



SAFE Accommodation

Worker Housing for Manufacturing Growth

December 2024



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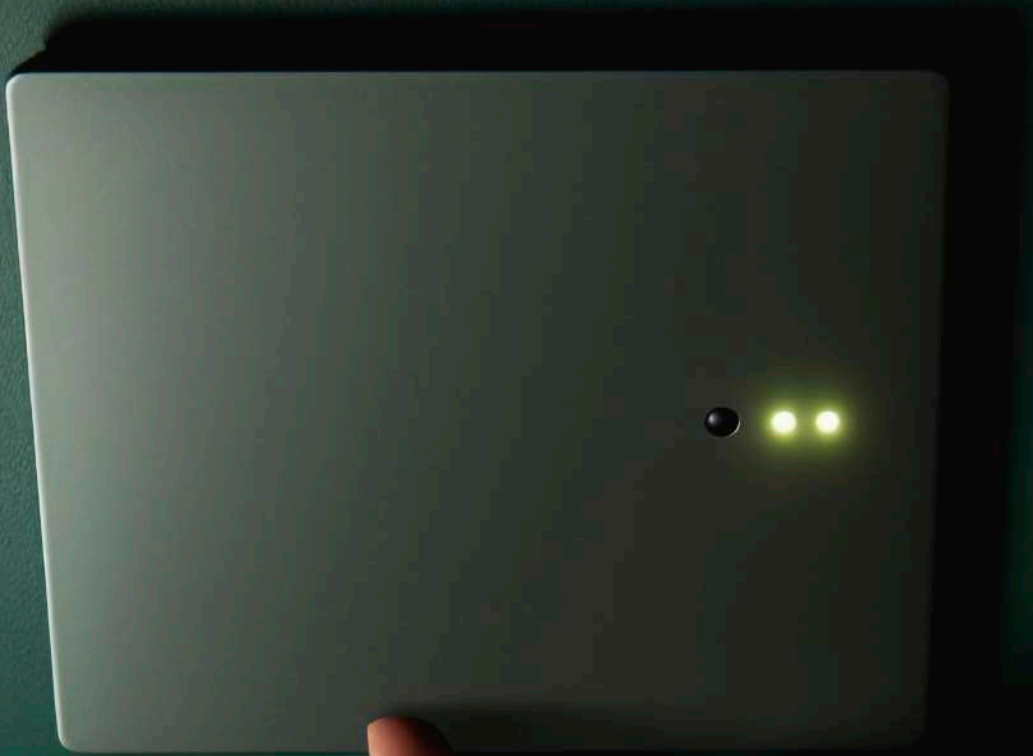


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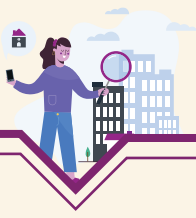
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“ Rental housing with dormitory-type accommodation for industrial workers will be facilitated in public-private partnership (PPP) mode with Viability Gap Funding (VGF) support and commitment from anchor industries. ”

Hon'ble Finance Minister
(Union Budget 2024-25)



PREFACE

In the Union Budget 2024, the Finance Minister announced a significant initiative to address the need for workers' accommodation: "Rental housing with dormitory-type accommodation for industrial workers will be facilitated in public-private partnership (PPP) mode with Viability Gap Funding (VGF) support and commitment from anchor industries." To take concrete steps toward this budget announcement, a National Workshop on Site-Adjacent Factory Employee (SAFE) Accommodation was convened by NITI Aayog, with the Jana Group as the knowledge partner, on August 7, 2024, at Bharat Mandapam, New Delhi. The workshop focused on the critical shortage of workers' accommodation near industrial areas, which drives workforce attrition, lowers productivity, and undermines the competitiveness and growth of India's manufacturing sector.

The workshop brought together a diverse group of stakeholders:

- **Central Government:** Ministries and departments of Finance, Textiles, Housing and Urban Affairs, Electronics and Information Technology participated to deliberate on policy and fiscal interventions.
- **State Government:** Representatives from industrially active states such as Tamil Nadu, Gujarat, Andhra Pradesh, Karnataka, and Uttar Pradesh shared their innovative workers' accommodation models and discussed regulatory reforms.
- **Industry Leaders:** Experts from sectors like textiles, electronics, automobile, leather, and food processing contributed their insights on the operational challenges and potential of market-based housing solutions.

The workshop **highlighted the urgent need for policy and regulatory reforms to integrate workers' accommodation seamlessly into industrial planning.** This includes adopting mixed land-use policies, easing development regulations and building norms to facilitate construction. Financial support mechanisms such as VGF, tax incentives, and affordable utility tariffs, were emphasized to enhance the economic feasibility of SAFE accommodation projects. Leveraging public-private partnerships (PPPs) emerged as a key strategy for scaling these projects with infrastructure investors and industry anchors playing crucial roles. Additionally, the importance of creating sustainable and inclusive accommodation with access to essential social infrastructure, including healthcare and education, was stressed upon to ensure sustainability and worker well-being.

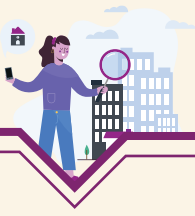


FORMATION OF A WORKING GROUP ON SAFE ACCOMMODATION

Following the workshop, a working group was constituted under NITI Aayog to develop actionable recommendations, chaired by Shri Ishtiyaque Ahmed, Senior Adviser (Industry & Foreign Investment), NITI Aayog. The group included representatives from the Ministry of Electronics and Information Technology (MeitY), the Department for Promotion of Industry and Internal Trade (DPIIT), the Ministry of Housing and Urban Affairs (MoHUA), the Department of Economic Affairs (DEA), the Ministry of Textiles, the Ministry of Micro, Small and Medium Enterprises (M/o MSME), and the Governments of Tamil Nadu and Uttar Pradesh, along with representatives from Jana Group, Foundation for Economic Development (FED), and Shri Upendra Kumar Gupta, Deputy Adviser, NITI Aayog. The group's primary objective was to design a scalable, sustainable framework for SAFE accommodation.

The Working Group's efforts culminated in the report, "SAFE Accommodation: Worker Housing for Manufacturing Growth" outlining launch and institutionalization of SAFE Accommodation Scheme that provides viability gap funding for SAFE accommodation projects from the central government, available to states conditional on regulatory reforms.





ACKNOWLEDGEMENT

I would like to acknowledge the contribution of all the members of the Working Group for their valuable suggestions and insights in framing up the recommendations on SAFE Accommodation. This endeavour would not have been possible without active participation of Shri Solomon Arokia Raj, Joint Secretary, Department of Economic Affairs, Shri Kuldip Narayan, Joint Secretary, Ministry of Housing & Urban Affairs (MoHUA), Ms. Anuja Bapat, Deputy Director General, Ministry of MSME, Ms. Pratima Singh, Director, Department for Promotion of Investment & Internal Trade (DPIIT), Shri Nirmod Kumar, Director, Ministry of Electronics & Information Technology (MEITY), Shri Akhilesh Kumar, Deputy Director General, Ministry of Textiles, Shri PS Reddy, Adviser (PPP), NITI Aayog and Representatives from State Governments of Tamil Nadu and Uttar Pradesh, as members of the Working Group.

I would also like to acknowledge Shri Ramesh Ramanathan, Co-founder, Jana Group, Shri Sandeep Bedi, CEO & Executive Director, Janaadhar, Shri S. Krishnan, Head (Strategy) Janaagraha and Shri Piyush Doshi, Operating Partner, Foundation for Economic Development (FED) for their invaluable contribution in the preparation of this report. Shri Krishnan and Shri Doshi have been part of the Working Group and have also been instrumental in shaping this report. I would also like to acknowledge the efforts of Ms. Nitya Srinath, Senior Associate, FED; Shri Mihir Parekh, Associate Partner, FED and Shri Rahul Ahluwalia, Director, FED for being actively involved in the drafting and preparation of this report.

Finally, I would also like to acknowledge the contribution of Shri Upendra Kumar Gupta, Member Secretary of the Working Group, Shri Abhishek Mukherjee, Research Officer at NITI Aayog, Ms. Nidhi Arora at Consultant, NITI Aayog and Ms. Pragya Bajpai, Young Professional at NITI Aayog along with the supporting team from NITI Aayog, provided their inputs from time to time and organized regular interactions with members of Working Group and stakeholders. Their contributions have helped immensely to give this report its present shape.

ISHTIYAQUE AHMED

Chair

Working Group on S.A.F.E. Accommodation

NITI Aayog

Working Group Order is at Annexure-1

Members of the Working Group are at Annexure-2

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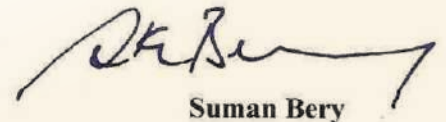
MESSAGE

Factory workers' accommodation plays a pivotal role in driving industrialization and increasing manufacturing productivity in a country. Provision of accommodation near the site helps in reducing the inefficiencies associated with long commutes and improving the overall worker efficiency. However, factors like restrictive zoning laws and insufficient market responses often hinder optimal solutions. To effectively manage these challenges, a structured approach is required, including assessing housing needs, understanding local regulatory frameworks, and mitigating potential impacts on communities. By integrating accommodation solutions into industrial planning, countries can foster a conducive environment for industrial growth while improving workers' welfare and boosting productivity.

Effectively addressing workers' accommodation requires a comprehensive approach that ensures the provision of suitable housing aligned with workers' requirements. This includes determining the necessity and type of accommodation based on proximity to the workplace and the availability of basic amenities. It also involves evaluating the potential social and environmental impacts on local communities, such as the strain on infrastructure and the need for mitigation strategies. Additionally, it is essential to comply with national and local regulations, including building codes, sanitation, and safety standards. A holistic approach ensures that workers' housing is practical, sustainable, and contributes to the success of industrial projects.

Globally, several countries have successfully integrated workers' housing into their industrial complexes, leading to increased productivity, efficiency, and global competitiveness. On both national and regional levels, regulations typically provide general guidelines for worker accommodation, but local governments play a crucial role in ensuring adherence to building and safety standards. Collaboration between central and local authorities is essential to address the diverse needs of industrial workers and create sustainable housing solutions. Addressing workers' accommodation needs is a critical aspect of sustainable industrial development, requiring housing that meets workers' basic needs while considering the broader social, environmental, and economic impacts. This includes strategically locating accommodation near workplaces, providing essential amenities, and ensuring compliance with safety and sanitation standards. As industries continue to grow worldwide, creating affordable, sustainable housing for workers will not only improve their quality of life but also enhance productivity and contribute to the long-term success of industrial projects, fostering a more inclusive and globally competitive workforce.

I sincerely hope that the solutions outlined in this report will contribute to the development of worker-friendly policies that benefit all stakeholders. The implementation of these policy recommendations will foster the creation of healthy, safe, and sustainable co-living accommodations for workers, thereby enhancing India's global competitiveness. By focusing on effective policy frameworks and encouraging collaboration between the central government, state governments, and the private sector, India can address the accommodation needs of its expanding industrial workforce.


Suman Bery



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MESSAGE

Indian economy is one of the fastest growing major economies in the world. India has been ranked 5th in the nominal terms with the GDP of nearly \$ 3.7 trillion and is poised in realizing its vision of becoming a \$ 30 Trillion economy by 2047 under the nation's vision of Viksit Bharat.


To realize this vision, India must strengthen its industrial sector, particularly the manufacturing sector. The manufacturing sector is crucial for India's growth and employment generation. As the sector grows, the demand for a skilled workforce will also increase.

As the demand for skilled labour continues to rise, ensuring affordable and adequate housing has become a significant challenge. With the growth of industrialization, it is equally important to improve the living conditions of workers in the industrial sector. Enhancing workers' living standards and providing suitable accommodation are directly linked to improving the global competitiveness of Indian products and industries. Better accommodation can lead to improved resource efficiency, foster innovation, reduce attrition, and enhance global competitiveness. With timely and strategic capital investment, India has the potential to achieve this ambitious target. The Site Adjacent Factory Employee (SAFE) initiative aligns with these objectives.

The development of workers' accommodation through a Public-Private Partnership (PPP) model, with some government support in Private Owned model, can address the current lack of such facilities in India. The collaboration between the government and private sector will enable India to overcome existing barriers and develop affordable and viable housing solution for workers.

Looking ahead, SAFE accommodation will create a sustainable ecosystem for workers, offering them a place to live that enhances their standard of living, all while maintaining affordability. This initiative will help India in achieving global competitiveness as it focuses on improving the living conditions of workers, lowering attrition rate, helps in bolstering innovation and helps overcome existing challenges.

This report provides a comprehensive overview of the regulatory and economic barriers that prevent large scale worker dormitories to be developed for industrial workers. It also outlines a path forward, highlighting the necessary policy interventions to tackle these challenges. I trust that this report will contribute to overcoming the existing obstacles and support the effective implementation of the proposed measures.


(Dr. V K Saraswat)

New Delhi
04.12.2024



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MESSAGE

India's ambition to become a \$10 trillion economy by 2035 relies heavily on the growth of its manufacturing sector, which is set to be a major contributor to GDP. With nearly 60 million workers already employed in the manufacturing sector, India's ambitious growth targets require substantial backing from the industry and demand effective solutions for worker accommodation. The ability to address the accommodation needs of workers effectively, will play a significant role in enhancing productivity, improving global competitiveness, and attracting investments. This issue, if tackled properly, can substantially impact India's economic growth and industrial success, contributing to the overall goal of industrialization.


The manufacturing sector is expected to generate more than 50 million additional employment in next 10 years. To meet this demand, it is essential to create conducive infrastructure for improving workers' living conditions, preferably, in and around the project site. This entails significant capital investment along with non-fiscal interventions. However, there are several challenges that hinder progress, including the lack of a comprehensive regulatory and planning framework at both federal and state levels. State land allocation practices prioritize industrial needs over residential needs, and restrictive zoning laws limit the ability to develop residential areas near industrial zones, all of which contribute to inadequate worker housing.

