

(Draft)

# **MODEL GUIDELINES FOR URBAN LAND POLICY**

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## 1. INTRODUCTION

According to the 2001 Census, 27.8 per cent of the population resides in urban areas. This figure was 25.5 per cent in 1991. The urban population is expected to rise to around 40 per cent by 2020. As India's cities continue to swell, the challenge of improving urban infrastructure is enormous. While the number of urban centres doubled between 1901 and 1991, the urban population increased eight-fold, resulting in a top-heavy urban settlement hierarchy. The demographic trends of urbanization are accompanied by a change in the management and financing of urban development as a result of liberalization.

The unprecedented urbanization process has been fueled by rapid economic growth and even more rapid industrialization especially in the past three decades or so. With globalization, this trend of rapid economic growth and urbanization is likely to continue and further increase. In 1901, Kolkata was the only metropolitan city (million plus) in the country. The number of metropolitan cities increased to 5 in 1951, 12 in 1981, 23 in 1991 and 35 in 2001. The 35 metropolitan cities together accounted for a population of about 108 million in 2001 i.e., 39 per cent of urban population of the country. It is expected that this number would be about 85 by 2051.

By 2051, India would be most populous country with 1.70 billion people and per capita land availability would be 0.19 ha. By 2051, 820 million people will live in urban settlements constituting about 48 % of the total population and there would be 6500 urban settlements [(including 15 mega cities, 85 metropolitan (million plus) cities] by 2051. Cities in the country would emerge as centers of both hope and despair: while being engines of economic and social development they may also be congested centers of poverty and environmental degradation.

The urbanization process will naturally lead to a large amount of prime agricultural land being converted to urban land, mostly in the periphery. However, at the same time it is observed that a large majority of the new urban population does not have easy access to land and that much of the new development is not adequately serviced resulting in unauthorized and haphazard development particularly in the urban fringe areas.

Current practices and policies regarding urban land use and development cannot manage the situation efficiently and major efforts are required to improve land market efficiency. Furthermore, there is a need to control rampant land speculation and to provide alternative investment opportunities. The sheer magnitude of the urbanization and the limited government and private resources call for devising an efficient urban land management system. It has to be seen that continued economic growth in the country has had direct bearing on the efficient and productive guidance of the urbanization process along with key issues like employment generation, provision of housing and infrastructure development which are also required to be addressed

Land is the most crucial input for housing and urban development programmes. The formulation of these programmes and the implementation process is highly dependent on the larger availability of developed land at appropriate locations and the potential for further development through extension of infrastructure. Hence, it is necessary to frame *Model Guidelines for Urban Land Policy*. The key to formulating an effective policy is to first understand the existing realities and processes on the ground and then to determine ways and means of reducing the negative impacts of these processes and maximizing their positive impacts. The overall objective of any urban land policy should be to ensure that land markets are efficient, equitable and environmentally sound and sustainable.

Burgeoning spatial growth backed by development of new townships, special economic zones, hi-tech cities, export promotion industrial parks etc. are going to put enormous pressure on the availability of land with regard to conversion from non urban

to urban uses. The new developments may foresee a scenario wherein the stakes of rural dwellers will compulsorily have to be taken into consideration. It is, therefore, essential to ensure the utilization of available land in the urban areas in the most judicious manner. As such, the Model Urban Land Policy should also address imperfections in landmarket, inequitable distribution of land, undesirable land prices and interest of the stakeholders concerned along with government interventions.

It has also been felt that urban development policies are often prepared on a piece-meal basis in response to specific demands from interest groups. This type of ad-hoc policy formulation creates distortions. Hence, there is a need to formulate clear objectives for urban land policy. While specific objectives would vary from State to State the overall objective of the policy should be to ensure that land markets are efficient and equitable.

The objectives of the Model Urban Land Policy are

- To suggest measures for overcoming inefficiencies, distortions and inequities in the urban land market.
- To discuss existing land management / assembly techniques and related problems in urban land market.
- To highlight leveraging land as a resource for urban development.
- To recommend actions for optimal use of land in the core areas and significant increase in the overall supply of land for urban uses.
- To propose a model for alternative to compulsory land acquisition.

## **2. EARLIER ATTEMPTS AT FORMULATING URBAN LAND POLICY**

The Urban Land Policy Committee (Ministry of Health) appointed by the Government of India in 1965, articulated the following Land Policy Objectives

- To achieve optimum social use of urban land;

- To make land available in adequate quantity, at right time and at reasonable prices to both public authorities and individuals;
- To encourage cooperative community effort and bona fide individual builders in the field of land development, housing and construction;
- To prevent concentration of land ownership in a few private hands and to safeguard the interests of the poor and under - privileged sections of the urban society.

In addition, a commonly held objective was,

- To use land as a resource for financing urban development by recouping the unearned income which otherwise accrues to private land owners. (Fifth Five Year Plan)

The Task Force on Planning of Urban Development appointed by the Planning Commission rephrased the objective 4 mentioned above in the following words:

*To widen the base of land ownership specially to safeguard the interests of the poor and under - privileged sections of the urban society and proposed following two objectives;*

- To encourage socially and economically efficient allocation of urban land such that urban development is done in a resource conserving manner and that the magnitude of land used is optimal;
- To promote flexibility in land-use in response to changes resulting from a growing city.

The Report of the Committee on Land Policy observed that to realize the objectives there is no escape from large scale public acquisition if the question of guiding urban development or the provision of adequate housing and other facilities is to be tackled effectively. Further, large scale advance acquisition of land would really be in

the interests of the society as a whole. It is by far the best and perhaps the only way to put an end to speculation in land and to capture subsequent increases in land values. These surpluses, where realized by the public authorities, should benefit the community in more ways than one.

The most important experiment of large scale public acquisition of land for urban development has been that of Delhi Development Authority (DDA). However the results have been quite contrary to expectations. It is generally observed that (Planning Commission, 1983);

- It has not been possible for DDA to provide land at affordable prices to low income beneficiaries resulting in large scale jhuggi jhonpri colonies.
- In the absence of price control, land has been sub optimally used, resulting in over provision to powerful groups, and
- DDA policy to auction very few plots at a time and treating the maximum price quoted in such bidding as the real market price has in fact meant artificially increasing the land price through deliberate scarcity.

The rephrasing of the objectives identified by the Urban Land Policy Committee in 1965 by the Task Force in 1983 is therefore indicative of the realization of severe limitations of large scale public ownership of land as a means of achieving the land policy objective.

