

**IMPERATIVES OF INCLUSIVE
URBANIZATION:
AGENDA FOR INCLUSIONARY ZONING AND
HOUSING IN INDIA**

**A Dissertation submitted to the University of Hyderabad in partial fulfillment of the
award of a Master of Philosophy degree in Economics**

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DECLARATION

I, **Saloni Bhutani** hereby declare that the work embodied in the present dissertation entitled “**Imperatives of Inclusive Urbanization: Agenda for Inclusionary Zoning and Housing in India**” carried out under the guidance of **Dr. Alok Kumar Mishra, Assistant Professor** and **Dr. Prasanna Kumar Mohanty, Chair Professor, School of Economics**, for the award of Master of Philosophy in Economics from the University of Hyderabad, is my original work. To the best of my knowledge, no part of this dissertation has been submitted for the award of any research degree or diploma at any University or Institution.

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List of Abbreviations

GDP: Gross Domestic Product
HPEC: High Power Expert Committee Report
GOI: Government of India
PMAY: Pradhan Mantri Awas Yojana
EWS: Economically Weaker Sections
LIG: Low Income Groups
NSSO: National Sample Survey Organization
JNNURM: Jawaharlal Nehru National Urban Renewal Mission
ULBs: Urban Local Bodies
FAR: Floor Area Ratio
TDR: Transferable Development Right
BSUP: Basic Services for the Urban Poor
IHSDP: Integrated Housing and Slum Development Program
IDP: Inclusive Development Plan
IZ: Inclusionary Zoning
IH: Inclusionary Housing
IMR: Infant Mortality Rate
AMRUT: Atal Mission for Rejuvenation and Urban Transformation
NCT: National Capital Territory
MoHUPA: Ministry of Housing and Urban Poverty Alleviation
MIG: Middle Income Group
HIG: High Income Group
NUHHP: National Urban Housing & Habitat Policy
FSI: Floor Space Index
BSUP: Basic Services to Urban Poor
UIDSSMT: Urban Infrastructure Development Scheme for Small & Medium Towns
JJ: Jhuggi Jhompri
IHSDP: Integrated Housing & Slum Development Programme
TPS: Town Planning Scheme
TOD: Transit Oriented Development
CIDCO: City and Industrial Development Corporation
GTPUD: Gujarat Town Planning and Urban Development
DP: Development Plan
SEWS: Social and Economically Weaker Sections
AMC: Ahmedabad Municipal Corporation
PPP: Public Private Participation
TDR: Transferable Development Rights
SRS: Slum Rehabilitation Scheme
RAY: Rajiv Awas Yojana
LPP: Land Pooling Policy
ZDP: Zonal Development Plan
CSP: Community Service Personnel
CPWD: Central Public Works Department
MPDU: Moderately Priced Development Unit
COAH: Council for Affordable Housing
IDP: Inclusive Development Plan
AMI: Area Median Income

MIZ: Mandatory Inclusionary Zoning
MIH: Mandatory Inclusionary Housing
ZQA: Zoning for Quality and Affordability
DIF: Development Impact Fee
PAPs: Project Affected Persons
PFSI: Premium Floor Space Index
SRA: Slum Rehabilitation Authority
MPD: Master Plan of Delhi
DDA: Delhi Development Authority
SBM: Swachh Bharat Mission

Chapter I

Research Background, Objectives and Methodology

1.1. Background

Urbanization is an inexorable part of every nation's economic evolutionary process. Urban areas are not just becoming a predominant form of habitat for mankind, but also the engines of economic growth, human development and social capital formation. Globally 80% of GDP is accounted for by cities and towns. A century ago, only 20% of the world population was residing in urban areas. In the less developed nations, this proportion was as low as five per cent, as most of the population was living in rural areas. The world has been rapidly urbanizing ever since at a high speed. Today, more than half of the population of the world lives in urban areas. As per the Report of United Nations on *World Urbanization Prospects-the 2014 Revision*, 54 per cent of the world's population is residing in urban areas and the figure is anticipated to mount to 66% by the year 2050. The global urban population has also grown rapidly from 746 million in 1950 to 3.9 billion in 2014. Growing urbanization and boom in population are expected to add 2.5 billion more people to the urban population of the world by the year 2050. The number of people living in slums has also been continuously rising– from 650 million in 1990 to 760 million in 2000 and 863 million in 2014. 10% of the world's population still lives in poverty (United Nations 2015; UN-HABITAT 2016).

The structural reforms adopted in India since the beginning of the 1990s rapidly accelerated of India's economic growth to over 8 per cent per annum in real terms for more than half a decade. They created a lot of job opportunities in several globally linked sectors which were located in and around the cities – in formal and informal sectors, hence augmenting rural-urban (RU) migration. Due to these reforms, India got linked with the global economy. This boosted its native investment and led to an inflow of capital from foreign countries. Because of the fact that many of these investments were stationed either within or around the existing urban centers, it can be considered that they gave a stimulus to the speed of urbanization by causing a rapid growth in economic activities in the cities and strengthening their pull factors attracting migrants. Stagnation in agriculture and rural

employment opportunities also acted as a push factor leading to migration. Even the industrial units that were located in rural settlements, especially those in proximity to cities acquired the urban status gradually. In fact, Census 2011 reports a phenomenal increase in the number of census towns – from 1362 in 2001 to 3894 in 2011. Urbanization has played a crucial role in transforming the structure of the Indian economy and helped India sustain high rates of economic growth (HPEC 2011, Census 2011).

India expects its rate of urbanization to increase rapidly in the next few decades. About 31 per cent of the India's population resides in cities and towns as per census 2011. The Report of United Nations on *World Urbanization Prospects- the 2014 Revision* projects the country's population in cities to reach 600 million by 2030, which would be roughly 40% of the country's total population. With more than 400 million population getting added to urban areas over the period 2015-2050, India's urban population will be around 814 million by 2050. The urban sector's share in the country's GDP is also anticipated to rise rapidly from 62-63% in 2007 to 75% by 2021. While rapid urbanization will usher in tremendous opportunities for more inclusion through employment and entrepreneurship, lack of equitable and holistic planning will also pose overwhelming challenges of housing, infrastructure and service delivery to the urban masses. This could also lead to large scale exclusion, resulting in substitute systems outside the formal frameworks. The challenge of urbanization in India is to ensure affordable housing and basic public service delivery at desired minimum standards which are essential for sustaining economic growth and promoting human development when planning ahead for reaching the status of a developed nation.

According to Mckinsey Global Institute (2010) and HPEC (2011), cities in India dismally fall short of not only the standard of basic services provided by cities internationally, but even a basic level of services for the urban poor. Lack of affordable housing and basic amenities, including public transport and absence of skills for urban jobs, etc. dampens economic growth through adverse effect on productivity and lead to misery in the countryside. A quarter of the urbanites are poor. About 25% of the total population of urban areas live in slums in sub-human living conditions such as overcrowding, lack of sanitation and hygiene, inadequacy of drinking water, and poor quality of shelter. They are vulnerable to disasters due to the location of the many slums in eco-fragile areas. Ensuring

affordable housing and basic minimum quantity and quality of public services in all Indian cities and towns will enable India to fully realize its economic potential.

Urban India has been successful in attracting investment because of a buoyant and strong economic growth, but the benefits have not been able to percolate down to the poorer sections of the society. One of the main characteristics of Indian urbanization is its concentrated nature. Some states and cities are going to be heavily burdened by the growing urban population. The increased population needs higher levels of basic amenities, but in reality, there exists an acute shortage of these civic amenities. The developed and big cities are receiving most of the growth, whereas the smaller towns and backward areas still tend to stagnate. Even in the larger cities, there are pockets of exclusion which depict extreme forms of poverty characterized by deplorable living conditions. Market failure and failure of governmental authorities have contributed to significant rural-urban and urban-urban inequalities. Lack of link between spatial and socioeconomic planning and physical and financial planning has led to residential, occupational and social exclusion. This thesis focuses on the quality of Indian urbanization which has been exclusionary. It deals with the issue of residential exclusion in specific and analyses the policies and program efforts focusing on the residential vulnerability of the urban poor. It also highlights the importance of inclusive urban planning in India in addressing the key issues of inclusion and preparing Indian cities for equitable and inclusive growth.

1.2. Importance of Cities

As the world moves into the urban age, the dynamism and intense spirit of cities become even more important. The twenty first century will be the century of the city. It will witness an urban revolution in the developing world. This will give enormous opportunities to millions of poor and marginalized to enhance productivity and welfare, and escape from the clutches of abject poverty. This revolution will be in a way more significant than the agricultural or industrial revolution in terms of its impact on human lives. A country's power and position depends on the development of its cities as engines of growth and socioeconomic transformations. India as a growing economic power will be under the scanner of world institutions and so will be the growing cities of India. India will be at the

forefront of this urban revolution and should not miss the opportunities to be unleashed by its cities. This urban revolution will provide a unique opportunity for India to speed up its economic growth and reduce poverty through planned urbanization. However, its benefits will not reach the masses unless policies and programs make planned urban development inclusive.

Because of urban revolution that has taken place in India, cities and towns have assumed an important place at the center of the development trajectory. Indian cities at present provide habitat for 410 million people and represent each and every section of the social setup. The population of Indian cities is a mix of the rich, the most deprived section of the society, and the middle class majority which is the heart of India's economic and social transmutation. Increase in contribution of cities requires integrated development of physical, social, economic and institutional infrastructure and housing. Residents of cities should have access to improved quality of life and investors should feel safe to invest in the city. When more and more people and investments are attracted to the city, this generates a continuous cycle of growth and development not only for the city, but for the entire nation. Urban areas, thus act as engines of socioeconomic growth in India. The country's growth drive will be unable to perpetuate unless urbanization is vigorously facilitated. Also the issue of poverty cannot be solved if the needs of the poor in the urban areas are deserted from the expansive uphill task of handling urbanization. Urban areas not only provide jobs for the growing masses, including rural-urban migrants, they also generate public finance for socioeconomic development and rural poverty alleviation. Cities are the engines of national development.

Cities are the centers of employment, trade and commerce. They act as hubs of knowledge and innovation. As the role of non-agricultural sectors in economic growth expands, job opportunities get created in several linked sectors, especially knowledge-based. Many of these sectors are subject to scale and agglomeration economies of cities. Urban areas register the presence of cluster of industries and many other non-agricultural economic activities which result in economies of density. Agglomeration economies provided by cities benefit firms and households through specialization, diversity and competition. Co-location of firms leads to gains from economies of scale, scope, localization, complexity, and urbanization. Co-location of workers leads to gains from knowledge spillovers, face to face

contact, varied consumption opportunities, and human capital accumulation. Both workers and firms gain from learning, matching, sharing, and networking. Agglomeration externalities in co-occurrence with knowledge externalities act as powerful drivers of economic growth. These two externalities reinforce each other through circular and cumulative causation processes. Agglomeration externalities define the unique importance of cities in the structural transformation of countries.

Cities facilitate knowledge creation, transmission and diffusion, research and development, innovation, and ease of spreading new ideas. They also offer the advantages of larger markets, backward and forward linkages, division of labor, scale and network economies, sharing of assets and services and pooling of specialized skills, offering wider choices to firms and households (see Glaeser 2011; Mohanty 2014; Ahluwalia, Kanbur and Mohanty 2014; World Bank 2015; UN-HABITAT 2016). The Eleventh Five Year Plan of India (2007-2012) recognized urbanization as one of the key indicators of social and economic development, thereby emphasizing that urban areas will be the locus of growth for another twenty years in order to achieve 9-10% GDP growth.

Expansion of cities leads to a massive change in the economic structure of the GDP, unlocking many new growth markets, including infrastructure, health, transportation, logistics, housing, recreation, education, and knowledge-based services. Cities are not just about high income, growth and jobs, they are also about high standard of living for all its residents. They play a crucial role in making the benefits of economic growth reach the lower segment of its population by providing an efficient delivery system for basic services, benefiting rural areas in proximity and generating the bulk of public finance, including taxes. They offer economies of scale that significantly reduce the cost of delivering basic facilities such as health, education, water, and sanitation, thus improving access to basic amenities, boosting productivity and enhancing growth. Due to spatial concentration of population in cities, cost of delivering basic services is sometimes 30-50% cheaper. Lower cost of service delivery is very important especially for a nation like India that is struggling to provide basic amenities to a large chunk of its population.

