

Developing and Financing Low Income Social Housing

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Private Development Model

Private Development Model

- Projects financed by private developers are very common, especially in India where it is the **working model** encouraged by the Slum Rehabilitation Authority
- Under this model, a private developer will **construct free tenement for slum dwellers** and in return, **receive additional land** to construct tenements for sale in the open market
- The **sales of tenements in the open market** are expected to **cover the cost of free tenements** provided to the slum dwellers and allow the private developer to **earn a healthy profit**
- Eg. Pune Nirvana Hills Project

Pune Nirvana Hills Slum Project

- Project is handled by private developer Kumar Urban Development Limited (KUDL), a leading real estate company in Pune, India
- Entire project developed over an area of **32 hectares**, of which **1/3** is occupied by **slums**
- 3 components: Rehabilitation component, Sale component and Amenities & Infrastructure component
- Rehabilitation component: **41** buildings, each having **11** floors with **13** flats on each floor; Net carpet area: **25m²** for each apartment
- Eligible slum dwellers are given **title and full ownership** of the **new apartments**, but **land** is owned by the **private developer**
- Total population at project site: **13506 people, 4324 households**

Financing

- Asian Development Bank was approached to provide financing for KUDL in 2012
- Proposed investment from **ADB** includes the provision of **USD 35 million of Compulsory Convertible Debentures (CCDs)**
- Under this scheme, ADB provides CCDs to KUDL, with the latter issuing it
- KUDL will pay a **fixed coupon amount, payable quarterly**
- Prior to this, **Deutsche Bank, FMO** and **GuarantCo** have already funded the project in **2011** (**GuarantCo** put up a **partial credit guarantee of USD 15 million; FMO and Deutsche** invested in **USD 55 million** worth of CCDs)

Pros and Cons of Private Development Model

Pros

- Free housing construction and development of infrastructure for the urban poor
- The urban poor gains legal ownership of the property upon completion of the project

Cons

- The urban poor does not get to participate and facilitate in this process
- Private Developers tend to cut down construction costs for the low income housing portion which results in low quality housing and safety concerns

Co-Operating Housing Societies Model

Thailand's Baan Mankong Programme

- An unconventional slum upgrading programme which allows communities to lead the process through the **formation of housing cooperatives**
- Communities take the lead in surveying and mapping the community, developing plans and budgets for upgrading housing and infrastructure and **negotiating** some kind of secure **land tenure** with the public/private owners of the land that they are occupying
- Once plans have been confirmed, the implementing government agency will channel **state subsidized funds or loans** to these communities
- Communities are required to keep its land for a **15-year term**
- As of **2011**, it has covered **1,546 communities** and **90,813 households**

Financing

- Under Thailand's Baan Mankong Programme, communities are **required to save 10% of the amount they borrow in a community savings account** in order to **qualify for a loan**. The existence of community-based savings and loans groups, has enabled communities to play the key role of funding upgrading projects through loans

Pros and Cons of Housing Societies Model

Pros

- The formation of organised cooperatives allows the people to have greater bargaining power, take charge of the process and ensure that their needs are being met
- **Cooperatives are able to gain access to housing finance, which has traditionally eluded the poor individuals in the group**

Cons

- Cooperatives have to bear the construction costs (and perhaps a portion of the infrastructure development costs); Poorer people in the cooperatives might not be able to afford it which could result in displacement

Land Trust Model

Key Features of the Land Trust Model

1. Emphasis on community participation in management of land
2. Ban on ownership absentee
- 3. Restriction on sale of land**
4. Provisions for community control of land
5. Retention of individual ownership rights, such as the rights to sell improvements

Tanzania Bondeni Community Land Trust Project

- Project area covers 30 hectares with 700 households and 3500 low income inhabitants; Government holds the claims to the land
- This project experimented with the **community land trust ownership model** to address the problems of **land sales** and **beneficiaries turnover**
- Community has to form a legal entity to hold the **legal title** to the land, and a **separate entity** to conduct the day-to-day land management functions
- **Cost** for each household to **gain access to the land** was **US\$241** (survey, titling, parcel registration, development of access roads, and provision of drainage and water supply)
- Community has to bear the cost of housing improvements; **Formation of cooperatives** ensures **access to housing finance** from subsidised government funds

The “Cambodian Model”

Differences

- Past resettlement projects in Cambodia have caused **distrust** between the **community** and **other stakeholders** (Government or Private Developers) due to the lack of transparency and accountability
- Intervention by the **government and private developers** in resettlement projects has left the communities worse off than before
- There is a need for **community involvement** and **consultation** in resettlement programmes for all stakeholders to reconcile their differences and reach a win-win situation

Challenges in Financing

- Formal means of housing finance has eluded the urban poor in Cambodia
- Concept of housing cooperatives and saving societies remains relatively unknown in Cambodia
- Unsustainable for the Cambodian government to finance resettlement projects due to the huge amount of urban poor living in less than ideal settlements

The Ideal Cambodian Model

- A **hybrid of private development and land trust model** where all stakeholders (Community, Private Developers, Government and NGOs) are actively involved
- Government needs to create incentives for Private Developers to finance low income housing projects, and also secure legal tenure status for the community
- NGO plays a crucial role in representing the community and negotiating with the Government and Private Developers to ensure that the Community's needs and opinions are being incorporated in the resettlement plans