### **3. LAND ASSEMBLY / MANAGEMENT IN URBAN AREAS**

The value of urban land India is largely influenced by the prevalent market forces, which directly or indirectly determines the supply and demand for land. The value of land increases as demand exceeds supply. As the urban economy grows, its economic structure changes due to which improvements in economic conditions are felt. The increase in household income creates a desire for better housing and living conditions and a better quality of life. As a result, demand for urban land increases

especially for built up areas to be utilized for residential, commercial, industrial and a host of other uses. The demand is usually met by acquiring more and more rural /agricultural land .In order to make available land for urban uses, the State Government agencies have used land policy as instrument to achieve planned development of urban areas. Generally, Urban Development Authorities and other public agencies have pursued the policy of large-scale acquisition, development and disposal of land.

The land policy of Delhi came into force in 1961 integrated with MPD-1962. Land assembly required large-scale acquisition of land, development and disposal on perpetual lease. This policy aimed to check speculation, stabilize land values, prevent concentration of urban land and ensure adequate supply of land for urban development. About 25,211 hectares of land was acquired as against the envisaged target of 55,000 hectares covering the plan period 1962-82.

In the majority of the cities and towns of the country, suitable land exists but the same is available in limited quantity for development. The morphology of cities/towns is characterized by a densely populated city center (*CBD*), a mostly residential area surrounding the city core and a number of developed traffic corridors extending into the typically agricultural periphery. Within the residential areas and between these traffic corridors, there are typically extensive land areas available either for agriculture or lying vacant. Generally, the City Development Authorities release an insufficient amount of land for development because of land speculation, government actions (such as land banks), shortage of infrastructure provision and an overbearing regulatory framework, which hampers development.

The tools traditionally available to Governments in order to regulate the supply of land include rural to urban land-use conversion controls and the provision of infrastructure. The challenge in this process is to supply land, at the right time, in desired locations, and with timely provision of infrastructure. Historically, land acquisition in the urban centers has been the prerogative of the Development Authority

concerned. It has been felt that government interventions in the urban land market are mainly to

- To eliminate market imperfections and failures to increase operating efficiencies.
- Removing externalities so that the social costs for land market outcomes correspond more closely to private costs.
- Redistributing city's scarce resources so that disadvantaged groups can share in society's output.

### **3.1. *The Land Acquisition Act, 1894***

The Act was comprehensively amended by the Government of India in 1984 whereby it was stipulated that the acquisition procedures would have to be completed and compensation paid by the *Land Acquisition Collector (LAC)* within three years of the preliminary notification. However, in view of the appeals made by landowners in Courts for enhancement of compensation and litigations, the process of payment of compensation continues for 15-20 years after land acquisition. The compensation package includes, in addition to payment for land at market rate as assessed by LAC the date of taking possession of land, whichever is earlier. The important provisions of the Amendment were of balancing the interests of the community with the rights of the powers of acquisition in the case of urgency, enhancement of the rate of solatium and liability for enhanced compensation to all landholders covered by the notification where one or more landholders are awarded excess amount.

Despite the amendment, litigation and unauthorized development have persisted. If the establishment cost of land acquisition and value of encroached land are added to the compensation package, the total cost of acquired land is more than the market value. The difference between the compensation paid for land and its market value is positively related to litigation time. Also in view of the very long time lag between land acquisition and Court order on compensation, it is difficult for housing/development

agencies to keep an account of the actual cost of acquisition and to recover it from allottees. As a practice, the allotment price is fixed on the basis of award of the Land Acquisition Collector.

The National Commission on Urbanization, 1988 had recommended the following modifications in the Land Acquisition Act:

- Land utilization scheme must form part of the notification of intention to acquire which needs to be accompanied by cost of acquisition;
- Compensation should be awarded within three months of the order of acquisition;
- Right of reference to the District Court should also be given to the State in case of award of compensation; and
- For expediting acquisition proceedings, the powers of the Court need to be restricted to nullify acquisition procedures, except on the grounds that no public purpose is served by such acquisition.

**3.2 Negotiated Land Acquisition:** The 1984 Amendment introduced an innovation in land acquisition procedures by stating that if all persons party to land acquisition reach an agreement on the award, the LAC may, without making any further enquiry, make an award without effecting the determination of compensation for land in the same locality or elsewhere. In the light of serious problems faced in compulsory land acquisition and the uncertainty of compensation to be paid, Tamil Nadu Housing Board has been increasingly resorting to negotiated acquisition of land. More recently, the Greater Noida Industrial Authority has successfully used this procedure. The Authority estimated the compensation package for land acquisition, on the basis of the sale price of land registered in the sale deeds during the last three years, solatium and interest, and negotiated with the landowners on the basis of these rates. The Authority and the landowners, after several rounds of talks, decided on mutually acceptable rates for land acquisition. Landowners collected the compensation, as worked out by LAC,

and then filed a reference with the District Judge for enhancement of compensation. Subsequently in the District Court, the Authority and the landowners filed a compromise deed on the compensation, at the agreed rate, on the basis of which the District Judge finalized the rates. Also the Maharashtra Act provides for such a negotiated process and this has been successfully tried in a number of cities. The benefits of negotiated land acquisition are.

- Compensation would be paid to landowners, at a rate close to the market rate within a short duration of 3-4 months and the landowners and the public agency would save litigation expenses;
- Speedy acquisition of land and lesser risk of land encroachment and consequently reduced cost of land development and housing;
- Landowners would cooperate with public agencies in land assembly and development work and will have lesser incentive to collude with private developers for unauthorized development;
- Public agencies would be in a position to estimate the sale price of land on the basis of definite compensation rates and avoid the need for subsequent recovery from allottees.

**3.3 Professional Valuation of Land:** The LACs fix compensation in land acquisition cases on the basis of the price of land registered in the sale deeds, which usually indicate underreported prices. On the other hand, a detailed procedure is followed for annual fixation of land values for stamp duty purpose. If this procedure is rationalized and made subject to public enquiry, these values can provide the basis for determination of land compensation and would be upheld by the Courts as well. In addition, there is a need to have orientation courses for LACs in valuation of land and buildings and to involve professional valuers in assessing compensation, once the annually notified land and property values for different areas are given a legal status.

### **3.4. *Land Pooling under Town Planning Schemes***

The Bombay Town Planning Act, 1954 as applicable in Gujarat and the Maharashtra Regional and Town Planning Act, 1966, empower a Planning Authority to pool or assemble lands for the purpose of implementing town planning schemes and to reconstitute them in accordance with the Scheme. The reconstituted plots of land are allotted to the owners. Under this scheme, landowners in a contiguous identifiable area within the jurisdiction of a Municipality / Development Authority may be permitted to develop their lands into a residential colony. Land could be assembled, on the basis of a town planning scheme, through voluntary pooling by its owners, which could be consolidated thereby permitting the local agency to develop infrastructure according to a layout plan. About one-third of the land may be reserved for the provision of services, open spaces and roads while the rest may be developed into residential plots to be distributed among the owners as per their share in the pooled land. The higher value of the developed plots would compensate the lesser area and payment of betterment charges.