Cities are not merely places, they are about the people endeavoring to improve their lives by co-locating with others, accessing productive jobs and learning opportunities to improve their employability. People and social capital building are the heart of cities. The quality of urban development depends how people benefit from urbanization. In this context, this thesis gives extreme importance to the issues of migration, land, housing and basic amenities to urban residents, especially the poor.

1.3. Importance of Inclusive Cities

As the world is becoming increasingly urban, rising exclusion and inequality within cities are derailing the development process. In this context, the government has emphasized the need for the creation of more inclusive cities, so that the benefits of urbanization can be shared more equitably among all residents, and even the most marginalized get access to basic services and the opportunity to build a prosperous future. Cities have the potential to make growth inclusive, if they themselves become inclusive, but they have been unable to become engines of growth as urbanization has been exclusionary and unfair so far (Mahadevia and Joshi 2009, Kundu and Saraswati 2012). While theories of exclusionary urbanization have been articulated, India has not been able to yield a theory and practice of ‘inclusive city’. This research is about making Indian cities inclusive and equitable.

Inclusive cities are an expression of economic prosperity and social inclusion. However, City Master Plans in India follow an exclusionary model that sets aside land for High Income Group and Middle Income Group, institutional, recreational, commercial and other uses, but does not earmark land for Economically Weaker Sections and Low Income Groups. We need to reverse the current exclusionary trend to foster inclusive cities that value all people and their needs equally. City Master Plans need to be restructured on the basis of social, environmental, economic, and culturally receptive policies that lead to improvement in everybody’s economic status with the advancement of physical area. Cities will be inclusive if their respective Master Plans recognize that full and equal participation in the built-environment is a right enjoyed by each and every individual, and this is possible only by his direct involvement which can shape the environment to meet his needs. Economic development of an inclusive city consists of:

- 1) Taking decisions related to public policy and use of land so that opportunities are created for everyone for full participation and access to various types of jobs.
- 2) Creating proper codes, zones, and incentives that promote neighbourhoods that are healthy and have a wide range of housing types and price levels which can provide accommodation to people from diverse socio-economic background and leading different lifestyles.
- 3) Ensuring that all residents have full accessibility to quality education and can share use of parks, schools and community facilities.
- 4) Guaranteeing that residents can have access to legal housing, sustainable livelihood, and affordable basic services like sanitation, water, health, education, and electricity.
- 5) Developing viable public transit systems which are multimodal and interconnected, and have seamless spaces so that they are inclusive and people-friendly.
- 6) Protecting habitat by laying emphasis on the agenda for climate change and safety of public.
- 7) Providing community facilities and services to people.

Urban planning can be considered efficient only if it results in the creation of cities which offer mobility and accessibility due to effective transportation for people, information and goods. Successful cities are the ones which are inclusive. They promote harmonious culture and integration of various segments of society. They are inclusive as they ensure affordable housing and access to basic amenities to all. They are structured well so that business can flourish, governance and infrastructure are good, and residents are able to participate and establish partnerships. Proactive approach is taken to counter the vulnerabilities of such cities and investments are made to reduce the drawbacks. Inclusive cities are sensitive to the needs of the informal sector workers. The majority of population in many cities and towns works in this sector. The informal sector is the biggest job provider and helps local economies in growing and alleviating poverty. These workers cannot be ignored or removed from our cities. They are huge in number and are very essential to the fabric of our cities. Inclusive cities ensure that every worker engaged in the informal sector gets a place to sell, vend, and live. In an inclusive city the needs of urban informal workers are equally heard in the urban planning processes. The requirements and demands of informal workers in urban areas are basic. Home-based workers require low-cost and safe

housing, and zoning regulations which ensure that their work is valued and they are permitted to carry out commercial activities in residential areas. They also require affordable and reliable basic services like water, sanitation and electricity. If all of these needs are met, cities help create pathways which will lead people to come out of poverty and offer a better life to everyone in terms of quality.

Inclusiveness connotes principles of justice, equity, transparency, and access. Inclusiveness plays a very significant role to ensure effective and achievable sustainable urban development. Urbanization is accelerating at a very rapid pace, thereby posing countless economic, environmental and social challenges. To counter its negative impact, it is vital to rethink the prevalent 'development' approaches from national level to community levels, and from HIG to LIG. In this context, this thesis acknowledges the dire need to ensure the creation of more and more inclusive cities which can ensure that people can enjoy the gains of urbanization. In spite of wide recognition and commitment, it is challenging to build inclusive cities remains a challenge. Even today, one out of three urban inhabitants in the developing world still resides in slums where services are very much inadequate. In order to ensure that future cities provide opportunities and better conditions of living for all, it is important to gain an insight into the concept of inclusive cities. The development of inclusive cities calls for addressing vulnerability in terms of residence, society, and occupation. Inclusion is necessary in terms of:

Spatial inclusion: requires physical inclusion in terms of the ability of all the residents to get access to affordable land, essential infrastructure, water, housing, sanitation and services to the urban poor.

Social inclusion: requires addressing social vulnerabilities of the urban poor related to gender, caste, religion, age, education, health etc. An inclusive city guarantees equal rights and participation of all in development and decision making, including the most marginalized.

Economic inclusion: requires addressing the occupational vulnerabilities of the urban poor related to irregular, informal, or casual employment. An inclusive city provides employment,

social security, healthy and dignified work conditions for all its residents. This gives them opportunity to enjoy the benefits of economic growth.

The social, economic, and spatial aspects of urban inclusion are very much interdependent and they lead to reinforcement of one another. The negative impact of the interdependence all these factors is that people get trapped into poverty and get marginalized. But the positive impact of this interdependence is that people can be lifted out of exclusion and there can be improvement in their quality of lives. A holistic approach which ensures the integration of all the three dimensions (social, economic and spatial) needs to be devised to effectively combat social inequality and urban poverty.

1.4. Government Policies and Programs

Rapid urbanization has pushed Government, planners and civil society to address the challenges that are impacting on everyone's life. Government of India has initiated several flagship programs aimed at reducing poverty and promoting inclusiveness in order to achieve inclusive growth. In 2005, GOI launched a fast-track, reform-driven investment program called the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) whose main motive was to create economically productive, socially equitable, efficient, responsive, and inclusive cities. One third of JNNURM's allocation was meant to provide basic services and affordable housing for the urban poor. The National Urban Housing and Habitat Policy 2007 emphasized inclusion of poor in city planning and development. It specified 10-15% of land in every new public or private housing project or 20-25% of Floor Area Ratio, whichever greater to be reserved for housing the EWS or LIG by giving appropriate structural incentives (NUHHP 2007). The Government also initiated Rajiv Awas Yojana (RAY) with a vision of creating a 'Slum-free India' with inclusive and equitable cities where each and every citizen has an access to basic social and civic services, decent shelter, and strong livelihood linkages. Recently the Housing for All Mission has been initiated by the Indian Government to assist State Governments and cities in providing affordable housing to the poor and low income groups by 2022.

JNNURM has a lot of scope for improvement, especially in the implementation of projects and reforms. Only a few states that were doing well even before the start of

JNNURM have been able to capitalize on the program. RAY also suffered from ambiguities and contradictions and could not move much towards the stated vision. It operated with a rather incomplete understanding of urban poverty and the mechanisms to deal with such poverty. It viewed poverty as inability to create capital. Urban poverty in reality is much more than this. It is a structural process of wage-labor exploitation, asset dispossession, and political disempowerment. This cannot be remedied by the formalization of land titles. Urban planning systems in India are not properly synchronized with either the income distribution pattern in urban areas or the process of economic growth. The challenges posed by the structural transmutation of the economy in India due to rise in share of non-agricultural sectors in Gross Domestic Product, rapid urbanization and re-location of resources from rural areas to urban areas can be addressed by revitalization of urban planning.

It is a well known fact that affordable housing is a very most basic need of the poor in urban areas. A place in a central area of a city enables them to access remunerative employment and cross poverty line. The poor, and even some non-poor are driven to slums due to shortage of affordable housing. These slums lack even the basic lifeline amenities such as sanitation and water. In many Indian cities, more than 25 percent of the population on an average lives in slums under sub-human conditions. Slums are the most distinct manifestation of exclusionary planning. The phenomena of mushrooming of squatter settlements, emergence of ghettos or pockets of exclusion in the midst of plenty, and urbanization of poverty are critical matters that need to be addressed on an urgent basis. India is struggling to deal with the reality of its urban future. The speed of urbanization and the sheer volume of urban population growth are posing a serious policy and managerial challenge to handle this churning shift in the makeup of the nation. There is a growing consensus among local governments, planners, developers, and community groups that increasing the supply of housing, particularly affordable housing with access to basic minimum civic amenities, is the biggest priority in today's time. The entire thesis revolves around finding effective ways to provide affordable housing to the Economically Weaker Section and Lower Income Group. We suggest the adoption of inclusionary zoning and inclusionary housing practices adopted by many developed countries and developing countries in India to facilitate the implementation of "smart growth" principles by creating compact, mixed-income, mixed land-use communities.

Addressing life in India's cities is a central pillar of inclusive growth. Today's policy gap risks deteriorating urban decay and logjam, a declining quality of life for citizens and a hesitation among investors to commit resources to India's urban centres. This can jeopardize the growth rate and risk high unemployment. This can also undermine the efficiency of cities to mobilize resources for socio-economic development and poverty alleviation. The fact that the Indian cities lack inclusiveness is substantiated by data on several parameters. A key challenge for policy makers and economists throughout the world has is how to achieve "inclusion" along with sustainable economic growth. As the world prepares for debate and adoption of a New Urban Agenda in HABITAT-III being held at Quito this year, the issues of inequality and exclusion are occupying a central place in academic and policy discussions. UN-HABITAT's World Cities Report 2016 observes:

Inequality has become a major urban issue, as the gap between the rich and the poor in most countries is at its highest levels for 30 years. This policy issue important to the extent that – in different countries and cities – the urban divide both stigmatizes and excludes. It stigmatizes and even removes large groups of the urban population from socially and economically productive life....; it excludes, by preventing them and their children from benefitting from opportunities to advance in the society at large. (UN-HABITAT 2016 p.17)

The driving force behind this thesis is the imperative to address the issues of urban inequality and exclusion, especially from a physical planning point of view. It concerns with the provision of land, affordable and basic services to the urban poor in India through the process of planned urban development. India will have to go a long way from 377 million urban population in 2011 to 814 million in 2050 and unless inclusion is carefully crafted into the planning process, the country will land up in serious problems of urban divide. Affordable housing and public services such as sewerage, drinking water, storm water drainage, management of solid waste, roads, street lights, public transport, etc. must be accessible to all the segments at the bottom of the pyramid of the urban society to attain the goals of inclusive growth and inclusive cities. The norms of service level benchmarking set out by the Ministry of Urban Development, Government of India in 2008 need to be kept as benchmarks. To achieve both inclusion and economic growth together, the focus of policy

needs to be shifted from creating physical infrastructure and housing to delivering quality of shelter and service. In this context, we suggest some directions for reforms in the context of India's Housing for All Mission to address some key reforms in urban planning make Indian cities more inclusive.

1.5. Objectives of the Study:

This report tries to scrutinize the present scenario of urban poverty, slums and housing with the help of the statistics provided by the latest census of the country and present a case for urban planner to introduce the inclusionary zoning or housing into the planning framework of the city. The report will be discussing the role of inclusionary housing in making a sustainable city through mixed-income housing, which will try to include the spatially and socially excluded masses into the development. It will also be discussing the Indian and international experiences in the field of inclusionary zoning along with the problems related to the affordable housing in India. At last some suggestions are given to encourage the concept of inclusionary housing in India.

This research tries to analyze the present scenario of urban poverty, slums and housing with the help of the statistics provided by the latest census of the country and present a case for urban planners to introduce the inclusionary zoning or housing into the planning framework of the city. The report will be discussing the role of inclusionary housing in making a sustainable city through mixed-income housing, which will try to include the spatially and socially excluded masses into the development. It will also be discussing the Indian and international experiences in the field of inclusionary zoning along with the problems related to the affordable housing in India. At last some suggestions are given to encourage the concept of inclusionary housing in India.

This research focuses on India's strategy for inclusive urbanization. It tries to make an attempt to address the key issues of residential exclusion of the urban poor through the urban planning process. The objectives of this research are as follows:

- To analyse the present scenario of urban poverty, slums, and housing and present a case for urban planners and policy-makers to appreciate the issues of exclusion and consider

introducing inclusionary zoning or housing into the framework of planned development of cities to address residential exclusion.

