus areas for initiatives aiming at increasing access to affordable housing in Tamil Nadu are (i) Policy and Institutions, (ii) Regulations, and (iii) Programs.

4.3.1. Policy and Institutions

A. Enable mechanisms for increased coordination and participation in the housing sector

In order to strengthen governance, coordination, accountability, and transparency in the sector, the Government of Tamil Nadu will institutionalize a permanent coordination mechanism with key stakeholders: the Tamil Nadu Housing Advisory Committee (TNHAC). The TNHAC will bring together stakeholders responsible for service delivery, housing programs, land, urban planning, as well as stakeholders from the real estate and developer industry, cooperative housing societies, academia, leading think tanks and the financial sector. Importantly, the TNHAC will include representation from civil society, to capture the pulse and trends of the population. The TNHAC will allow for the continued feedback and course correction, will leverage ideas and innovation from several fronts, improve transparency, inclusiveness, and accountability.

B. Develop information systems for design, implementation, monitoring and evaluation of sector performance

The Government will enhance accountability and transparency of the housing sector by designing and implementing a Housing Sector Information System that will inform policy and program design and aid in the monitoring of sector performance. The integrated information system will consolidate key data from different sources to monitor overall housing sector performance vis a vis the objectives and principles of the policy.

Selected indicators will be publicly available as an annual monitoring report issued by the Housing and Urban Development Department. This is expected to strengthen transparency, provide tools for informed decision making by the private sector and civil society stakeholders. Relevant annual monitoring report findings will in turn feed into Government's efforts to identify regulatory and institutional changes further required to achieve the policy objectives, thereby creating a virtuous cycle for evidence-based policy making.

C. Update and modernize the mandates of key State housing sector institutions (TNSCB and TNHB) as per the objective and principles of the Policy

The roles and functions of TNSCB and TNHB are established in the Tamil Nadu Slum Areas (Improvement and Clearance) Act, 1971 and the Tamil Nadu Housing Board Act, 1961, respectively and have not been updated to reflect the changing societal and market dynamics. Adoption of this Policy requires updating and modernizing these important institutions to support the policy objectives and principles. In particular, it will be necessary to harmonize and update the legislative framework for key housing institutions to better align with new policy directives and to reflect the role of the State as partner and enabler. The revision and updating of the institutional framework, mandate, roles and responsibilities, and programs for key housing institutions will not only contribute to realizing these housing policy objectives but also strengthening the effectiveness and efficiency of key housing programs for the urban poor.

D. Promote permanent capacity building of public housing sector institutions

Housing, like all markets, evolves with time. Household needs, aspirations, characteristics, and income are not static; they respond to economic and social dynamics. Sector institutions and programs should also be able to evolve, adapt and innovate to adequately respond to this dynamic sector. In addition to updating and aligning the mandates and regulatory acts of the key public institutions in the sector, the Government will invest in continuous capacity building of its staff and

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officials to ensure that they are adequately equipped to exercise their public role to their top potential.

E. Strengthen the Tamil Nadu Shelter Fund to promote sustainable private sector participation in the sector

As the Government shifts its role from a sole provider to enabler and partner, it will become increasingly important to promote and incentivize private sector participation for the increased supply of affordable housing. To fulfill this new objective, the Government created a state-level institution, the Tamil Nadu Shelter Fund (TNSF) in 2017 with a mandate to attract private investment for the supply of affordable urban housing. It will be important to support the TNSF further to make it fully operationalized with adequate institutional, technical and financial capacity.

The Government will strengthen the TNSF through initial capitalization, technical and institutional strengthening, including development of tools and innovations towards leveraging external capital in affordable housing, and capacity building support to social impact and market assessments, building in-house technical capacity for identifying and structuring potential pipeline projects, and effective implementation of the environment and social management system among others.

F. Strengthen governance of real estate sector to protect home-buyers and to foster access to construction finance

Improved governance and transparency of the real estate sector is an important building block to enable the affordable housing market to develop and expand. Increased transparency can be achieved by mandating the set-up of dedicated bank accounts by developers for project use; requiring developers to undertake an annual internal audit and presenting its report to regulatory agencies; ensuring safety of structures by mandating a project's architect and structural engineer to submit their qualified opinion on structural safety, especially against weather events; ensuring on-time project completion by introducing penalties for the developers for unjustified delays; and setting up a dispute resolution consisting of a three-tier grievance redress and appeal system, independent from civil courts, intended to allow for speedy dispute resolution, among others.