This land assembly mechanism in public-private partnership is operational in Gujarat and Maharashtra. However, experience shows that this scheme is likely to be successful only if delays at various stages are avoided, escalation of costs is provided for and the Municipality has the working capital to undertake development works and a share in developed lands to recover costs.

### **3.5. *Land Adjustment / Sharing Mechanism***

The land assembly mechanism under land pooling scheme and land adjustment scheme differs in terms of development perspective. Under the former scheme, the landowners take the initiative to develop certain pockets of land while under the latter scheme; local agencies mobilize lands through obligatory pooling by the owners for implementation of an urban development plan. The local agencies survey and identify the ownership of land to be covered under the scheme. The landowners' share is

physically measured and evaluated on the lines of consolidation of agricultural holdings. Thereafter, the landowners are given certificates / bonds quantifying value of their land. If these certificates / bonds were to be made transferable, this may give rise to a buoyant land market which would support the land development efforts of the government agencies. The local agencies could develop land and compensate the certificate / bond holders by allotting developed land to them or through monetary compensation by utilizing the resources generated from the sale of developed land.

Land adjustment mechanism is extensively used for urban extension and has been successfully implemented in Hyderabad for development of slum areas located on private lands. Under the Hyderabad Slum Improvement Project (HSIP), part of the land was retained by the private owners while the slum households were assisted to build low cost houses, at a higher density, on a smaller area of land.

This land assembly mechanism is also being used for development of Waluj town in Maharashtra by City and Industrial Development Corporation (CIDCO). Instead of acquiring all lands in the notified area for the development of the new township, the strategy under this Scheme is to allow landowners to participate in the development work. The role of the public agencies is restricted to development of basic infrastructure and growth centres which act as catalysts for urbanization and development of the area. The residential areas in the growth centres are also developed by the public agencies. The compulsory land acquisition plan for the development of infrastructure and growth centres is formulated in a manner so as to acquire not more than one-fourth of the land of an individual owner. The landowners are entrusted with the responsibility of developing their lands by providing internal infrastructure. These could be connected by the landowners with the peripheral development of public agencies on payment of development charges. The provision of services by the landowners, in areas outside the growth centres, has to be in accordance with the stipulations of the Town Planning Act in this regard. In case the landowners are incapable of undertaking development work, they can surrender their land to the public agency for carrying out the development work. The landowners are, however, required to complete the

development work within 5 years and in case of non-compliance, the social facility areas are to be acquired by the public agencies.

Under this Scheme, landowners are paid monetary compensation for compulsory acquisition of 25 per cent of their lands; they can choose one among the following compensation packages in lieu of land in excess of 25 per cent of their holdings.

- Monetary compensation, in accordance with the provisions of the Land Acquisition Act.
- Developed land, on a preferential basis, in the same town. In case the total landholdings of individuals are acquired, then they are given undeveloped land equivalent to 75 per cent of their holdings, in the same town, on a preferential basis.
- Tradable Development Rights (TDR) certificate for 70 per cent FSI. The owners are entitled to sell the TDRs, with prior permission of the public agencies, or to utilize the TDRs on any of their lands, in any zone, in the same town.

The Land Readjustment (LR) method has been applied to improve land supply for urban use and to induce better use of idle farmlands. The modified form of LR method called Guided Land Development (GLD) enables the introduction of very rudimentary infrastructure and partial realignment of the old property boundaries and is considered to hold easier and quick implementation potential as compared to the LR method. But the success of the GLD approach would depend on the efficiency of the authorities to frame GLD plans and to pre-empt the haphazard growth in the fringe areas.

### **3.6 Guided Urban Development Scheme of Tamil Nadu**

The Guided Urban Development Scheme which had a component of the World Bank assisted Tamil Nadu Urban Development Project represented a new approach in

which the private sector developer / land owner affected by the Urban Land Ceiling Act is encouraged to provide serviced sites for the economically weaker sections for exemption from this Act.

### **3.7. *Private Sector Involvement – Haryana Model***

The standard market economy approach to the land development issue is to allow private development of land. Such an approach does not preclude an important role of the State; it merely shifts that role from one of comprehensive provision to enabling and regulating. This is a view of the inability of the state agencies to supply adequate quantum of developed land to meet the housing needs of the population, as reflected in the development of unauthorized layouts. There is a need to involve the private sector in real estate development. The private colonizers have been involved in land development in Haryana on a large scale and these colonizers have operated in close collaboration with the State Urban Development Agency – Haryana Urban Development Authority (HUDA). The private developers have been granted permission to develop residential layouts in the state under the Haryana Development and Regulation of Urban Area Act, 1975, promulgated by the State Government to regulate the use of land in order to prevent ill-planned and haphazard urbanization in and around the towns in the state.

License to develop land is given to the colonizers by the Town Planning Department of the State Government. This is subject to the evaluation of the title of the land, extent and situation of the land, capacity of the applicant to develop a colony, the layout of the colony, and conformity of the development schemes of the colony land with those of the neighboring areas.

The private developers have to furnish a bank guarantee equivalent to 25 per cent of the estimated cost of land development along with an undertaking to carry out and complete the development works. In addition, the colonizers have to pay proportionate development charges if the main lines of roads, drainage, sewerage,

water supply and electricity are to be laid out and constructed by the Government or any other Authority.

The responsibility for the maintenance and upkeep of all roads, open spaces, public parks and public health services are with the developer for a period of five years after the date of issue of completion certificate. Thereafter, all such roads, open spaces, public parks and public health services would be transferred free of cost to the State Government or the local Authority as the case may be.

The Act also stipulates that, in addition to physical infrastructure, the colonizer would provide social amenities in the layout developed by them. The developer has to construct, at his own cost, schools, hospitals, community centres and other community buildings on the lands set apart for the purpose. Alternatively, the developer can transfer these lands free of cost to the state government which can be allotted to any person or institution for the purpose.

The limitations of the private sector involvement in land development are highlighted in Haryana. The colonizers are active in the area adjoining NCT Delhi and this is due to captive demand. Also, they have catered to the higher and middle income groups ignoring the demand of the lower income groups and the economically weaker sections. The housing supply to the latter categories has been limited to the proportions stipulated by the Town Planning Department. It can, thus, be concluded that the private sector is guided by profit maximization motives and cannot be expected to cover the entire population both across geographical areas and income groups. This brings out the role to be played by the state agencies in land development – facilitating the private sector involvement and directly catering to the needs of those sections of the population ignored by the private sector.