- To review key national and state policies and programs adopted in the country to include the urban poor and low income groups in land and housing markets so as to make Indian cities inclusive.
- To review the role of urban planning as an instrument to ensure the provision of adequate land and affordable housing for the poor through the method of ‘inclusionary housing’, also known as ‘inclusionary zoning’ – adopted by many countries internationally.
- To examine the economics of inclusionary zoning and its economic rationale to justify why inclusionary zoning needs to be adopted as a key ingredient in the urban planning system in India.
- To explore the key international practices in inclusionary zoning and inclusionary housing to draw lessons for addressing the failure of urban land and housing markets and inability of the master planning model in India to ameliorate the same.
- To draw a road map for reforms in India’s urban planning system – learning from successful Indian and international practices and suggest some broad directions for action and further research in India.

1.6. Methodology and Data

The methodology of the research is exploratory in nature. It has combined theory and practice to suggest a framework of inclusive urbanization in India. The study has focused on the grossly limited research in India and the huge and growing research in developed and other developing countries. The study of research literature including reports of expert committees set up by Central and State Governments in India and countries like the United States, the United Kingdom and developing countries has been supplemented by limited field study - in the States of Andhra Pradesh (Vijayawada), Rajasthan, Delhi, Gujarat (Ahmedabad, Surat) and Madhya Pradesh. A pragmatic reform agenda have been suggested in the context of India's new urban missions: Smart Cities Mission, Atal Mission for Urban Rejuvenation and Transformation (AMRUT) and Housing for All by 2022 – Prime Minister’s Awas Yojana (PMAY).

The study has extensively analyzed the urban trends of population, housing, slums, civic services, urban poverty, patterns of urban concentration, etc. based on Census. It has gone into the guidelines of various missions, policies and schemes and limited performance reports available to examine the lacunae in the current model of matter planning in the context of achieving objectives. The data used for analysis includes Census of India, 2001 2011, National Sample Survey 65th Round, National Family Health Survey III, expert committee reports and studies on international practices. The study on reforming the current master planning model in India and incorporating inclusion of the urban poor in land and housing markets has benefitted from discussions with experts.

1.7. Organization of the study:

The thesis is structured into five chapters. The present chapter, i.e. chapter 1 has introduced the study, established the research context, and specified the objectives, methodology and data sources.

Chapter 2 analyses the trends in population, urbanization, patterns of urban concentration, housing, slums, civic services, and urban poverty. Based on data analysis it highlights the key issues of inclusion in the context of enabling cities to perform their vital role as engines of economic growth and structural transformation. Analyzing urbanization trends and prospects, the study comes up with a realization that urbanization in India has not been inclusionary due to the model of exclusionary planning being followed, based on British Town Planning laws of pre-independence vintage. Growth has not been inclusive as cities, the engines of growth, are not inclusive. Cities are not inclusive as urban land and housing markets as well as the planning model have excluded the urban poor. Large sections of society are not included in the planned development of cities. The main finding of this chapter is that growth has not been in sync with the income distribution structure of the population, and has bypassed the poor. Quality of life of the urban poor has been deteriorating as they lack access to basic services like housing, health, education, water, sanitation etc. The urban poor, especially slum dwellers are struggling to secure a dignified living with basic amenities and tenure security. This reduces the productivity of the urban poor and also makes the investors reluctant to invest in cities. It brings out the dimensions of

urban housing shortage and the paradox of a large number of houses belonging to high and middle income groups being vacant and not available to meet the demands of urbanization. The chapter addresses the key issues of urban inclusion and outlines the elements of an inclusive city development strategy.

Chapter 3 presents a survey on international and emerging Indian examples of approaches to provide affordable housing to the EWS/LIG of the society and incorporate the urban poor in the master plan of the city. It is based on a literature review. It highlights the need for inclusionary zoning to meet the target of affordable housing to all. We refer to the economic theory of inclusionary zoning and inclusionary housing, and explain the pros and cons for the scheme. We also refer to the concept of Right to the City based on Brazil's City Statute of 2001 which has emerged as central paradigm in inclusionary urbanization. There is a need to adopt inclusionary zoning in master planning to address the issue of residential exclusion. Inclusionary zoning or mixed housing has been embraced by other countries and has led to significant positive results. The chapter provides a survey on international practices of inclusionary zoning and draws lessons for Indian cities to be inclusive.

Chapter 4 discusses the various policies and programs adopted by the Central and State Government of India to make Indian cities inclusive. The chapter focuses on the salient features of Jawaharlal Nehru Urban Renewal Mission, Rajiv Awas Yojana, Atal Mission for Rejuvenation and Urban Transformation, and Housing for All Mission in India. The chapter also extensively analyzes case studies of various state programs like Gujarat Town Planning Scheme, Maharashtra Slum Redevelopment Scheme, Rajasthan Affordable Housing Policy, Madhya Pradesh Patta Act, Delhi Land Pooling Scheme, etc.

Chapter 5 pools together lessons from theory and practice to suggest an agenda for reforms in urban planning system in India to include inclusionary zoning and inclusionary housing. It suggests recommendations while highlighting the limitations of the study. The chapter concludes with an agenda for future research.

Chapter II

India's Urbanization Scenario: Key Issues of Inclusion

2.1. Trends in urbanization

India is on a transformation into an urban society from a traditional rural society. It is experiencing an unprecedented movement of population towards the cities. Natural growth of population in cities is considered to be a major contributor to the urban explosion that Asia is currently facing because of both India's large demographic weight and the dynamics of its urbanization. The country's share of the projected world urban population is expected to increase from the present 10 per cent to 14 per cent in 2050. Table 1 in Appendix 1 reveals that while the total population of India has gone up from 238.4 million in 1901 to 361.1 million in 1951 to 1028.7 million in 2001 and 1210.7 million in 2011, the urban population of India has increased from 25.8 million (10.8%) in 1901 to 62.4 million (17.29 %) in 1951 to 285.4 million (28 %) in 2001 and 377.1 million (31.16 %) in 2011, thereby showing more than tenfold increase in the total urban population between 2001 and 2011. The table also shows that the number of towns has also been increasing – from 1,916 in 1901, to 3,060 in 1951, 5,161 in 2001 and 7,935 in 2011.

The number of metropolitan cities and the population living in them has been increasing over the years due to rising urbanization. Where the number of metropolitan cities increased from 1 in 1901 to 5 in 1951 to 35 in 2001 to 53 in 2011, the percentage of urban population living in them also rose from 5.84% in 1901 to 18.81% in 1951 to 37.85% in 2001 and 42.61% in 2011. Table 2 in Appendix 1 shows that more and more number of people are shifting to metropolitan cities in search of employment. The population per metro city has risen from 1.51 in 1901 to 2.35 in 1951 to 3.09 in 2001. It slowed down a little to 3.03 in 2011. But overall, the population concentration has been rising in metropolitan cities over the years.

The level of urbanization has been increasing across states as well. Table 3 in Appendix 1 shows that NCT of Delhi (97.50%) and Chandigarh (97.25%) retained the top two positions respectively, Lakshadweep (78.08%) which was at 6th position in 2001 (44.46%) climbed up

to the 3rd position in 2011. Puducherry which was at 3rd position in 2001 (66.57%) slipped to 5th position in 2011 (68.31%). The level of urbanization in Andhra Pradesh was 33.49% at 2011 census, which was 6.19 percentage points higher than that of 2001. While Andhra Pradesh was growing at an exponential rate of 1.04 in 1991-01 and 3.04 in 2001-11, Delhi's exponential rate of growth slowed down from 4.1% in 1991-01 to 2.37% in 2001-11. But overall, most of the states have been growing at a steady rate.

A recent UN report: *World Urbanization Prospects – the 2014 Revision* (United Nations, 2015) predicts that 50% of India's population will be living in its cities and towns by 2050, when the urban population will reach 814 million. This implies that the existing cities will grow denser and larger, and many new cities and towns will be added. If economic growth accelerates, the transition from rural to urban could happen by 2040 itself. Table 4 in Appendix 1 reveals that the number of cities and towns in India has increased from 5,161 in 2001 to 7,935 in 2011. While rural population shot up by 90.4 million, urban population went up by 91 million during 2001-11, indicating the rapid urbanization taking place in India over the decade. Cities with more than 1,00,000 population increased from 394 in 2001 to 468 in 2011. They housed 264.9 million people, accounting for 70 per cent of India's urban population. India is expected to have 68 million plus cities by 2030 as compared to 53 in 2011. 590 million people will be living in urban centers by the year 2030. The number of 10-million-plus cities is also expected to increase from zero in 1950 to three by the end of the century. All these urbanization trends present evidence of the unprecedented urban growth in India, leading to opportunities and challenges.

2.2. Patterns of Urban Concentration

Urbanization is an index of transformation from traditional rural economy to a modern industrial one. It is the progressive concentration of population in urban units (Davis 1965 cited in Datta 2006). The standard of urbanization in India is considered to be dismally low. It increased slowly from 27.76 per cent in 2001 to 31.2% in 2011. This is much lower compared to the level of urbanization in many developing countries.

Studies by many scholars highlight the increasing spatial concentration of population as a characteristic of the pattern of urbanization in India, which is marked by localization of

urban population and economic activities in its big cities. This is a distinguishing aspect of urbanization in India. In each Census, the concentration is becoming more pronounced in the large cities. Six mega cities account for one fifth of the total urban population in India (Premi 2006 cited in Mitra 2011).

2.2.1. Size Distribution of UAs/Towns

Table 5 in Appendix 1 shows the spatial pattern in urban agglomeration and urban population concentration trends in Class I, Class II, Class III, Class IV, Class V, Class VI cities. The number of agglomerations in Class I UAs/Towns increased from 24 in 1901, 76 in 1951, to 394 in 2001 and 468 in 2011. The percentage of urban population of Class I UAs/Towns also increased from 26% in 1901 to 44.63% in 1951 to 68.67% in 2001 and 70.15% in 2011. Similarly the number of agglomerations in Class II UAs/Towns increased from 43 in 1901 to 91 in 1951 to 401 in 2001 and 474 in 2011. However, the percentage of population under this class declined from 11.29% in 1991 to 8.54% in 2011. Class V had the largest number of towns at 1748 in 2011. But it contained just 3.4% of total urban population. The highest percentage of urban population resides in Class I cities, followed by Class III and Class II. Class IV, Class V and Class VI towns, numbering 3478 in 2011, contained only 10.2 percent of the urban population in the country.

2.2.2. Million Plus Urban Agglomerations/Towns

Out of 468 Urban Agglomerations/Towns falling in Class I category, 53 have population of one million or even more. 160.7 million people (42.6% of the urban population) live in these million-plus cities. Since the last Census there has been an addition of 18 new towns to this list.

2.2.3. Mega Cities:

Among the Million-plus cities, there are three very large UAs with more than 10 million persons in the country – known as Mega Cities. These are Greater Mumbai (18.4 million), Delhi (16.3 million) and Kolkata (14.1 million). The largest Mega City is Greater Mumbai, followed by Delhi. Kolkata which held the second rank in Census 2001 has been replaced by Delhi. The growth in population in the Mega Cities has declined considerably during the last

decade. Greater Mumbai, which had witnessed 30.47% growth in population during 1991-2001 has recorded 12.05% growth during 2001-2011. Similarly growth Delhi (from 52.24% to 26.69% in 2001-2011) and Kolkata (from 19.60% to 6.87% in 2001-2011) have also slowed down considerably

2.3. State of Urban Housing

2.3.1. Importance of Housing

Nearly 31 per cent of the country's population lives in cities and towns as per Census 2011. The level of urbanization is expected to reach 50 per cent mark in the next 2-3 decades. As cities are the 'engines of growth', they attract poor people, including rural-urban migrants in search of jobs. This creates an ever-increasing demand for housing. Increasing urbanization has thus led to tremendous pressure on land, housing, civic infrastructure, transport, open spaces, etc. Despite a significant increase in housing stock, there has been considerable growth in slums and squatter settlements in Urban India, indicating that the market is not creating affordable housing for the large sections of population at the bottom of the pyramid. Within the urban areas, there is a rapidly growing informal sector which houses and employs the bulk of the urban poor and low income segments. Housing in a central area provides access to the poor for jobs. Adequate housing in cities can also effectively alleviate poverty by improving people's health and making them productive, thereby increasing their living standard. However, the widening gap between demand for and supply of affordable housing and inadequate housing finance solutions have led to the poor seek shelter in slums. These are major policy concerns for policy-makers in India.

