



# "The City of Dreams, Mumbai- Development Policies and their Impacts"

## The Effects of Regulatory Measures on Land and Housing

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### ARTICLE INFO      ABSTRACT

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Land use regulation takes various forms across countries and serves primarily to control land allocation and development. The economic rationale for regulating land markets through planning and related tools is a well-explored and established area of study. Land is widely regarded as a critical economic and social foundation for development. In India, the scarcity of land presents a significant obstacle to infrastructural growth. Optimizing land use is vital for boosting agricultural productivity, which directly impacts the income levels of a large portion of the population. Given that agriculture remains a cornerstone of India's economy, ensuring equitable land distribution and secure land rights is crucial for empowering both urban and rural communities to navigate the challenges posed by rapid globalization. One of the pressing concerns today is the lack of accessible land and its skyrocketing prices, which hinder housing, developmental, and economic activities. Recently, however, there has been growing awareness about the unintended consequences of urban land regulation, particularly its adverse effects on market dynamics. These regulations have contributed to rising land costs and diminished public welfare. In Mumbai, a rapidly growing metropolis with substantial land and housing demands, such regulations restrict housing supply by limiting the availability of built space. Land use planning and regulatory frameworks significantly shape the housing market in Mumbai. While the overall impact of these regulations is complex to quantify, their influence is evident in the current market dynamics. Specific aspects of land use planning, such as density controls, often exacerbate these effects and serve as the focal point of this study. This research examines how various policies continue to shape Mumbai's urban land markets.

**Keywords:** Land use, Housing, Regulations, Mumbai, Control, Safety.

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### Introduction

Land is a fundamental resource for human society, serving various purposes that drive economic production. In urban areas, land plays a pivotal role in fostering economic growth and development by supporting both industrial production and household consumption. It is a critical asset that must be judiciously allocated to purposes such as housing development, infrastructure creation, and the provision of social and public amenities. These uses collectively contribute to the formation of cities and the organization of urban activities. However, competition among these diverse uses creates a relative scarcity of land, which further intensifies when urban land competes with non-urban uses. This competition establishes land values and rents, influencing land allocation, availability, and pricing. Theoretical studies have extensively explored these dynamics and their impact on land allocation, particularly for housing.

Housing remains a vital component of urban development, as cities are hubs of human concentration. The availability of suitable land is a prerequisite for housing development. While natural factors such as geography and topography influence land suitability, the readiness of land for development largely depends on site conditions and the availability of infrastructure. Recognizing this, many developed nations prioritize infrastructure development before housing construction. Conversely, in developing countries, land is often

developed first, followed by infrastructure provisioning, leading to inefficiencies in organizing urban activities and producing goods and services at scale.

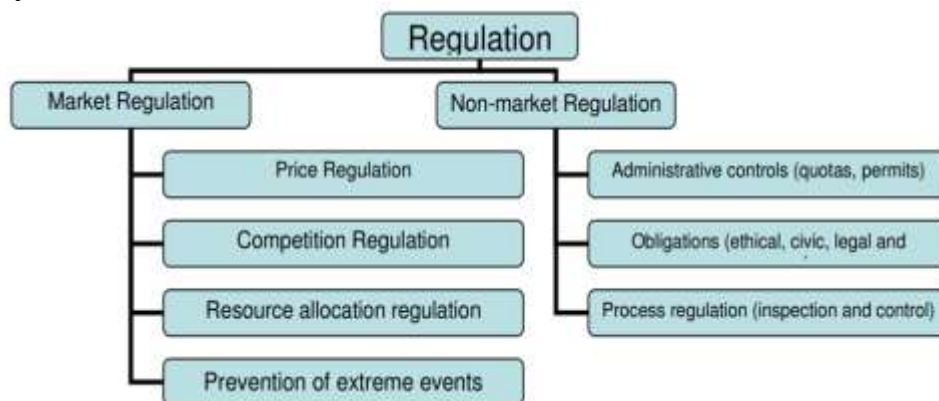
Beyond land availability, various public and private institutions significantly influence housing development in cities. These institutions often impose restrictions on land use and development, thereby affecting housing outcomes. Public institutions, such as land use planning bodies and regulatory authorities, use these controls to achieve specific objectives, which may diverge from outcomes that free markets would produce. While some regulations are intended to promote public welfare, they can have unintended effects on land and housing markets and influence the behavior of stakeholders. Similarly, private institutions, shaped by self-interest and socio-cultural contexts, impact urban form, neighborhood density, and the character of urban areas.

