

EXECUTIVE SUMMARY

The city of Mumbai is at a vantage point. It is a city that boasted of propelling the state's and country's economy and helped it achieve a status of a financial capital. Additionally; it is a city that maximized its topographical usage, harnessed its business and technical talent, executed its administrative prowess, and catapulted it with its never say die populace. However the past few decades have jolted policy makers, politicians, administrators, investors, professionals, observers and the common man alike. Innumerable studies have indicated that the city is loosing its place in the economy: a reality that will have fallout on investment, growth and development opportunities for the future.

One of the prime reasons for the stagnation of economic growth is the decline of investments in Mumbai owing to rising real estate cost. This high real estate cost can be attributed to highly restrictive Development control regulations in the city. Consequently; lack of affordable housing has become a disincentive for the trade and commerce industry to invest in the city. At the same time, this has led to proliferation of informal settlement in the form of slums and squatter colonies. It is estimated that 70% of household in Mumbai live in one room tenements as against a national average of 35%. Mumbai also enjoys a dubious distinction of having the highest percentage of its population in slums that are devoid of adequate infrastructure and basic urban services.

Redevelopment of cessed buildings and dilapidated buildings is yet another major housing issue in Mumbai, largely due to the rent control regulations which offer no incentives for the property owners to invest in their properties. The rent control regulations and the absence of facilitating mechanisms has dis-incentivised the growth of rental housing to cater to the requirements of the service sector professionals.

In addition to a highly retrograde regulatory system, there are factors ranging from the limitation imposed by the coastal regulation zone rules to the highly time consuming building approval processes, which come in the way of the growth of the housing sector in Mumbai.

Additionally Mumbai's topography and consequent north and south nexus of its transport system has resulted in much longer commutes and expansion of the city along that corridor. The negative fallout has resulted in a sizeable proportion of population spending disproportionate amount of their income on commute and

meeting their shelter requirements. The limitations have affected investments which have adverse impact on job opportunities and quality of life.

An analysis of the genesis of housing and housing interventions indicates the possible options that might be looked at for overcoming the above limitations. Mumbai also presents a unique mix of models for the low income working class and, a well established co-operative housing and apartment ownership mechanism to facilitate the middle and higher income group. These models can provide significant clues to the problems of housing of different income groups within the framework of self sustaining town planning approach.

Over three decades inspite of a pro-active policy measure being adopted to address the maladies affecting the metropolis they were limited by their piecemeal approach. The call to transform Mumbai into a world class city initiated by the Task Force and Citizens' Action Group needs to be applauded for bringing in a new level of energy and discussion towards Mumbai's future with its comprehensive and action oriented approach. The vision and approach have been given a broader institutional base with the setting up of the National Urban Renewal Mission by the Prime Minister and the establishment of the Chief Minister's Task force to draw a business plan for the transformation of the city. The Housing Sub-group, a subset of the task force, through this document puts forth its analysis by proposing a Housing Policy that aims towards "Housing for all".

The subgroup is conscious of the fact, that housing is the key issue in Urban Poverty alleviation in cities like Mumbai. The fact that thousands of people migrate into the metropolitan area of Mumbai, never to go back, indicates the availability of employment and partial employment opportunities for them. What distinguishes urban poor from the rest is the lack of access to a formal affordable housing, which becomes a common denominator of urban poverty in practically all metropolitan cities. 54% of population in Mumbai live in slums and therefore become an important stake holder group in terms of housing policy which seeks to provide housing for all. With the ultimate vision of enhancing the economic growth of Mumbai, it is inevitable that measures are taken to mainstream the informal sector which constitutes more than 60% of the work force and are largely staying in informal settlements. This has become a relevant and priority imperative of the housing policy.

The need of the hour is to outline a housing policy that will direct the overall environment of the cities to be "livable, competitive and bankable".

The subgroup has taken cognizance of slum re-development program currently under implementation, and also, the incentive FSI based redevelopment Policy for the cessed buildings. The subgroup strongly feels that the incentive FSI/TDR mechanism is by itself not capable of serving as a panacea for the slum and cessed building complexities. What is simultaneously required is the rationalization and simplification of the regulatory mechanism on the one hand and a pro-active and enlarged role of the Public Sector in leveraging low cost housing and shelter needs. The document also gives insights into the various schemes and Acts that were initiated and their outcomes. It outlines the major events in Public housing policy and interventions.

Table 1.1 succinctly tabulates the various Housing policy initiatives and the objectives and the real outcomes. It reveals the hiatus between the avowed objectives and the real outcome. The document has put forth various arguments in favour of a housing policy that enables the market to function better. The group hypothesized that housing in Mumbai is not isolated from national macro economic influences. Though the Sub-group is aware that housing production is a part of the construction sector and housing investment is a part of the overall capital formation, it is also convinced of state's intervention in providing affordable housing to low income and other vulnerable groups.

The recommendations of the Housing Sub-group are based on an economic model that can be classified into two categories:

- (a) Dimension affected by the Demand side
- (b) Dimension affected by the supply side.

