

11 budget steps that could make housing more affordable



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The need to push affordable housing through government's intervention cannot be overemphasised. With the launch of Pradhan Mantri Awas Yojna (aka 'Housing for All'), Smart Cities and AMRUT, the government has already set the ball rolling. Howsoever attractive the incentives for affordable housing projects and consumers may be under the Pradhan Mantri Awas Yojna (PMAY), the programme does not provide the necessary equity and debt capital required to kick-start affordable housing projects.

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Here is our Budget 2016 wishlist to promote funding for affordable housing developments falling under the purview of PMAY:

1. AIF CAT I status for private equity funds investing in affordable housing would enable channelising private and public funds towards providing equity and debt capital to affordable housing projects.
2. Promote foreign funding in affordable housing projects: DIPP has given away with the distinction between affordable housing projects and other projects for FDI recently. The definition should be invoked and should be brought in line with the PMAY.
3. Lower cost of capital for affordable housing developers by providing funding to startup developers and private equity funds in affordable housing from the Rs. 10,000 crores startup fund.
4. Fund low cost construction technology ventures either through budget allocation or through set-up of a dedicated fund with government as the anchor investor. The government may also allocate a certain portion of the funds from the recently announced Rs. 10,000 crores startup fund.
5. Tax relief / exemption to developers and private equity funds investing in affordable housing. A tax holiday similar to the ones announced for startups can also be provided to startup developers in affordable housing.
6. Relief / exemption in taxation for buyers will allow room for affordable housing developments to pocket some extra margins. Alternatively, the relief / exemption to the buyers can increase the sales velocity of the projects should the developer chose to pass on the relief / exemption benefits to the end customers.

7. Credit guarantee schemes for the affordable housing customers and projects: The credit guarantee to projects can be restricted to defaults / delays arising from the approval process and should not be provided on cost escalations / sales slowdown.

8. Single-window clearance has been a long sought dream of the Real Estate sector. Single window clearance should focus on ensuring not only fast approvals but also on reducing the uncertainty in approval timeframes. More than any other segment in the Indian Real Estate, the thin-margined-affordable housing projects need it the most to make such projects financially viable

9. Streamlining environmental clearance (EC) can significantly improve the financial viability of large affordable housing projects. Many affordable housing developers have been forced to plan small projects in order to avoid EC.

10. Funds for building infrastructure in the satellite cities / towns: The government should focus on improving infrastructure and connectivity to satellite cities / towns, where the land is available in plenty and the prices are also cheap to make affordable housing projects financially viable. The Government would do well to either allocate a budget towards such infrastructure development or set-up an infrastructure development fund for satellite cities / towns.

11. Promote end customers (first time home buyers) and discourage investors from purchasing affordable housing units. Investor activity leads to unwarranted price escalations rendering the housing units unaffordable for end customers. The government can increase the benefits provided to first time home buyers and can restrict the tax benefits provided under the Income Tax Act Sec. 54 (F) on reinvestment of capital gains from sales of residential property to first time buyers only.

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