Regulations concerning land use and allocation vary widely across countries and cities. Public institutions, such as planning systems and development control authorities, play a crucial role in defining land use, development density, and environmental conservation. For instance, the UK's land use planning system emphasizes assessing development needs and pressures, allocating land through planning permissions, and regulating these processes via development guidelines. In the USA, zoning laws are the primary regulatory mechanism, often aimed at segregating land uses while also serving broader purposes. Development control regulations, such as building codes and design guidelines, further shape urban growth. In India, the town planning system relies on master plans and development control regulations established by relevant authorities to guide land and housing development.

This paper seeks to examine the regulatory framework governing land and housing markets, with a particular focus on Mumbai, and analyze its implications for urban development.

### ***Regulation of land, its development and housing***

Regulating the allocation of resources for the production and consumption of goods and services has become a significant way for states to exercise control in modern times. This approach is often preferred over direct control, which is increasingly seen as expensive, less effective, counterproductive, and potentially politically contentious. As a result, the regulation of resources like land and its development has emerged as a favorable mechanism to achieve policy objectives. Various forms of regulation, as illustrated in Figure 1, apply to land use and development control as well.



**Figure 1: Forms and Regulation**

The justification for regulating land through planning and development controls is largely rooted in welfare economics. Since land allocation contributes to the production of public goods and its development generates externalities, centralized allocation through planning and regulation systems is argued to maximize net welfare. It is also debated that urban land markets often experience market failures, such as allocating land to uses that are economically inefficient but socially desirable (e.g., schools and hospitals), which the market may deprioritize. Furthermore, information asymmetry in land markets can lead to speculative behavior and delays in supply—issues that centralized land provision aims to address. Political ideologies also play a role, influencing how planning systems align with societal values.

While the objectives and rationale for regulation are compelling, the potential downsides cannot be ignored. The assumption that governments or public institutions can consistently achieve their goals does not always hold true. Failures of governance and the unintended consequences of policies and regulations often go unexamined. These failures can have significant effects on land and housing markets, influencing supply, demand, pricing, and availability. Additionally, regulatory outcomes may differ from expectations if market participants react unpredictably in the absence of appropriate incentives, undermining the desired outcomes. This makes the evaluation of regulatory impacts on land and housing markets crucial for effective policy design.

The literature on land use regulation impacts is extensive, covering diverse theories, methodologies, and focal areas. These impacts can be broadly categorized by the nature of affected goods (consumption or investment) and the research methods used to assess them, such as multivariate analysis, case studies,

analytical approaches, and simulations. Another classification distinguishes impacts as structural, spatial, or behavioral. Structural impacts, such as changes in land and housing prices and quantities, are a central focus. Spatial impacts are observed in phenomena like gentrification and urban density increases, while behavioral impacts, including rent-seeking and phased development, are also acknowledged.

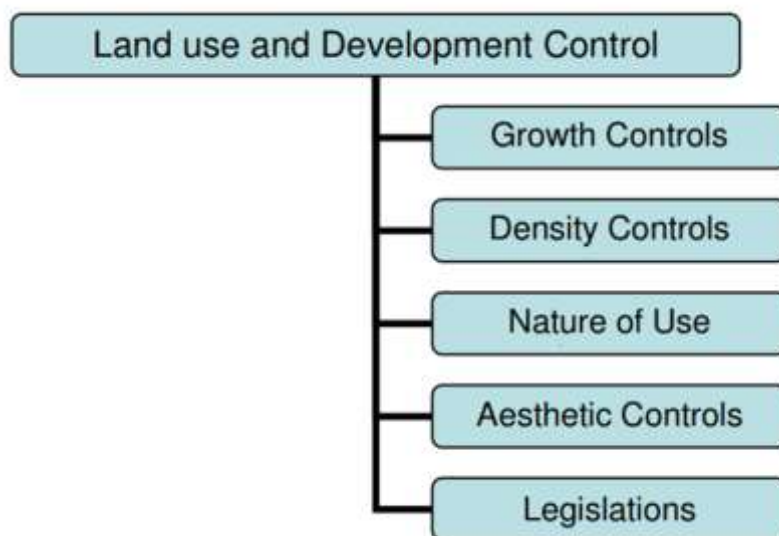
Mumbai serves as an illustrative case of how land and housing regulations can lead to unintended and undesirable consequences. Various theoretical frameworks explain how regulations affect market operations and participants, often producing outcomes that diverge from the stated objectives. A common analytical approach compares outcomes under regulation to those under free-market conditions. While neoclassical theory supports quantitative assessments of these impacts, qualitative impacts are best understood through observed outcomes. However, a major challenge in research lies in establishing a counterfactual, which is essential for accurate analysis but difficult to determine. As such, a careful evaluation of both qualitative and quantitative impacts is necessary for effective policy-making rather than relying solely on one perspective.

