

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Presentation
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LIMITED

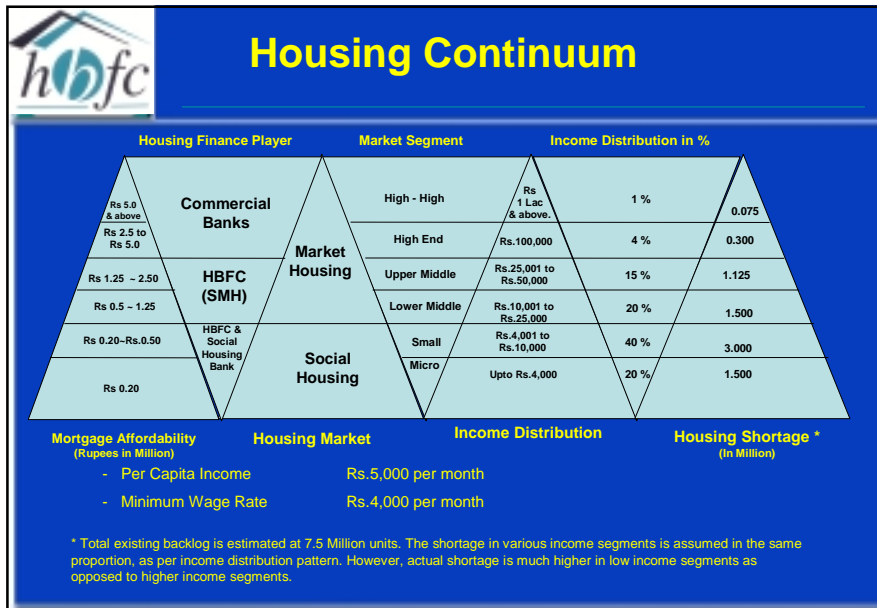

AFFORDABLE HOUSING FOR LOW INCOME GROUPS

August 28, 2007 (ICCI CONFERENCE 2007)




AFFORDABILITY ISSUE

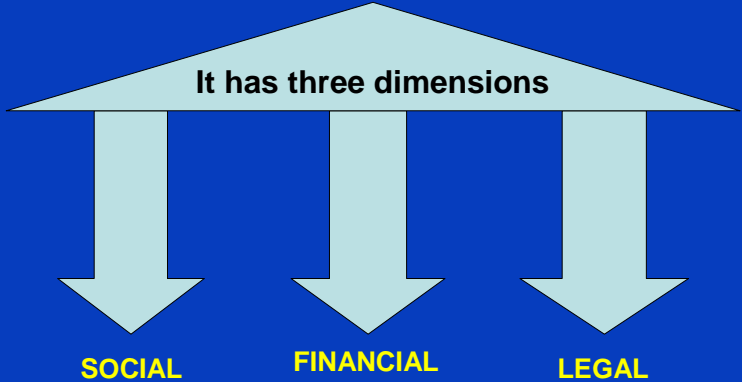
**Income
Distribution**

Issues of Low Income Groups


 Affordability Issues of Low Income Groups

It has three dimensions



SOCIAL **FINANCIAL** **LEGAL**

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 Affordability Issues of Low Income Groups
SOCIAL

- Large family units
- For initial period of mortgage, client's spirits are high to sacrifice for the shelter. The spirit gradually fades over the years.
- While longer tenors are desired for lowering mortgage installments, sustainability of income for longer tenors is rather an unrealistic assumption.
- Documented verification of income is difficult in these sections of populations. Some time whole the family is gain fully employed, but informally.
- In case of any emergency (e.g. death of member) the family circle being financially weak is unable to share burden.