The current approach to worker accommodation in India is fragmented, characterized by ad hoc development and bilateral models, which have proven insufficient for addressing the scale of the problem. To meet the targets for current year and beyond, India needs immediate, scalable, financially viable solutions in order to overcome the challenges and provide a safe and secure worker friendly accommodation.

Recognizing the importance of addressing worker accommodation, NITI Aayog has worked on a report along with Jana group and Foundation for Economic Development to explore and implement scalable solutions, focusing on Site Adjacent Factory Employees accommodation. This initiative aims to bring together central and state governments, industry leaders, and developers to create an ecosystem for affordable, secure, and efficient worker housing. The ultimate goal is to ensure that India's manufacturing sector remains globally competitive by providing safe and adequate accommodation for workers. By fostering public-private partnerships and regulatory reforms, India can address its workers' accommodation challenges and create a sustainable environment that drives industrial growth and economic success.

Dated: 10th December, 2024



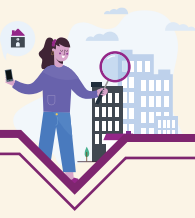

[B.V.R. Subrahmanyam]



Chapter 01

Executive Summary





1. EXECUTIVE SUMMARY

India's manufacturing sector, which currently contributes about 14% to the nation's nominal Gross Value Added (GVA) is poised for transformative growth. GVA is an economic productivity metric that measures the contribution of a sector to an economy. Adding taxes earned by the government and subtracting subsidies provided by the government to this value yields the Gross Domestic Product (GDP). The Government of India aims to increase the manufacturing sector's GDP contribution to 25% while achieving an annual GDP growth rate of 9.4% to realise its Viksit Bharat goals. This ambitious target demands significant expansion, enhanced competitiveness, and economies of scale to attract major global and domestic players.

A key challenge in this growth trajectory is ensuring the availability of a sufficient workforce in a single, centralised location. Given the population density and scale of operations, manufacturing relies heavily on migrant workers. This situation presents a complex dilemma where the development of factories hinges on the availability of accommodation, yet the demand for housing relies on the existence of factories. Inadequate accommodation near industrial hubs contributes to high attrition rates, low productivity, and workforce instability. Moreover, this prevents workers, particularly women, from migrating in search of better employment opportunities, thereby impacting the manufacturing sector's competitiveness and undermining the sector's growth potential.

Recognizing that workers' accommodation is essential infrastructure for rapid industrialisation, the **SAFE Accommodation** initiative (Site Adjacent Factory Employee Accommodation) proposes a targeted solution. The development of long-term, dormitory-style housing near workplaces, equipped with essential amenities will essentially reduce commute time, improve worker well-being and also boost productivity. Addressing these infrastructure gaps is crucial for unlocking India's underutilized workforce and achieving its vision of becoming a global manufacturing powerhouse.

1.1 What is preventing the market from filling the gap?

This report identifies two primary bottlenecks that are preventing the market from filling the gap: regulatory barriers and economic constraints.

1.1.1 Regulatory barriers

- i. **Inflexible zoning regulations:** The laws that are designed to separate residential and industrial activities often prohibit or limit the construction of residential units in areas zoned for industrial use. However, such restrictions do not account for the practical need for affordable workers' accommodation in proximity to industrial hubs. By revisiting and reforming zoning laws, India can create a more flexible



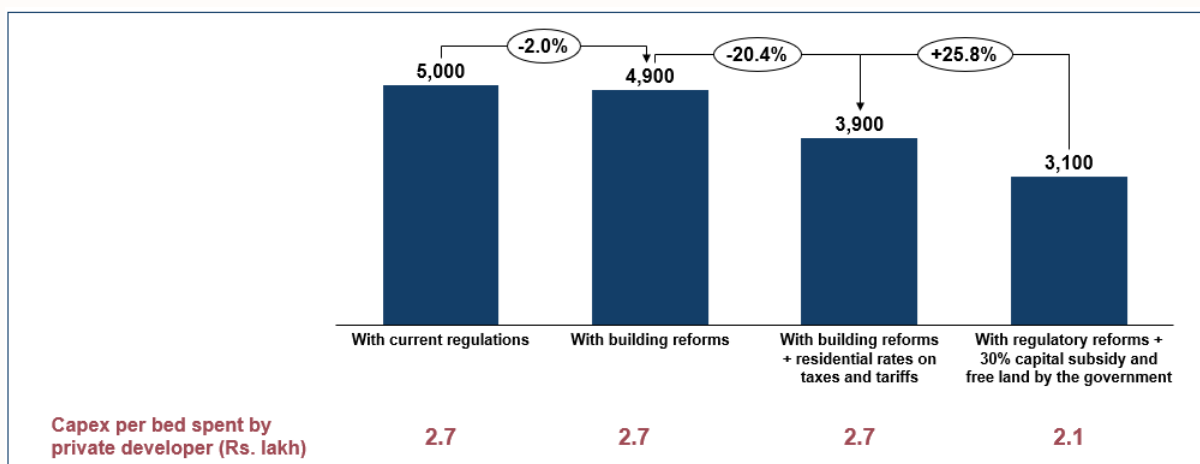
and inclusive regulatory framework that supports SAFE accommodation near industrial sites.

- ii. **Conservative building regulations:** These regulations further restrict land usage, locking land in suboptimal uses where it could house substantially more people. Additionally, the residential bylaws are designed for family accommodation instead of dormitories. Flexible and contemporary standards with optimal regulations need to be created for “SAFE Accommodation”.
- iii. **Operating costs:** Currently most formal sector hostels are often caught in a legal grey area, with regulations varying by state. In some cases, these accommodations are forced to function as hotels, resulting in commercial water, electricity and property taxes, which are much higher than residential rates. By classifying group housing as residential, it would help reduce these costs and make accommodation more accessible and affordable for workers.

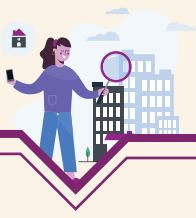
1.1.2 Economic constraints

Building workers’ accommodation requires high capital costs even after regulatory reforms. Private developers have not been able to enter the market for worker housing due to lack of financial viability. Stakeholder consultations indicate that the infrastructure investors would require a project IRR of 15-17%, translating to a monthly lease rental of approximately Rs. 4,000 per worker for 80 square feet. However, this constitutes around 30% of the minimum-wage worker’s salary, making it unaffordable for many.

Figure: Lease rental per month per worker of a sample SAFE accommodation with 5,000 beds with a project IRR of 15%



Source: FED Analysis



The analysis in this report reveals that regulatory reforms overall bring the cost down by 20%, and financial support from the government further brings the cost down by 25%. This brings the monthly lease rental that the workers will have to pay down to ~Rs. 3000 per month. While this amount is within the affordability range of most workers formally employed at or above minimum wages, consultations with employers also indicate a willingness to share a portion of the workers' rental costs, recognizing the benefits of reduced attrition and enhanced productivity that result from providing stable and accessible accommodations.

1.2 SAFE Accommodation can be developed through the PPP model with VGF support from the government

This report explores four primary models for the development of SAFE Accommodation on a large scale: Government Owned and operated, government owned but privately operated, public-private partnership (PPP), and privately owned and operated.





Table: Overview of the 4 models for developing workers' accommodation

	Model 1: Government owned and operated	Model 2: Government owned and privately operated	Model 3: Public Private Partnership (PPP)	Model 4: Privately owned and operated
Scalability	Low (Due to capital constraints)	Low (Due to capital constraints)	High	High
Financial viability constraints	No	No	Yes – addressed through VGF	Yes - partly addressed through capital subsidy and partly through market determined lease rental
Speed of asset creation	Low	Low	Medium (Considering the tendering process)	High
Affordability of lease rental (for a min wage worker)	Yes	Yes	Yes	No

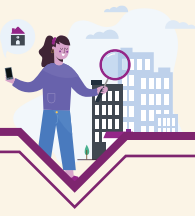
Source: Working group discussions

While Model 1 and 2 do not have financial viability constraints, and hence can ensure rental affordability, their lack of scalability due to capital constraints on the part of the Government eliminates them from being the preferred model of choice. Model 3, i.e., the PPP model shares responsibilities between the government and private sector, with the government often providing land and / or subsidies and private entities handling construction and management. This approach enables cost-sharing and scalability, making it ideal to cater to high-demand. The Public Private Partnerships in Infrastructure Viability Gap Funding (VGF) Scheme can be leveraged for this purpose. Model 4 addresses the scalability issue on account of private capital being roped in, as it is the most efficient in terms of speed of asset creation. Since the rent in this model is market-driven, it may be unaffordable for minimum-wage workers. However, many manufacturing companies developing accommodations for their workers on their own land are willing to subsidise a portion of the rent.

1.3 Recommendations and way forward

Our recommendation is to launch a SAFE Accommodation Scheme that provides viability gap funding for SAFE projects from the centre, available to states conditional on regulatory reforms.

Salient aspects of the scheme include:



1.3.1 Classification of SAFE Accommodation

SAFE accommodation should be classified as a distinct category of residential housing. This classification would ensure:

- i. GST exemption on lease rentals, in line with the latest GST circular (Circular No. 228/22/2024-GST), which exempts certain long-term accommodation services from GST obligations. A clarification that SAFE accommodation is covered under this exemption should be provided by the appropriate authority to ensure clarity on this matter.
- ii. Application of residential rates for property tax, electricity and water tariffs.
- iii. Long term dormitory-style accommodation exclusively for workers in industries, located near their workplaces.
- iv. Environmental Clearance exemption for SAFE accommodation projects. On November 7, 2024, the Ministry of Environment, Forest and Climate Change (MoEF&CC) issued a draft notification No.S.O. 4844(E) to amend item 8 of Notification No. S.O.1533(E), exempting projects like industrial sheds, schools, colleges, and educational hostels from Environmental Clearance.





2. FINANCIAL SUPPORT ENVISAGED FROM THE CENTRE

- i. Viability gap funding (VGF) of up to 30% of the total project cost (excluding land) will be jointly provided by the Department of Economic Affairs (DEA), contributing 20%, and the sponsoring nodal Ministry of Government of India, contributing 10% on the lines of “Financial support to Public Private Partnerships in Infrastructure” scheme. The VGF can also be used to retrofit / upgrade existing brownfield workers’ accommodation facilities.

3. CONDITIONS TO BE MET BY STATES FOR AVAILING VGF SUPPORT UNDER THE SCHEME

- i. Zoning reforms: Mixed land use zoning should be permitted in industrial areas to allow unrestricted construction of SAFE accommodation. Alternatively, SAFE accommodations can be designated as permitted land use within industrial zones.
- ii. Building regulation reforms: FAR should be liberalised such that building height can be decided based on cost efficiency considerations (as per the model discussed with developers, at least construction of 5 floors should be enabled) and GCR for the building should not be less than ~60% of the total area. Parking, amenities and setbacks are to be included in the remaining open area (~40% of the total area). These regulations may be reviewed periodically to enable improvements in cost effectiveness.

4. AMENDMENT TO THE VGF SCHEME

Annexure 3 of the Public Private Partnerships in Infrastructure Viability Gap Funding (VGF) Scheme should be amended to include Affordable Rental Housing in the list of eligible sectors to enable SAFE accommodation facilities to avail the scheme.

WAY FORWARD

To take these recommendations forward, a pilot phase may be launched in select champion states to prove the concept, with a dedicated Project Management Unit (PMU) established under the Ministry of Housing and Urban Affairs (MoHUA) to oversee the initiative.



SAFE Accommodation

Worker Housing for Manufacturing Growth

Table: Summary of roles and responsibilities

	SI no.	Reform category	Body responsible
Economic unlock	1.	Formulation and implementation of SAFE accommodation scheme, launching the pilot phase, monitoring the progress of the mission	Nodal ministry – MoHUA
	2.	Identification of land parcels / regions for provision of SAFE housing	State government
	3.	Running tender process and co-ordinating with central government	State government
Regulatory unlock	4.	Implementing zoning reforms	State / city level departments that govern the use of land
	5.	Implementing building reforms	State / city level department that govern building regulations
	6.	Charging residential rates for property tax, electricity and water tariffs	State / city level departments