### ***Regulation of Land and Housing in Mumbai and their Impacts***

At this point, it is essential to examine the regulatory framework governing Mumbai. Specifically, it is crucial to identify the key regulations influencing the city's development, including its land and housing markets, and to understand the roles of the institutions responsible for their implementation.

### ***Regulatory Institutions***

The overall institutional framework of Mumbai's regulatory system is illustrated in Figure 2. The city's land use planning system originated with the establishment of the Bombay Municipal Corporation (BMC), now known as the Municipal Corporation of Greater Mumbai (MCGM). The MCGM is responsible for preparing 20-year development plans. Although it has created two such plans with designated land reservations for various uses, no financial provisions were included for their implementation. Building permissions are issued by the relevant department within this corporation, based on adherence to the development plan and associated control regulations. However, the approval process for building permits is often lengthy, involving numerous procedures and multiple authorities before final approval is granted.



**Figure 2: Forms of development control regulations in Mumbai**

The Mumbai Metropolitan Regional Development Authority (MMRDA) serves as the strategic regional planning agency for the broader metropolitan area, which includes Mumbai and surrounding smaller towns. It prepares a 10-year regional development plan that outlines requirements for land, housing, infrastructure, transport, and amenities. Implementation of this plan is facilitated through zonal development plans in selected areas, incorporating provisions for private and cooperative housing, as well as public housing. Infrastructure development is coordinated with relevant local bodies.

Additionally, the Maharashtra Industrial Development Corporation (MIDC) is tasked with the planning and development of industrial zones, while the City and Industrial Development Corporation (CIDCO) is responsible for the planning and development of the satellite city of Navi Mumbai. The Mumbai Heritage Conservation Committee (MHCC) works in partnership with the MCGM, offering advisory support on matters related to heritage building regulations, listing, and development. At the state level, the Urban Development Department of Maharashtra formulates major policies, enacts legislation, and oversees their implementation.

### **1. Land use planning and regulation**

Mumbai's land use planning and regulatory framework, shaped by state and local policies, plays a crucial role in determining how land is allocated for various purposes. Over the years, town planning practices in the city have evolved significantly. From 1930 to 1960, town planning schemes were prevalent, but later, the focus shifted to city master plans or development plans. These plans typically cover a 20-year period and include provisions for land use zoning, density zoning, and Floor Space Index (FSI) zoning. They also designate plots for "public purposes," which are to be acquired. The primary objective of such zoning is to ensure public health and safety while balancing the demand and supply of infrastructure services.

Although planning policies have broadly promoted the segregation of land uses, their practical implementation has been limited. A notable trend in planning policy over the past few decades has been the emphasis on decongesting the city. This led to the development of Navi Mumbai as a satellite township, though its success was initially limited. While there are no officially declared green belts, any development within the Municipal Corporation of Greater Mumbai (MCGM) limits requires approval from the corporation, and development outside these limits necessitates permissions from the relevant municipality and the Mumbai Metropolitan Regional Development Authority (MMRDA). Developers must also obtain a Non-Agriculture (NA) land certificate or formally request land-use conversion for projects outside MCGM limits.

In addition to this, Mumbai has significant tracts of salt pan land and coastal marshland that are protected under the Union Government's Coastal Regulation Zone (CRZ) provisions, which prohibit development in these areas. Large-scale development on these lands requires approvals from local, state, and central authorities. Furthermore, the Borivali National Park to the north acts as a natural boundary, where development is strictly prohibited. The city's peninsular geography, coupled with these regulatory and natural barriers, creates a unique situation that significantly limits the availability of developable land, impacting both the quantity of built space and its cost.