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Affordability Issues of Low Income Groups FINANCIAL

- Propensity to save is negligible rather negative in most cases.
- Sustainability of cash flows and affordability over 15-20 years tenors of the loan, is generally an unrealistic assumption.
- Any prolonged illness more so in elders of the family adversely effect mortgage affordability.
- Mortgage payments being small amounts, the bank transaction costs are prohibitive (Basic Bank Account)

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Affordability Issues of Low Income Groups LEGAL

- Titling issues are complex in retail low cost housing – a mess.
- Documentation is poor and difficult due to illiteracy.
- Bribe for getting documentation/ verification from various concerned departments becomes significant portion of the loan amount. Govt. has to offer foolproof one widow service.
- Computerization of Land Records (LRIS)
- Education of small and uneducated borrowers on what is ownership title, who are the concerned agencies, what the fees (MBA Pak Website)

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Institutional setup to support Micro-Housing & Micro Housing Finance

-  Social Housing Bank
-  Social Housing Company
-  Sponsor to Shelter Foundation
-  Low Cost Housing Projects for Poor People of Pakistan
-  Centre for Promotion of Low-cost Construction Technologies and Materials
-  Outreach Model

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**Social Housing
Bank**

Micro Housing Finance Bank



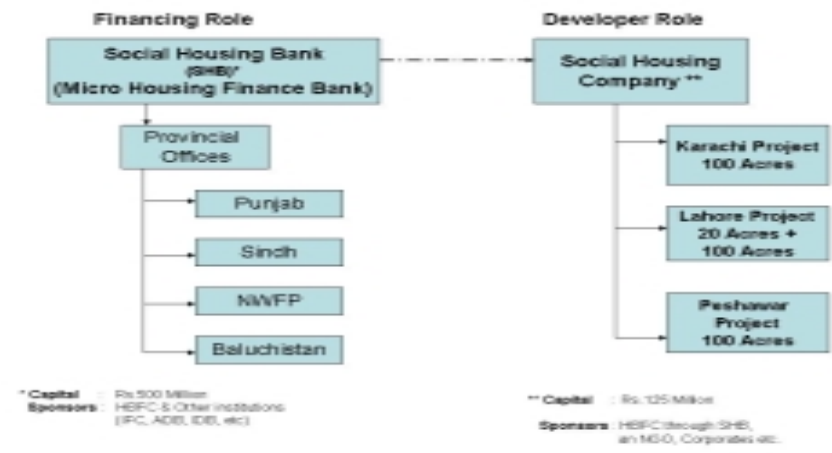
MICRO HOUSING FINANCE BANK(S)

- HBFC intends to establish a separate financing platform Social Housing Bank (SHB) for promoting low-cost housing under micro housing finance scheme.
- The SHB will have an initial capital of Rs. 500 million and will be licensed as a Micro-Finance Bank by SBP.
- The sponsors of the Bank, along with HBFC, may include institutional sponsors like ADB, IFC, Islamic Development Bank etc.

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Proposed Structure of Social Housing Bank





Social Housing Bank (Proposed) To promote Development Platform

- In order to design, develop and manage specific Low-Cost Housing Projects, a Social Housing Company is being promoted by HBFC from the platform of Social Housing Bank.
- It will play the role as a “Developer and Manager” of Low-Cost Housing Projects. It will have an initial capital of Rs. 125 million.

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Social Housing Company

MICRO HOUSING FINANCE



Social Housing Company (Proposed)

A socially responsible and commercially sustainable solution to poor people housing problems.

- A Social Housing Company is being promoted by HBFC, an NGO and other Corporates etc. to design and develop low cost housing projects on concept of "Incremental Housing"
- Initial capital is proposed at Rs 125 – 250 Mn.
- The idea has been encouraged by the Prime Minister and is being promoted under SBP platform.
- Nearly 55% of urban population is living in Katchi Abadis in Karachi. Figure is lower in other cities.
- Social Housing Company is to promote affordable housing facilities to low-income groups and less privileged class of the society.

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HBFC is an "Opportunity" organization and not a charity organization

Sponsor a Shelter Foundation

A separate Platform for any "Charity"



Sponsor a Shelter Foundation”

Public support program through Zakat and Donations for enhancing mortgaged payment capacity of low income borrowers.

