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Housing Policy & Planning

Lec-06

Urban Reform

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Hello! Last day we discussed or concluded the discussion on the public intervention. The programs and schemes by the Government of India and the state government till the current years. Today we will discuss the urban reforms. We already talked about the various programs or the schemes where we mention that various reforms were the part of the programs one by one slowly; slowly it took the total position to create an enabling environment or facilitating environment for the housing market.

So today we will see that what are those reforms which created a fantastic environment in India where every stakeholders including private, public and semi public organization. They are trying to contribute in the housing sector or the basics organize for the housing sector. So first among this reforms before I go to the main discussion I just tell you just recall our discussion on the barriers of the housing provision which we discussed in the last two lectures. We identified that barriers were basically finance and land. Most of the barriers are finance land and technological barriers.

So we will see today one by one what the reforms are and how it tried to solve the current problems and the issues. So first reform which government of India came up after 2000 if the 100% foreign direct investment in housing construction. That was not permitted before this time and government they consider that unless we get the foreign funds in housing the overall money flow and overall construction and supply will not be adequate to achieve the housing for all which we discussed last day. So 100% foreign direct investment in housing project it was

permitted. It is a very important reform in terms of the current enabling market of the housing. And as a result of this, many projects about 400 to 500 projects with the foreign direct investment.

It came after the year, this time 2015 in various states across the country. So this is one of the major reforms in the housing finance. And basically it helps the institutional finance that is the project finance by creating, enabling environment by creating support to the developers by giving a support to the developers in terms of the finance of the project. The next was the urban land ceiling act. You must know that in 70s and 80s there was land reform in rural areas and urban areas.

The main objective of the land reform that time was to distribute the land into various hands. The object of the land reform was to stop the zamindari system and to distribute the land in various hands so that the poor people who are basically using the land for a long. They are part; they are beating of their land. Similarly with the urban sector, the government of India they came up with the urban land ceiling act in 90's.

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The main objective of this land ceiling act was that no person in his own name can have the land more than 500 sqmt in a urban area. So this land ceiling basically makes a condition where not an individual person who will have a bigger chunk of land and its ceiling was most of the cases 500 sqmt. So as a result of this the initially the objective of the land ceiling act was very great, but finally we found that due to this land ceiling act we were not getting the large chunk of the land in urban areas to interest in housing, to create bigger housing project.

Because in 500 sqmt plot we cannot make a bigger housing project, bigger community as such we can maybe do stand around building which can offer maximum 10 to 15 households. So that was the problem we were not having the bigger chunk of land even after the foreign direct investment in the housing project, even the finances there are investments there are, but land is not there.

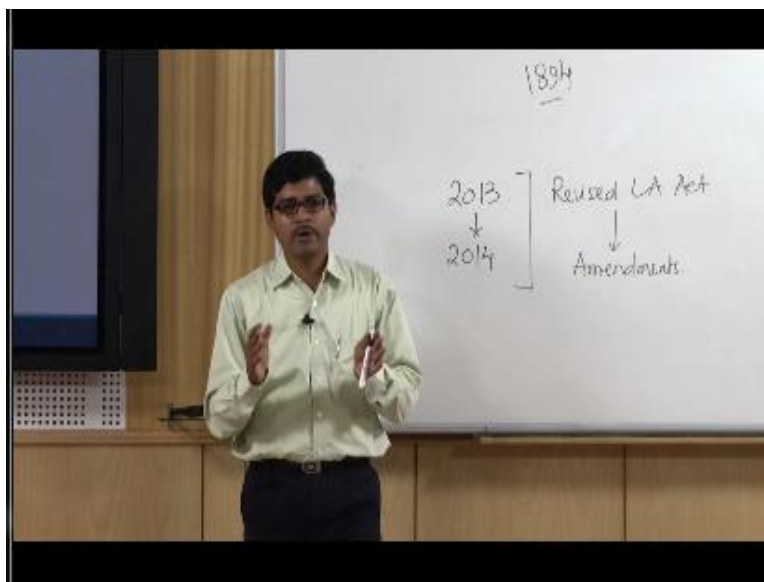
So after that went genuine, last day I talked to these was one of the major reform that for the state government that they have to repeal or withdraw the urban land ceiling act. So that the major lands can be amalgamated combine to make a bigger partial of plan. So that investor and the bigger projects can be done on the bigger land. That was the major reform. Now the fact is the except one or two states most of the state government they have repealed or withdrawn the urban land ceiling act. And as a result, last day I talk about the portable house in partnership.

So in partnership through the joint venture mode the government authority like housing board, develop in authority or the state government authority in partnership with the private developer they are having the bigger land with the foreign direct investment. They are able to right now to create bigger housing projects. So that is major reform in last few years. The third major reform was in the land acquisition act. Sometimes, even through the land ceiling act is repeal you amalgamate the land, but in urban areas the getting bigger land is even much more difficult.

So another, I mean major source of the land was through the land acquisition act through this act any government authority any public body. They can acquire land for the public what was if the project is very big, if the housing project is very big for the lower income group or the middle income group. They can acquire the land. But the problem is the due to land acquisition acts its

nature. During last couple of years, we have seen that due to its nature, the people did not accept the land acquisition act as if any social instrument. Rather we have seen that due to this land acquisition act there are various incident of social invest and various incident of non acceptance right the people as a tool to public intervention. So for this reason government basically was compelled to revise the land acquisition act and they came up with revise land acquisition act in 2013 and 2014. They came up with revised LA act and with amendments.