### **2. Development Control Regulations**

Development Control Regulations (DCRs) are a key component of development plans and govern the usage of land across various zones, density limits in terms of dwelling units per area, and the overall development area. In addition, the Municipal Corporation of Greater Mumbai (MCGM) enforces another set of regulations through building bylaws. These bylaws establish parameters such as ground coverage, maximum building height, light angles, and the relationship between building height and road width to control the volume of built-up area on a specific plot of land. While the land use zone regulations determine the type of activities permitted on the land as per the development plan, density regulations set limits on development intensity, measured through the Floor Space Index (FSI) and the maximum number of units per hectare. Among these, FSI regulations have had a notable impact on land and housing markets, contributing to increased land scarcity, which warrants further attention. Despite some variations, FSI regulations have significantly influenced residential densities in Mumbai, particularly in suburban areas.

Building bylaws have also played a crucial role in shaping the extent of development on a given plot. However, researching this impact requires access to property price data and specific characteristics, which are often difficult to obtain. Furthermore, the process of granting building permissions, which involves ensuring compliance with regulations, can take up to a year. This lengthy approval process leads to a rigid housing supply that is slow to adjust to changing market conditions. This contributes to supply inelasticity and delays in market response. The extended waiting period also results in opportunity costs, interest expenses, and risks tied to potential market downturns. Additionally, although not explicitly stated, corruption at various stages of clearance is a well-known issue. All of these factors add to the cost of housing, making it more expensive for buyers than it would otherwise be.

### **3. Aesthetic and Safety Regulations**

The city center of Mumbai boasts a significant stock of housing from the 18th century. To preserve the area's character and built heritage, the government has implemented restrictions on the use and transfer of these buildings, prohibiting redevelopment or repairs without prior approval. Approximately 1,000 such buildings have been identified through various surveys and categorized into Group A, BI, and BII. Although owners are given incentives such as no restrictions on use, the careful restoration and regeneration of these structures has not been prioritized. As a result, these buildings remain neglected, becoming unsafe for occupation or remaining vacant due to their functional obsolescence. Maintenance of utilities, safety, and exteriors is poor, and rental income is insufficient for upkeep.

To ensure tenant safety, the government has conducted surveys and listed old, dilapidated buildings. In the island city alone, there are 19,622 such buildings that urgently require repair and renovation. To address this, the Mumbai Repairs and Reconstruction Board was established under the Maharashtra Housing and Area Development Authority (MHADA), which also provides low-income housing. However, over the past decade, only around 3,000 buildings have been completed, and it is uncertain when the remaining 16,000 will be addressed. Redevelopment of these buildings is delayed due to the requirement of consent from a majority of residents and approval from the Municipal Corporation, which involves complex procedures. Attempts to incentivize redevelopment through additional Floor Space Index (FSI), allowing it to be sold on the market



via the Transfer of Development Rights (TDR) scheme, have not been successful due to the decline in TDR market prices.

### ***The Impact of Density Controls on Land Markets and Housing in Mumbai***

Mumbai, India's largest metropolis, operates under a land use planning system where the MMRDA prepares plans designating land for various uses and oversees its procurement for development. However, the primary responsibility for development control lies with the Municipal Corporation of Greater Mumbai (MCGM), which establishes the rules for development on land designated for specific purposes. Over time, the land use planning and regulatory systems have evolved, incorporating legislative amendments and expanding institutional frameworks. Density controls emerged in 1964 through development control regulations, which set uniform density limits with Floor Space Index (FSI) values of 1.33, 1.0, and 0.75 for different parts of Mumbai—the city center, suburbs, and extended suburbs, respectively.

Besides density regulation, other forms of government intervention, such as the Urban Land Ceiling Act (ULCA) and Rent Control Act (RCA), also affect land and housing markets. The complexity of these regulations makes it difficult to isolate the impacts of density regulation, as they interact with other factors. Mumbai's land and housing markets exhibit a stark division between demand and supply, and between the wealthy and the poor, with clear demarcations between the city and the suburbs, reflecting significant market rigidities.

The literature review suggests that a multivariate approach is suitable for measuring the impacts of land use regulation, and this approach is applied to study the effects of density regulation in Mumbai. Various research methods have been used to assess these impacts, including a spatial equilibrium model to evaluate price effects and in-depth interviews with experts to assess non-price impacts.