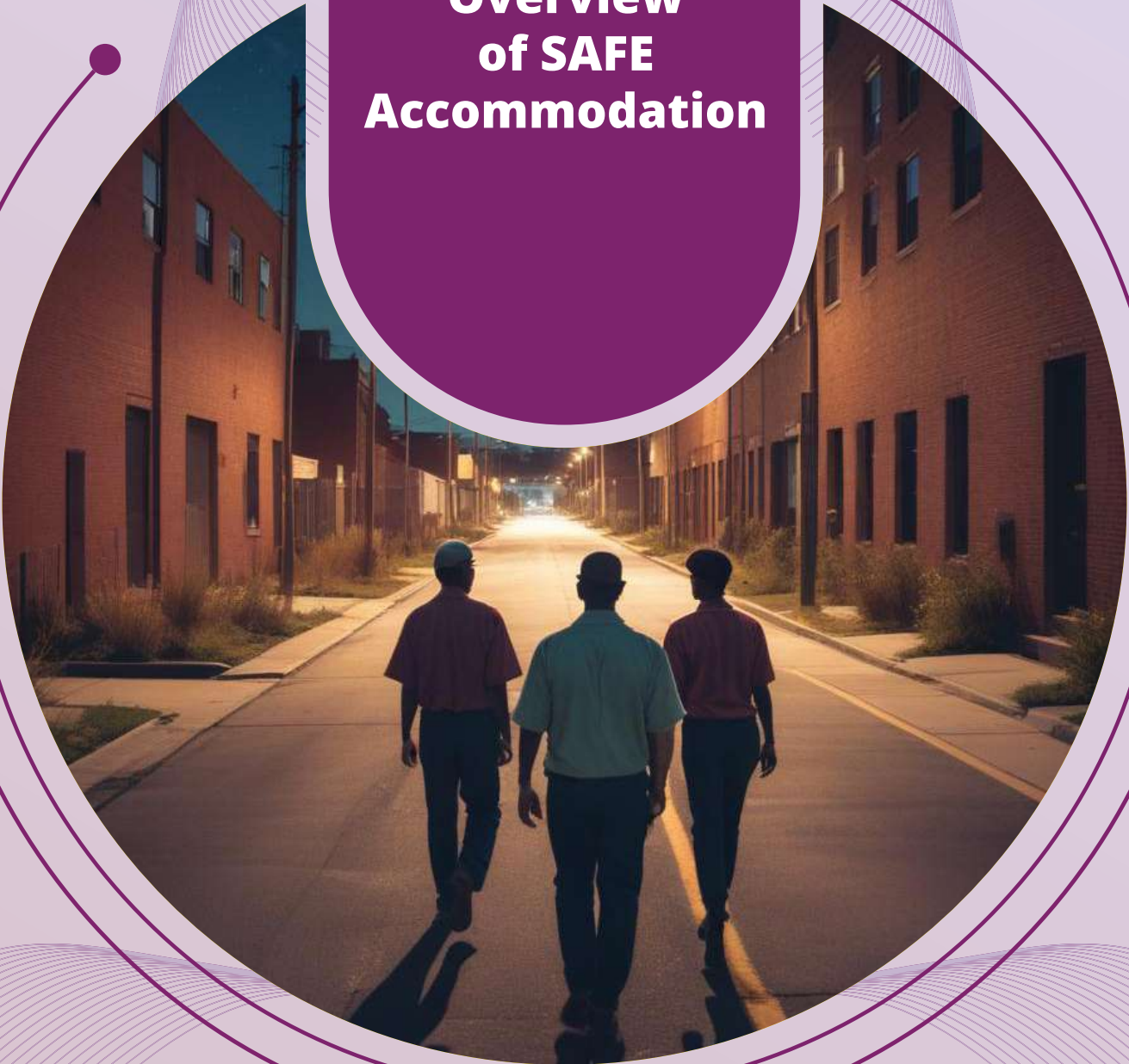
Source: Working group discussions



CHAPTER

02

**Overview
of SAFE
Accommodation**





2. OVERVIEW OF SAFE ACCOMMODATION

2.1 Defining SAFE Accommodation (Site Adjacent Factory Employee Accommodation)

Workers' accommodation is vital to India's ambition of becoming a global manufacturing hub, enhancing worker welfare, productivity, and retention, and should therefore be classified as critical infrastructure, under a separate category – SAFE Accommodation.

Definition of SAFE Accommodation (Site Adjacent Factory Employee Accommodation)

SAFE Accommodation includes long term dormitory-style accommodation, exclusively for workers in industries, strategically located near their workplaces. This accommodation is rented directly to workers or their employers and includes essential amenities such as water, electricity, sanitation facilities, and other basic services like food, laundry, and dispensary facilities.

SAFE accommodation excludes family housing. While such housing for supervisory staff in factories across various sectors is an important need, this initiative focuses on the most urgent and greatest needs of the entry level workers, where the gaps in market-based solutions are most pressing. Ownership of SAFE accommodation units cannot be transferred, and it cannot be sold to either workers or employers.





2.2 Objective of SAFE Accommodation

Recognising the pressing importance of the matter, Hon'ble Finance Minister in the Union Budget 2024-25¹ announced that "Rental housing with dormitory type accommodation for industrial workers will be facilitated in PPP mode with VGF support and commitment from anchor industries".

This report builds on the announcement to outline the contours of an initiative for SAFE accommodation

The objectives of the SAFE accommodation initiative include:

- i. To enable labour mobility and boost productivity by providing SAFE accommodation, thereby strengthening the competitiveness of the manufacturing sector.
- ii. Designate workers' accommodation as critical infrastructure – SAFE Accommodation and implement tailored regulations to enhance feasibility (Construction and Operation).
- iii. To develop a market-driven ecosystem where private developers can offer affordable workers' accommodation while ensuring attractive returns on investment.

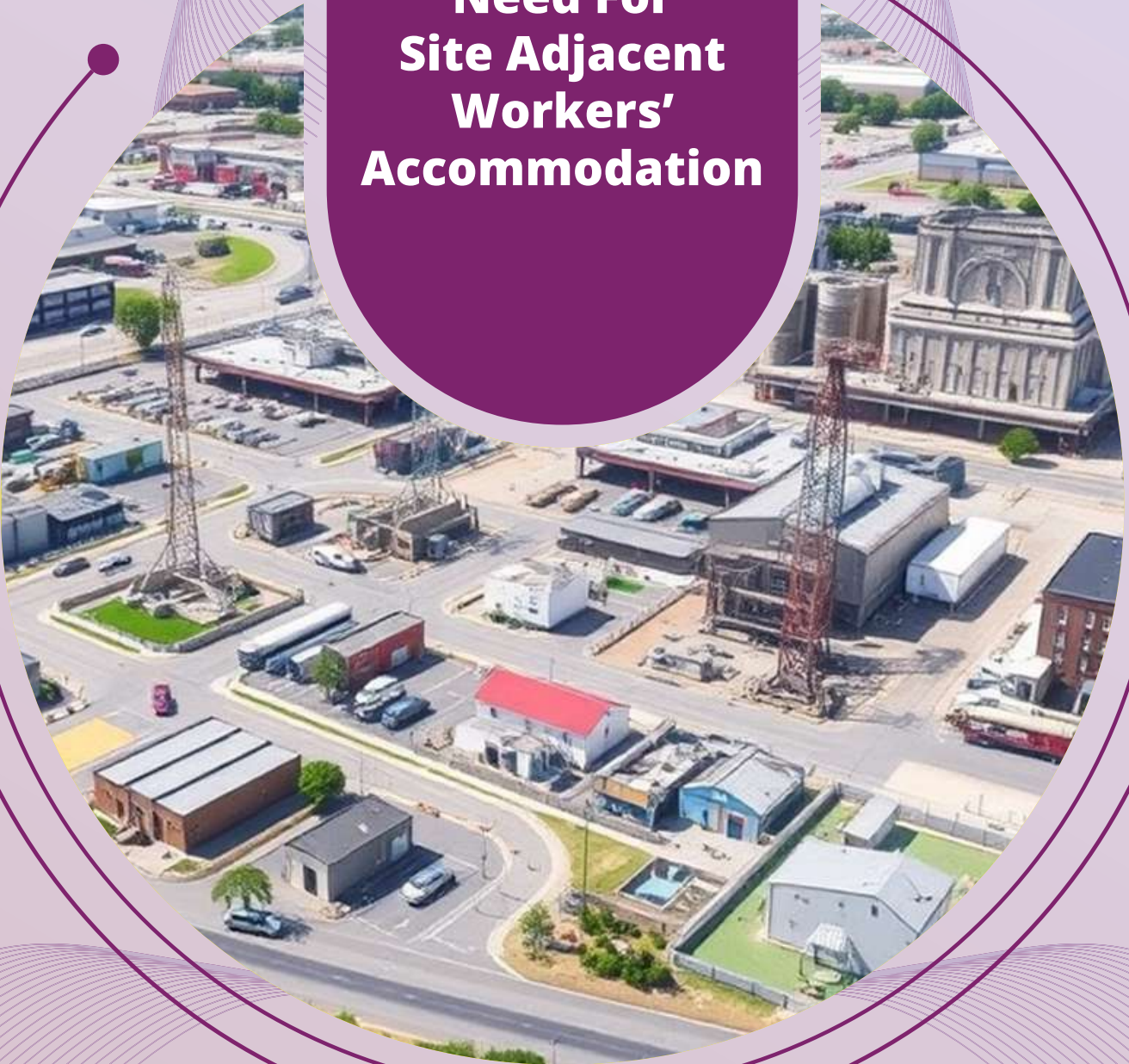


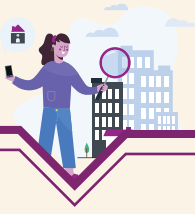


CHAPTER

03

Need For Site Adjacent Workers' Accommodation





3. NEED FOR SITE ADJACENT WORKERS' ACCOMMODATION

3.1 Employment intensive manufacturing is critical for India

India needs to create more jobs as it becomes a \$5 trillion economy in the medium term and advances toward its long-term goal of embodying Viksit Bharat or a fully developed nation by 2047. According to the Economic Survey 2023-24², India needs to add 7.85 million jobs every year until 2030 to sustain economic growth. We also need to create more jobs for our women, as every country that has become prosperous has seen women enter the workforce in large numbers. In China today, women contribute around 41% to the GDP³, which is in sharp contrast to India, where women contribute only 18% to the GDP⁴. China's female labour participation rate is 61%, nearly double that of India's. Creating more jobs and better access to opportunities for women is crucial for our goals of becoming a developed country.



2 *Economic Survey 2023-24*

3 *USC Annenberg*

4 *Economic Times*

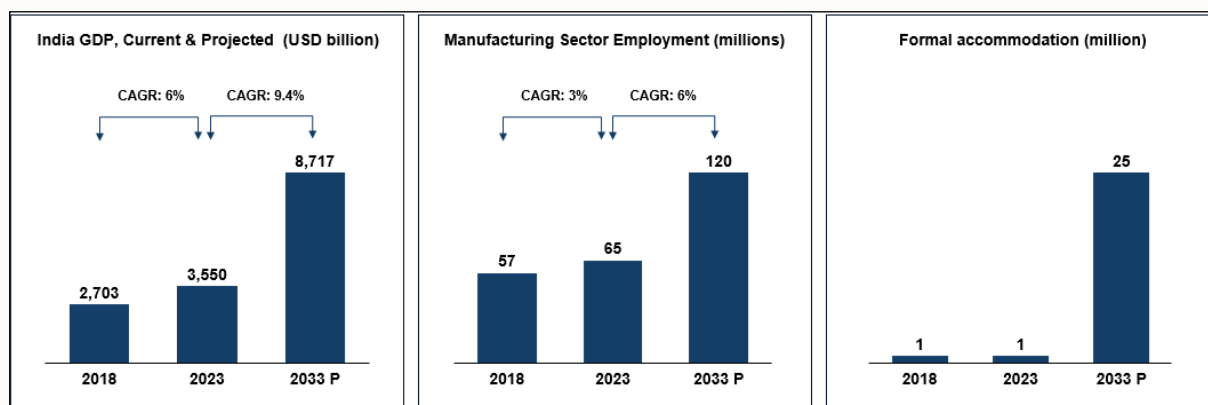


Currently, the manufacturing sector employs just 11% of the workforce, while contributing 14% to the nominal GVA⁵. Agriculture on the other hand employs 46% of the workforce while contributing only 18% to the GVA. A dedicated focus on employment intensive manufacturing can create jobs at such a large scale.

The ambitious goals set by the Make in India and Atmanirbhar Bharat campaigns requires substantial growth in manufacturing, demanding enhanced competitiveness and economies of scale while also attracting major global and domestic players. Specific industrial hubs are emerging, such as the assembly and packaging industry in Sriperumbudur, Tamil Nadu, the Electric Vehicle (EV) hub in Hosur, Tamil Nadu, and the semi-conductor hub in Dholera, Gujarat. The landscape is increasingly marked by large-scale mega factories, with initial establishments already underway. Securing adequate workforce in a single concentrated location is a critical challenge. Due to population density and scale needs, this workforce typically includes migrant workers. This situation presents a complex dilemma where the development of factories hinges on the availability of housing, yet the demand for housing relies on the existence of factories.

As shown in the figure below, India needs to grow at a CAGR of 9.4% per annum to reach its Viksit Bharat goals and create more jobs. Assuming that the manufacturing GDP grows at 11% per annum accompanied by ~1.5 x growth in workforce productivity, by the end of 2033, the manufacturing sector should have created 120 million jobs. Assuming that ~20% of the total workforce in 2033 will prefer affordable formal accommodation if made available, we need to create approximately 25 million formal accommodation units for our manufacturing workers.

Figure 3.1: India GDP, employment in manufacturing and formal accommodation – current and projected



Source: PLFS, World Bank, Author's calculation



3.2 Workers' accommodation - Key unlock for making India's manufacturing sector globally competitive

3.2.1 Structural change involves migration to urban and industrial centres

Structural change in an economy is the process of reallocation of labour across economic sectors with different levels of labour productivity. This reallocation of labour contributes positively to growth when it is from lower-productivity sectors to higher-productivity sectors. Research also suggest that this is the principal route to improvement in employment conditions in low-income economies, especially in countries with low-productivity work and underemployment rather than high unemployment. This model



of development can be observed through 2 decades of growth in China. Between 1980 and 2009, 150 million workers migrated to the cities and were the principal source of urban low-cost low-skilled labour and of workers in the construction and manufacturing export industries⁶. High economic growth rates became associated with high rates of migration to the cities.

Similarly, structural change in India can lead to rapid economic growth with the movement of large amount of population from low-productivity agriculture to high-productivity industrial jobs. Of the 60 million workers employed in manufacturing⁷, close to 6 million (~10% of the total manufacturing workforce) are inter-state migrant workers⁸.

Data shows that, of the migrants who had an income before leaving their homes, 56.2 per cent noted an increase in their income⁹. Despite clear evidence that shows improvement in livelihood through migration, as per the 2020 PLFS data¹⁰, only 1.3% of women migrated for better employment opportunities. At the same time, 42.9% of their male counterparts moved out of their hometowns in search of jobs. What is preventing women from migrating in search of better employment opportunities? One possible explanation may be that most migrants are not provided with adequate housing facilities.