Timely completion of housing development in Tamil Nadu is expected to increase affordability of housing units in the medium to long term. In order to overcome issues related to the lack of market discipline among developers and to ensure adequate safety and protection for home buyers, especially for the poor, the Government established the Tamil Nadu Real Estate Regulatory Authority (TNRERA). The Government will deepen and continue with such efforts as the

sector transparency and governance contributes to improved affordability for housing.

G. Promotion of housing finance for affordable housing

Promotion of housing finance is critical for the sustainable development of the housing sector. The Government will, (i) encourage financial institutions to simplify loan procedures and define their targets to provide credit facilities to the EWS/LIG segments for affordable housing; (ii) promote the purchase of housing loan insurance for affordable housing segment with a nominal insurance premium, to avoid dispossession of dwelling units; (iii) engage with Banks / Housing Finance Companies (HFCs) for better targeting of beneficiaries under Credit Linked Subsidy Scheme (CLSS); (iv) engage with HFCs/AHFCs/NBFC-MFIs for increased outreach to the EWS/LIG segments of society for housing finance through campaigns.

In collaboration with other agencies, the Government will (i) strengthen financial ecosystem catering to informal economy and their beneficiaries i.e. Small Finance Banks, AHFCs and NBFC-MFIs; (ii) strengthen approaches of these institutions to assess and analyze beneficiary income, assets, repayment capacity and community linkages; (iii) further strengthen the capacities of these institutions in field-based detailed assessment and verification processes as also application of contemporary FinTech, Geotagging and a range of user friendly digital tools and systems.

4.3.2 Regulations

A. Strengthen the regulatory environment of the rental market to incentivize investment in the sector

Rental housing is a fundamental component of a well-functioning housing market; particularly for Tamil Nadu where the share of renters in urban areas is at 40.21 percent. The Government already started efforts to strengthen the regulatory environment by adopting the Tamil Nadu Regulation of Rights and Responsibility of Landlords and Tenants Act and Rules.

The Government will continue to strengthen this important alternative by aiming to address:(i) the poor quality of rental accommodation which affects disproportionately the younger population, particularly women, who migrate from rural areas to urban centers to access jobs, (ii) lack of standardization in contracts and procedural requirements for contract execution which reduces appetite for investment in the sector, and (iii) reduce the cost of associated payments required to initiate a rental contract.

B. Ensure housing solutions are habitable with access to basic services and urban amenities

Housing solutions alone will not be sufficient to promote livability and quality of life for urban residents, housing solutions need to be seamlessly integrated with adequate urban service and amenities such as water, sanitation, electricity, urban mobility, solid waste management, education and health facilities, public space among others. This requires close coordination with various institutions responsible for service delivery beyond key housing institutions, including planning agencies, utilities, Urban Local Bodies among others.

Coordination for habitability, integration of housing provision with access to basic services and urban amenities, can be achieved through putting in place an adequate regulatory framework. The Government will strengthen the regulatory framework needed to ensure that new housing solutions are fully served by basic infrastructure, avoiding an increase in the stock of housing units that are later in need of retrofitting. This will ensure that increased access to housing translates into improved quality of life.

C. Develop and implement State-level housing design guidelines, that integrates environmental and social considerations applicable to all new government housing projects

Increased supply of housing is a prerequisite for increased access. The new increased supply should be fully aligned with the principle of sustainability that guides this policy. For this purpose, the Government will develop and implement an overarching environmental and urban housing design framework that will set minimum standards in terms of environmental and social sustainability for new government housing developments. The aim is to ensure a high quality of life for the population, adequate services, public safety, social cohesion, as well as environmental sustainability and climate resilience. Special attention will be given to incentivize gender-inclusive design in EWS/LIG units tailored for the needs of female-headed households.

D. Foster supply by increasing flexibility of urban densities, reducing the time and costs of planning permits, and enable inclusionary zoning

The Government will update urban regulations that influence the economics of housing supply to foster increased supply in locations with access to services, markets and jobs through: (i) promotion of higher urban densities with adequate environmental and social standards, (ii) streamlining planning permission approval process for affordable housing developments or units, (iii) strengthening regulations for inclusionary zoning (IZ) and (iv) reservation of land in industrial parks for social infrastructure, housing, service apartments to promote affordable housing for industrial workers near to the workplace. The Government adopted the Tamil Nadu

Combined Development and Building Rules, 2019 to increase the Floor Space Index in urban areas to promote higher urban densities, simplify the procedure for approval of the development of layout and buildings with a focus on ensuring safety and sustainability while enhancing consistency and transparency. The rules will be implemented effectively to promote affordable urban housing.