Besides, Haryana, in other states like Tamil Nadu, Maharashtra, Uttar Pradesh etc., the state government has directed that the District Collector should identify suitable private lands, negotiate with the land owners and arrange to purchase the extent of the

land necessary for housing and urban development at a reasonable rate to be fixed by a Committee headed by the District Collector. The only disadvantage in private negotiation is that due to time gap in finalizing the purchase, certain landowners opt out from their commitment to part with their lands.

### **3.8 *Transfer of Development Rights (TDR)***

In determining the 'fair price of land' to be acquired, Governments generally try to rely on the past records of sales transactions. These are rarely reported or recorded correctly since transaction taxes are high and the role of 'black money' in the economy is large. Today, Local Bodies or the State Governments do not have adequate funds to acquire the necessary land even at the recorded low rates. A pragmatic solution to this problem could be the use of 'Transfer of Development Rights'. The Urban Development Plans Formulation and Implementation (UDPFI) Guidelines, MOUD, Government of India (1996), define *Transfer of Development Rights (TDRs)* as, 'Development Right to transfer the potential of a plot designated for a public purpose in a plan, expressed in terms of total permissible built space calculated on the basis of Floor Space Index or Floor Area Ratio allowable for that plot, for utilization by the owner himself or by way of transfer by him to someone else from the present location to a specified area in the plan, as additional built up space over and above the permissible limit in lieu of compensation for the surrender of the concerned plot free from all encumbrances to the Planning and Development Authority'. Mumbai is the first city in India, which has adopted the TDR concept in a regulated manner as an alternative mechanism for land acquisition for providing the essential amenities in accordance with the development plan proposal, for slum redevelopment and urban renewal through reconstruction of dilapidated buildings.

### **3.9 *Accommodation Reservation***

The land owner can develop the facility for which the land is reserved (such as a library), hand it over to the Mumbai Municipal Corporation (BMC) free of cost and then

utilize the development right equivalent to the full permissible FSI for his own purpose. In case of Mumbai, this measure is likely to succeed as land prices are several times higher than construction cost. But where land prices are not that high or are less than construction cost such a measure is unlikely to succeed.

#### **4. ROLE OF LAND MARKETS IN URBAN ECONOMY**

Market forces play an important role in determining the price of the land and property, which in turn influences the urban economy. There is utmost need that land and property markets are regulated, otherwise they can contribute to the collapse of capital markets, and cause unemployment. The location of economic activities and their importance in city economy should determine the gradients of land values and any sudden depression in the price is a reflection of sub optimal use of land. However, urban dynamics of India, particularly in the land market, has resulted in pushing out low-income households and informal and obnoxious economic activities to distant areas. As a result, a degenerated periphery has emerged around the cities with a concentration of poor migrants, resulting in low quality of life and unhygienic living conditions.

Generally, the urban economy comprises of three basic markets: the land market, the capital market, and the labour market. These markets are inevitably linked and dependent on each other. Of these markets, the land market directly affects the urban environment and the quality of life in cities. Land is a special component because unlike labour and capital it is finite. Efficient and equitable land markets are a prerequisite for the functioning of cities in a better manner.

However, urban land markets, as perceived, as **Efficient**, then the City should govern the land market that encourages quick development and transaction of land. Similarly, the cities may be termed **Equitable** if the land market provides reasonable access to all income groups. If cities are able to provide governing mechanism so that the land market protects its sustainable use for the good of both present and future

users then urban land market may be called ***Environmentally Sound***. Finally, if a city governs the land market, which is integrated with other laws and regulations governing land, such as, planning, taxation and provision of public infrastructure and services, the market may be called as ***Compatible***.

The aforementioned attributes i.e. ***Efficient, Equitable, Environmentally Sound and Compatible*** are necessary for any mature urban economy. However, the situation in the cities and towns of the country is far from this. Most of the cities in the country suffer from land market distortions caused by poor land development and management policies and practices including poor planning, slow provision of infrastructure and services, poor land information system, cumbersome and slow land transaction procedures, as well as under-regulation of private land development, leading to unplanned or ribbon/corridor development of land in the urban periphery. A poorly functioning land market leads to several ills including land speculation, creation of slums and squatter settlements, environmental deterioration, and an inefficient urban development pattern which increases the cost of provision of infrastructure, services and transport in the city and adversely affects the urban economy.

Urban land policy reform has been contemplated for a number of years but no Government has shown the political will to implement it. However, some progress in this regard has been achieved with the Central Government repealing the Urban Land Ceiling and Regulation Act, 1976 and some States ratifying it at their level. Other Acts, such as the Rent Control Act, which is caught up in litigation, have proved more difficult to address.

The urban land and housing markets have been seriously distorted for over 30 to 40 years. Both are in great need for deregulation, particularly the repeal of the Urban Land Ceiling and Regulation Act in the States where it still exists and amendments to Rent Control Act. These are urgently needed to free the rental market. Furthermore, other rigidities in the land market, related to archaic building bye laws, zoning

restrictions and the like also need to be addressed. In cities, Government interventions in the land markets have always lagged behind their effectiveness in controlling the increase in land prices. Creation of *Land Bank* by Development Authorities became an exercise of dealing in real estate rather than treating land as a resource and using it optimally. Also, the efforts to prevent private sector participation earlier, led to obstruction in the operation of land market. As a consequence, spiraling land prices excluded large sections of the population from the market.

#### **4.1 Urban Land Ceiling Act**

The Urban Land Ceiling and Regulation (ULCR) Act, 1976 was perceived as major deterrent in making the land available in the open market. The major effect has been to freeze large areas of land in legal disputes. These areas are not available for development or redevelopment. An additional negative impact of the Act was that it prevented private developers to assemble land for development. The Act gave de facto monopoly on land development to government developers such as Housing Boards or Development Authorities. The objective of acquiring the excess vacant land could not be achieved because of intrinsic deficiencies in the legislation itself. Urban Development Authorities, State Housing Boards, and Urban Local Bodies were by and large responsible for land assembly and development in Indian cities since the late 1960s and early 1970s. However, they have usually not had the financial, planning or managerial wherewithals to actually develop urban land as rapidly as they should have thus giving rise to uncontrolled land price increases

The repeal of the ULCR Act has not been carried out in all states. Initially the Act was repealed in Haryana, Punjab and all the Union Territories. Subsequently, This was done in the States of Uttar Pradesh, Gujarat, Karnataka, Madhya Pradesh and Rajasthan However, Andhra Pradesh, Assam, Bihar, Maharashtra, Orissa and West Bengal have not the repealed the Act so far.

In this regard, it may also be stated that under JNNURM, the repeal of ULCRA is one of the mandatory reforms to be carried out by the State Government so as to avail additional central assistance. This will enable the concerned ULB to generate resources from unearned increments in land values to finance provision of city infrastructure and trunk services.