3.2.2 Provision of workers' accommodation enables migration: Insights from China, Japan, Vietnam and Singapore

When one looks at the Chinese experience in developing hundreds of millions of low-skill jobs in labour-intensive manufacturing, the focus is usually on Special Economic Zones, and the incentives given to foreign direct investment (FDI). However, an important point that is rarely recognised is that cheap housing was provided for workers, which increased their real wages. A majority of migrant factory workers were accommodated in workers' dormitories built by employers, often on land provided for free by local governments¹¹. About 80% of the thirty million assembly-line workers in China's Special Economic Zones are female¹². Most are recruited from rural areas of interior provinces where the less developed economy has little to offer them. For factories that want to hire migrant women workers as in the

6 *The Role of Rural Migrants in the Chinese Urban Economy*

7 *Author's calculation*

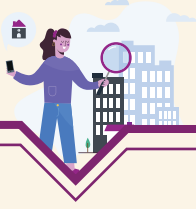
8 *Ind-Ra - Reverse labour migration to lead to multiple headwinds for manufacturing sector*

9 *Business Line*

10 *PLFS 2020-21*

11 *Public Workers' Housing Helps Labour-Intensive Manufacturing*

12 *Southern China: Migrant Workers and Economic Transformation*



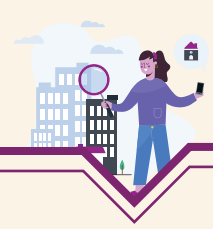
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case of assembly line work, accommodation is often part of the employment agreement¹³. In fact, the dormitory system can commonly be seen across labour intensive industries in Asia. Early Japanese industrialisation housed female labour force from faraway villages in dormitory accommodation¹⁴. Singapore has separate act for migrant housing called the Foreign Employee Dormitories Act 2015¹⁵ and differential building regulations for workers' dormitories¹⁶. Most recently, the Vietnam government had approved a plan to build 1 million social housing units for low- and middle-income households in urban areas and for workers in industrial parks¹⁷. This system made it possible for factories to recruit female labour from rural areas, without which their migration would have been inhibited due to safety concerns.



- 13 *The Impact of Export-Oriented Manufacturing on Chinese women workers*
- 14 *Textile factories, tuberculosis, and the quality of life in industrializing Japan*
- 15 *FEDA 2015*
- 16 *Singapore Urban Redevelopment Authority*
- 17 *Hanoi Times*



3.3 Current situation - Ad-hoc workers' accommodation

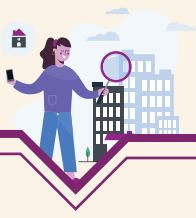
3.3.1 Existing gaps in workers' accommodation in India



It has been well documented in multiple studies¹⁸ that worker housing is complementary to investments such as education and training, which permanently raise worker performance, improve their productivity, and reduce absenteeism. In Tirupur, for instance, garment firms invest in training workers, and they also carry out additional investment in providing subsidised accommodation to retain workers¹⁹. They believed that formal housing would enable stabilisation of the labour force which would in

18 *Effects of Improved Housing on Worker Performance*

19 *Public Workers' Housing Helps Labour-Intensive Manufacturing*



turn promote skill training by employers. The Tirupur garment exporters' association asked for the local government to provide subsidised housing for workers in the form of public-private partnerships.

However, poor living conditions exacerbate health issues among workers, increasing infectious diseases and chronic illnesses due to overcrowding and unsanitary environments. Additionally, substandard housing coupled with long commutes results in fatigue, lowering worker productivity and elevating absenteeism. This physical and mental strain diminishes efficiency and heightens the likelihood of errors and accidents. Additionally, harsh living and commuting conditions contribute to higher turnover rates, disrupting workforce stability and continuity. The consequent need for frequent recruitment and training drives up operational costs, thereby compromising overall efficiency and profitability. Addressing these accommodation challenges is crucial not only for enhancing worker well-being but also for optimizing organizational performance.

A recent study in an industrial area near Bangalore has highlighted significant deficiencies in workers' accommodations. This research examined current living conditions, commuting challenges, transportation costs, and the resulting effects on productivity.

Table 3.1: Poor economics and productivity loss in Narasapura Industrial Area, Hoskote

Sl no.	Location	To and from		Cost / person/ day
		Distance (Km)	Travel time (mins)	Bus @ ₹2/km
1	H cross	52.4	90	₹104.8
2	Kolar	38.4	65	₹76.8
3	Bangarpet	69.6	120	₹139.2
4	Sulibele	66	115	₹132
5	Malur	29.6	65	₹59.2
6	Hoskote	60	85	₹120
Average		50 Km	120 Mins	₹100

Source: Study by Janaadhar, 2023

As shown in table 3.1 above, the findings reveal that workers in this area travel approximately two hours each way from their temporary residences to the factory, amounting to a total of four hours daily. This commute imposes a considerable financial burden on the company, which spends around Rs. 5,000 per worker each month on transportation.

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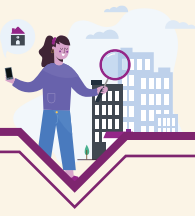
Quality of life issues are also prominent, as these makeshift accommodations lack essential amenities, leading to physical and mental strain for workers due to prolonged travel times. These conditions contribute to high attrition rates, which, in turn, negatively affect the operational efficiency and profitability of the industrial site.

From an economic and operational perspective, high transportation costs directly increase operational expenses, while reduced productivity and elevated attrition require additional spending on recruitment and training. These factors collectively impact the overall profitability of the industrial site.

3.3.2 Workers' accommodation near factories will boost global competitiveness

To elevate India to the high table of manufacturing in the global economy, addressing workers' accommodation is crucial. The broad benefits are outlined below –





- i. Enhancing Workforce Productivity and Retention:** Adequate and proximate housing improves workers' quality of life, reducing commute time and enhancing overall productivity. This, in turn, lowers attrition rates and recruitment costs, ensuring a stable and skilled workforce for factories.
- ii. Attracting Global Investments:** Investors and multinational companies consider worker welfare and operational efficiency when making investment decisions. Providing well-planned accommodations signals a commitment to high standards and sustainable practices, making India an attractive destination for global manufacturing investments.
- iii. Aligning with Global Labour Standards:** Adhering to international labour standards, which emphasize the provision of SAFE and adequate housing, enhances India's reputation and compliance in the global market. This can lead to more business opportunities and partnerships with international firms

The provision of workers' accommodation is a win-win-win scenario for all stakeholders involved:

Win for Workers – They gain access to hygienic, safe, and well-designed accommodation, improving their living conditions and overall well-being. Essentially, this will lead to higher job satisfaction and reduced turnover rates, contributing to a more stable workforce.

Win for Companies – They benefit from having a workforce that is less fatigued and more productive due to shorter commute times. Proximate housing allows for better skill development and training opportunities, reducing overall labour costs through lower attrition and enhanced efficiency.

Win for the Government – The government benefits from a more robust and competitive manufacturing sector that can compete globally. Improved labour conditions attract foreign investments and generate higher economic growth. Additionally, integrating housing with industrial development helps optimize urban planning and infrastructure usage, leading to sustainable urban development.

Even though there is demand for workers' accommodation from manufacturing companies, attempts at setting up large scale workers' accommodation has not succeeded in India²⁰. This is mainly on account of certain regulatory and economic bottlenecks, which we explore in the subsequent chapters.

CHAPTER

04

**Regulatory
Unlocks**





4. REGULATORY UNLOCKS

The regulatory environment for workers' accommodation development in India poses several challenges, including restrictive zoning laws, building regulations, and increased operating costs due to commercial classifications. Addressing these regulatory hurdles is critical to making SAFE accommodation feasible, affordable and scalable. By creating an enabling regulatory environment, the government can unlock significant potential for private sector investment and ensure affordable housing solutions for India's growing industrial workforce.

4.1 Zoning regulations

4.1.1 The constraint

One of the primary regulatory barriers to developing workers' accommodation near industrial zones are inflexible zoning laws. Table 4.1 below provides an overview of these regulations in top labour-intensive manufacturing hubs. These laws, designed to separate residential and industrial activities, often prohibit or limit the construction of residential units in areas zoned for industrial use. However, such restrictions do not account for the practical need for affordable worker housing in proximity to industrial hubs. By revisiting and reforming zoning laws, India can create a more flexible and inclusive regulatory framework that supports SAFE accommodation near industrial sites.

Table 4.1: Zoning regulation across top labour intensive manufacturing hubs

Telangana	All types of residential buildings, group complexes and hostels permitted in residential, commercial and multiple use zones. However, residential buildings cannot be set up in "Work centre use zones" where industries can be set up.
Tamil Nadu	Only working women's hostels can be set up in areas zoned for residential use. Other hostels are categorised as commercial establishments, and while they can be freely constructed in commercial zones, in residential zones they can occupy a floor area of only 500 sqm.
Noida (UP)	Housing can be set up only in residential areas. Requests for conversion of industrial plots would not generally be allowed , except in exceptional circumstances, and conversion charges and location benefit charges at 10% of the prevailing land rate would be issued.



Kolar (KA)	Allows for the construction of worker housing / hostels in all zones without any restrictions , along with the provision of free change of land use (CLU).
Gujarat	While mixed land use has been implemented throughout zones, residential dwelling is restricted to certain conditions .

Table 4.2 below summarises the impact of these regulations. Very few locations allow for the construction of workers' accommodation / hostels in all zones without any restrictions.

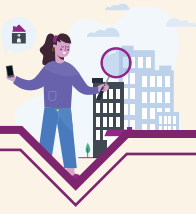
Table 4.2: Permissibility of setting up workers' accommodation under land zoning regulations

	Residential	Commercial	Industrial	Free change of land use (CLU)
Telangana	Allowed	Allowed	Allowed with conditions	Yes
Tamil Nadu	Allowed with conditions	Allowed	Allowed	Yes
Noida (Uttar Pradesh)	Allowed	Not Allowed	Not Allowed	No
Kolar (Karnataka)	Allowed	Allowed	Allowed	Yes
Gujarat	Allowed with conditions	Allowed with conditions	Allowed with conditions	No

Source: State building regulations, zoning regulations, masterplans, and notifications

4.1.2 Potential Solutions

The Japanese zoning system is the most ideal. Unlike the exclusive zoning approach commonly found in Indian states, Japan's system allows for "maximum" use rather than strictly exclusive use within each zone. For instance, while a factory cannot be established in a residential neighbourhood, residential housing is permitted in light industrial zones. It consists of 12 basic zones, arranged in a hierarchy based on potential externalities, ranging from low-rise residential zones to high-rise residential, commercial, light industrial, and industrial zones. Additionally, the Japanese zoning system does not differentiate between types of residential use (group or family housing etc), offering greater flexibility in land utilization.



Similarly, Indian states could introduce mixed-use zoning permissions that allow for residential housing within or adjacent to industrial areas. This reform can be structured to support high-density, dormitory-style housing that maintains necessary safety and environmental standards.

Alternatively, special overlay zones can be created within industrial clusters where residential use is permitted specifically for workers' accommodation without any restrictions as it is ancillary to industrial activity. This targeted zoning approach would allow housing only for verified industrial workers, addressing housing needs without conflicting with industrial activities.

4.2 Building regulations

4.2.1 High construction cost

Large-scale workforce accommodations should strike a balance between functionality and cost-efficiency. Building larger structures, especially taller ones, inherently increases costs per square foot due to additional structural reinforcements, more complex foundation systems, and adherence to stricter fire safety codes. Elevators, often necessitated by height, reduce usable space while adding expense, and taller buildings typically require extended construction timelines. Expanding horizontally, while potentially reducing vertical construction costs, demands large parcels of land, which may limit availability while also inflating overall expenses.

To estimate the cost of building a SAFE accommodation facility for a large workforce, a scenario to accommodate 5000 workers has been considered. The total cost of construction per square feet was taken from the latest Central Public Works Department (CPWD) plinth area rates²¹. Based on certain assumptions and consultations with industry stakeholders, the cost of electrification, cost of setting up water supply and sanitation, other contingencies, and miscellaneous costs such as architect's fees and external development cost has been calculated. The construction cost model estimates the total construction cost for developing a 5,000-bed SAFE accommodation facility with a total built up area of ~ 4 lakh sq. ft. to be Rs. 132 crore, amounting to Rs. 2.6 lakh per bed. This model adheres to the minimum standards outlined in the National Building Code for living space, toilet facilities, water supply, and common rooms per worker. Workers' accommodation can typically be categorised as low-rise affordable residential buildings with maximum 5 floors and no elevator²². Based on the calculations, the average space per person, including living

21 CPWD 2023

22 Savills - Worker Housing Opportunities

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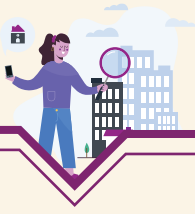


and recreational areas, is approximately 80 square feet. This represents the baseline standard, though it may range from 75 to 100 square feet per individual, depending on the specific allocation for living quarters, common areas, and additional facilities.

4.2.2 Building standards impact land utilisation, and hence SAFE accommodation capital expenditure

Building bye-laws or regulations are the set of rules and guidelines that oversee the construction and development of buildings and structures. These regulations outline the permissible land uses and zoning restrictions, thereby affecting efficient land utilisation.