Inclusionary Zoning is a planning tool that ensures that new developments are not just for the higher income groups but include also some provision of affordable housing. These measures are expected to make the development of affordable housing more attractive for both public and private developers and provide a counterbalance to the high price of land in urban areas which inhibit the supply of formal affordable housing in cities. They are also intended to promote well-balanced and integrated urban areas reducing gentrification. At the same time, these measures signal to the private sector, the Government's commitment to provide sustainable solutions in well-located areas for all income levels and to the principle of inclusion that guides this policy.

E. Update the legal framework that regulates the responsibilities of developers, owners and owner's associations during construction, transfer and post-construction of new developments

The Tamil Nadu Apartment Ownership Act was introduced in 1994 by the Government to regulate promotion, construction and transfer of ownership of residential apartments. New challenges have emerged which are not covered in the current regulation. The Government will update the Act to ensure that the State's regulation is up to date with the sector dynamics.

F. Adoption of Regional Planning Approach and Transit Oriented Development and promotion of Satellite Townships

The Government will adopt the Regional planning approach for the planning of city-regions to ensure optimum utilisation of land, unlocking of new areas for development and conservation of natural habitat to maintain ecological balance. The planning will be based on a hierarchy of statutory plans, including regional plans, master plans, detailed development plans, and layout plans.

The Government will promote the development of satellite townships with appropriate provision for rapid transit corridors and connectivity, to create sustainable habitat to decongest the cities and to increase the supply of affordable housing.

The Government will adopt Transit-Oriented Development (TOD) to ensure optimum utilisation of land which shall leverage targeted population density as a tool to enable the supply of affordable housing.

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G. Promotion of Cost Effective and Environment Friendly New and Innovative Construction Technologies

The Government envisages the importance of the adoption of new and innovative construction technologies to improve the pace and quality of construction of affordable housing projects. Typically conventional construction systems (such as the use of brick and mortar) are slow-paced, energy intensive, dependent on natural resources and have a large carbon footprint. The entry of innovative and alternative construction technologies in India has been gaining usage, and while these technologies have entered the market, its acceptance and adoption need to be enhanced.

The Government will promote adoption of new and innovative construction technologies and cost effective, environment friendly, locally available, disaster resilient, prefabricated construction materials. The Government will incorporate specifications of new building materials and new and innovative construction technologies and promote technology-neutral tendering processes for project development.

4.3.3 Programs

A. Improve environmental and social sustainability of TNSCB housing programs, including development of mechanisms for improvement of operations and maintenance of housing units

It is imperative to address gaps in the social, environmental and urban design, the sustainability of affordable housing programs. There is a need to develop an overarching urban design framework that guides its housing developments to ensure high quality of living, adequate services, public safety, social cohesion, as well as environmental sustainability and climate resilience. The TNSCB will adopt environmental, social and urban design frameworks to contribute to effective project development and implementation.

The social framework promotes social inclusion, safety and security for men and women, and livelihood opportunities in affordable housing projects. The resilient urban design framework will layout sound urban design, architecture and built form approaches that can be adopted across all its projects, regardless of size and location, introducing different design options taking into account quality of life, safety and security, particularly for women and children, without necessarily increasing the cost of housing delivery. Standardizing sustainability of the housing solutions provided by private-public co-financing also increases the confidence of investors and promoting greater private sector participation.

Adequate maintenance of public housing solutions is critical to ensure livability and long-term welfare impacts for the benefitted population. Improvement

of operation and maintenance of housing units contributes not only to extend the life of buildings but more importantly to ensure the quality of life, adequate public health and safety of those occupying public housing units. Improved maintenance also increases the climate adaptability of EWS/LIG segments. The Government will develop and implement an asset maintenance framework, looking at both financial and institutional options to increase the sustainability of the government-owned housing assets.