#### **1. Price Impacts**

Price impacts were evaluated using a multivariate model, considering factors like public goods, externalities, taxation, income, development controls, and transportation systems, which all influence land prices.

#### **2. Non-Price Impacts**

Non-price impacts are primarily qualitative and manifest at both the spatial level of the city and among different agents occupying the urban space. These impacts were analyzed through secondary data and informal interviews with experts, whose insights were weighted to support the analysis.

#### **3. Spatial Impacts**

Density controls have significantly shaped the spatial organization of Mumbai. As the population grew, there was a shift towards the suburbs, resulting in overcrowded conditions in these areas. This is evident in the higher percentage of slum populations in suburban regions, as well as the coexistence of slums and squatter settlements with newer, high-rise buildings. The restriction on development due to density controls has contributed to these overcrowded conditions.

Another spatial consequence of density control is gentrification, particularly in the Central Business District (CBD), where rising land prices have led to the displacement of low-income groups by wealthier residents renovating properties. This displacement has pushed the poor into the suburbs, exacerbating the slum problem in these areas.

High land prices have also prompted developers to resort to cheaper materials, labor, and technology to reduce costs, often resulting in subpar housing quality. This is reflected in the poor housing conditions in the city's old and deteriorating buildings, a consequence of restrictive regulations like density controls, rent controls, and land ceiling policies, which hinder redevelopment opportunities. The proliferation of slums has further degraded the urban landscape, diminishing both aesthetic and environmental quality.

#### **4. Behavioral Impacts**

Density controls have fostered speculative behavior in the real estate market. By artificially limiting the extent of development, these controls have encouraged the withholding of land and housing units in anticipation of price increases. As prices rise, these properties begin to serve as investment assets, reinforcing speculative activity.

Rent-seeking behavior is another outcome, where agents exploit the higher value of goods over production costs, engaging in activities like corruption, manipulation, or political lobbying to gain a share of the rents. High land prices and the expectation of returns from housing investment have fueled these activities, especially in the context of wealth disparity and the flow of black money. Density controls may have amplified these tendencies, leading to inefficiencies and inequities in land markets.

#### **5. Policy Implications**

There has been growing recognition of the need to relax density controls and other restrictive land use regulations, as outlined in the BMRDA plan document (1995). Recent initiatives, such as the use of Transferable Development Rights (TDRs), aim to move away from rigid density controls. In cities across Southeast Asia and North America, density planning has long been recognized as a tool for accommodating

development. Local authorities must facilitate, rather than restrict, development by providing adequate infrastructure and amenities and developing financing mechanisms for their provision. This would involve utilizing planning agreements and fostering public-private partnerships to support growth.

### ***Other Regulations of Land and Housing***

In addition to regulating land use, the government has implemented various acts to influence land markets. The central government has encouraged state governments to intervene in land markets through several legislative measures, such as the Rent Control Act (1947), the Urban Land Ceiling Act (ULCA) (1976)—enacted by states including Maharashtra—and the Slum Areas Act (1971), which was introduced in response to shifts in housing policy. These acts are explained below.

#### **1. Urban Land Ceiling Act (ULCA)**

The rationale behind the ULCA was first outlined by the Urban Land Policy Committee, appointed by the Government of India in 1965. The committee set the following objectives for the policy:

- To achieve optimal social use of land
- To ensure land is available in sufficient quantities, at the right time, and at reasonable prices to both public authorities and individuals
- To encourage cooperative community efforts and individual builders in land development, housing, and construction
- To prevent land concentration in a few private hands and protect the interests of the poor and underprivileged
- To utilize land as a resource for urban development by reclaiming unearned income that would otherwise benefit private landowners
- To promote socially and economically efficient urban land allocation, conserving resources and optimizing land use
- To promote flexibility in land use as the city grows

Despite these objectives, ULCA failed to achieve its goals and instead proved counterproductive by restricting land supply for urban development, which caused housing prices to skyrocket. The impacts of the ULCA on Mumbai are outlined in Box 2. Regulations like this have been harmful to land and housing markets in Mumbai in several ways:

- The act did not fulfill its intended goals and was not terminated after the specified period.
- It was a static piece of legislation that did not adapt to changing circumstances, leading to landowners withdrawing from supplying land.
- It created an incomplete land market, resulting in inefficient land market operations and inadequate housing.
- It fueled corruption and political favoritism.
- It contributed to distortions in land markets and spatial patterns of land use in Mumbai.