The major regulatory instruments examined include:

- i. Floor Area Ratio (FAR) / Floor Space Index (FSI): The ratio of a building's total usable floor area to the total plot area
- ii. Ground Coverage Ratio (GCR): The ratio of land on a site that is covered by a building to the total plot size
- iii. Setbacks: The minimum open space required along the plot boundary on each side
- iv. Parking requirements: The minimum number of parking spaces required as specified by the bye-laws
- v. Open spaces and amenities requirements: Minimum amenities space required as specified by the bye-laws



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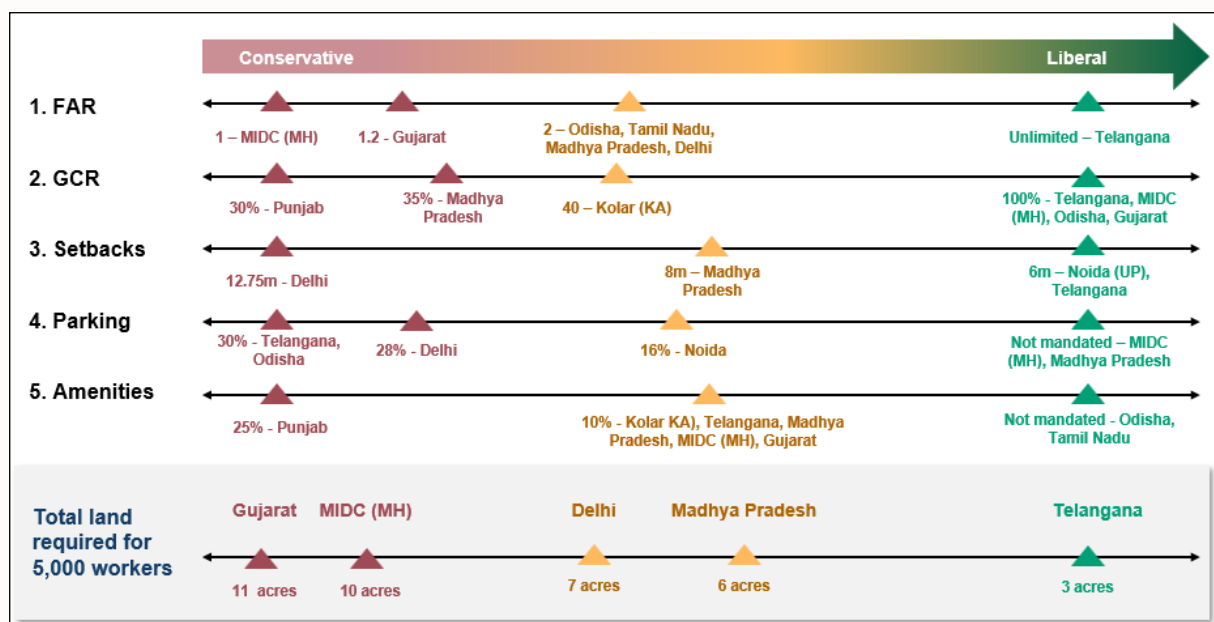
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FAR and GCR dictate the extent to which a plot can be utilized for building purposes. A higher GCR signifies a larger portion of the plot being covered, enabling horizontal expansion, while a higher FAR enables vertical growth. Setbacks, which mandate minimum distances from property lines, roads, and adjacent buildings, are intended to ensure adequate sunlight, ventilation, greenery, and access. They also help reduce fire risks between structures. However, very high setbacks can lead to wastage of space. These regulations do not account for modernisation in technology and manufacturing processes²³. Furthermore, industrial housing faces additional challenges from mandatory parking requirements, which are unnecessary as most industrial workers do not own private vehicles, adding to the constraints on available land.

A study conducted by Foundation for Economic Development (FED)²⁴ highlights the impact of these standards on land utilisation. This is showcased in figure 4.1 below:

Figure 4.1: Building standards across manufacturing states and cities



Source: FED Analysis

Telangana, with its relatively friendly regulations, requires only 3 acres to accommodate 5,000 workers. Conversely, Gujarat's land requirements are approximately three times greater, indicating significantly more conservative regulations. Rather than imposing separate requirements for parking, amenities, and setbacks in addition to specifying a GCR to maintain

23 State of Regulation: Building standards reforms for jobs and growth

24 Worker Housing - Unlocking Labour-intensive Manufacturing In India



green cover, we could simplify by setting the GCR at 55-60%. The remaining open space can be used for setbacks, parking and amenities, providing sufficient room for internal roads and sidewalks.

4.3 Operating regulations



Workers' accommodations in the dormitory style are generally developed as hostels. Currently, the hostel industry primarily functions within the unorganized sector, dominated by small operators catering to migrant workers or outstation students from economically weaker sections. These hostels offer basic accommodation and often include incidental services like food and laundry. While most of these facilities operate informally, those in the formal sector face regulatory ambiguity, as their classification is left to the discretion of individual states. In certain cases, hostels are required to operate under hotel regulations following the 2019 Central Tax notification²⁵, which expanded the definition of hotel accommodation to encompass any commercial establishment intended for residential use. This increases operational costs, as hostels are subjected to higher

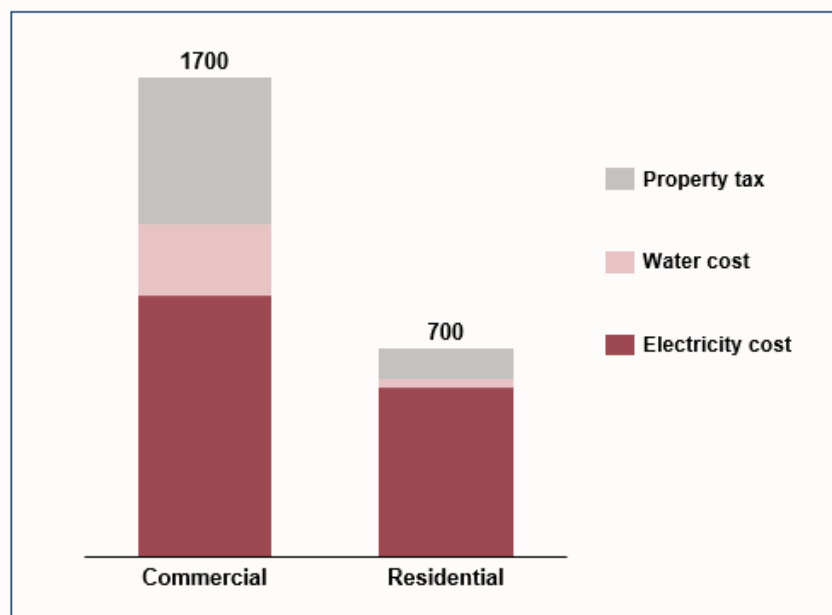
25 Notification No. 20/2019- Central Tax (Rate)



commercial rates for utilities such as water and electricity, along with elevated property taxes which exceed standard residential rates. Until recently, hostels were subject to Goods and Services Tax (GST). However, in July 2024, the latest GST circular²⁶ introduced an exemption for certain long-term accommodation services. This exemption applies to accommodations priced at Rs. 20,000 or less per person per month, provided the service is offered for a continuous period of at least 90 days.

While the latest GST circular provides a huge relief, the difference in costs between residential and commercial establishments are large as highlighted in figure 4.2 below.

Figure 4.2: Sample monthly operating costs per person of an accommodation facility with 5,000 beds



Source: Tamil Nadu electricity tariff schedule, water tariff schedule, property tax rate schedule

These costs are then transferred to the workers in the form of higher rents, which ultimately makes such accommodation unaffordable to them. Due to such high costs, many private developers were opting out of building worker housing and are instead only building housing for senior accommodation, housing for white-collar working professionals, and student accommodations²⁷.

26 Circular No. 228/22/2024-GST

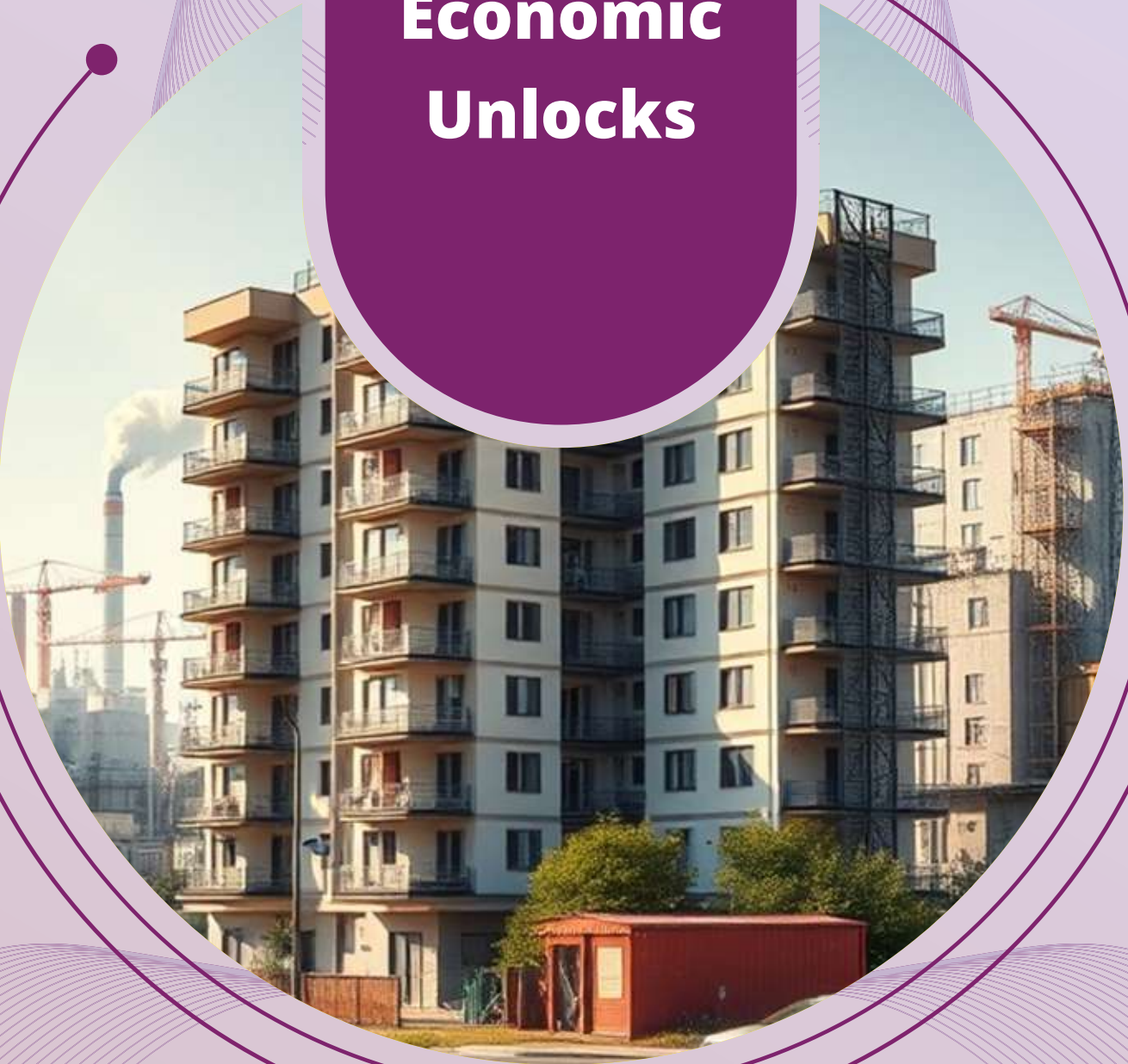
27 India Infrastructure Report 2018: Making Housing Affordable

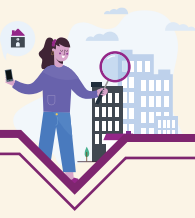


CHAPTER

05

**Economic
Unlocks**





5. ECONOMIC UNLOCKS

5.1 The current gap

Building workers' accommodation requires high capital costs even after regulatory reforms. The risk is higher because of co-ordination problems – an industrial hub will not develop solely because one private player puts up large scale workers' accommodation. While such accommodation is a necessary component, it is insufficient on its own, making it unattractive for private players. This will result in the hub not coming up at all, which makes workers' accommodation similar to infrastructure. Hence, private developers have not been able to enter the market for workers' accommodation due to lack of financial viability. Our stakeholder consultations reveal that an infrastructure investor would underwrite a large scale workers' accommodation project at a project IRR of 15-17%. As per our model, achieving this IRR, the monthly lease rental per worker would be ~Rs. 4000 for an average space of 80 square feet (inclusive of living and non-living spaces), even after regulatory reforms. This constitutes ~30% of the salary of a worker employed at minimum wages, which is unaffordable at those income levels²⁸.

5.1.1 Stimulating private investment through government support

To attract private developers and investors while ensuring that the housing units remain affordable for workers, government financial support may be necessary, which would in turn create multiplier effects of encouraging productive employment.