- HBFC being a housing finance institution, specializing for low and middle income groups of the population, is fully conscious of the fact that due to property price escalation during the last few years, even low cost housing has gone beyond the affordability of low income people.
- HBFC being socially responsible, caters to housing finance needs of low and middle income groups of population. Any support to enhance mortgage affordability of the poor is the responsibility of society at large and any institutional mechanism for this has to be through a separate entity, outside HBFC.
- Therefore, to support these people and to enhance their mortgage affordability, a program “Sponsor a Poor for seeking Shelter” is proposed to be launched where a poor borrower may be required to make a part of the mortgage payment, whereas the balance will be from the Foundation through contribution of Zakat and/or individual/corporate Donations.

[more..](#)

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Sponsor a Shelter Foundation

- Eligibility for such poor and needy will be determined through a transparent mechanism of the Foundation and the amounts will be limited within its financial resources.
- It has been checked with the religious scholars that such a support program is perfectly eligible for Zakat.
- Initial response is positive from various corporations, philanthropists and overseas Pakistanis to make their Zakat contributions/donations for the purpose.
- HBFC is in a very comfortable position to ensure that the recipient is a very deserving case and the contributions are being applied towards reduction of loan obligations. Since the objective is a very noble one, of providing shelter to the poor and needy, it is expected to receive a good response from the society.
- HBFC would only recommend deserving cases to be assessed by the foundation. The Foundation would approve/disapprove requests for financial support on merit, as per its own laid down criteria.

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Sponsor a Shelter Foundation

- Through "Foundation" we propose to take charity and social service outside HBFC.

- Initial Resources: (Rs. In Mn).

HBFC's	250*
Zakat Foundation,	750
Corporates, Individual.	<u>1,000</u>
Total	2,000

* HBFC will contribute this amount from a special fund at HBFC, which can be used only for charity and social cause.

- Corporate and Individual donations will be tax exempted.
- Management of Foundation will be a combination of public and private sector nominees.

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Low Cost
Housing Projects
for Poor People of
Pakistan
in Real Life



Element of Low Cost Housing

- Wholesale solutions (v / s retail) – to give economies of scale
- Land in Bulk supply at Govt. rates (Land Barks)
- Internal infrastructure, sewage, utilities to be developed by the state.
- Finance – accessibility, at competitive price and for long term.
- “Smart Subsidies & Cross Subsidies”
- Low cost Construction Technologies
- Low cost Construction Materials, and standardization thereof
- Incremental and progressive housing.

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Korangi / Landhi Low Cost Housing Scheme, Karachi

- The Government for the 1st time in the history of Pakistan had announced a low cost housing scheme namely KORANGI-LANDHI in 1959-60.
- The Korangi Landhi township in Karachi was built under the supervision of General Azam Khan, within a shortest span of time of 6 months. The settlement scheme is globally acknowledged as among the best housing solutions to rehabilitate squatters/poor people
- The cost of the quarter/house including cost of land was nearly a token price of Rs. 35/- only .The same amount was recoverable in 3 equal installments of Rs. 11.50

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Sujrani Town Low Cost Housing Scheme in Karachi

- This housing scheme was developed in 1970 at Karachi by the defunct Karachi Development Authority exclusively for low and middle income groups.
- The salient features of the scheme are:-
 - With 47,736 residential plots the scheme is aimed to cater for the housing need of around 800,000 people;
 - The scheme being self-financing, all development work done on a break-even basis;
 - The scheme took 15 – 20 years to get proper habitat, since it did not provide transport, utilities, health and education to start with.

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Sujrani Town Low cost houses for pro-poor people

- One and two rooms houses with toilet, bath and a kitchen, built by construction companies whose designs were found suitable and economical;
- Total cost of 80 sq. yds house was between the range of Rs. 45,000(\$ 742) – 80,000 (\$ 1319)
- There was also a provision of HBFC's loan of Rs. 20,000/- (\$ 330) to 36000/- (\$ 593)

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Taiser Town Low Cost Housing Scheme

The City District Government Karachi in collaboration with a US-based private company will construct earthquake resistant low-cost housing scheme at Taiser Town on no profit no loss basis to provide living facilities to the citizens on affordable rates.