2.3.2. Conditions of Housing

Table 7 in Appendix 1 shows that 14.99 million (80% of the urban households) live in congested houses and require new houses, whereas 3% of the urban households live in homeless conditions. Around 5% (0.99 million) and 12% (2.27 million) of the urban households live in non-serviceable kutchha and obsolescent houses. Table 8 in Appendix 1 reveals that in 2011, 35.2% of the total number of urban households were living in one room or less as against 37.4% in 2001. The number of urban households having no exclusive room

increased from 1.25 million in 2001 to 2.43 million in 2011. 25.34 million urban households were living in one room in 2011 as compared to 18.85 million in 2001. Table 9 in Appendix 1 shows that about 5% of urban households lived in houses with roofs made of thatch/grass/bamboo/mud/plastic/wood/ polythene. Table 10 in Appendix 1 shows that 2.7% and 9.3% of urban households lived in houses with walls made up of grass/ thatch/bamboo and mud/un-burnt bricks respectively. Table 11 in Appendix 1 shows that 12.2% of urban households had floors made up of mud and stone. Only 45.8% had cemented floors.

2.3.3. Estimate of Housing Shortage

An Expert Committee set up by the Ministry of Housing and Urban Poverty Alleviation, Government of India under the chairmanship of Prof. Amitabh Kundu estimates that there is a housing shortage of 18.78 million, with more than 95% or 17.6 million for Economically Weaker Section and Low Income Group (MoHUPA 2010, Mohanty 2014). Table 6 in Appendix 1 shows that only 50% of the Economically Weaker Sections live in pucca houses and all the people living in kutcha houses belong to mostly EWS (10%) and LIG (2%). Only 0.5% of MIG reside in kutcha homes. None of the HIG resides in kutcha houses.

As the current pace of urbanization accelerates due to the factors of rural-urban migration, in-situ population growth and reclassification of rural areas into towns, urbanization will increase the demand for affordable housing and civic infrastructure and services, which cities are struggling to cope with. Increasing role of services and industry in economic growth will lead to increase in migration in search of non-agricultural employment. This will put pressure on housing demand. The market forces fail to correct for the weaknesses in urban housing markets.

Paradoxically, 10.1 percent of houses remained vacant in 2011 as per Census data (see Table 12 in Appendix 1). More than 75 percent of the census houses belong to residential category (see Table 13 in Appendix 1). The vacant houses presumably belong to the high and middle income people, including non-resident Indians. Obsolete rent control regimes followed by some states discourage homeowners to rent out their houses due to the difficulty in evicting the tenant when needed, say after retirement, and the fear of being dragged into protracted litigation for long years.

2.3.4. Genesis of Housing Shortage

The biggest bottleneck in the provision of affordable housing for migrants and low-income groups is the lack of suitable, litigation-free, adequately serviced urban land, located at a reasonable commuting distance from their workplaces. This is linked to the fact that the poor and low income groups in cities in India are completely weeded out of formal urban land markets in the process of urban planning, implemented based on the concept of “master plan”. While land markets have failed the urban poor, it is said that the master plans of cities in India have ‘mastered’ over the poor and resulted in a regime of ‘exclusionary’ urbanization. With unrealistic density and floor space index control by almost all cities, they have created acute shortages of floor space. They neglected the inclusion of the poor in the city development process. The public authorities have failed to respond to the market needs of low income segments.

The problems are exclusion in cities are intricately connected to India’s outdated model of spatial planning. This model is not linked to the income distribution structure of cities. It ignores that fact a large segment of population in cities belong to the poor and low income groups. It also does not integrate inclusion into planning, financing, governance in cities. The master planning model followed by all cities in India is rooted in the 1947 Town and Country Planning Act of the United Kingdom. The UK drastically changed its planning paradigm in 1968, but India continues to follow it in the original form. The model fails to plan for “informal city” and recognizes only the formal sector. The land allocation processes adopted by the Master Plans ignore the needs of the informal sector and low income segments for housing and informal activities carried out in non-conventional workplaces.

The master plans rely on a non-participatory process. The areas with similar characteristics are treated as “confirming” for the High Income Group and Middle Income Group whereas the slums in the same area are regarded as “non-confirming” and “illegal”. They rely heavily on stringent development control norms and restrict height, density, floor space index, etc. This restricts the availability of built up space for all sections of the city, including the poor and inflates commercial and residential rents. A large number of urban residents, including the poor get excluded from “formal” property markets.

2.4. State of Slums

2.4.1. Estimate of Slum Population

According to Census 2011, 65.5 million urban residents lived in slums. Slums in India have been basically a phenomenon of large cities. 46 metro cities accounted for 38% of slum population in the country in 2011. 9 metros had more than 30% of population in slums. Table 15 in Appendix 1 shows that in the States of Andhra Pradesh and Chhattisgarh, the proportion of slum households to total urban households exceeded 30%. Amongst the largest metros, the Greater Mumbai Municipal Corporation reported a figure of 41%, Kolkata 29.6% and Chennai 28.5% in 2011. In Greater Visakhapatnam Municipal Corporation, the proportion of slum households to total urban households was the highest, exceeding 41 percent.

The slum population in India reported by Census 2011 is considered by many as an underestimate in view of the restrictive definition of slum adopted. Slums that are not 'notified', not 'recognized' or not 'identified', those with less than 60 households, and those with slum-like characteristics, but not included in the municipal records are not counted under the definition of slum chosen by the Census. The report of an expert committee constituted by the Ministry of Housing and Urban Poverty Alleviation, Government of India in 2010, Government of India under Dr. Pranob Sen, estimated the slum population of India at 93.1 million, representing 26.3 per cent of urban population of the country. The committee adopted 20-25 households as one of the criteria for identifying a slum. But the Census defined an identified slum as a compact area of about 60-70 households living in poorly-built, congested tenements and in an unhygienic environment, usually with inadequate infrastructure and lacking proper sanitary and drinking water facilities (MoHUPA 2010, Census 2011).

2.4.2. Access to Services in Slums

According to the report of the 65th Round of National Sample Survey Organization (NSSO), 21% of notified slums and 23% of non-notified slums lack safe tap drinking water. 10% of notified and 20% of non-notified slums lack access to latrine facility. Table 14 in Appendix 1 reveals that 79% of notified slums and 77% of non-notified slums have access to tap water in

2008-09. The standards of housing and other basic amenities are also very poor. Though some improvements have been registered in human development indices such as life expectancy, literacy rates (particularly in females), infant mortality rates (IMR), the condition still remains unsatisfactory. Facility of health in the urban area is also not poor-friendly. Thus, the transformation from rural with agrarian background to urban offers both blessings and burdens.

2.4.3. Genesis of Slums

While urbanization ushers in tremendous opportunities, it also poses overwhelming challenges, the biggest challenges being shelter, infrastructure and services to the urban masses and lack of resources with ULBs to address the issues of slums, urban poverty, and informal settlements. As cities grow due to urbanization and economic growth, the demand for land and floor space for housing, jobs, public facilities, recreation, etc. increase many-fold, but the supply of serviced urban land is limited due to constraints of land and under-investments in infrastructure. The market does not create space for the poor and low-income households as it is guided by profits. The mismatch between demand and supply of serviced land aggravates as urbanization proceeds. This severely impacts the urban poor who have already been weeded out of the formal urban land market due to market forces and exclusionary system of land use planning. Shortage of urban land and housing makes shelter beyond the reach of the urban poor. As the poor are not entitled to property rights or security of tenure, they have no option but to squeeze into slums within the city and unauthorized colonies at the periphery of the city.

Many slum settlements come up in degraded lands belonging to public authorities, e.g. railway tracks, footpaths, parks, drainage channels, swamps, river beds, disputed public and private lands, etc. as these are not properly protected by government due to the neglect by officials. Sometimes collusive encroachments occur with officials and politicians as partners. The slums are vote banks of political parties. However, slums are regarded as illegal and civic authorities refrain from providing basic services in them to prevent settlements being regularized. Thus, the residents in slums cannot avail even basic municipal services like water supply, sanitation, education, health and social security. Accommodating millions of

migrants and urban poor, including those in slums and providing them basic amenities is a daunting task.

2.5. State of Civic Services

The Census 2011 indicates that the progress in urban areas towards universal provision of basic amenities, especially for the urban poor has been extremely slow. Table 16 in Appendix 1 reveals that 9.5 % of slum households don't have access to electricity. Around 19% of slum households still don't have access to bathroom facilities. Only 36.9% of slum dwellers have access to closed drainage system, whereas the rest have either open drainage access or no access at all. Only 56.7% of slum dwellers have access to drinking water within premises. Only 71.2% of urban households have access to drinking water within premises. Table 17 in Appendix 1 shows that still 8% of urban households have to walk more than 100 meters to get drinking water. From table 18 in Appendix 1 we can see that about 26% of slum dwellers do not have access to tap water. Only 70.6% of urban households have access to taps as a source of drinking water. Studies report that only 80% efficiency is achieved in redressing customer complaints regarding solid waste management. Although the service level benchmarking requirements of water supply, sewerage and sanitation are 100%, the efficiency in delivering services is very low, especially to the poor and slum-dwellers.

Housing, health and improved water supply and sanitation, supported by education are not only the major needs, but also the growing demands of the urban population. The last few decades have witnessed launching of numerous programs, including the Accelerated Urban Water Supply and Sanitation Program, the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Integrated Housing and Slum Development Program (IHSDP), the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and a number of State Government Programs to improve infrastructure facilities and provide services to the urban poor. While these programs have enabled more than 90% of the urban population to have access to water sources and 60% of the population to have access to basic sanitation, the twin challenge of providing universal coverage, sustainability of services and better reliability still remains to be addressed.

2.6. State of Urban Poverty

Urban India is also faced with the problem of poverty. In India, poverty, although declining, is significant in rural as well as urban areas. Persistent rural poverty spillovers boundaries and transfers to urban poverty which has residential, social, and economic dimensions. As per earlier estimates based on expert committees, 31.8 per cent of the population in urban areas and 45.3 per cent of the entire nation's population lived under poverty in 1993-94. The ratio was 25.7 per cent in urban areas and 37.2 per cent for the country as a whole in 2004-05. According to the Rangarajan Committee methodology, the poverty ratio is 26.4% in urban areas and 29.5% in India in 2011-12. Totally, 363 million were below poverty in 2011-12; 102.5 million in urban India were below the poverty line. The poverty ratio in urban areas declined from 35.1% in 2009-10 to 26.4% in 2011-12 as per Rangarajan Committee. The all-India poverty ratio fell from 38.2% to 29.5%. From table 19 in Appendix 1, we can see that despite the number of urban poor falling, urban poverty ratio is still quite large; so is the number of urban poor.

2.7. Key Issues of Inclusion

2.7.1. Civic Services

As the population and income of urban areas are increasing, demand for every basic service is also increasing. If the investment rate in urban infrastructure doesn't step up, there will be an acute shortage of urban services than what is required for sustaining prosperous cities. Due to acute shortage of housing, prices of houses will rise exorbitantly and will significantly contribute to urban poverty. This is because the poor spend a disproportionately large portion of their income on housing and services like water. The rich outbid the poor in the urban residential market of artificial scarcity. Only the rich are able to afford housing with access to civic services within the city. Combining the rising demand for services from an increasing urban population and incomes, and a large scale of urbanization, the task of making India's growth inclusive becomes very challenging. India's dream of a sustainable and inclusive growth could reach a breaking point. Access to basic services to vast sections of the urban poor, especially those in slums is an important issue for policy makers. The poor need lifeline services irrespective of where they live due to efficiency, equity and public health.

2.7.2. Security of Tenure

The bulk of the urban poor (numbering more than 25 percent of the urban population) live and work in the so called "illegal" spaces, in the absence of approval by government authorities like urban development authority or municipality. They do not have access to a "legal" place to live, work, vend or sell in view of the town planning and municipal laws based on the British legal tradition and the tyranny of the master plans. The public authorities stipulate very stringent zoning and planning regulations which the poor cannot satisfy. The lack of security of tenure makes the residents of slums highly vulnerable to eviction by municipalities or local authorities in the name of creating world-class cities or city beautification drives such as those in connection with national and international games.