Some of the potential forms of government support for bridging the economic gap include:

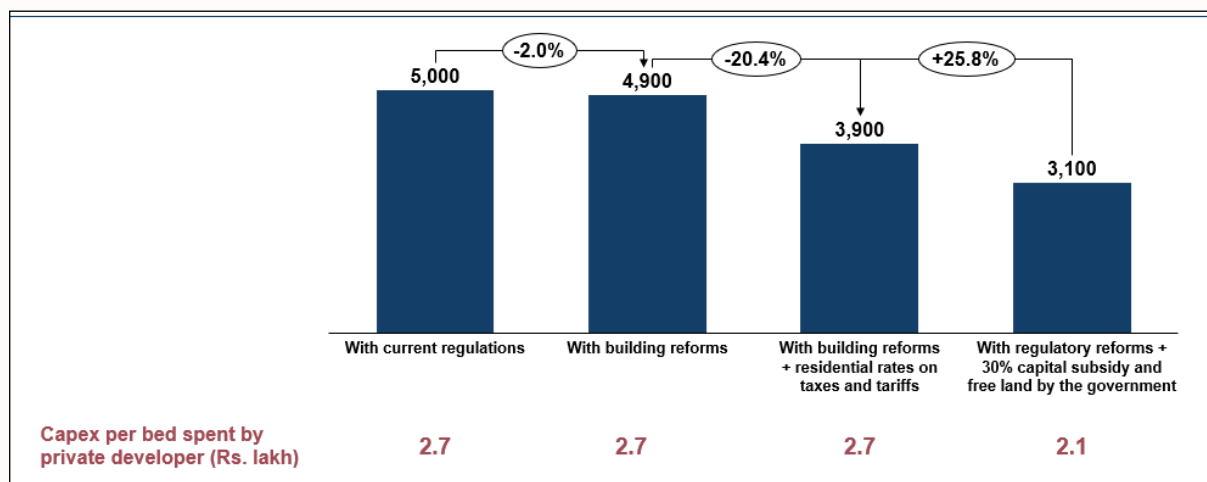
- i. **Viability gap funding** – The government can bring down the cost of construction so that builders get market rate of returns
- ii. **Operating rent** – The government can announce an operating subsidy to reduce the rent cost for workers
- iii. **Tax relief** – The government can offer tax relief, deductions or credits to set up and operate workers' accommodation units
- iv. **Interest subvention** – The government can subsidise market interest rate to reduce the cost of borrowing for builders
- v. **Equity infusion** – The government can inject capital in the form of equity to generate attractive risk adjusted returns for worker housing. (Ex: TNIFMC Model)



- vi. **Fiscal incentives** – The government can exempt GST on construction of workers’ accommodation to bring down the capex cost
- vii. **Soft loans** – The government can provide loans with minimal or no interest with extended grace periods

Figure 5.1 shows the impact of regulatory reforms and financial support on construction cost and land from the government on monthly lease rental for workers. Estimates based on the model suggests that regulatory reforms will bring the overall cost down by 20%, and financial support from the government further bring the cost down by 25%. This brings the monthly lease rental that the workers will have to pay down to ~Rs. 3000 per month.

Figure 5.1: Lease rental per month per worker of a sample SAFE accommodation with 5,000 beds with a 15% project IRR



Source: FED Analysis

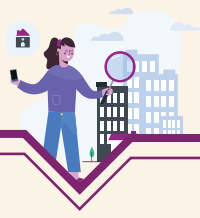
This amount might still be unaffordable for some workers. However, consultations with industry stakeholders indicate a willingness to share a portion of the workers’ rental costs, recognizing the benefits of reduced attrition and enhanced productivity that result from providing stable and accessible accommodations.

5.2 Limitations of existing government support

5.2.1 Overview of the Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) Scheme

Pradhan Mantri Awas Yojana - Urban (PMAY-U)²⁹ Scheme was launched in 2015 by the Ministry of Housing and Urban Affairs (MoHUA) with a proposed

29 PMAY-U (Ministry of Housing and Urban Affairs)



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outlay of ~ Rs. 2 lakh crore to curb urban housing shortage initially through four verticals: In-situ slum redevelopment (ISSR), Credit Linked Interest Subsidy (CLSS), Affordable Housing in Partnership (AHP), Beneficiary-led individual house construction or enhancement (BLC). This scheme, with all its verticals, is set to expire by December 2024.



In September 2024, Government of India launched Pradhan Mantri Awas Yojana - Urban 2.0 (PMAY-U 2.0) Scheme with a tenure of 5 years starting from 01.09.2024. This scheme has been designed based on the learnings from PMAY-U 1.0 and has four verticals: Beneficiary led construction (BLC), Affordable Housing in Partnership (AHP), Affordable Rental Housing (ARH) and Interest Subsidy Scheme (ISS).

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The benefits available under the scheme are as follows: -

Table 5.1: PMAY-U 2.0 Scheme details

Scheme Verticals	Subsidy per bed (assuming 4 beds per EWS unit)	Subsidy payable to
<p>Beneficiary led construction Rs. 2.5 lakh per EWS unit is provided to eligible families belonging to EWS categories for individual house construction/ enhancement (30 – 45 sqm carpet area)</p>	Rs. 62,500 per bed	Beneficiary
<p>Affordable Housing in Partnership (AHP): Rs. 2.5 Lakh per EWS unit is provided under two models: -</p> <ul style="list-style-type: none"> • Model 1 – Construction of unit(s) by public sector agencies • Model 2 – Private sector AHP projects (includes ownership through market purchase) <p>Additional TIG Grant of Rs 1000 per sqm available Upper ceiling on sale price to be decided by Govt</p>	<p>Rs. 62,500 per bed</p> <p>Additional TIG Grant – Rs 7500 per bed (if applicable)</p>	Developer
<p>Affordable Rental Housing (ARH) This scheme will be implemented under two models: -</p> <ul style="list-style-type: none"> • Model 1 – Converting existing Govt funded vacant houses into ARH through PPP • Model 2 – Greenfield ARH housing through PPP <p>Benefits include:</p> <ul style="list-style-type: none"> • 10% of total project area permissible for commercial use • Rs 5000 per sqm TIG grant <p>Upper ceiling on rent and annual escalation to be decided by the Govt</p>	Rs. 37,500 per bed TIG Grant (if applicable)	Developer



Scheme Verticals	Subsidy per bed (assuming 4 beds per EWS unit)	Subsidy payable to
Interest Subsidy Scheme: Interest subsidy of 4.0% p.a. for a tenure of 12 years with a maximum NPV of Rs. 1.5 lakh available to EWS / LIG / MIG beneficiaries	Rs. 37,500 per bed	Beneficiary

Source: PMAY – U 2.0 (MoHUA), Author’s analysis

Some components of PMAY – U 2.0 may be leveraged to develop SAFE accommodation even though the subsidy offered under the scheme falls short of bridging the economic gap. The grant available under AHP model 2, if made available for SAFE Accommodation, while retaining the elements of ARHC vertical around renting can substantially reduce the incremental burden on state exchequer.

5.2.2 Affordable Rental Housing (ARH) Scheme under PMAY - U

The ARH may be considered as the most relevant scheme for industrial worker housing, since it is exclusively a rental housing scheme. Most migrants typically relocate individually, seeking temporary lodging in proximity to their workplaces. Given that they often move without their families, their objective is not to settle permanently or purchasing homes in the cities they migrate to, but rather to find convenient, short to medium-term accommodation. However, the ARH component remains unchanged from the original PMAY-U 1.0 framework. A closer analysis of the scheme under PMAY-U 1.0 highlights a low level of private sector participation, as detailed below.

As per the Management Information System (MIS) that is hosted on MoHUA’s website, the average rent for the proposed projects under Model 1 of the ARHC project is just over Rs. 2,500 per month which falls within the affordability range of industrial workers. However, the MIS is still unable to provide accurate locations of the proposed projects, which is a critical determinant of SAFE accommodation. Moreover, data shows that only 7% of the proposed vacant houses have been converted into ARHC units (see details in appendix, Table 6). The conversion rate also does not paint a complete picture since there is no visibility on the occupancy of converted houses.

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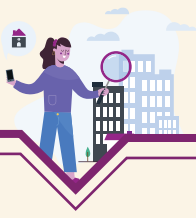
In Model 2 of the ARHC scheme, the government provides certain benefits to reduce the overall cost of constructing and operating ARHC units to encourage Public-Private partnership (PPP). These benefits include:

- i. Operating expenses:** Residential rates charged for operating ARHCs and exempting them from GST and income tax.
- ii. Building and land use:** Change of land use permission needed and 50% additional FAR free of cost.
- iii. Government support:** Loan provided at lower interest rate through concessional window, and grant in the form of Technology Innovation Grant (TIG) is provided for the use of innovative, sustainable, green & disaster resilient technologies.
- iv. Governance:** Single window system for approval of design / drawings and other statutory approvals within 30 days.
- v. Infrastructure:** Necessary trunk infrastructure like road, sanitation services, water, sewerage, drainage, electricity etc. without any additional cost.

While model 2 of the ARHC scheme seems ideal for the construction of SAFE accommodation facilities, the scheme provides very limited financial support, which is in the form of TIG. As a result, this model seems to have low uptake from the private sector. In fact, as highlighted in table 5.2 below, just one state - Tamil Nadu contributes to ~90% of sanctioned units.

Table 5.2: State/ UT-wise details of ARHC units sanctioned for construction by Public/Private Entities under Model-2 of the Scheme:

Name of the City, State	Name of the Entity	Total Units
Sriperumbudur, Tamil Nadu	SPR City Estates Pvt. Ltd.	18,112
Sriperumbudur, Tamil Nadu	SPR Construction Pvt. Ltd.	3,969
Hosur, Tamil Nadu	Tata Electronic Pvt. Ltd.	11,500
Chennai, Tamil Nadu	State Industries Promotion Corporation of Tamil Nadu	18,720
Chennai, Tamil Nadu	Chennai Petroleum Corporation Ltd.	1,040
Raipur, Chhattisgarh	Indian Oil Corporation Ltd.	2,222
Kampur Town, Assam	Guwahati Refinery Indian Oil Corporation Ltd.	2,222



SAFE Accommodation

Worker Housing for Manufacturing Growth

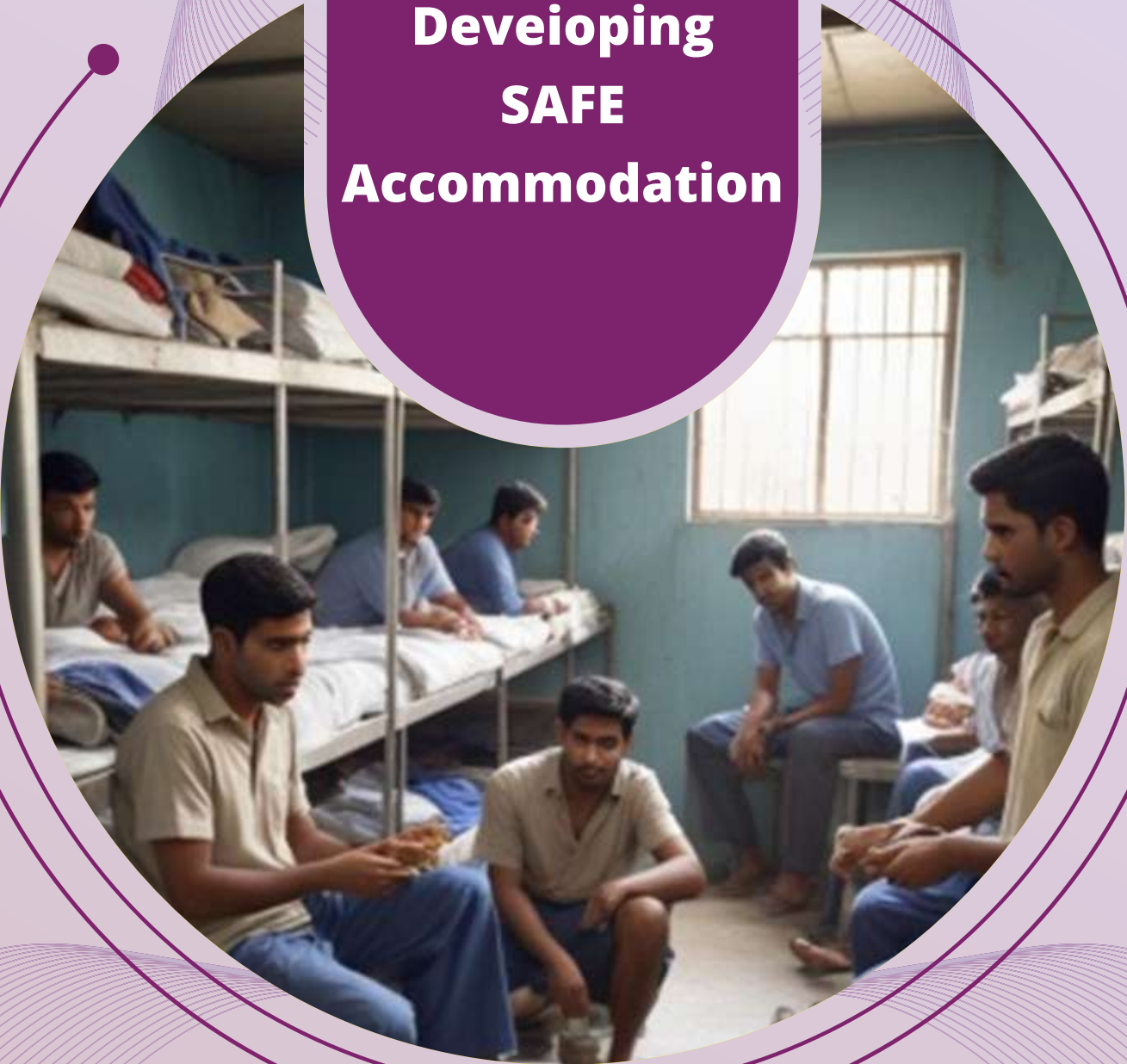
Name of the City, State	Name of the Entity	Total Units
Prayagraj, Uttar Pradesh	Indian Oil Corporation Ltd.	1,112
Surat, Gujarat	Mitsumi Housing Pvt. Ltd.	453
Chennai, Tamil Nadu	SPR Construction Pvt. Ltd.	5,045
Nizampet, Telangana	Sivani Infra Pvt. Ltd.	14,490
Total		78,885

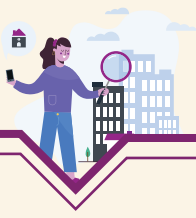
Source: Press Information Bureau, Delhi

To enable large-scale SAFE accommodation development, greater private sector participation should be encouraged, while ensuring that monthly lease rentals remain within the range of how much the workers are willing to pay. The next chapter explores models through which SAFE accommodation facilities can be established.

CHAPTER 06

Models For Deveioing SAFE Accommodation





6. MODELS FOR DEVELOPING SAFE ACCOMMODATION

To address the need for affordable worker housing near industrial sites, a variety of development models can be considered. This chapter outlines four primary models: Government Owned and operated, Government Owned but privately operated, public-private partnership (PPP), and privately owned and operated.