Prudent public land development will depend on urban land management policy of the State Government .The policy must facilitate effective and optimum use of all vacant or partially utilized lands under the ownership of the Central and State Governments. In addition land locked and inefficiently used lands such as sick mills of Mumbai or shifting of wholesale commercial activities from Mumbai should free large quantum of land to be put to intensive use. This would help to generate land resource for housing and infrastructure.

#### **4.2 Rent Control**

The effect of rent control on the supply of new rental stock is obvious. However rent control laws also have an effect on land supply and city structure. Rent control contributes to a decrease in land supply because buildings, which are under rent control, cannot be redeveloped or even renovated. Many rent controlled buildings are very old and by necessity badly maintained, in some cases, in Mumbai for instance, structurally unsound. But no redevelopment can occur until the tenants move out voluntarily. Rent control creates the perverse incentive for landlords to see their property deteriorate or even collapse. Until this happens, development has to bypass the areas under rent control, which constitutes a form of “frozen” land in so far as development is concerned.

#### **4.3 *Regulations preventing or slowing down the conversion of land from one use to another***

Any change of use, even when approved by Master plans, requires lengthy approval. This is particularly serious in the fringe areas of city where land has to be converted from agricultural to urban use. Change of land use within cities is also a long and cumbersome process resulting in pockets remaining unutilized for years together and land under litigation further delaying the proceedings. For instance, obsolete cotton mills in Mumbai and Ahmedabad are still occupying large areas of land in central locations, although there is general consensus that it is neither environmentally desirable nor economically feasible to put back these mills back into operation. Thus land use changes take place in an unusually delayed manner and to leverage land, as a resource is not possible.

#### **4.4 *Master plans /Building Bye Laws : ignoring real estate demand***

Master plans allocate land for various uses and limit the amount of floor space which can be built on specific parcels, either directly through maximum FSI or indirectly through set backs, plot coverage , and maximum number of floors. While these types of control are not objectionable per se, the parameters used are often arbitrary and have been set without taking into account the efficiency of city structure or the affordability of different social groups. There is a tendency to prefer low intensity of development through low FSI and to ban commercial development in central area to “avoid congestion”. A low uniform FSI in CBD perpetuates inefficient land use. The resultant distortions in land market are (i) slow economic growth of the city by misallocating land, (ii) distorted spatial pattern and structure which increases transport costs and isolates the poor by locating them in areas farther away from areas of economic activities, (iii) preventing the private sector from providing taxes and user fees which would otherwise finance city infrastructure and (iv) inhibiting the recycling of under –used urban lands.

In most large cities of the world, as technology and infrastructure improve, the FSI in the CBD tends to increase, while the population density tends to decrease. A decrease in density corresponding to an increase in FSI is actually counter productive. However, as happens in most modern cities, because a general increase in FSI is always associated with an increase in floor space per person and per job, so more floor space is built on the same unit of land, but people and enterprises consume more of it, so population density tends to decrease. Most cities of the world therefore have a policy to increase FSI with time. This progressive increase in FSI has two purposes; first, it allows households and firms to consume more floor space as their incomes increase without having to move to new areas in the suburbs; and second, an increase in FSI contributes to a decrease in the city spatial expansion in the countryside, decreasing population dispersion, transport costs and pollution due to transport. In addition, in most cities, planners practically always establish the regulated FSI at a higher level than the existing FSI.

Further, it may be mentioned that the comprehensive approach in preparation of Master Plans has been based on the traditional paradigms of “*survey-analysis-evaluation-plan-implement*” taken largely from the models of developed countries. It has been felt by policy makers that the Master Plans frequently failed due to number of reasons: rigidity, too much emphasis on detailed layouts and zoning for future land use, time consuming, lacking in the prioritization of projects and Investment Plan .The conventional physical planning approach does not consider actual economic demand for space and it is observed that it is also not able to assess that over a period of time how a city grows and households and economic activities change the consumption of land as price increases.

#### **4.5 High stamp duty**

High stamp duties discourage land transactions, and as a consequence reduce the supply of land. There is a direct link between Registration Act and Stamp Duty Act. Stamp duty needs to be paid on all documents, which are registered, and the rate varies from state to state. With stamp duty rates of 13 per cent in Delhi, 14.5 per cent in Uttar Pradesh and 12.5 per cent in Haryana, India has perhaps one of the highest rates of stamp duty. Some states even have double stamp incidence, first on land and then on its development. In contrast the maximum rate levied in most developed countries whether in Singapore or Europe is in the range of 1-2 per cent. Even the National Housing and Habitat Policy, 2005, recommended a stamp duty rate of 2-3 per cent. Most of the methods to avoid registration are basically to avoid payment of high stamp duty. High stamp duty leads to grossly under-declare the real value of land. This in turn adversely affects the possibility of using land as collateral for construction financing. In the future, Indian cities will have to move to an ad valorem property tax system. But setting an ad valorem tax requires reasonable transparency in land transactions. It could therefore be said that an unreasonably high stamp duty prevents the modernization of the property tax system in India.

#### **4.6 Large institutional land holdings**

Government entities or parastatals such as Railways, CPWD and PWD often own large tracts of land in cities. Because of this, land cannot be sold in the market to the benefit of the owner, it is often underused, or used in a way incompatible with its real market value. Many of the land holdings have been inherited from colonial times and are located in downtown areas. Government entities and parastatals are required to make a full inventory of their land holdings and to evaluate them at market value. Government entities and parastatals should be allowed to sell their land holdings, and retain the proceeds, whenever they feel that the cash value of land would be more valuable to them than the use of land. A complete inventory of urban Institutional land

holdings has never been done. But an informal survey made in Chennai some 20 years ago indicated that more than 30% of the urban land was owned by government institutions (excluding housing boards or development authorities).

#### **4.7 *Very low property taxes***

Very low property taxes based on actual rents rather than on land values create an incentive to hold vacant or underused land, thus decreasing the amount of land in the market. This has been true in the context of city core areas where the property rates have sky rocketed, however, the rentals from the property have not been increased as per prevailing market rates.

#### **4.8 *Inadequate primary infrastructure***

The failure to provide primary infrastructure with a capacity consistent with demand is often cited as a justification for constraining development intensity, in particular low FSI. It is important to realize that an adjustment of land use regulation to actual market demand will also require the provision of primary infrastructure of sufficient capacity. The means to finance primary infrastructure better design of the property tax is required or from the imposition of impact fees when redeveloping high-density areas. The Development Authorities /ULB's often provide arterial infrastructure, leaving the provision of secondary and tertiary infrastructure to individuals or private sector developers. Because of the inability of the private sector or individuals to assemble raw land, only land closest to the arterial infrastructure is developed, causing ribbon or corridor development. Such development is often found on the peripheral areas of the city. Land farther away from the arterial infrastructure is often left unserved and thereby unusable for urban purposes. Thus one gets city development patterns with large pockets of vacant, undeveloped land in the city. This type of

development causes increased costs of doing business in the city as it increases the costs of transport and provision of infrastructure.

