

Affordable Housing Institute

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The challenge and opportunity of slums

HBS India Conference ♦ Real Estate and Infrastructure ♦ 10:45 am Sunday, 15 March
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The 21st century's great problem; see [Century of the City](#)

Making cities work is the 21st century's great problem.

Between 1995 and 2025, the world will undergo urbanization never been seen before and that will never be seen again. The world's success or failure in its transformation to cities will define the twenty-first century.

Cities will compete on their relative efficiency

To quote Rakesh Mohan, Deputy Governor of the Reserve Bank of India:

With increasing free trade in services, the price of traded products has almost stabilized across the world. Goods now have very similar prices everywhere; therefore, no city has any advantage over any other in traded goods. Comparative advantage of nations will increasingly lie in the relative efficiency of their cities.

City efficiency demands slum upgrading

Making cities efficient requires improving their slums. People move to cities to make money, and slums arise when private investment outruns public infrastructure. Mohan again:

If the world is urbanizing, it's because people think it's a good idea. Yet our urban planning as a 'third-class carriage' mentality: I'm inside, don't you dare come in, you're much better off where you are.

What defines a slum? Many different indicators ...

- Spontaneous community of people pursuing urban work (even if informal).
- Low-value land in close walkable proximity to urban jobs (even if informal).
- Where private investment has outrun public infrastructure.
- Wealth is extracted from slum dwellers and not invested in the community.

Which comes first, the slum or the city? Private structures or public infrastructure?

Because there ain't no such thing as free infrastructure, slums exist and expand long before communities embrace them. Eventually incumbency, physical durability, and sheer mass mean that municipal powers-that-be have to formalize slums in municipal and political self-interest and self-defense.

"Money + Votes = Power"

When does a slum formalize?

When (a) slum land becomes really valuable if redeveloped, (b) residents secure anti-eviction protection, either judicial or political, and (c) development becomes so profitable it can fund the non-recoverable upgrading costs.

Home Asset Finance

Between microfinance and mortgage finance is a netherworld that we have dubbed Home Asset Finance; lending to finance purchase or improvement for quasi-formal or quasi-legal structures. We are working with SEWA Bank in Ahmedabad on such housing-finance products; **need experts in Indian law!**

India, Mumbai, and Dharavi

Mumbai and Dharavi are a quintessential urban problem. Mumbai's combination of anti-eviction laws and Transferable Development Rights (TDRs) gives slumdwellers leverage. Meanwhile, Dharavi's scale and complexity make its redevelopment a highly complex challenge. We work with SPARC and the National Slum Dwellers Federation on places like Dharavi.

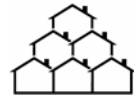
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Rev 03/09

The Affordable Housing Institute: an introduction

1. AHI in a sentence
The Affordable Housing Institute is a non-profit research and consulting firm that improves the housing finance ecosystems of countries around the world, with a particular focus on the global south.
2. What is a housing ecosystem?
Housing is an output produced by a complex network and environment (the "ecosystem") that encompasses cultural traditions, laws, financial resources, economic activity, interest and inflation rates, real estate and financial practice, government and financing programs, people and physical infrastructure. Every country's ecosystem is interdependent and always evolving. All have principles in common. No two are alike.
3. AHI's core beliefs
At AHI, we have three core beliefs about rapidly urbanizing environments:
 1. Housing is a driver of improving cities. Housing is what defines and makes neighborhoods.
 2. Mission Entrepreneurial Entities (MEEs) are a major catalyst of change in urban housing. NGOs, CBOs, CDCs, or HAs drive change by turning ideas and political will into tangible pilots and then into ongoing programs and policies.
 3. The ability to use and lever capital is a critical factor in MEE growth. Without it, their efforts stay small. With it, they reach scale and have greater impact.
4. Our distinct value proposition
Our background is rare in this space:
 - Our founder has thirty years' program participant experience in complex finance of US public-private affordable housing; twenty years' experience in impelling legislative and programmatic change; and nearly a decade in international housing work helping global clients make progress on policy, programs and business development.
 - Our Executive Director has 17 years of affordable housing development and underwriting experience in both the for-profit and non-profit sectors.
 - Our Research Director has 10 years experience in Brazil as a public housing official, an academic and as an architect.We have conceived, designed, negotiated, and executed financial programs, development projects and legislative initiatives. We work in the world of real. But we look beyond what currently exists, to see what is possible.
5. Research and consulting are symbiotic
AHI's work spans both research and "low-bono" consulting.
 - *Our research* reaches around the world to explore, test, refute, or demonstrate the three postulates. Aside from exploratory studies, we are active in symposia, conferences, and workshops, and we write and publish extensively.
 - *Our consulting* puts this knowledge into practice by helping particular MEEs grow their activity, mainly with world-class financial product design and business strategic development and growth.
6. AHI's customers ...
... work for the broader public benefit. They include governmental entities, parastatals, donors, foundations, associations, and MEEs.
7. Where we've worked
Alphabetically: Brazil, Egypt, India, Ireland, Kenya, Panama, South Africa, Sri Lanka, Turkey, and the United Kingdom.
8. Expansion
Early in 2008, AHI received a \$1,000,000, two-year research grant from the Bill & Melinda Gates Foundation. Using it, we will be launching a more robust research and information exchange effort. We actively seek new partnerships in this work.

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