6.1 Overview of the 4 models

6.1.1 Model 1 – Government Owned and Operated

In this model, the government takes full responsibility for financing, constructing and managing workers’ accommodations. These facilities are managed directly by public housing authorities. If such facilities charge lower rents, the maintenance of low rental costs is achieved by foregoing financial returns on the project, facilitated through government budgetary allocations for capital expenditure, operational expenditure, or a combination of both.

Table 6.1: Model 1 Specifications

Parameters	Model Specifications
Government participation	<ul style="list-style-type: none"> Financing, construction and operation of workers’ accommodation units
Private sector participation	<ul style="list-style-type: none"> Limited to construction if at all
Off-take guarantee	<ul style="list-style-type: none"> May or may not be available from anchor industries
Type of model	<ul style="list-style-type: none"> Public procurement
Owner of asset / risk	<ul style="list-style-type: none"> Government / statutory entity
Construction	<ul style="list-style-type: none"> Private contractor / government on EPC basis
Operations and Maintenance	<ul style="list-style-type: none"> Government / statutory entity
Monthly lease rental	<ul style="list-style-type: none"> Determined / subsidised by the government.

Source: Working group discussions

This model faces challenges in scaling up due to the financial constraints inherent in this approach. Building such accommodations at scale would require a significant allocation of government funds, which might not be feasible. This limits the government’s ability to replicate this model across multiple regions or to meet the rapidly increasing workers’ accommodation demand.



An example from this model includes the working women’s hostels developed in Thozhi by the Tamil Nadu Working Women’s Hostel Corporation Limited (TNWWHCL). These include 10 hostels offering 1,140 beds in total. Additionally, SIPCOT’s Corporate Social Responsibility (CSR) funds were used to build hostels for 400 men and 600 women in Nerupperichal and Tirupur. These hostels are planned to be operated and maintained by TNWWHCL.

6.1.2 Model 2 – Government Owned and Privately Operated

This model involves government-funded construction of housing, with private operators managing day-to-day operations and maintenance under performance-based contracts. Like Model 1, this approach also faces capital limitations, which prevent scalability.

Table 6.2: Model 2 Specifications

Parameters	Model Specifications
Government participation	<ul style="list-style-type: none"> Financing and construction of workers’ accommodation units
Private sector participation	<ul style="list-style-type: none"> Operation and maintenance of workers’ accommodation units
Off-take guarantee	<ul style="list-style-type: none"> May or may not be available from anchor industries
Type of model	<ul style="list-style-type: none"> O&M PPP model
Owner of asset/risk	<ul style="list-style-type: none"> Government / statutory entity
Construction	<ul style="list-style-type: none"> Private contractor / government
Operations and Maintenance	<ul style="list-style-type: none"> Private concessionaire
Monthly lease rental	<ul style="list-style-type: none"> Determined / capped by the government

Source: Working group discussions

Examples from this model include worker hostels in Irungattukottai and Sriperumbudur, which were constructed and funded by SIPCOT. These hostels are managed and maintained by a private concessionaire under an operations and maintenance (O&M) agreement. As part of the arrangement, the concessionaire shares 10% of the rental revenue with SIPCOT. This model is similar to the Toll Operate Transfer (TOT) model used



in road infrastructure projects. Private operators are involved in managing the asset and sharing a portion of the revenue — rental income in workers’ accommodation or toll collections in road projects — with the government.

Another example of this model would include the ‘Scheme for Special Assistance to States for Capital Investment 2024-25’, where Rs. 5,000 crore is earmarked for constructing working women’s hostel in PPP model. The Scheme states that under the model, the ownership of the hostel would be vested with the State Government, while operational and maintenance will rest with a private party. The scheme also states the land for the hostels would be made available by the state government free of cost.

6.1.3 Model 3 – Public-Private Partnership (PPP)

The PPP model shares responsibilities between the government and private sector, with the government often providing land and / or subsidies and private entities handling construction and management. This approach enables cost-sharing and scalability, making it ideal to cater to high-demand.

Table 6.3: Model 3 Specifications

Parameters	Model Specifications
Government participation	<ul style="list-style-type: none"> Viability gap funding (VGF) proposed under the “Financial support to Public Private Partnerships in Infrastructure” scheme of GoI
Private sector participation	<ul style="list-style-type: none"> Financing, construction, maintenance and operations of workers’ accommodation units
Off-take guarantee	<ul style="list-style-type: none"> Concessioning Authority (with back-to-back guarantees from anchor units to the tune of at least 50% capacity)
Type of model	<ul style="list-style-type: none"> Design, Build, Finance, Operate, and Transfer (DBFOT)
Owner of asset / risk	<ul style="list-style-type: none"> Government / statutory entity (with concession rights to PPP developer). Optimal allocation of risks to both parties under PPP framework
Construction	<ul style="list-style-type: none"> Private concessionaire selected through open competitive bidding
Operations and Maintenance	<ul style="list-style-type: none"> Private concessionaire
Monthly lease rental	<ul style="list-style-type: none"> Capped at a pre-determined rate estimated as per scheme guidelines and specified in the concession agreement (annual escalation is also predetermined) for the duration of the concession

Source: Working group discussions



In this model, the government will run a competitive bidding process to determine the actual VGF amount which would be made available pari passu equity and debt funds. The government will also identify a potential site for the project, undertake feasibility study (including financial feasibility) and run the bidding process.

An example of this model would include the central grant for workers' accommodation under PPP available under PM Mitra Scheme. However, currently, no VGF scheme is operational for large scale workers' accommodation.

6.1.4 Model 4 – Privately Owned and Operated

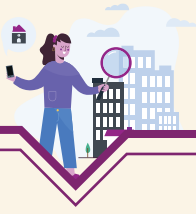
Under this model, private developers independently finance, build, and manage workers' accommodations, sometimes with minimal government support. This model is the most efficient for rapid asset creation.

Table 6.4: Model 4 Specifications

Parameters	Model Specifications
Government participation	Limited to capital subsidy on construction if at all
Private sector participation	Own, finance, construct, operate, maintain workers' accommodation units
Off-take guarantee	As agreed with user industries
Type of model	Private Procurement
Owner of asset / risk	Private landowner / developer
Construction	Private EPC contractor
Operations and Maintenance	Private service provider
Monthly lease rental	Market determined

Source: Working group discussions

There are numerous cases of small to medium sized captive workers' accommodation provided by private entities. For example, textile and apparel firms such as Kittex in Kerala, Vardhman and Trident in Madhya Pradesh provide accommodation for their workers. In industrial areas of cities, some employers used to provide tenements for factory workers, such as in the chawls of Mumbai and Ahmedabad³⁰. However, none of these have come up at a large scale.



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Table 6.5: Overview of the 4 models for developing workers' accommodation

	Model 1: Government owned and operated	Model 2: Government owned and privately operated	Model 3: Public Private Partnership (PPP)	Model 4: Privately owned and operated
Scalability	Low (Due to capital constraints)	Low (Due to capital constraints)	High	High
Financial viability constraints	No	No	Yes – addressed through VGF	Yes - partly addressed through capital subsidy and partly through market determined lease rental
Speed of asset creation	Low	Low	Medium (Considering the tendering process)	High
Affordability of lease rental (for a min wage worker)	Yes	Yes	Yes	No

Source: Working group discussions

While Model 3: Public Private Partnership (PPP) is the most scalable model to provide affordable workers' accommodation.



6.2 Enabling market led models of developing workers' accommodation

6.2.1 Leveraging the Viability Gap Funding (VGF) scheme for Model 3: Public-Private Partnership (PPP) in Workers' accommodation

The Public Private Partnerships in Infrastructure Viability Gap Funding (VGF) scheme³¹ was introduced by the Government of India in 2006 to provide financial support to Public-Private Partnership (PPP) projects in infrastructure sectors that are essential for economic development but face financial viability challenges. Over time, the scheme has been revised and expanded to include social sectors like education and health, thereby addressing critical gaps in areas essential for economic and social development. While the list of eligible sectors for the scheme currently applicable does not include affordable rental housing, the Union Budget 2024-25 announcement on affordable rental housing presents an opportunity to get this sector included.

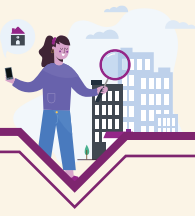
Key features of the VGF Scheme include:

- i. **Financial Support:** Grants are provided to cover up to 20% of the total project cost for infrastructure projects and up to 40% for social sector projects like education and healthcare.
- ii. **Competitive Bidding:** Private sector entities are selected through open, competitive bidding to ensure transparency and efficiency.
- iii. **Government Collaboration:** Additional funding support of up to 20% (infrastructure) or 40% (social sectors) may be provided by the sponsoring Central Ministry or State Government.

Application to Workers' accommodation in a PPP Model:

Model 3: Public-Private Partnership (PPP) can effectively leverage the VGF Scheme to develop SAFE accommodation, addressing the affordability and financial viability challenges of such projects. Here's how the scheme can be applied:

- i. **Government Contribution:** The government provides VGF support to reduce the capital cost of building workers' accommodations. This reduces the financial risk for private developers, encouraging their participation in the project.
- ii. **Private Sector Role:** The private developer, selected through competitive bidding, is responsible for financing, constructing and operating the



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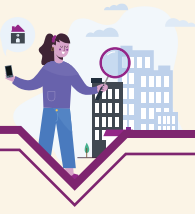
accommodations under a concession agreement. This ensures the use of private sector expertise for efficient project implementation and management.

- iii. **Revenue Generation:** User charges (lease rentals from workers) are structured to ensure affordability while providing an attractive IRR for the private developer. The VGF helps bridge the gap between the revenue generated and the financial viability of the project.
- iv. **Ensuring Affordability:** By capping lease rental as part of the project design, the scheme ensures that workers' accommodations remain affordable. The government's financial support compensates for the reduced revenue from capped charges.

CHAPTER 07

Recommendations And Way Forward





7. RECOMMENDATIONS AND WAY FORWARD

The SAFE Accommodation initiative seeks to address significant challenges in providing affordable and accessible housing for India's industrial workforce. This report provides a comprehensive overview of the regulatory and economic barriers that prevent large scale worker dormitories to be developed for industrial workers.

One of the primary obstacles is inflexible zoning laws, which prohibit residential developments in industrial zones unless explicitly permitted, preventing workers' accommodations near factories and forcing employees to live far from their workplaces. This increases commuting costs and fatigue, impacting productivity and retention. Additionally, conservative building bye-laws, such as low FAR and other inefficient land-use regulations, limit the potential to construct high-capacity housing on available land. Operating costs further escalate due to inconsistent hostel regulations across states, with some accommodations being classified as commercial establishments, leading to higher property taxes and utility rates. These factors deter private sector participation, as high capital costs and low returns make large-scale projects financially unviable. As a result, the limited availability of quality workers' accommodation, particularly for women, hampers migration, reduces workforce participation and weakens the competitiveness of the manufacturing sector.

The following section provides a roadmap to create scalable and sustainable large scale SAFE accommodation facilities across the country.

7.1 Summary of recommendations

Our recommendation is to launch a SAFE Accommodation Scheme that enables viability gap funding for SAFE Accommodation projects from the central government, available to states conditional on Regulatory reforms.

7.1.1 Salient aspects of the scheme:

i. Classification of SAFE Accommodation

SAFE accommodation should be classified as a distinct category of residential housing. This classification would ensure:

- **GST Exemption:** According to the GST circular³², accommodation services are exempt from GST if the value of supply is ₹ 20,000 or less per person per month, provided the accommodation is supplied for a minimum continuous period of 90 days. The understanding of the working group on SAFE accommodation was that it meets these criteria, and therefore should be covered under this exemption.



However, this may be clarified by the appropriate authority to ensure that there is no ambiguity in this matter.

- Residential Rates: Application of residential property tax, electricity, and water tariffs to reduce operating costs.
- Exclusive Focus on Workers: Long-term, dormitory-style accommodations designed exclusively for industrial workers, located near their workplaces.
- Environment Clearance Exemption: The Ministry of Environment, Forest and Climate Change (MoEF&CC) on November 07, 2024, issued a draft notification No. S.O. 4844(E) to amend item 8 of an older notification No. S.O.1533(E), dated September 14, 2006, related to Environmental Clearance requirements for various building construction projects. The draft specifies that certain projects or activities including industrial sheds, schools, colleges, and hostels for educational institutions, are excluded from these requirements. SAFE accommodation projects should also be included in this list of exempted projects.

ii. Financial support envisaged from the Centre

- Provision of Viability Gap Funding to bridge the financial viability gap for developers building SAFE accommodation on government owned land by leveraging the VGF scheme of Department of Economic Affairs (DEA):
 - » Quantum of VGF: Provide up to 30% of the total project cost (excluding land) through VGF, with 20% contributed by the Department of Economic Affairs (DEA) and 10% by the sponsoring nodal ministry. Additionally, State Governments may provide a VGF up to 10%. (VGF of up to 40% of the total project cost can be provided as per the VGF scheme of DEA). The VGF can also be leveraged to retrofit / upgrade existing brownfield workers' accommodation facilities.
 - » Competitive Bidding: Determine VGF support through a transparent and competitive bidding process.

iii. Conditions to be met by states for availing VGF support under the proposed scheme

Specific criteria to qualify for VGF support through S.A.F.E. Accommodation Scheme:



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- Zoning Reforms: Allow mixed land use in industrial zones or designate SAFE accommodation as a permitted use in industrial zones to enable unrestricted construction.
- Building Regulation Reforms:
 - » FAR should be liberalised such that building height can be decided based on cost efficiency considerations (as per the model discussed with developers, at least construction of 5 floors should be enabled).
 - » GCR for the building may be more than 60% of the total area. Parking, amenities and setbacks are to be included in the remaining open area (<40% of total area). These regulations should be revised regularly to enable improvements in cost effectiveness.