B. Strengthen social equity in public provision through the introduction of affordability considerations into the criteria of public housing programs

The impact and effectiveness of public housing programs in Tamil Nadu can be further enhanced by developing and adopting a beneficiary targeting methodology to be used across the state, by all government housing agencies. This will allow providing differentiated support depending on the specific characteristics of the households (providing more support to those in most need). This will also allow providing differentiated support for different housing solutions based on clear and transparent eligibility criteria that take into account household affordability. Such a tool will allow the State to cover the population across the affordability spectrum (See Figure 2) and would optimize scarce public resources to those households who are really in need of the government's assistance. For this purpose, the Government will develop a methodology to better understand demand and affordability using data and information, establishing a transparent and objective targeting and eligibility criteria, and introducing a differentiated government program to tailor to different affordability and needs.

C. Develop effective demand management systems, including a specialized rental information system

The Government will develop a tool to improve information on supply and demand to match solutions to the needs of demand. A management tool, in a basic form, is a repository of data (voluntarily provided by households) of the socioeconomic characteristics of the evolving demand. It is commonly used to link this demand with the available supply. Demand management tools are key to foster private sector participation in rental and ownership markets as developers and financial institutions will be able to plan investments and product design with reliable data from potential customers.

Particularly for rental housing, which has very strong potential for growth in Tamil Nadu and is a possible solution to the prevalent problem of overcrowding; the Government will aim to reduce information asymmetry between demand and supply by developing a specialized rental information system. Supporting enhanced information flow between demand and supply can help to promote the growth of rental housing market. The standard information for rental housing will also be

useful to provide a necessary analytical basis to design a new rental housing program that the Government may wish to introduce.

D. Promote product and design innovation and diversification of housing solutions, particularly through mixed income developments

The Government will promote the diversification of housing solutions to complement the existing EWS units provided by TNSCB with solutions tailored for young single population, young families, the elderly, female headed households and migrants, amongst others. As the housing sector strengthens and evolves into a more robust market, product differentiation deepens.

Amongst the key solutions that the Government will aim to foster as enabler and partner are: (i) formal rental units for the open population with specific attention to housing for industrial workers, safe hostel accommodation for women, and options for rent-to-own, and (ii) mixed-income and mix-use developments that can increase supply of affordable housing in well-located areas with access to basic services and that promote social and economic integration of the population, (iii) night shelters in all the cities and at transit hubs with basic amenities.

E. Strengthen sustainable in-situ improvement programs and introduce programs for urban redevelopment

Many slums or precarious buildings are located on land that is not susceptible to natural hazards and whose structures are better addressed through redevelopment or in-situ improvement. The Government will prioritize interventions such as redevelopment or in-situ improvement which do not require relocation of the population relative to solutions that can negatively impact the population by affecting their access to services and jobs, disrupting ties to the communities, and reducing their overall access to opportunities. The Government will explore the implementation of "site and services" programs in cities as appropriate.

F. Explore portability of subsidy (voucher system)

As the objective of the policy is gradually achieved and the market and public sector are better equipped to increase the supply of the affordable housing; the Government will explore, through the design and pilot scheme, the "portability" of subsidies. Now, government support is provided through a finished unit fully paid by government resources. A market alternative would be to substitute this in-kind subsidy with a voucher. Under this system, a voucher is provided to eligible households (only those in a situation of need) which can be only used for the payment of a housing solution that they select in the open market (provided the unit meets certain pre-determined standards). This system empowers the population to select the optimal housing solution for their specific needs and fosters

private sector to produce the type of housing units that are demanded by the population.

5. Monitoring and Evaluation

In order to monitor and evaluate the implementation of programs supported by this Policy that can feed further improvements in the housing sector, data will be gathered annually by the Housing and Urban Development Department to build the indicators below. Indicators are linked to the three main principles of this Policy (Table 1).

Table 1. Indicators classified by principle

Principle	Indicators
Inclusion	o Annual increase in the available housing solutions for EWS/LIG segments o Number of units developed through a public-private market solution o Proportion of households benefiting from public support that are screened through an affordability tool o Percentage of EWS/LIG beneficiaries that are Female Headed Households
Sustainability	o Proportion of at-risk households benefiting from TNSCB's sustainability framework o Proportion of TNSCB housing projects that adopt the new Operation and Maintenance mechanism o Amount of investment mobilized for affordable housing projects
Transparency and participation	o Annual review of the implementation of housing program to monitor the progress of the housing sector is disclosed o Annual sector monitoring and performance using housing indicators are published

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RAJESH LAKHONI
PRINCIPAL SECRETARY TO GOVERNMENT

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