Essentially the demand side dimensions include: property rights in land housing, housing finance, and housing subsidies. The supply side dimensions include: residential infrastructure, regulation of land and housing developments and related reform measures.

The document details a chapter on proposed modification to the Rent Control Act. It also provides for a chapter on a more coherent slum policy. One of the most persistent and contentious issues in the city has been identifying measure to address the shelter needs of the poor and under housed residents of the city. The TDR mechanism alone is not capable of resolving the slum situation of Mumbai. Regulatory institutional frameworks and policy tools need to be determined to resolve the slum situation. It is therefore important that in addition to the SRA

schemes alternate strategies need to be evolved. The document illustrates categories of slums and the policy outline to tackle them. The Categories of slums include slums situated on the right of way of existing infrastructure and on dangerous location, on land reserved for public purposes in Development plan, pavement dwellers and slums located in environmentally sensitive and NDZ locations. Apart from a policy mechanism the document also suggest alternatives and the procedural steps required to tackle the slums of the MMR region.

Prevention of slums in future is a collective task for all the stakeholders of the city. The two strategic measures as suggested in the document include:

- a) Channeling the population growth of the city from amongst the poor into legitimate housing.
- b) Absorbing immigrants and poor individuals/families.

The document also presents a scheme for a block redevelopment of cessed and dilapidated buildings in the island city. It is one of the many firm steps in the direction of drawing up feasibility and credibility based plan that has a foundation of quality analysis, broad band of public consultation and commitment and zeal to implement the promised public action:

Recommendations

- 1. Land** – Increase the supply of serviced land and development rights.
 - Repeal ULCRA. This may not necessarily bring additional land in the market as most of the land has now been exempted. However the repeal will remove one hurdle in redevelopment as land becoming vacant on demolition is also subjected to ULCRA. Transactions and development would become hassle free. The modification of the DCR to forge development of low cost housing should be concomitant of the repeal.
 - Bring Mill Lands, Port Lands and Salt Pan Lands under development in a time bound manner.
 - Release of public sector land for low cost housing
 - Instead of uniform FSI regime, rationalize FSI pattern that takes into account the intensity of existing development and location attributes. Impact fees for FSI in excess of certain datum could be used to strengthen resources for infrastructure. Bonus FSI could be used to provide incentives for land assembly, and planning obligations may be imposed to set aside land for roads, open spaces etc.

2. Housing Finance – Improve access to housing finance for the poor by facilitating tenurial rights

- Provide for summary foreclosure procedure in case of default
- Insurance and guarantee mechanism to deal with defaults

3. Role of public housing

- Promote redevelopment of low rise low density areas such as sites and services projects at Charkop/ Gorai Road or Unnat Nagar, Motilal Nagar etc at Goregaon
- If land becomes available for public housing it should be predominantly used for low income housing.

4. Renewal – promote reconstruction of all old buildings (not just the Cessed Buildings) as an integral part of block level renewal

- Withdraw the government managed repair and reconstruction programme in a phased manner over a five-year period.
- Rationalize Rent Control Act to promote landlords and tenants to reconstruct buildings – allow market rents or ownership in the reconstructed buildings or just compensation for relinquishing tenancy rights.
- Adopt rationalized FSI pattern in conjunction with impact fees to help augmentation of infrastructure.

5. Rent Control Reforms

- Immediate repeal of Rent Control may be impractical.
- New tenancies have been freed of Standard Rent. But foreclosure procedure still depends upon courts, which is time consuming. Summary procedure available in case short-term leases (called leave and license) should also be made available in case of long-term tenancies.
- In case of existing tenancies the Rent Control Act 1999 allows for 4 % increase per year. This barely neutralizes inflation prospectively. The rate of permitted increase should therefore be inflation + 4 %. This will double the rents in 18 years in real terms.

6. Develop a more Coherent Slum policy.

In a city with so many slum dwellers, policy development will necessarily take time. Nevertheless, some immediate concrete steps can be taken with regard to options for slum rehabilitation, their costs and schedules,

opportunities for facilitating low income housing and rental development – all in the context of the Mumbai region rather than the city alone.

7. Data Management

There is a lack of coherent data system that can help monitor and evaluate the policies some examples of improvement of data systems necessary are given below.

- Building permission data in local authorities can provide the size wise distribution of new dwelling units constructed and dwelling units demolished in each ward. But such information is not compiled. In the absence of such data the supply of legal houses is not known and whether the minimum density provisions in DCRs have helped cannot be evaluated.
 - Quantification of slums according the categories proposed above along with land ownership data is not available. Fine tuning policy and evaluation is extremely difficult.
 - Income and occupation profile of housing loan borrowers and amounts borrowed is not compiled. Policies to improve access to housing finance cannot be realistically designed and evaluated.
- 8.** Further develop a buoyant, **effective revenue source**, such as the property tax, which could fund assistance programs and infrastructure in ways that do not rely on regulatory taxes on development such as tradable development rights. Additionally, development charges as well impact fees could be derived through contingency valuation.