Bottlenecks can also occur in the transaction phase of land development. Due to poor cadastral land records and cumbersome procedures, it can take a long time to buy and sell land in the market and to register such transactions with the Development Agencies.

#### **4.9 Land Tenure**

In India, the tenurial system of land followed in most of the urban centers and is both free-hold and lease-hold. Once individuals or corporate entities acquire either land or land-use rights they acquire tenure. This tenure can either be sold or leased by the owner. Leases can go upto 99 years. The longer the term of lease, the more it resembles freehold. Most leases place restrictions on the lease holder. For example a lease holder may be allowed to construct a building over the land but may have no rights to the minerals in the land. Free-hold has very few restrictions and is considered by economists to be more secure. Lease-hold is considered more equitable as it reserves the right of ownership of land to the society as a whole rather than to an individual. However, it is often believed that leasehold system is not conducive to the land market and obtaining loan from the banks for the property on the leasehold tenure is a difficult proposition.

#### **4.10 Land speculation**

Land speculation can drive land prices beyond the productive value of the land, causing an "effervescent" land and property market. Land speculation occurs when the demand for land, at the present time or in the near future, outstrips the supply of land. This can be caused by several factors both on the demand side and on the supply side.

On the demand side, land speculation can be triggered by excess liquidity in the financial market caused either by rapid economic growth or by a lack of opportunities for investors in other sectors of the economy. In either scenario, investors invest, on a short term to medium term basis, in the land market, waiting for prices to escalate and sell their tenure at a profit.

Rampant land speculation can drive land prices beyond the productive value of the land, where prices of land and property are overpriced. This can spiral into loans taken on value of land and property at inflated prices from the financial market. When the property rates decline either by internal or external factors, financial institutes which lend money to land and property speculators find themselves unable to recover their loans, ending up with bad debts, triggering a collapse of the financial market.

On the supply side, land speculation is caused by bottlenecks in the availability of serviced land (land with access to basic infrastructure such as roads, water, electricity etc.). These bottlenecks can be caused by several factors either in the land development phase or in the transaction phase. Slow provision of infrastructure and services, poor planning, poor land records and cumbersome procedure to buy and sell land can cause bottlenecks in supply of serviced land.

In addition to high economic costs, land speculation has high environmental and social costs. The environmental costs of land speculation can be high. Rather than develop existing vacant land within a city, land developers find it more profitable to develop new land along transport corridors in the periphery, often by converting agricultural land or land earmarked as green areas. This type of ribbon development puts great pressure on natural resources, particularly water. It also increases the costs of disposing urban wastewater and solid waste. Because of greater commuting distances and lack of adequate transport infrastructure it also increases air pollution.

Social costs of land speculation can also be very high. It can drive the urban poor out of the formal urban land market, pushing them into squatter settlements, illegal subdivisions and slums. Poor housing and infrastructure conditions not only increase the cost of living but also cause poor health.

In Mega Cities, speculation in the land markets has made housing unaffordable even for the middle classes and hence they are forced to find shelter in illegal land subdivisions leading to development of unauthorized colonies.

#### **4.11 Government Interventions**

Government interventions – in the form of regulations, infrastructure investments and taxation – have a direct impact on urban land supply and on the demand for land, and therefore on the price of land and housing. Some regulations, *de facto*, have the effect of allocating land administratively, ignoring demand and costs and bypassing market mechanism in allocating resources. Land regulations are necessary to the efficient functioning of markets but when poorly designed they can constitute a serious drag on economic development.

The combined effect of multiplicity of central, state and municipal regulations contribute to artificial urban land shortage. As a result, urban land prices are abnormally high in relation to household income, and households consume less floor space than they can afford. In addition, some regulations have a negative impact on the spatial structure of cities. By unreasonably reducing the amount of floor space that can be built in centrally located areas, and by making land recycling difficult, some regulations tend to “push” urban development toward the periphery. As a result, commuting trips become longer, public transport becomes difficult to operate and urban infrastructure has to be

extended further than what would have been the case if land supply had been unconstrained.

Some regulations are responsible for an increase in corruption. By making urban development financially unfeasible in areas where there is high demand for commercial or residential space, some regulations encourage corruption. Corruption is compounded by the fact that nobody sees any social benefit in enforcing the regulation (contrary to environmental regulations where the social benefits are usually obvious to all). For this reason, flaunting regulations is considered a victimless crime. It has been said that the regulatory environment in India has contributed to a “criminalization” of real estate.

Many regulations have had the effect of rendering construction unaffordable for the large bulk of population. As a result, many households and firms build illegally and as a consequence have weak property rights which cannot be used to obtain formal financing. Development Regulations like Land sub-division, minimum plot size and low FSI have acted as more of a hindrance rather than acting as an incentive for property development.

The foregoing sections have in detail discussed the mode of land assembly being followed in the country, role of land market in urban economy and number of constraints faced in land development. Keeping in view the citizen's interest in the long run and for meeting the basic needs for land and housing for inclusive development wherein the interest of urban poor is protected, there is a need for an efficient management mechanism which could lead to: (i) significant increase in the supply of land for urban use, (ii) better and more intensive use of land in the core areas, (iii) resource mobilization from urban land values, (iv) leverage land for resources, (v) increase in the availability of service land and (vi) protect the interest of urban poor in terms of granting land tenure / property rights.

## **5 GUIDELINES FOR URBAN LAND POLICY**

There has been number of attempts to formulate urban land policies, however, they were often prepared in a piece-meal manner to serve certain stakeholders and were far from being inclusive. How to significantly increase the supply of developed urban land and encourage its judicious and optimum use are critical issues today. The related issues here are first, how to prevent further concentration of land ownership in the hands of a few, and achieve redistribution in favour of the majority; and second, how to mop up a major part of the 'capital gains' on urban land in public interest. There is a need to adopt a participatory approach to policy formulation and implementation which should adequately be backed by strong political and administrative will. Hence, the overall objective of the Model Guidelines is to strive for the kind of urban land markets which are efficient, equitable and environmentally sound and sustainable.

### ***5.1 Review of Land Acquisition Act: Amend or Repeal***

The need for a new Land Acquisition Act specifically dealing with urban areas needs to be recognized as a priority issue for implementing urban development projects. Area of reform under the acquisition procedures are payment of compensation at prevailing market rates, freezing of land use and land values for a certain period when proposals are being worked out, preventing speculative transactions of lands to be compulsorily acquired and provision for taking possession of land once the Development Authority has decided on specific land to be acquired, without awaiting the clearance in respect of compensation issues. The formula for compensation may provide for mopping up of unearned implemental values of property accruing to the owners due to conferment of higher value used, higher FAR, planning permissions and infrastructure development.