While Governments have made effort in the past to regularize colonies, slums in cities continue to remain illegal. In spite of the first national urban mission of JNNURM prescribing a 7-Point Charter, to empower the urban poor, including slum-dwellers with affordable housing, sanitation, water, land tenure, social security and education, the urban poor continue to be in insecure environments, prone to eviction and with vulnerability to natural disasters, etc. The genesis of mushrooming of unauthorized colonies and slums reflects a failure of both the market and the state to execute inclusive urban policy, planning and housing. Urban land policy is required to play an important role in correcting for market failure and addressing the concerns of the urban poor. However, in India no attempt has been made to formulate urban land policy after an attempt by the then Ministry of Health, Government of India in 1965.

2.7.3. Slums and Squatters

In spite of the fact that nearly one-fourth of the urban population in India lives in slums and around four-fifths of urban workers are employed in the informal economy, the city master plans failed to provide adequate space for the workplace or living of the poor. The land allocation processes adopted by these plans ignore the needs of these segments for housing and informal activities carried out in non-conventional workplaces. The master plans failed to allocate space for informal markets and vending zones. The lack of legal recognition for the informal sector in urban planning has led to frequent evictions of the urban poor from homes and workplaces in the name of master plan enforcement. Slums and squatter

settlement reflect the failure of the market and government to provide land and floor space for the poor. They have become a part of the Indian urban scene. Neglecting them and not integrating them with the mainstream urban development process will be too costly, considering the experience of Latin American countries where slums were converted into places of crime and drugs. India cannot afford to neglect its slums as slum-dwellers play a key role in making the functional by providing many services.

2.7.4. Affordable Housing

A primary issue associated with the huge shortage of housing in India is that neither the market nor the government provides land or builds houses for the poor. Markets cater only to the rich and fail to serve the poor. The Master Plans in the past provided for land use and zoning based on the norm of land and housing requirement of a middle class city resident. The developers prefer to cater to the needs of the middle and high income segments and not provide land or housing for the EWS and LIG as they cannot get the same level of profit they obtain from MIG or HIG plots or houses. Moreover, there is a general impression that if plots or houses for the poor are included in layouts or housing colonies, the value of land or housing will fall and the developer will not have the desired profit. Thus the Master Plans have led to an exclusionary growth of cities. While Master Plans have not provided space for the poor, very few state governments have implemented affordable housing programs for the urban poor.

In many countries around the world, governments have adopted affordable housing support programs through rental subsidy, public 'ownership' and 'rental' housing, income grants and housing voucher programs. However, affordable housing policies and programs are yet to evolve in a meaningful way in India. JNNURM targeted 1.5 million houses for the poor. The performance is mixed. Three key lessons from JNNURM are: lack of land, non-involvement of stakeholders and lack of capacity with local authorities to plan, finance implement affordable housing programs.

2.7.5. Exclusionary Planning

The current master planning model being practiced in India derives its roots from the 1947 Town and Country Planning Act of the United Kingdom. The model is based on the middle class ethos and norms. It fails to plan for the informal city and works with a utopian physical vision of the formal city. The master plans rely on a technical process based on the planner's view. The areas with similar characteristics are treated as “conforming” for the rich whereas the slums in the same area are regarded as “non-conforming” and “illegal”.

Master plans envisage grand visions to the lowest level of settlements. They rely heavily on stringent development control norms. They restrict height, density, floor space index, land uses, etc. This restricts the availability of land and built-up space for all sections of the city, including the poor. A large section of urban residents including the poor get excluded from “formal” property markets due to both market failure and the atrocities of the master plans.

Master Planning fails to accommodate the way of life of the majority of residents in developing countries requiring mix-use, flexible and realistic planning and development in rapidly growing, largely poor and informal cities. They allocate land based on norms for the middle class and design a city for the markets which caters only the high and middle income groups. This neglects vast sections in the informal city with precarious income and no capacity to participate in the extreme market for built up space. Due to this, the master plans have resulted in acute shortage of locations for the poor and low income sections in the cities. Inappropriate zoning regulations create informal settlements and peri-urban sprawl. India needs to address the lacunae in the master planning system

2.7.6. Inclusive Policies

According to the Twelfth Plan, the biggest challenge in making development inclusive is addressing the problem of mismatch between demand and supply of housing. Reversing the current exclusionary trend calls for a focus on housing policy and collection for imbalance in civic services in slums and low income settlements. Inclusive policies reduce urban poverty and foster inclusive cities where all people and their needs are valued equally. In an inclusive city, all residents—even the most marginalized of poor workers have a representative voice in planning, governance, and budgeting processes, and have access to legal housing, livelihoods which are sustainable and affordable basic services such as sanitation, electricity

supply and water. The target of creating such cities cannot be met unless informal workers are given their rightful place while making decisions, and they can voice their demands freely and get heard.

2.7.7. Inclusive Cities

Inclusive cities require not only inclusive services, inclusive housing, inclusive policies, but also the recognition of the right to the city and coexistence of the people. For example, they will require informal street vendors to co-exist peacefully and legally with formal retail areas, which will provide diversity for consumers and tourists. Small traders first need security of tenure to invest in their business. Better and more trading activities will be possible because of access to electricity and both workers and consumers will be able to have better and more hygienic experience due to infrastructure such as toilets, water, and shelter. It will also put an end to the frequent harassment of the informal sector due to seizure of goods by police and municipal authorities in India. They need support to learn the skills to take up modern jobs in the diverse and growth urban economy. Instead of focusing on exclusion and privatization, there is a need for the Government and market to work together to integrate informal sector into municipal systems. Their efforts need to be complementary in the interest of vibrant cities as engines of growth and creators of wealth.

2.7.7. Need for a New Approach

Policy-makers and planners have long pursued rural development versus urban development types of paradigm. There is a need to recognize that both are complementary to each other. Cities, if empowered, will create growth and public finance for rural development. India's future is critically dependent on turning around its cities, and, releasing their strength and dynamism for growth and inclusion. The cost of ignoring cities will be huge. Our nation cannot sustain its growth momentum unless it manages its growing cities well. Planning needs to be inclusive, participatory, and decentralized to make cities equitable and efficient. It needs to involve the majority of the urban dwellers to accommodate their needs, concerns and aspirations. However, as research suggests, the planning standards and regulations, the manner in which planners have envisioned cities and the prejudice of the planning authorities against the poor together have resulted in exclusion of the poor in India from the formal

planning processes, excluded them from the ‘formal land market’ and thereby converted them into ‘illegal’ citizens of the cities (Mahadevia, Joshi and Sharma, 2009).

Effective, sensitive and organized urban planning lies at the heart of building inclusive cities. Economists and policy-makers are facing the challenge of achieving “inclusion” along with economic growth. The goal of inclusive growth in these cities can be achieved by designing, in addition to spatial policies, sectoral policies that create employment opportunities, provide access to public transport, affordable housing, education, health, clean drinking water, sanitation, social protection, etc., with focus on the most disadvantaged sections – women, children, differently abled, poor and slum-dwellers. Investing in cities will increase the income of the city, but this will not influence the quality of life of the urban poor and make growth inclusive automatically. Urbanization cannot be made inclusive until and unless the multiple dimensions of non-income vulnerabilities of the urban poor, namely- residential, social, and occupational in cities is addressed. Subject to policy safeguards, inclusive growth in cities will create opportunities for all the sections of the population and will distribute the dividends of more prosperity, both in monetary and non-monetary terms, fairly well across society. Thus, in order to make growth inclusive, a multidimensional approach will need to be followed that goes beyond income and shares the rewards of economic growth to remove inequalities. Addressing the issues of the urban land market is amongst the foremost interventions of public needed.

Chapter III

Economic Theory and Practice of Inclusive Cities: A Survey of Literature

3.1. Background

India's economic growth and structural transformation are critically dependent on turning around its cities, and, unleashing their agglomeration economies. The nation cannot sustain its growth momentum unless its growing cities are economically efficient, environmentally sustainable and socially inclusive. Spatial planning, involving land, housing, infrastructure and services, is critical for this. It shapes city form and functionality. It needs to be participatory, sensitive, responsive and people-centric to make cities inclusive. It must involve the majority of the urban dwellers, including the Economically Weaker Section (EWS) and Lower Income Group (LIG) to take care of their needs, concerns and aspirations. However, the planning model, norms, standards, codes, regulations, planners' vision, bias of planners and administrators, planning processes, and implementation bottlenecks in the past have led to exclusionary planning and neglect of issues concerning land and housing for the poor.

The widening gulf between demand and supply of housing is a major policy concern for India. Rising urban population fuelled by rural-urban migration and annexation of rural areas to cities, in addition to natural increase, requires increased access to affordable housing and basic amenities like water, sanitation, education, health, etc. Housing is the most critical need of everyone, especially the poor. Often the poor use their homes as workplaces. Location in an area with access to jobs also makes housing critically important. The Government needs to find a way out to ensure that the poor and low income groups have access to affordable housing and basic services. Experience suggests the inadequacy of subsidizing public housing, providing pro-poor housing finance subsidies, and site-and-service programs such as slum rehabilitation schemes in bridging the widening supply-demand gaps in low-income housing segments. Market and Government need to come up with sustainable solutions to create mass housing stocks, addressing the issues of urban land markets. Internationally,

countries have tackled the complex issue of affordable housing by combining slum rehabilitation and market-based mass housing provision solutions.

This chapter presents a survey of international and emerging Indian examples of approaches to provide affordable housing to the EWS/LIG segments of the society and incorporate the urban poor in the master planning and development processes of the city. It focuses on “Inclusionary Zoning (IZ)” or “Inclusionary Housing (IH)” mechanisms, which have been found to be successful in ensuring that affordable housing is integrated into new urban developments, creating inclusive habitats. IZ/IH programs provide for inclusion of affordable housing in private sector developer-led housing or other development projects based on either mandatory requirements through zoning/town planning regulations or incentive mechanisms providing zoning concessions to developers in lieu of provision of affordable housing. It is argued, though, that effectiveness is only assured when the policy is mandatory, as well as flexible (Mukhija, Regus et al. 2010). We are of the view that IZ/IH can be one of the most efficient and sustainable methods of incorporating the lower income groups into the city fabric in India through promotion of both ownership and rental housing. We this objective in background, we provide a survey on international practices of inclusionary zoning/housing. The objective is to draw lessons for Indian cities to be inclusive.

Section 3.2. provides a survey on international and national practices of affordable housing and inclusionary zoning. Section 3.3. introduces the concept of Inclusionary Zoning (IZ) and gives a brief on its role and origin. In section 3.4. we discuss the economics of inclusionary zoning. Section 3.5. links the need for IZ to the “Right to the City” model of Brazil; it recognizes the need for the urban planning system to be built on the foundation of an “inclusionary” model which benefits all. Section 3.6. provides a survey on international practices of IZ. Section 3.7. provides a brief information on the inclusive practices for affordable housing to the urban poor in India. Section 3.8. concludes.

3.2. Review of Literature

Calavita, N. and et al. (2010) examine Inclusionary Housing (IH) as a planning system to create affordable housing and to promote social inclusion by utilizing resources created

through the marketplace. The authors recommend growth of “impact fees” as a corollary to the trend of privatizing social housing delivery and propose developers to pay all or part of the costs associated with growth. They believe that in the long run, most of the costs are passed backward to the owners of land and the imposition of IH actually reduces land value. The authors draw brief sketches of the inclusionary policies in countries such as United States, India, South Africa, Britain, Spain, Israel, Italy, New Zealand, Malaysia, Colombia and Netherlands. The study analyses change in a country’s housing system in recent decades because of increasing privatization and deregulation and examines the nature of its planning system and its historical evolution. It lays emphasis on how inclusionary housing can be a strategic strategy for racial and socio-economic spatial integration and cohesion. The authors analyze both how the cross-national variations in social, economic and political cultures have resulted in different forms of inclusionary housing in the various countries studied, and how inclusionary housing is addressing each country’s requirement for providing better housing for its citizens and ensuring greater social inclusion.

Schwartz L. H. et al. (2012) examine 11 Inclusionary Zoning programs across the United States to determine whether IZ policies have the intended socially inclusive effect for the recipients, whether children from families earning lower incomes have access to high performing schools and benefitting academically. The study reveals that while IZ programs serve relatively more-advantaged families than other affordable housing programs do, the amount of accessibility that IZ provides to low-poverty places is still remarkable. The study scrutinizes the various aspects of IZ programs like its potential benefits, the households they serve, the characteristics of IZ neighborhoods, assignment of IZ units to high-performing school districts, design options for IZ programs, eligibility parameters of populations to participate, rental and ownership issues, long-term affordability provisions and procedures for effectively monitoring compliance to IZ program. The findings could be of great benefit to city planners and municipal officials from housing and education departments.