### **Urban Land Ceiling Act (ULCA) and Its Effects**

The ULCA was introduced by the Indian Government in 1976 as part of the nationalization policy of the early 1970s. It imposed a 500 square meter limit on individual land ownership, and any land exceeding this limit was deemed surplus and to be surrendered to the government for public use or redistribution to landless individuals. Private trusts and companies were allowed to retain land if it was used for the specific purposes for which the trusts were set up. The aim was to discourage monopolies over urban land and create more housing opportunities.

However, the results of this legislation were contrary to its objectives. Land that could have been developed for housing remained unused because private landowners were reluctant to surrender their land. In Mumbai, around 10,000 acres were exempted from the act, and the legislation was often criticized for fostering corruption among politicians and vested interests. The act restricted real estate development and has been blamed for holding back the release of land for housing.

The government's efforts to implement the act have been slow, with less than 100 acres acquired in 26 years. Restrictions placed on trusts and family-held companies prevented the commercial use of thousands of acres of land in Mumbai, which are estimated to control 50% of all private land in the city. Developers struggle to secure exemptions from the ULCA, and those who manage to do so are often accused of manipulating the system.

Although the ULCA was repealed in 1999, individual states were allowed to decide whether to retain it. Most states, including Delhi, Karnataka, and Haryana, have abolished the act, but Maharashtra continues to enforce it, believing that modifying it is more beneficial than completely repealing it. The Urban Reform Initiative Fund (URIF) was introduced to incentivize states to repeal the act, and the Maharashtra government is considering its repeal to free up land for development. This repeal is also recommended in the

Bombay First-McKinsey Vision Plan of 2003, which suggests it will lead to better land development and more affordable housing in Mumbai.

### **1. Rent Control Act**

The Bombay Rents, Hotel Rates and Lodging House Rates Control Act, 1947, was introduced to protect tenants from excessively high rents. Under this legislation, the rent for properties leased at that time was frozen. Many buildings are still governed by this act, with rents frozen at levels from 1947, which are significantly below current market rates. In 1995, a provision was made to raise rents by 5% above the 1947 levels, which barely addressed the issue. Tenants were also granted tenancy protection through inheritance rights. However, these stipulations did not apply to buildings constructed after the war, benefiting suburban development while leaving behind a significant portion of rent-controlled housing in the island city. The Rent Control Act has led to significant distortions in the housing market, particularly halting the supply of rental housing. The low rental yields, eroded by inflation, have caused landlords to neglect property maintenance. As a result, the Municipal Corporation has been forced to cover maintenance costs, leading to a decline in property standards. Additionally, the protection against eviction and inheritance rights have resulted in tenants becoming long-term occupants, exacerbating the problem. Further details on the Rent Control Act's impacts in Mumbai can be found in Wadhwa (2003).

### **2. Industrial Policy Legislation**

The state government's industrial policy, aimed at protecting labor interests, imposed restrictions on land holding, rent, and location for both private and public textile mills, to prevent industrial closures. This policy led to a stagnation in land supply due to the inability to relocate industries. Although it was recently abolished, the policy had a significant impact on land markets. It restricted the sale of industrial land for commercial purposes, resulting in large areas of vacant industrial land in the city center that could not be used for residential or commercial development. Although recent amendments have allowed some development on these lands, around 500 hectares of land remain unused.

## **Impacts of Regulations on poor state of housing**

The regulatory environment has significantly impacted land and housing markets in Mumbai, contributing not only to rising prices but also to declining quality. Below are some critical issues that highlight the regressive state of housing in the city:

### **1. High Property Costs**

Mumbai's housing sector faces numerous challenges, reflected in the exorbitant costs of housing relative to per capita income. Mumbai's housing costs are among the highest globally, surpassing cities like London and New York. However, the infrastructure and housing quality are far below the standards of these world-class cities. Legislative barriers affecting land markets also extend to housing markets, as land is a primary factor in housing development. Development control regulations may have exacerbated scarcity, creating artificial demand and driving up property prices.