***The need for a new Land Acquisition Act specifically dealing with urban areas for implementing urban development projects is thus the need of the hour. Till the time a separate legislation for urban land acquisition is enacted, the***

*following procedures need to be adopted on a much wider scale for speedy acquisition.*

*There is a need to drastically amend (or repeal), with suitable land taxing mechanisms to generate resources from unearned increment in land values to finance city infrastructure and trunk services for the development of new areas.*

## **5.2 Assessment of land market**

There is a need for thorough review of the existing land assembly methods. Efforts have to be made to ensure that value of the land is assessed along with additional value created on a piece of land due to the investment in the form of land development and construction of the building .Further, public investments made to improve the infrastructure within the city benefiting the land and public policies relating to zoning, other land use controls and controls over the land market need to be evaluated for capital gains. ***Further, latest information on operation of land market in terms of prices, supply of serviced land, number of development projects to be undertaken by the ULB's need to be made available in public domain either through print media or website etc. This will also enable the stakeholders to ascertain the availability of land, extent of resources to be generated and government decisions on the development of a particular area. The urban land market should be able to provide information on the availability of land to meet the growing requirements of the population, which areas of the city are earmarked for future residential development along with supporting uses, what is the extent of conversion of the land from urban to non-urban uses, spatial variation of land prices in a city, proportion of urban population deprived of serviced lands, carrying capacity of land of the city i.e., whether enough land is available to sustain the future growth of urban population etc. This information should form core data base of an efficient urban land market.***

### **5.3 Efficient use of vacant land**

One of the greatest assets of any urban area is the land available for development. Many urban areas have land and properties that are vacant, under-utilized or abandoned. If the ULB's or the State Governments can develop policies to convert them into revenue-generating valuable sites, financing of urban infrastructure may become easy.

The Urban Land Policy must facilitate effective and optimum use of all vacant lands or inadequately utilized lands in the ownership of Central and State Governments. In addition, lands locked in inefficient use such as sick industrial units, polluting units to be shifted; shiftable wholesale agriculture market should be put to intensive use. A cost benefit analysis of such land holdings may need to be done and commercial principles need to be adopted. There may be a need to constitute real estate development and management companies in cities – as joint venture companies at various levels of government, with the involvement of the private sector. ***A long-term real estate development and management plan may be prepared and lands not required for public purpose or prone to encroachment may be auctioned to generate resources for urban infrastructure.***

This would help to generate land and financial resource for housing and infrastructure services. ***To utilize vacant lands, an efficient system of incentives and disincentives needs to be devised. The incentives could be conferment of higher FSI and higher order use and infrastructure provision. The disincentives could be through levy of vacant land tax.*** Present categorization of conforming and non-conforming land uses may be replaced by compatible, incompatible and inefficient land use.

#### **5.4 Role of Development Authority/Housing Boards**

In many cities Development Authorities/Housing Boards concerned are responsible for land development and disposal of housing. The Schemes announced by these agencies are by and large these days looked upon as a viable proposition and remunerative option. Hence, it is necessary that Development Authority and Housing Boards must take care of urban poor and provision may be made separately for Economically Weaker Sections. With regard to interests of poor and homeless, it would be desirable that ***the Master Plan of town and cities should have adequate provisions for EWS/LIG Housing. The Housing Boards and City Development Authorities schemes for housing must have reservation for these categories. Further the Master Plan should also clearly spell out policies for insitu upgradation/relocation of slums and regularization of unauthorized colonies and village abadi areas.***

#### **5.5 Deregulation of development controls**

The prescription of development regulations – such as the regulation of FSI (or FAR in some states) – are basically to determine the total built up space that a plot is allowed to hold, however, the general principles that justify specific value for the FSI at specific locations need to be revised. In this case, the State Governments may provide guidelines to help them regulate FSI in a manner that is consistent with an efficient and market driven urban spatial structure. The same applies to land subdivision regulations. Land subdivision regulations might be necessary, but the quantitative parameters contained in these regulations – minimum plot size, right of way, etc – should be carefully attempted, taking into account their impact on development costs, land affordability for various socio economic groups and their negative impact on the environment when they result in over-consumption of land to meet the minimum standards. ***There is a need to review the building /land regulations so as to assess their impact on land markets. Some regulations contribute to a decrease in land supply, other artificially increase land consumption and therefore demand for***

***land. The double effect of restricting supply and mandating high land consumption has a negative impact on property price.***

### ***5.6 Provision of financial, institutional and spatial structure for networking of infrastructure***

The emphasis of land policy has been on large-scale public acquisition of land. The potential of land and property taxation for achieving land policy objectives has not been given due importance. The objectives of land taxation may be –

- Revenue generation for infrastructure investment. Although local authorities charge user fee for many services, in certain types of services it is not possible to charge a user fee. A general tax is therefore required.
- Levy of such tax should lead to equitable and progressive impact on the tax payers.
- Capturing land value gains (or so called unearned income) that accrue on account of public investment, infrastructure, and
- The tax should help optimal allocation of urban space - a particularly scarce resource in Metropolitan(million plus) Cities

Property tax has been the principal tax related to land and buildings. This tax according to provisions of Municipal Acts is levied on the annual rateable value which is to be determined on the basis of annual rent at which the land or building might reasonably be expected to let from year to year. However, this principle has been grossly distorted because of the provisions of rent control legislation.

If the rateable value truly reflects market rent, property tax can capture the land value gains. However, due to linkage of rateable value with standard rent this has not been possible. But, this does not mean that land value gains are not realized. The key money shared by the owner and tenant, the rents charged by tenant to sub-tenant are all forms of realizing the land value gain by private owners and tenants. Property tax

related to true market rents also acts as the moderator of real estate market. The buyer would tend to deduct the discounted present value of expected tax payments from the price he is prepared to pay for real estate. ***This may keep the real estate prices under check.***

It may be stated that common opposition to realistic assessment of rateable value is based on the assumptions that tax rates will continue at existing level. ***Any systematic reform will therefore involve both correct assessment of rateable value and rationalization of tax rates.***

Land is a very important resource which needs to be leveraged to part finance the urban development projects. This can be done on PPP basis. Furthermore projects under Transportation sector like Bus Terminals, Bus Stops etc. should also be taken up in PPP mode not only to reduce the burden on the exchequer, but also to bring in the best architectural design and space utilization. ***There is also a need for densification along the major transport axes/corridors as a step towards land use and transport integration. Such densification is not only a must for the overall sustainability of any high capacity public transport system, but also essential for decreasing the transport demand by personalized modes.***

Parking improvements and leveraging land as a resource along the transport corridor should be taken up as an integral part of resource mobilization. Roads are prime urban space and parking on major arterial roads unnecessarily eats up considerable space which should be available for mobility. Most of the cities do not have a well laid out parking policy. As a result, free parking is permitted even on major arterial roads as a rule rather than as exception. ***Land utilized for parking is premium urban space and needs to be charged accordingly.*** As such, there is a need to have a Parking Policy for each city/town, regulation of parking requirement through proper parking fee, ban on parking on the major arterial roads and encouraging paid parking complexes in PPP basis.