Hicky, R et al. (2014) have conducted case studies of 20 inclusionary housing programs in the United States and suggested some useful strategies for facilitating long-term affordability of IH for low and moderate-income households. The study suggests that benefits of inclusionary housing can be assured for multiple generations by ensuring long

affordability periods, meticulously designed resale formulas and restrictions, efficient and strong legal mechanisms, deed restrictions, dedicated pre-purchase and post-purchase stewardship and strategic partnerships. Only then inclusionary properties will continue to be sold or rented at affordable prices and are not lost because of illegal sales, foreclosure or lax rental management practices. The study proposes legal mechanisms to be in place so that jurisdictions stay notified of improper financing, illegal sales, and defaults. Resale price should be tied to the growth in Area Median Income (AMI) over time. Effective monitoring and stewardship help in avoiding foreclosure, ensuring proper resale and refinancing activities, proper maintenance and repair of property, overseeing the leasing and tenant selection process and staying in communication with homeowners. As rental housing will occupy a substantial share of IH inventory, third party partnerships with nonprofit organizations can play an important role where financial resources or staff capacity are low.

Jacobus, R. (2015) highlights the challenges faced by inclusionary programs in providing a steady supply of new affordable housing and outlines the ways adopted by communities to address the problems and ensure successful economic integration. The paper comes up with the realization that well-planned inclusionary housing programs offer homebuyers meaningful and safe asset-building opportunities and at the same time preserve a sustainable stock of homes that continues to be affordable for the coming generations. The paper also underscores the role of third-party contractors, describes the common mechanisms for funding the projects and suggests ways the local stakeholders should adopt to effectively monitor the program. The study also highlights the economics of inclusionary housing (IH) programs and tries to examine the fairness of Inclusionary Housing, Cost to Tenants and Home-buyers, Impact on New Development, and the applicability of Inclusionary Zoning. The economic arguments and empirical evidence considered by the study suggest that it is fair to ask developers to compensate for the economic impacts that their developments create and to share a portion of the profits they make on the community's investment. The study finds out that developers cannot pass on inclusionary housing costs to tenants and homebuyers, and, costs associated with the construction of inclusionary housing are either absorbed by modest decline in land prices or reduction in developer profits, or some combination of the two.

Spiller, M. et al. (2016) describe the application of economic principles for community benefit in terms of allocative efficiency so that redistributive arrangement can be made to provide housing to lower income or disadvantaged people and sustainable development is ensured. The authors express that social mix leads to creation of diverse communities instead of polarized ones, better health outcomes, more engagement in civic process and greater social capital building. The paper mentions that Inclusionary Zoning (IZ) adopted in Australia has optimized positive externalities and has maintained a synergy between compatible land use and creation of 'orderly' and 'logical patterns' of urban development which facilitates efficient roads, parks and water-cycle infrastructure, values social diversity and environment also.

Madar, J. et al. (2015) discuss a 10-year scheme launched by the Mayor of New York City in May 2014 which combined “up zoning” with mandatory inclusionary zoning in order to produce 2000,000 units of affordable housing and ensure balanced growth and economic diversity. The paper highlights tax incentives, namely income tax exemption, given to developers in Manhattan. It sheds light on some of the limitations and tradeoffs New York City faces. The study finds out that in many neighborhoods, market rents are too low to make new-mid-and high-rise construction commercially feasible. The authors propose that in such areas, IZ will for the time being need to depend on direct city subsidy for the time-being.

Mahadevia, D. et al. (2009) explain why the urban poor do not have access to tracts of land today. The paper considers land supply to the poor as a matter of better land management tools rather than proper policy. The study proposes requirement of an appropriate policy framework which has been introduced through the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) reforms, which mandates reservation of 20-25 percent land for low income and economically weaker section housing in the new development. The authors scrutinize how the schemes launched for the urban poor to improve their accessibility to urban land and housing have been quite fragmented and their effective coverage has been very low. The goal of achieving slum free cities still remains unattainable because of land market dynamics in the cities as well as lack of willingness of the Government, both at the local and state level, to intervene effectively in the market to redistribute urban land. The authors review policies, programs, and processes in the urban

land market, and find out how the State relinquished its legal space of policy making to the private sector, especially the builders and land developers. They are of the view that the state has abandoned its responsibility to intervene in the markets that have a monopoly and are highly speculative. The great difficulties thus created in addressing the issue of access to land by the urban poor in the cities have pushed the goal of slum-free cities or inclusive cities even farther. The authors explore Public Private Partnership approach which aims to provide security of tenure for the urban poor. They conclude that multiple approaches need to be adopted so that land supply for the urban poor can be increased in India. A blanket size approach would not produce results. The authors also suggest that solutions were possible within the prevalent planning and regulatory system provided the planning and regulatory systems are made more flexible and some amendments are incorporated within the existing system.

Tamaki, K. et al. (2013) review some historical examples of affordable housing internationally and scrutinize the sustainability of India's current affordable housing policy. The authors find that sustainable solutions need to come on an urgent basis from the market to create mass housing stocks for both owned and rental housing as highly subsidized public housing, or subsidies given for financing housing for poorer section of the society, or slum rehabilitation schemes are not sufficient to bridge the rising demand and supply gaps in low-income housing. In this study Rajasthan Affordable Housing Policy is used as a case study to suggest that an integrated approach to urban development and housing is extremely important for achieving the sustainable housing development solutions. The authors express the development promotion and management of demand-responsive, market-based mass housing and examine the conditions required to attract private sector investments while providing mass housing by devising a coherent strategy which integrates mass transit-oriented development and private sector-led housing development. The paper elaborates the land value capture mechanism which enables the public-sector entities responsible (e.g., urban local bodies) to invest in mass transit infrastructure and provide serviced urban lands for development of affordable housing for the poor. The authors suggest the need to establish affordable housing development facilities for inclusive and sustainable urban development, and providing mass housing to the poor by effectively managing the funds created through the land value capture mechanism.

Kundu, A. (2014) has analyzed the trends and patterns of urban growth in India and explored the possibilities of opportunities for the poor migrants being absorbed in the urban dynamics. The author explores that despite a relatively high rate of economic growth, the pace of urbanization has been sluggish and disappointing and there has been a decrease in the migration of the rural poor to urban centers over the years. Migration of women has gone up marginally because of their absorption in domestic work. The urban structure has grown very heavy at the top, with 23.5 percent of Indian population living in 5 million-plus cities. Globalization has thrown up new opportunities for migrants and consequently their level of literacy, social and economic well-being has increased as compared to non-migrants. But now the poor and unskilled labor is finding it hard to have access to employment opportunities in large cities because of growing regionalism, labor-market related features and governance structure. The study finds that metros have become exclusionary, discouraging in-migration and even pushing slum-dwellers to peripheries due to coming up of massive projects, high quality infrastructure for global business and residential complexes for professionals engaged in them. With the country's population projected to rise from 1200 million in 2010 to 1600 million in 2050, the paper considers it essential to go for more balanced urbanization in which a large number of small towns are promoted and villages graduate into towns where growth is non-inclusionary. The paper considers that serious economic and social disturbance can be prevented only if more inclusive policies are adopted in class I cities so that they can absorb a large section of the rural-urban migration and provide them employment.

The literature review provided above highlights the importance of inclusive cities and Inclusionary Zoning as a way of providing affordable housing and making urbanization inclusive. IZ has been practiced by several developed and developing nations and the results have been highly positive. The remaining sections of this chapter hence focus on the role played by IZ based and international practice based on information gathered from many studies and sources, including a paper developed by the HUDCO Chair program at the University of Hyderabad (HUDCO Chair Program 2016).

3.3. Inclusionary Zoning: Meaning, Origin, and Role

3.3.1. Inclusionary Zoning: Meaning

Inclusionary zoning (IZ), alternatively called inclusionary housing (IH), refers to a range of land use policies aimed at fostering sustainable urban development. They mandate physical plans of cities to allocate space for the poor and low-income groups in accordance with the income distribution of the city, thus accommodating different incomes by making houses of different price range and tenure available in any given neighborhood. Most IZ policies require setting aside a specific percentage of land or housing units in a development area for affordable housing, selling or renting it to EWS/LIG at prices or rents they can afford. These policies are aimed at exploiting the gains from rising land and property values due to urban planning and development to create affordable houses for low- or moderate-income households. They link affordable housing to land use zoning for construction of market-rate residential or commercial real estate.

Although the definition of IZ varies across countries, an IZ program usually requires developers to reserve a percentage of land or floor space being constructed for lower-income residents. In the United States, IZ typically requires developers to sell or rent 10 to 30 percent of new residential units to low- and moderate-income households. IZ/IH policies are designed to usher in inclusive urban development based on a mandatory requirement under zoning regulation or an “incentive zoning” method outside the purview of the planning/zoning code. They enable low-income group (LIG) households to live in the middle-income group (MIG) and high-group (HIG) neighborhoods.

Inclusionary Zoning is a municipal tool designed to produce affordable housing within new private sector residential development. It involves the use of public policy for the provision of affordable housing and encourages social cohesion by using the resources generated by the market. The program mandates that a certain percentage of affordable housing units in new developments should be reserved and there should be rezoning in exchange of density trade-offs to offset costs. The rationale behind inclusionary zoning is to leverage private sector investment in affordable housing provision. Private developers are given incentives so that they can incorporate affordable or social housing as a part of developments driven by market. They can either incorporate affordable housing into the

same development, or build it elsewhere, or contribute money, or land for the production of social or affordable housing instead of construction. Inclusionary zoning/housing aims to better the quality of life of those “who have little power and few resources” (Nico Calavita and Alan Mallach, 2009).

3.3.2. Origin of Inclusionary Zoning

The initial impetus of inclusionary zoning came from the Civil Rights movement of the 1960s when a close relationship was recognized between the prevalent racial segregation in American society and the land use regulation system that promoted it by encouraging exclusionary zoning. The term “Inclusionary Zoning” was coined to refer to any strategy designed to foster the production of affordable housing. Inclusionary housing originated in the United States of America during the early 1970s, and it gradually spread to Western Europe, Canada, and more recently to other countries, including South Africa, Australia and India. The number of cities and towns practicing IZ globally is rising. Around 500 communities in the United States have embraced inclusionary housing (IH) policies, requiring developers of new market-rate real estate to provide affordable housing to lower income groups at below-market-rate.

3.3.3. Role of Inclusionary Zoning

Inclusionary housing is a proven strategy that can really impact the affordable housing crisis. Inclusionary housing programs modestly yet steadily supply new affordable housing resources. It is one of the few tried and tested strategies for providing affordable housing in neighborhoods which are asset-rich, so that residents benefit from their easy access to quality schools, better jobs and public services. The program preserves the long-term affordability of housing. A pool of local inclusionary units can increase steadily and form a significant share of the local housing stock.

IH programs require adopting of local land policies that promote developers to ensure inclusion of affordable units in new residential developments. Indirect subsidy is given to developers to reduce the public cost of creating affordable housing. Developers are also given many other incentives like more development capacity or other accommodations

during the development review process are also given to developers to provide incentives for including income-targeted housing in otherwise market-rate housing developments.

IH policies foster mixed-income communities and act as an antidote to social exclusion. Internationally, countries adopt land use regulations that require developers to set aside a small part of the land (5-10%) or housing (10-20%) for EWS/LIG sections for whom it is unaffordable to buy houses in the open market. Many policy makers hoped that mixed-income housing policies would promote social interactions between lower-income and higher-income residents, and consequently lower income residents would have better access to jobs or other resources.

3.4. Economics of Inclusionary Zoning

Most research on IZ in the past has tried to assess the quantitative impacts of IZ/IH policies on the production of the market- and below-market-rate houses and the prices of different categories of houses. Research on the theory and economics of inclusionary zoning/housing is limited. A study of the literature on IZ suggests that there are contradictory views on the impacts of inclusionary zoning as an instrument for providing affordable houses to very low, low, or moderate-income households with the objective of making the city inclusive. Some researchers have gone into the issues of inclusionary policy design, including linkages between IZ, mitigation of “impacts” of new development and “value capture” strategy. Others have discussed the role of IZ as a vehicle of “social inclusion” and long-term implications of IZ for affordability of housing.