### **2. Low Housing Supply Elasticity**

During the 1960s and 1970s, the demand for housing in Mumbai was estimated at 46,000 and 60,000 units annually, respectively. However, the formal housing supply during these decades was only 17,600 and 20,600 units, highlighting a significant gap between demand and supply (BMRDA, 1995). As a result, many households turned to slums or existing housing stock, leading to severe overcrowding. This trend has persisted into the 1990s, as the supply continues to lag behind growing demand. Development control regulations that limit land availability for housing construction are a key factor in this rigidity.

### **3. Prevalence of Informal Housing**

Informal housing, including slums and squatter settlements, dominates Mumbai's housing market, accommodating over half of the city's population. The formal housing sector remains underdeveloped and fails to meet the needs of the majority. Slums are a pervasive feature of the city, with an estimated 50-60% of Mumbai's population living in these conditions. This underscores the severity of the housing crisis and the lack of adequate formal housing solutions.

### **4. Declining Rental Housing Supply**

As previously discussed, legislation such as the Rent Control Act has significantly reduced the availability of rental housing, causing substantial harm to this sector. To address this, it is crucial to eliminate these restrictive regulations. Additionally, new rental housing from recent constructions must be efficiently developed to provide shelter for those in need. High transaction costs, such as stamp duties and the frequent renewal of leave and license agreements, also hinder the growth of the rental market. Addressing these issues through reforms is essential to revitalize the rental housing sector.

### Discouragement to Foreign Investments

The availability of capital and the development of financial markets play a crucial role in real estate development. In Mumbai, the absence of well-structured financial markets catering to the real estate sector and the challenges in accessing formal financing have historically created opportunities for the influx of unaccounted or illicit funds to support the industry. This lack of appropriate financing mechanisms has also led to speculative investments dominating the sector.

To address these issues, it is essential to enhance the domestic capital market by improving accessibility and ensuring the availability of funds through the creation of a supportive environment. Additionally, there was minimal effort to leverage foreign capital through Foreign Direct Investment (FDI) or Foreign Institutional Investment (FII) during the pre-liberalization period. To meet the sector's financial requirements and foster a competitive professional landscape, attracting FDI and FII inflows is imperative.

### The Need for Urban Reforms

It is essential to recognize that while the objectives of the initially envisioned system were relevant to the prevailing context, the system has since undergone significant changes due to the evolving role of the government. Although these changes might have been foreseeable, they were not adequately addressed. Post-liberalization, the government's role has shifted from being a regulator of development to a facilitator. This transformation is evident in the reforms implemented in the output and investment markets, but reforms in the input markets remain incomplete.

To address these gaps, several reforms are necessary:

- **Development Control Regulations:** Substantial modifications are needed to ensure the efficient functioning of land and housing markets. The state government should align with the central government's policy by abolishing the Urban Land Ceiling and Regulation Act (ULCRA) in Mumbai. Additionally, uniform density controls
- across entire areas, such as the island city and suburbs, should be replaced with site-specific regulations that consider infrastructure capacity. Development should be concentrated in strategically convenient locations, such as areas near transportation corridors, to optimize land use and reduce infrastructure strain. This approach aligns with Mumbai's linear ribbon development pattern, minimizing cross-city transportation demands.
- **Efficient Utilization of Development Rights:** Infrastructure services and costs can be effectively managed through mechanisms like Transfer of Development Rights (TDRs). TDRs allow trading development rights for infrastructure provision, enabling development to reach its potential without overburdening infrastructure. This is especially pertinent for Mumbai, where transportation corridors hold untapped development potential due to restrictive regulations. Additionally, capturing increased land value for infrastructure funding will alleviate fiscal pressure on local governments and support development while internalizing associated costs.
- **Stamp Duty and Land Title Reforms:** High stamp duty taxes have led to significant transaction costs, hindering property transactions at market rates and transferring financial burdens to buyers. Reforms should focus on reducing these taxes and simplifying the processes for land title registration and property transfers. Utilizing information technology can enhance accountability, minimize corruption, and streamline transactions. Reforms in property tax systems are also necessary.
- **Building Permission Process:** The current duration for obtaining building permissions, which can take up to a year, must be significantly reduced to under a month. While some progress has been made, such as the release of textile mill lands for development and permitting foreign investments in the construction sector, these efforts must be accelerated. Specific solutions should also be developed for issues related to rent-controlled and heritage-regulated buildings.

By addressing these reforms, Mumbai can achieve a more efficient, transparent, and sustainable approach to urban development and housing.

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