7.1.2 Amendment to the VGF Scheme

Annexure 3 of the Viability Gap Funding (VGF) Scheme of DEA to be amended to include Affordable Rental Housing in the list of eligible sectors to enable SAFE accommodation facilities to avail the scheme.





7.2 Way forward

A pilot phase may be launched in selected champion states to prove the concept. The pilot will seek to address challenges on:

- Building developer and investor confidence
- Building state capacity to identify, design, tender and implement SAFE accommodation projects
- Enhancing speed of creating large scale SAFE accommodation facilities in the country

The pilot phase of the scheme shall be for a period of 2 years. Upon satisfactory offtake of the pilot scheme, the SAFE accommodation scheme will be rolled out for a period of 4 years, which can be extended by another 4 years as per requirement.

To ensure sustained focus and coordinated action, “Mission SAFE Accommodation” will be institutionalized. This will involve setting up a dedicated Project Management Unit (PMU) within the Ministry of Housing and Urban Affairs (MoHUA) to oversee the initiative. The PMU will coordinate central and state-level efforts, monitor progress, address challenges and suggest policy and implementation adjustments.

Table 7.1: Summary of roles and responsibilities

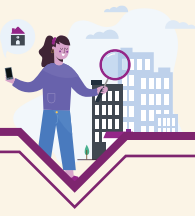
	Sl no.	Reform category	Body responsible
Economic unlock	1.	Formulation and implementation of SAFE accommodation scheme, launching the pilot phase, monitoring the progress of the mission	Nodal ministry – MoHUA
	2.	Identification of land parcels / regions for provision of SAFE housing	State government
	3.	Running tender process and co-ordinating with central government	State government
Regulatory unlock	4.	Implementing zoning reforms	State / city level departments that govern the use of land
	5.	Implementing building reforms	State / city level department that govern building regulations
	6.	Charging residential rates for property tax, electricity and water tariffs	State / city level departments

Source: Working group discussions



SAFE Accommodation
Worker Housing for Manufacturing Growth





ANNEXURE-1

F.No.13(63)/2024-I&M(I)
NITI Aayog
(Industry & Foreign Investment Vertical)

Sansad Marg, New Delhi
13th August, 2024

OFFICE MEMORANDUM

Subject: Constitution of a Working Group on Site Adjacent Factory Employee (S.A.F.E.) Accommodation - reg.

In the journey of the country towards Viksit Bharat @ 2047, manufacturing sector will continue to play a pivotal role. This will require enhanced competitiveness of the sector, which relies on wellbeing and productivity of the workforce. Site Adjacent Factory Employee (S.A.F.E.) accommodation is not only key to welfare of workers but also increases productivity of manufacturing units. Accordingly, a Working Group with the following composition is being considered to develop actionable strategies for scaling workers' accommodation across industrial sectors.

- i. Shri Ishtiyaque Ahmed, Senior Adviser (Industry & Foreign Investment),
NITI Aayog - Chair
 - ii. Representative from MeitY
 - iii. Representative from DPIIT
 - iv. Representative from MoHUA
 - v. Representative from Department of Economic Affairs
 - vi. Representative from Ministry of Textiles
 - vii. Representative from M/o MSME
 - viii. Representative from Government of Tamil Nadu
 - ix. Representative from Government of Uttar Pradesh
 - x. Representative from Janagraaha
 - xi. Representative from Foundation for Economic Development (FED)
 - xii. Shri Upendra Kumar Gupta, Deputy Adviser - Member Secretary
2. The Terms of Reference (ToR) will include providing advisory on:
- i. Evaluation of existing state of workers' accommodation in key industrial regions, including best practices and challenges.
 - ii. Assessment of the regulatory, financial, and operational barriers hindering the expansion of workers' accommodation.
 - iii. Suggestions on scalable and sustainable market based models for workers' accommodation that can be adopted across industrial sectors.
 - iv. Recommendations that can be implemented by both Central and State Governments to encourage the development of workers' accommodation.

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3. The Group may opt new members as may be needed to address the different ToRs.

4. TA/DA for non-official members of the Working Group will be borne by NITI Aayog as per the extant rules of Government of India.

5. Working group may submit its report in next three months

This issues with the approval of the competent authority.

A handwritten signature in blue ink that reads "Abhishek".

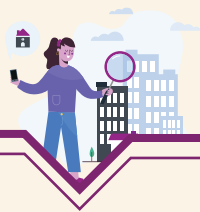
Abhishek Mukherjee
Research Officer (Industry)
011-23096539

**To,
All Members of the Working Group**

Copy to:

(i) PSO to CEO, NITI Aayog

(ii) PPS to Senior Adviser (Industry & Foreign Investment), NITI Aayog



ANNEXURE-2

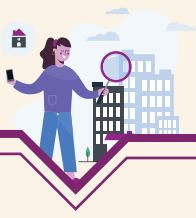
Representatives in the Working Group of S.A.F.E. Accommodation

- i. Mr. Ishtiyaque Ahmed, Senior Adviser, NITI Aayog- Chair
- ii. Mr. Solomon Arokia Raj, Joint Secretary, D/o Economic Affairs
- iii. Ms. Anuja Bapat, DDG, M/o MSME
- iv. Mr. Kuldip Narayan, Joint Secretary & MD (Housing for All), MoHUA
- v. Mr. PS Reddy, Adviser, NITI Aayog (co-opted)
- vi. Mr. Akhilesh Kumar, DDG, M/o Textiles
- vii. Ms. Pratima Singh, Director, DPIIT
- viii. Mr. Nirmod Kumar, Director, MeitY
- ix. Mr. Piyush Doshi, Operating Partner, FED
- x. S Krishnan, Head-Strategy & Partnerships, Janaagraha
- xi. Dr. K. Senthil Raj, MD, SIPCOT, Govt of Tamil Nadu
- xii. Ms. Kumud Chaudhary, District Economics and Statistics Officer, Govt. of UP
- xiii. Mr. Upendra Kumar Gupta, Deputy Adviser, NITI Aayog- Member Secretary



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APPENDIX

Table 1: Building size for 5,000 accommodation beds

Building size	#	Area (sq ft)	Total Area (sq ft)	Remarks
Dormitory rooms	834	226	1,88,521	6 workers per dorm, 38 sq ft per person
Core living area (in sq meters)			1,88,521	
Common Washrooms Toilets	167	71760	71,760	One common toilet / 30 beds measuring 400 sq ft 10 baths, 10 WCs + washbasins
Waiting Area	1	3250	3229	65 sq ft for every 100 persons
Administrative Room	1	2150	2153	43 sq ft for every 100 persons
Common Room	1	5400	5382	10.8 sq ft / 10 persons
Dining Room/Hall	1	23333	17,940	14 sq ft / person and capacity to accommodate 1/3rd population
Kitchen/Pantry	1	8000	8,073	30% of the total area of the Dining Space or @ 1.6 sq ft per person, whichever is greater
Wardens living quarters	25	97	2422	1 warden for 200 people, 97 sq ft per room
Sick room	50	103	5167	1 room for 100 people, 103 sq ft per room
Non-living area (in sq ft)			1,16,126	
Total (in sq ft)			3,04,646	
Common Areas (Circulation area & walls)			91,394	30% of living + non-living areas
Total Built up area (in sq ft)			3,96,040	
Area per person (living + non-living)			80	



Table 2: Building cost for 5,000 accommodation beds

Building cost	% of construction cost	Total cost (per sq ft)	Remarks
Cost of construction (per sq ft)		₹ 1,865	Based on CPWD Plinth Area Rates 2023
Water supply & Sanitary installation	8%	₹ 149	
Electrification	8%	₹ 149	
Contingencies	3%	₹ 56	
Architect's fees and approvals	6%	₹ 114	
Cost of furniture and fixtures	10%	₹ 187	
External development	20%	₹ 373	Sewage treatment plant, Rain water harvesting, internal roads, street lighting, landscaping, compound wall
Total rate (per sq ft)		₹ 2,893	Based on 2023 CPWD rates
Contractors margin	15%	₹ 434	
Total construction rate		₹ 3,327	
Estimated building area		3,96,040	
Total cost of building + external infrastructure (in Rs. Cr)		~₹ 132	
Capex per bed (In Rs. Lakhs)		~ ₹ 2.6	

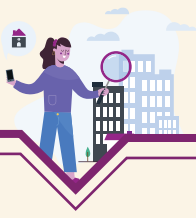


Table 3: Cap-ex and opex assumptions

Particulars	Assumptions	Remarks
Land cost per acre	1 crore	
Land needed for 5,000 accommodation beds	approx. 4 acres	
Duration of the model	30 years	
Capex calculations	Amount in Rs. Cr	Remarks
Land	4	
Civil Works	56	
Electrification	4	
Water Supply and Sanitary Installation	4	
Others	3	
Furniture and Fixtures	5	
Opex calculations	Amount in Rs. Cr	Remarks
Water Cost	0.2	Rs 150 / kiloliter
Electricity Cost	3.5	Rs 8.7 / kwh
Property Tax	0.6	Rs 12 / sqft
Manpower Cost	2.7	60 guards, 40 working staff, 20 wardens, 5 administrative mangers
Maintenance Cost (in %)	0.5%	



Table 4: Overview of bye-laws studied

State / city	Manufacturing clusters	Building Bye-Laws	Accommodation type
Maharashtra	MIDC, Pune	MIDC DC Rules, 2009	Residential
Punjab	Ludhiana	Punjab Building Rules, 2021	Group housing
Uttar Pradesh	Yamuna expressway, Noida	The New Okhla Industrial Development Area Building Regulation, 2010	Group housing
Odisha	Bhubaneswar	Odisha Development Authorities (Planning and Building Standards) Rules, 2020	Low risk buildings
Karnataka	Kolar, Narasapura	Kolar Revised Masterplan 2021	Residential
Gujarat	Dholera	Gujarat Comprehensive General Development Control Regulations - 2017	Residential
Madhya Pradesh	Vistara Township, Indore	Madhya Pradesh Bhumi Vikas Rules, 2012	Group housing
Delhi	Okhla	Unified Building Bye-laws for Delhi 2016	Group housing
Tamil Nadu	Sriperumbudur, Kanchipuram	Tamil Nadu Combined Development and Building Rules, 2019	Non High Rise Buildings
Telangana	Maheshwaram, Rangareddy	Andhra Pradesh Building Rules, 2012	Non-high rise building - group development

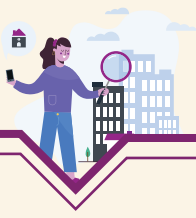


Table 5: State wise building regulations (1/2)

State / City	FAR	GCR	Setback (average of all sides and scenarios w.r.t approach road)
MIDC (Maharashtra)	1	Not mentioned (assumed 100%)	3.75m
Ludhiana (Punjab)	2.5 (FAR depends on approach road, taken an average)	30% of Site area	6m
Noida (Uttar Pradesh)	2.75	35 - 40%	6m
Bhubaneshwar (Odisha)	2	Not mentioned for low risk buildings (assumed 100%)	2.5m
Kolar (Karnataka)	1.75	40%	6m
Dholera (Gujarat)	1.2	Not mentioned for residential zone (assumed 100%)	5m
Indore (Madhya Pradesh)	2 (Based on density, we have considered highest density)	35% (Based on density, we have considered highest density)	8m
Okhla (Delhi)	2	40%	12.75m
Sriperumbudur (Tamil Nadu)	2	Not mentioned for non-high rise building (assumed 100%)	4.20m
Rangareddy (Telangana)	NA (assumed to be unlimited)	Not mentioned (assumed 100%)	4.5m



ANNEXURE 1 Building regulations (2/2)

State / City	Amenity	Parking
MIDC (Maharashtra)	10%	Not mentioned
Ludhiana (Punjab)	Minimum 25% of site area	1 ECS per Dwelling Unit of 90sqm + Additional 10 % guest parking
Noida (Uttar Pradesh)	15%	One ECS / parking space per 80sqm of permissible FAR area
Bhubaneshwar (Odisha)	Not mentioned beyond setbacks	30% parking area to be provided as % of total built up area towards FAR
Kolar (Karnataka)	Minimum of 10% of the land shall be reserved for park & Open space	Min car parking space : 2.50 m x 5.50 m 2 tenements each having a carpet area of 101 to 200 sq.m.
Dholera (Gujarat)	10% of the area of Building	20% of Total Utilised FSI
Indore (Madhya Pradesh)	Minimum open area - 10% of layout	Covered parking may be provided as per the requirements of the project
Okhla (Delhi)	Rate of 0.6% of permissible FAR shall be allowed free from FAR to cater to community need	2.0 ECS/100 sq.m built up area
Sriperumbudur (Tamil Nadu)	Not mentioned	Residential buildings in Panchayat areas - 1 car space for every 100 sq.m.
Rangareddy (Telangana)	Minimum of 10% of site area	30-25% of the total build up area

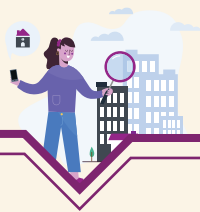


Table 6: State / UT-wise progress under Model 1 of the ARH scheme under PMAY 1.0

Sl No.	State	No. of Houses available for ARHCs	Converted into ARHCs	Conversion
1	Arunachal Pradesh	752		
2	Chandigarh	2,195	2,195	100%
3	Delhi	29,112		
4	Gujarat	4,414	2,467	56%
5	Haryana	2,545		
6	Himachal Pradesh	314		
7	Madhya Pradesh	364		
8	Maharashtra	32,345		
9	Nagaland	664		
10	Rajasthan	4,884	480	10%
11	Uttar Pradesh	5,232		
12	Uttarakhand	377	170	45%
13	Jammu & Kashmir	336	336	100%
	Total	83,534	5,648	7%

Source: Ministry of Housing and Urban Affairs

Designed by:





सत्यमेव जयते

NITI Aayog