Economist agrees that any form of rent control is distortionary from a resource allocation point of view. It reduces the quantity and quality of housing. Standard economic theory says that price control leads to shortages in supply and discourages production. In fact, some economists regard inclusionary zoning as a complicated form of rent control. They argue that IZ imposes a price control on a proportion of new development which requires builders to sell or rent housing units deemed to be ‘affordable’ at below-market-rates. The units are required to retain price control for a specified period in the United States. In California, this period is typically 55 years or more. Some researchers contend that the imposition of such price control on a part of the new development will not discourage production as much as

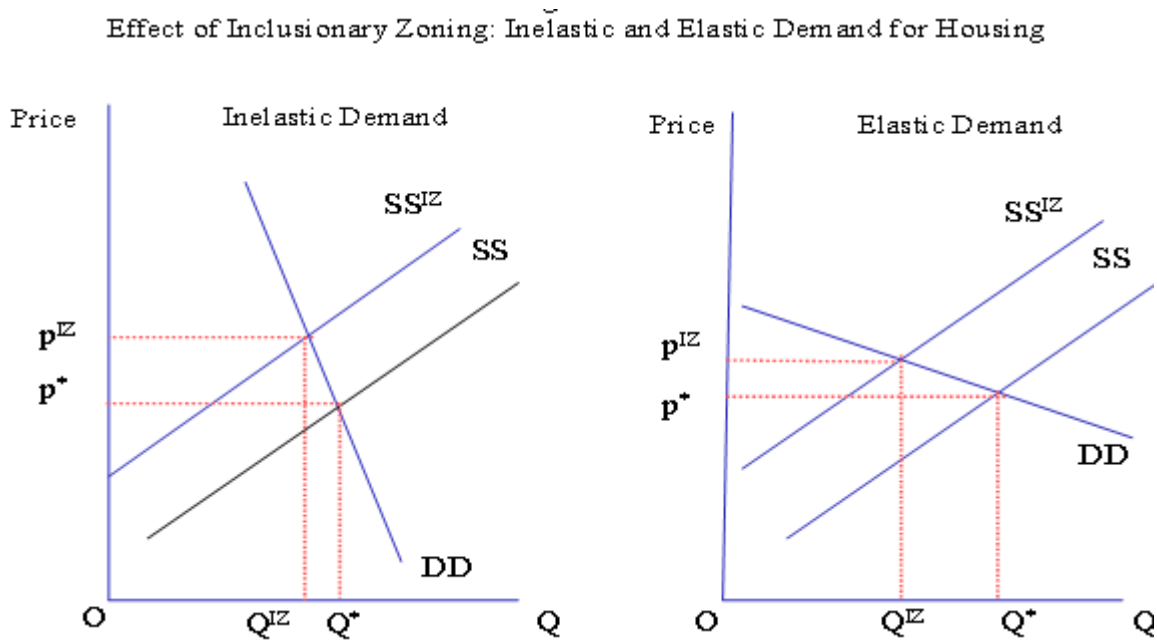
price controls on all development, but it will discourage development nonetheless. By acting as a tax on development, it will escalate the price of non-price-controlled housing and thus decrease the amount of new housing.

The economic arguments against inclusionary zoning run as follows. IZ leads to two markets for new homes: price-controlled or below-market-rate houses and non-price-controlled or market-rate houses. The price-controlled market will have many of the features of markets with rent control such as shortages and discouragement of production. IZ mandates that if builders want to produce non-price-controlled units, they must also provide a certain number of price-controlled units. This implies that unless the 'affordable' units are subsidized by the central, state or local government or some private charity, the price-controlled units become an economic burden on the development. When subsidies do not cover the costs of below-market-rate units, IZ acts like a tax on market-rate development or on housing construction. In simple parlance, when a sizable volume of housing units in a development are sold at a discounting rate, the cost of the development will increase. Thus, the developer must raise the price of the market-rate units much above that warranted by the housing market to compensate for the discounted units. As a result, the price of the market-rate housing rises and finally the production of housing reduces. This reduction can negatively influence both housing starts and housing size.

Although the builders under the IZ program may apparently bear the burden of paying for the below-market-rate units, they would ultimately end up passing a part or all of this effective tax onto buyers of housing or sellers of undeveloped land. If housing costs are very high, they could result in a staggering fall in the land prices, and then some landowners would prefer not to sell their land at all. If this happened, less housing units would be constructed and then prices would shoot up. However the actual market conditions, specially the relative elasticities of housing demand and supply determine the distribution of the incidence of the tax between buyers and sellers. Figure 1 depicts two scenarios of IZ with focus on demand for housing with inelastic demand in the left panel and elastic demand in the right panel. The demand curve for housing (DD) slopes downward because when consumers will buy less when they have to shell out more money. The supply curve for housing (SS) slopes upwards because as housing producers receive higher price, they will

devote more resources for residential development. The equilibrium is determined at the intersection of supply and demand. When IZ is imposed, its effect on supply will be similar to that of a tax on housing. This will make the housing supply curve SS shift up by the tax-equivalent of IZ. As figure 3.1. shows, the reduction in supply of market-rate housing due to IZ is smaller with inelastic demand compared to when demand is elastic. The market price after IZ is greater than that that before IZ. The burden of IZ is split between buyers and sellers. If demand for housing is inelastic, a relatively large burden is likely to fall on the buyer than on the seller.

Figure 3.1.



Not only the slope of the housing demand but also that of housing supply will affect the impact of IZ on housing production, housing price and sharing of IZ burden between buyers and sellers. It is noteworthy that the slopes of housing demand and supply curves vary by city and by area within a city. Further, factors like income of consumer, rates of interest levied, population size, etc. can have an impact on outcomes in the housing market under an IZ regime. However, as the demand and supply diagram traces the relationship between quantity of housing units and the price charged (other factors considered exogenous), it provides

useful directions for analysis of the economic impacts of IZ. Thus, a careful examination of the demand, supply and price of housing – the economics of inclusionary zoning – is necessary before arriving at conclusions on its efficiency. This will inform how the burden of IZ is likely to be split between builders, market-rate home buyers and owners of undeveloped land. There are also other considerations in IZ with broader economic and social implications such as value of social inclusion and long-term affordability. These also need to be taken into account (HUDCO Chair Programme 2016).

An important study conducted by the Lincoln Institute of Land Policy: *Inclusionary Housing – Creating and Maintaining Equitable Communities* (Jacobus 2015) has dwelt on the economics of inclusionary housing (IH) programs. It has dealt with some of the following major questions related to IH. It questions whether it is appropriate to expect from developers to provide solution to the social problem of providing housing to the poor. It raises fears of developers passing on the costs to homebuyers and tenants. It also raises concerns regarding hindrance caused by inclusionary policies in new developments and further worsening the problem of shortage of houses. Also, the study raises doubts regarding the efficacy of IH in every type of housing market. The economic arguments and empirical evidence considered by the study to examine the above questions are discussed below:

Fairness of Inclusionary Housing

New developments create positive and negative impacts on the society, including unearned increments to a lucky group of developers who benefit from planning and investment by public authorities. It is appropriate to ask developers to provide compensation for the economic impacts created by their developments and make them share certain portion of the profits they earn on the community's investment. The basic idea of demand and supply indicates that the addition of new units in a given market will undoubtedly put some downward pressure on the cost of the existing housing units. But, the greater impact tends to be an upward pressure on housing costs when new dwelling units are mainly built for residents having higher income. A 2015 study commissioned by the Wall Street Journal found that 82 percent of new rental housing in the United States was luxury housing (Kusisto 2015).

Cost to Tenants and Home-buyers

There are three key elements in determining the price factor of any new housing unit: (1) the cost of land; (2) the cost of constructing the house (including fees, permits, design, building etc.); and (3) profit made by the developer. The city real estate market determines the prices of market-rate units, and developer of one project cannot change the overall market price or rent. When a city imposes IH requirements, it may push up a developer's cost of building housing units. But the developer cannot pass those costs on to homebuyers or tenants because the competitive pricing of new housing units has also to be ensured in the overall market. Instead, with the passage of time, prices of land will reduce to absorb the costs of the IH needs. Either a modest decline in land prices or a reduction in profit margins of a developer, or an amalgamation of these two absorbs the costs related to the construction of inclusionary housing. The developers cannot pass on inclusionary housing costs to tenants and home buyers.

Impact on New Development

There is no conclusive evidence to prove that inclusionary programs reduce the supply of housing, and therefore boost prices. While some studies find that after IH policies were adopted, there was a fall in the production of market-rate, others indicate that there is more likelihood of jurisdictions adopting IH policies toward the peak of the economic cycle. When the market forces for new development are strong, inclusionary housing does not cause the production of market-rate housing to fall. Researchers argue that it is practically possible to formulate inclusionary programs which do not have much impact on market prices.

Applicability of Inclusionary Zoning

When zoning incentives are offered, it is not meaningful to discuss the cost of providing affordable housing in isolation. Before drawing any conclusion about IZ, it is essential to take into account the whole economic picture instead of just talking about the cost of providing affordable housing in isolation. At the heart of inclusionary zoning is the concept of "residual land value" linked to the theory of land economics that landowners end up capturing whatever is left over after the costs of development are met. This concept is crucial

for formulating effective policies which appropriately encourage communities to share the benefits of new construction without obstructing development. Instead of simply imposing costs, most of the inclusionary housing programs also attempt to offset those costs (at least partially) by providing numerous incentives to the developers. The most common incentive offered to developers is to give them the right to build units with increased density. When developers can add more housing units to the existing ones, the extra income can offset the costs of providing affordable units and consequently there is minimal reduction in land value.

Inclusionary zoning/housing programmes are instruments for sharing the benefits of rising real estate values due to planned urban development made possible by spatial planning and investment in infrastructure with low and moderate income households. IZ is surely one of the most promising strategies which ensure wide sharing off the benefits of development and maintaining economic integration. However, IZ policies do not work in all housing markets. They work well when land prices are very high. When land prices are dismally low, rents and sales prices would be too low to support affordable housing requirements even if land were available free. Thus, inclusionary housing may not be a viable solution for every type of housing market. In fact, IZ policies are generally found in communities where land and housing prices are actually rising. This weakens the argument that inclusionary housing causes housing production to fall. The literature on the economics of IZ indicates that well-crafted IZ programs can produce significant affordable housing resources without overburdening developers or landowners or having any negative impact on the pace of development. But IZ policies must be formulated with carefully so that they are suitable for local conditions and guarantee that IZ requirements do not slow down the pace of development. The design of the IZ policy instrument with sufficient flexibility to the developers is crucial. Jacobus (2015) observes that it is quite reasonable to expect from real estate developers for redressal of the problem of providing affordable housing to the lower income residents because landowners and developers reap the financial benefits from the factors due to which there is a shortage of decent and well located homes for the poor. Great care needs to be taken while designing inclusionary programs to make them economically viable. Steps need to be taken to ensure that developers do not pass on the costs of compliance to homebuyers and tenants. If the inclusionary programs are poorly designed, there is a risk of slowdown in the rate of building and consequently this will lead to inflation

in housing costs. This unintended consequence can be avoided by policymakers by offering flexibility to developers in the manner in which they comply, providing them incentives and calibrating their requirements in such a manner that the net economic impact on their housing projects is minimum. In most housing markets, IH can be implemented at some level, but the fact is that if the local real estate market is stronger, only then the potential is greater for IH, and a meaningful difference can result.

As regards the social value of inclusionary zoning, there can be no dispute that IZ has a laudable social objective. Studies in the United States reveal that IZ brightens the chances of low-income households being priced out of homes in neighborhoods with high-scoring schools (Rothwell 2012). It is responsible for long-standing and widening the income gap between communities (Reardon 2011). There is conclusive evidence of low-income students benefiting by seeking education in higher-scoring schools in higher income neighborhoods (Rumberger and Palardy 2005; Schwartz et al. 2012). A study of 11 inclusionary zoning programmes in the United States reveals that the more-advantaged families benefit more from IZ programs than other affordable housing programs, but no doubt IZ does provide a remarkable degree of access to low-poverty places. They address the long-term affordability requirements of low-income households. However, IZ programs are not typically designed to serve households at the lowest income levels or those with extensive needs for support, for whom clustered affordable housing might be a more efficient means of disseminating social objectives (Schwartz et al. 2012). But developers should not be held responsible for providing resolution to all the affordable housing problems in a jurisdiction.

Inclusionary zoning can have many variants with varying requirements and impacts, depending on its design. Thus, to say that all IZ programmes lead to the lower supply of market-rate housing, or higher housing price is not correct. The design of IZ program is a critical factor for its success. In the United States, inclusionary zoning programs vary widely between cities and towns as can be seen from Table 3.1.

Table 3.1.