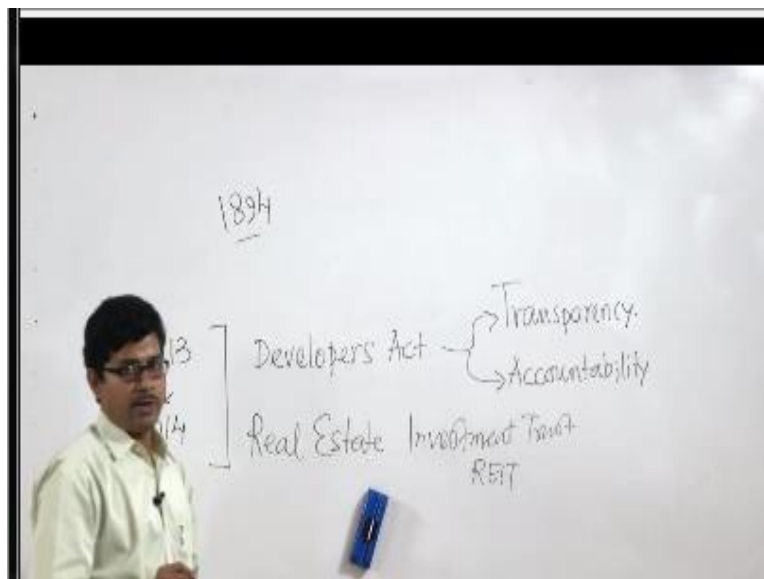
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Basically the fundamental difference between the earlier land acquisition act which was framed in 1894 during British period and this land acquisition act is that in the earlier act there was no provision of taking the consent of the people who basically own the land right now. But in this approach in 2013 and 2014, the major difference between the earlier act and the new act is that any government authority before acquiring the land, they have to take the consent from the people so, that the based on the consent of the people only the land can be taken. There are few more other elements, but we will not discuss right now. We will have to dedicated lecture on the legal part.

So time we will discuss, but definitely after this land acquisition act. It is now the land acquiring is a comparatively easier mode from the public perspective. It is comparatively challenging mode from the private perspective. But definitely it is a major reform in the urban reform in the housing market. We choose enabling the market to deliver the more number of housing. The next reform which was there is basically the controlling the real estate investment and controlling the developer. Before this act, actually in India except few state governments there were no legal provision, no legislative provision to control or to manage the real estate develop and or the housing develop or the developer so government of India in 2013 again.

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They came up with this developers act whose main objective will be to maintain the transparency and transparency in the transaction for a common man for a getting a housing and accountability for the private developer. So under this developers act every developers act has to register their project under the statutory body in each state government not only that they have to keep some amount of money as a security deposit. So that eventually if they do not perform, they do not deliver the housing as per the prescribed as per the contracted specification, transparence specification and they are ultimately they will be force to return that money to the user or buyer.

That is the main objective of the developers act. So developers act created a major reform in the urban areas in controlling the marketing controlling developers. Apart from the developers act another reform came which is called as real estate investment trust in short REIT fund. So objective of the REIT fund is to mobilize the finance from the market. Because the middle income group or higher income group, they often invest money in various financial instruments in banks or in various financial institution.

So the objective was whether those investment at least some share of those investment can be mobilized, can be accumulated, can be used in the area leister sector to further increase the cash flow or the money flow in a transparent way in the market. That was the objective of the real estate investment trust or the REIT t fund right now so far it is under I mean it is not functional, but the developer's act it has been converted as a act and right now it is, but definitely many state government they have to adopt the they have to take the actions under the act.

That is the major reform in terms of the control of the developers and the housing market. The next reform came during the 2000 and the after 2010 was the property tax reform so far we had a system of the property tax which was having a uniform collection of the tax for the people irrespective of their income category.

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So in this reform government tried to have some variable segment or variable parameters of the property tax, so that a poor person, a common person, a common man who are buying a house with their minimum amount with their hard earned money they can register their house with the minimum amount of property tax even up to one percent, only one percent. Whereas, the higher income group or middle income group they can continue with the property tax is 7 to 8 percent or at the as refilling.

At the state government, so that kind of the variable property tax based on the income category or the housing typology category for example, The Government of India at during the effort able housing in partnership at a time they proposed that the slab house. The slab for the income category and the property tax could be like lower income group middle income group or as per the flood area like 30sq meter or 60 sq meters, so major reform or major achievement under the property tax and stamp duty per a time was that to have the variable kind of stamp duty.

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Reforms in Housing & Land Market

- 100% FDI in housing projects
- Urban Land ceiling act is being repealed
- Reform in land acquisition act
- Real estate investment Fund/trust and developers bill
- Reform in property tax and stamp duty

And property tax and another reform which came through in the property tax is that dignity from individual base property tax regime to a area based property tax regime in the municipal area. So property tax and stamp duty both make the reform in the housing sector towards the more active market, towards more people from the marketing the housing sector. After that we see another reform that we have already discussed mention last day that is interest subsidy housing finance.

For the common people the interest subsidy up to 5 to 6 percent will be given by the government, but at the remaining part 2 to 3 percent or 4 percent can be afforded by the common people for the housing finance. So these will basically enable a common man or a group of people to buy the house from the market, so it will increase their affordability and this is basically at demand side intervention it is more demand from the market from the people.

So all this reforms and some incentives in various state governments like segregate market of variable flood area issue and giving additional flood area to the developer to some residential district so residential areas to the developers and join adventure which actually facilitate that the private developers and creating enabling market. Those kind of practices were also taken by the government India and state government and also some municipal corporations and develop in

authority by giving additional incentive in terms of FIR or the flexibility in the building rules , so that they can supply more housing.

That was the another reform along with the financial and then the reform which came, so far we have discuss the land reform land financial reform and some of the legal reform at the next session will discuss the housing policies in details. It is starting from the first housing policy and second housing policy and latest natural habitat on housing policy or rental housing policy thank you.

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