The housing agencies, which make a requisition for land and undertake land development, are not involved in the assessment of compensation and its enhancement. ***There is a need to allow representatives of housing agencies to participate in the land acquisition procedures, as envisaged in the Maharashtra Housing Authority Act. This would enable them to make adequate provision for payment of compensation in their budget and to estimate more closely the price for disposal of land and or price of the housing product on the basis of the negotiations with landowners.***

#### ***5.7 Provision of efficient land market operations.***

The efficiency of the land market operations depends on decentralization of the data base/information on urban land. There is a need to compile information right upto the plot level beginning from Sub-Zone/Ward level. The ownership record and details of transactions which have taken place on a property in a city need to be streamlined and computerized to make the entire process transparent, time and cost effective

#### ***5.8 Restructuring the land use pattern.***

There is a need to do away the practice of fixing uniform FSI throughout the city. Optimal FSI for a designated property or area of the city should be calculated on the basis of data on land and property values. However, selective and planned densification may be taken up in the peripheral areas with a view to decongest CBDs in the cities where necessary. While relaxing FSI, it would be desirable that simultaneous upgradation / augmentation of the infrastructure / services should take place.

## **5.9 Building of land / property information system**

*Efficient functioning of land and property markets requires efficient and updated land /property registration systems which clearly indicate legal ownership of land. The present land records are generated by employing manual labour and making use of inexpensive, approximate and rudimentary, but friendly survey instruments. As the entire exercise is manual, completion of survey and mapping operations has taken decades and, by the time the maps and the land registers are put to use, they were already outdated to a great extent. Elaborate and time consuming land and property settlement operations also contributed to the delays in finalizing the land records. Hence, prime emphasis should be given for the computerization of the land and property records maintenance for the benefit of the public and to bring e-governance into effect at the grass root level. Evolving system architecture, educating the officers concerned and the people at large of the benefits are the key areas that require attention. The system architecture design should be taken into consideration the specific problems related to the land records.*

***An automated cadastral survey and land titling system should be developed to enable the land market to function efficiently and to facilitate the extension of institutional financial intermediation. Also, an efficient information system on land registration is essential for efficient land management. This should cover the inventory of publicly-held land and their present and anticipated land use plan for the next 5-10 years. The ULB's need to adopt latest Remote Sensing and GIS techniques extensively for building land and property information system. This will not only enable them to generate financial resources by keeping up to date record in a transparent manner and also streamline the entire process.***

***Proper training should be given for the collection of data regarding land price; it should take into account all possible factors such as locational advantage, accessibility of all kinds of infrastructure, speculation, black money,***

*changes in FAR value, the government intervention of developing Special Economic Zones, Industrial Growth Centres, Industrial Parks, etc. that influence the price of land. In this regard the role of Urban Local Bodies and State Govt. is very important. In this training, proper mechanism should be developed and each data collector must understand the purpose for which they are collecting the information.*

#### **5.10 Bringing the poor into the fold of formal land market**

Free market operations can bring high efficiency in land use and optimize returns from it. In societies, where income distribution is skewed, such a market function results in concentration of lands in the hands of few who are rich and can pay the market price. New and constantly progressing systems are required to be evolved which would ensure fairness in the access of land for the majority of the population and at the same time improve the efficiency in land use. Dependence only on market mechanism for achieving equity would not be fruitful. **Government agencies must therefore significantly augment their financial and managerial resources by making use of capital gains.**

Squatter Settlements: There is the need to undertake redevelopment of slums, often located in central/fringe areas to improve the quality of life of the squatter households and to put such land to intensive use. For redevelopment of slums, the land sharing method helps to reach a compromise between the two partners – landowners and the squatters provided both are keen to negotiate. The basic consideration for the adoption of this method is the proportion of land that the owners can retain after giving the rest to the occupants. **The policy initiative in Mumbai for housing the squatter population through private developers may be evaluated for replication elsewhere.**

***In the local plans, it is necessary to earmark a portion of land at affordable rates for housing for the EWS & LIG.*** This could be 20-25% in any new housing colony in public/private sector. This would also help in checking the growth of slums. ***An action plan needs to be initiated to provide tenurial rights either in-situ or by relocation at affordable prices to urban slum dwellers with special emphasis on persons belonging to the SC/ST/Weaker sections/physically handicapped.***

Urban land needs to be planned to provide for a rational and optimum density pattern. While allotting house-sites/houses in urban areas developed by either state agencies or the private sector with finance from financial institutions/banks, ***some percentage as specified by the State Government may be allotted to the families belonging to the scheduled castes/scheduled tribes communities, weaker sections, BC/OBC, minorities and physically handicapped .***

The key to poverty alleviation strategy in urban centers is not to make the poor dependent on government or non-governmental organizations but to empower them to increase their security and choices, in other words, to enable the poor to operate in formal markets like other citizens. ***As experiences have shown that bringing the poor into the formal land and housing markets needs a two pronged strategy: increasing the choices available on the supply side and increasing affordability on the demand side.***

***Squatter settlement /Unauthorized colonies regularization/ upgrading is a better option as it provides land to the poor near their work-place, does not disrupt the integrity of the community and takes into account the investments the poor have already made in their settlements.*** Settlement upgradation provides existing settlement dwellers land tenure, as well as, basic infrastructure. Settlement upgrading is based on investments already made in the existing housing stock and is therefore less expensive to implement.

The model guideline for urban land policy enunciated above are indicative, However, the State Governments may come up with their own policies guided by these and may modify them as per the prevailing conditions within the overall objective of leveraging land as a resource for urban development taking into account the interests of urban poor.

**TOWN AND COUNTRY PLANNING ORGANISATION  
Government of India  
Ministry of Urban Development**

**File No. 2-6/99-TCPO/MUT(202)**

**Sub: Model Guidelines for Urban Land Policy.**

As desired vide minutes of the Review meeting by JS(UD) held on 17.5.2007, draft Model Guidelines for Urban Land Policy is put up for kind perusal.

(J.B. Kshirsagar)  
Chief Planner  
23.7.2007

**JS(UD)**