The outer development works at Taiser Town Housing Scheme Phase-I would be completed by December, 2007 where 24,762 plots of 80 sq.yds, 30,000 of 120 sq.yds have already allotted to the citizens of Pakistan.

The city government would also provide help to the allottees of 80-square yard at Taiser Town for getting loan from HBFC and other banks in easy Installments.

The consumption of the time and cost is very low in this scheme and a house would be built in 3 to 4 weeks at an estimated cost of Rs 600 per square feet.

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Incremental Housing Project Khuda-ki-Basti - Karachi

- The scheme is located in Phase-III of Taiser Town-Karachi;
- Through this scheme plots are being provided by an NGO "Saiban" to those who either do not have their own houses or to those in desperate need of a shelter;
- The price of a plot of 80 sq.yds including all development charges is just only Rs. 37,000
- The applicant is simply required to deposit Rs.4000
- Till such time the applicant is allotted a plot to start the construction work, the "Saiban" provides a temporary shelter, within the jurisdiction of the scheme to adjudge that the applicant is really sincere in residing in the scheme;
- After verification of the "Saiban" about the housing need of the applicant, the applicant is required to deposit a further amount of Rs. 4000/- to become eligible for a plot of 80 sq.yds
- After ascertaining the fact of permanent residency of the applicant in the area and construction of the house, the plot is finally leased in the name of the applicant.

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Low Cost Housing Scheme at Lahore

- The private sector builders of the project M/s Sehar Associates (Pvt) Ltd has launched a project of 2500 housing units at Lahore under the name of " Heritage Homes" at Lahore with a missionary zeal to provide respectable living at affordable prices.
- 5 Marlas (100 sq.yds) portion Rs. 690,000/- (\$ 11,373)
- 5 Marla independent Rs.15,90,000/- (\$ 26,207)
- The project is having a concept of " sustainable neighborhood" which is largely disappearing from our society.
- One amongst others, the mandatory condition for the prospective purchasers is to live in the house for at least 5 years.

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Projects Under Consideration.

- Gawadar – two schemes are under consideration.
 - Small housing:
For fishermen, port workers and lower grade employees of business and government Employees.
 - Medium housing.
For middle level workers and people from Makran Coast working in Oman and Gulf.
- Two schemes are of 100 acres each.

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**Centre for Promotion
of
Low-cost Construction
Technologies and Materials**



**Centre for Promotion of Low-cost
Construction Technologies and Low Cost construction
Materials**

- There are many low cost housing construction technologies being marketed by various international and local vendors.
- There is no existing platform in the country to evaluate and certify as to which technologies are internationally proven low-cost housing technologies and would cater to local requirements. Technologies may also need some indigenization.
- HBFC, in association with Pakistan Council of Architect and Town Planners (PCATP) & NED Engineering University is setting up "Centre for Promotion of Low Cost Housing". This institution would review all available low cost technologies, and "*Technically Clear*" as to which of these internationally proven technologies would be best suited for the local conditions.
- It will research and promote low cost construction materials, through the platform of DFI's .

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Low-cost Construction Materials Industries (LCMI's)

- Banks and DFIs, under a policy framework need to encourage low-cost construction material industries (CMI's).
- “Economies of Scale” and “Standardization”, apart from technology are another ways to control cost.
- The CMI's are needed to be developed on a mass scale, wherein some fiscal incentives have to be granted by the GOP to make CMI an attractive investment for the project sponsors.

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Role of DFI's in promoting Low-Cost Construction Technology & Low-cost CMI'S

- Basic challenge in providing Low-cost Housing is arranging for Low Cost Construction Materials and subsidized land.
- Primary Technical challenge is to design low cost construction materials.
- Another challenge is to promote standardization. Variety is less important than low cost bulk production.
- Low cost of advertising - Direct Industry to Industry sales-Advantage.
- DFI's can become a link between CMI's, Builders, Architect/Design Firms and Governmental agencies for promoting affordable housing for low/middle income population by:

cont...

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Thank You.

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