United States: Variations in Inclusionary Zoning Programs

Size and types of development subject to inclusionary requirements	Some programs are voluntary, while others impose inclusionary requirements only on large single family projects, and some others impose inclusionary requirements on all types of projects of all sizes.
Percent of units that must be affordable	Some programs require only 5 percent of new units to be sold at a discount; others require a percentage as high as 30 percent.
Depth and duration of price discounts	The depth of price discounts often varies by the target population. For example, many require that units must be made available to those at 80 percent of median household income, others set different standards, and the period of affordability often varies from 10 to 99 years.
Incentives or allowances offered in compensation	Most programs offer some form of incentives or compensation for providing affordable housing units. Incentives and compensation often include density bonuses, waivers of subdivision requirements, or fee reductions. Some programs permit payments in lieu of inclusionary units.

Source: National Center for Smart Growth Research and Education: *Housing Market Impacts of Inclusionary Zoning*, February 2008.

Experience with inclusionary housing programs in the United States suggests that affordable houses once built do not serve the whole purpose if the affordability does not continue for a long period. The affordability has to be maintained for a long time for the poor households to gain from the initiative. It is seen that with maturity, inclusionary housing programs increase the time of their affordability. The affordability terms are even restarted as the property is sold. However, the long-term affordability could be lost due to illegal sales, lenient rental practices or foreclosure. Thus, strong legal systems, resale restrictions and proper pre- and post-sale management should be put in place. The formulation of

inclusionary housing policies has to be supported by careful monitoring and management of the affordable housing units after the first sale. A program's homeownership inclusionary portfolio should prepare the buyers for the responsibility of homeownership, prevent foreclosure and manage resale and refinancing activities and monitor property maintenance and repair. In case of rental inclusionary policy, in addition to the stated rules, there should be a careful monitoring of leasing and tenant selection process throughout.

3.5. “The Right to the City” Model

The Federal Government of Brazil enacted City Statute-Federal Law No.10.257 of 10 July 2001. The City Statute was based on Articles 182 and 183 of the Brazilian Constitution 1988. It prescribed instruments to guarantee “the right to the city” and defend “the social functions of the city and property”. Article 182 makes it compulsory for cities with more than 20,000 residents to approve the Master Plans by the City Council. It stipulates that the municipal government may demand that the owner of the unbuilt, under-used, or unused urban land provide for adequate use thereof, subject successively to compulsory parceling and land tax rates that are progressive in time. Article 183 recognizes the right of the urban poor to the city.

The main aim of “Right to City” paradigm was to address the divide between the legal city, rich and with the facilities and the illegal city, poor, and precarious. It was the first model to recognize that the urban planning system built an “exclusionary” model which benefitted only a few. A lot of social activists went on a long movement demanding inclusion of the poor in the city. The National Urban Policy Forum in Brazil stood for the cause of universal right to housing in 1990s. It asked for a new urban order that is inclusive and redistributive. The movement was supported by everyone to ensure “the right to the city” to the slum dwellers and the urban poor. It declared the exclusionary master planning paradigm as the main factor behind the creation of slums in cities (See Mohanty 2016).

It is widely recognized that setting up programs for harmonizing regional economic development and geographical development is important to enable the towns and cities to play their roles in encouraging inclusive development, especially meeting the demand for housing of the low-income households. This sanctions a paradigm shift in the manner in

which planners and urban administrators frame strategic policies to ensure proper development in urban areas. Brazil sets as a perfect example, as it includes Special Social Zoning Houses in its Master Plans and uses zoning laws as an instrument of land policy to implement social housing projects. It even combined land value capture instruments with Special Social Housing Zones and worked out strategies to overcome social territorial exclusion through urban regulations.

3.6. Inclusionary Zoning/Housing: International Practice

Inclusionary Zoning (IZ) /Inclusionary Housing (IH) program has become a common strategy for creating affordable housing for the urban poor by countries globally. Many cities around the world have witnessed positive results regarding fostering racial and socio-economically integrated communities, promoting social cohesion and getting rid of exclusionary practices. The United States and Canada adopt decentralized land use regulation at the state or provincial level for inclusionary housing; Spain and Ireland make it mandatory centrally; France and England centrally enable its use, and Italy prompt inclusionary housing as a local initiative. The IZ/IH policies and practices have spread to many countries around the world such as South Africa, Israel, India, New Zealand, Colombia, Malaysia and Netherlands (Calavita and Mallach 2010).

More and more research on the elements and impacts of IH programs is being conducted, but even then a comprehensive data on the landscape of such programs is still scarce, and there has been limited analysis of the efforts that have been made to ensure that the housing units remain affordable over time. This section presents a review of the policies and mechanisms adopted by countries internationally to promote inclusionary zoning/housing:

3.6.1. United States

In the United States, state laws provide for the levy of Development Impact Fees as “one-time” charges that can be imposed by local governments to make developers pay for a “fair share” of the cost of providing public facilities and services necessitated due to new development, including affordable housing. The distinguishing feature of Impact Fees is that

they aim at securing off-site facilities and amenities necessitated by new development without burdening the existing residents. Impact fee legislations cover a vast range of new public facilities including water supply, roadways, solid waste management, streets, sewerage, stormwater drainage, underground utilities, electricity supply, fire protection, and low income housing and moderate income housing.

State governments in the United States also enable local authorities to adopt inclusionary zoning practices based on the law and also adopt incentive-driven strategies to facilitate affordable housing. The origin of IZ can be traced to the United States during the early 1970s as an outcome of the close nexus between inescapable racial segregation which existed in the American social setup and the system of land use regulations which propagated by introducing exclusionary zoning. In the initial stages of the introduction of the concept of IZ, the reference was mainly to mandatory zoning obligations and did not involve any compensation. The concept first took roots in the United States in Fairfax County, Virginia in 1971 which promulgated the ordinance related to mandatory zoning. The ordinance stated developers having more than 50 units of multifamily housing would be required to include at least 15 percent of the housing units within an affordable range. This was supposed to meet the housing needs of households between the 60th and 80th percentile of median household income. The Virginia Supreme Court subsequently struck down this ordinance as according to it, it constituted a “taking”. However, in Montgomery County, Maryland, which was in the vicinity of Virginia, another such ordinance called Moderately Priced Development Unit (MPDU) was framed in 1973, and it continues to survive even today, with the inclusion of some refinements, improvements, and has shown impressive results. California and New Jersey are prominent leaders among them.

According to the ruling of The New Jersey Supreme Court in the famous Mount Laurel cases (Mount Laurel I – 1975 and Mount Laurel II – 1983), zoning ordinances that make it physically and economically unviable to provide low and moderate income housing were unconstitutionally used to create exclusive neighborhoods. It also made it mandatory for each municipality to meet its ‘regional fair share’ of providing affordable housing. The Court ordered municipalities of New Jersey to chalk out plans, create zones, and take positive actions to promote affordable housing. The *Mount Laurel Doctrine* forbids any form of

economic discrimination carried against the poor by the municipalities and the state while exercising their powers regarding land use. In response to the notifications of the Mount Laurel, the New Jersey Legislature enacted the Fair Housing Act, which resulted in the establishment of the Council on Affordable Housing (COAH). This Council is supposed to estimate the requirement for affordable housing in the state, and allocate that need to municipal jurisdictions on the basis of fair share, conduct a review and grant approvals to municipal housing plans.

Over time, an evolution can be witnessed in the concept of IZ in the United States as the concept now includes a very wide spectrum of possibilities which include (i) making mandatory requirements for affordable housing, along with cost offsets to provide affordable housing (ii) voluntary incentive-based zoning that results in production of affordable housing if incentives are given (iii) negotiations are carried out to grant approvals for development which ensure that either land is aside for non-market development or affordable housing is produced based on a framework of policies which is clearly articulated in local plans. To facilitate inclusionary housing under various options, developers in the United States are incentivized with non-monetary compensation by way of fast-track permission, density bonus, zoning concession, including up-zoning, reduction in street width or setback, lowered parking requirement, etc. They are sometimes even given monetary concessions like tax concession, impact fee waiver or deferral, etc. Some cities require developers to construct affordable housing units in the proposed development itself; others permit such units in another location. Some make it compulsory for the developers to construct affordable houses, whereas others allow them to contribute in-lieu-fees to an affordable housing fund. Inclusionary Housing (IH) program can be for sale or rent out. The affordability period varies between programs.

Hickey et al. (2014) report that nearly 500 jurisdictions in 27 states and Washington, DC in the United States have taken up inclusionary housing programs. For the 307 programs for which data on affordability period are available, 84 percent of home ownership IH, and 80 percent of the rental IH program require housing units to continue to be affordable for at least 30 years. One-third of IH programs require 99-year or perpetual affordability for rental

and/or for-sale housing. Commonly IZ programs require 20 percent of the units to be affordable.

Portland in Oregon follows the ‘metropolitan housing rule’ from the 1970s. The State law there provides for a mingling of apartments for high and low-income groups in residential developments. Montgomery County in Maryland has established an exemplary track record of inclusionary zoning through its Moderately Priced Dwelling Unit Program launched in 1973. This has led to the production of more than 10,000 affordable housing units in the County in 25 years. Montgomery requires 12.5-15 percent of affordable housing in new development projects with more than 20 units. Boulder, Colorado mandates 20 percent inclusionary zoning. Davis, California, requires 15 percent inclusionary housing. Boston, Massachusetts had adopted a new Inclusive Development Plan (IDP) in December 2015. IDP projects include those financed by the city, being developed on city or government property and those that require zoning concessions. Projects that provide 13 percent of the total number of units on-site fulfill the IZ or IDP obligation. Projects can also opt for constructive affordable units off-site, ranging from 15 percent to 18 percent. Projects may also provide some of the units on-site, some off-site or an IDP contribution or buyout.

In the Bay Area in California with 9 counties, 72 percent of cities have inclusionary housing policies as of 2014. Most policies require developers to designate between 10-15 percent of their units as affordable. Nearly 70 percent of IH policies provide for “in-lieu fee” for developers. San Francisco has adopted mandatory IH in 2002 and targeted the population with income less than 55 percent of area median income for rental purpose and less than 90 percent of area median income for sale purpose, setting aside 12 percent of housing for affordable housing. Sacramento, California passed the Mixed-Income Housing Ordinance 2000 with the set-aside requirement for affordable housing fixed at 15 percent of all units. One third of the affordable units that were constructed within the development were to be made available for households with Area Median Income (AMI) between 50 and 80 percent, while the remaining two-thirds of the units were to be meant for households having less than 50 percent Area Median Income. The affordability period for the units was expected to be 30 years. 25% was provided as density bonus by Sacramento. Apart from the density bonus, the developers of inclusionary projects were given the incentive of fast permit processing for the

affordable housing units, fee was waived, and guidelines for the design were relaxed. The applications of developers for getting subsidies and fundings for inclusionary project were given priority. They received funds from the city's housing trust funds, tax increment funds, and also got federal and state subsidies to redevelop areas. In case of proposed development for exclusively single-family, the developer could dedicate off-site land or could construct affordable units off-site provided land was insufficient for multi-families at the site of development. Nonetheless, the land to be given as an alternative or the placement of affordable housing units had to be within the confines of the "new growth" area.

Laws in many states in the United States allow municipalities to provide density bonuses as an incentive to developers for providing inclusionary housing. New York City rezoned previously classified 'industrial' land under the city plan on the Brooklyn Waterfront (and other land parcels in the city) to 'residential' and allocated a strong density bonus for developers who agreed to meet the city's targets for affordability of housing. The IH program created about 2,700 permanently affordable rental housing units between 2005 and 2013 (reported by University of California 2016). On 22 March 2016, the New York City has adopted Mandatory Inclusionary Zoning (MIZ) linking new affordable housing to land use regulation – called Zoning for Quality and Affordability (ZQA). The new rules allow developers to build taller buildings (usually 10 to 20 feet higher, but in some cases more) if they construct affordable apartments for seniors, long-term care facilities, or provide affordable housing through the Inclusionary Housing program. They remove barriers to affordable housing development on narrow sites by removing specific height restrictions for these lots. They also lower or eliminate parking requirements in transit zones, designated areas with good public transportation.

3.6.2. United Kingdom

The Town and Country Planning Act 1990 of the United Kingdom permits negotiation between a developer and the local authority to achieve socio-economic objectives. Section 106 (1) of the Act stipulates that any individual interested in land may, by agreement or otherwise, be a part of the planning obligation enforced by the local planning authority -

- (a) The use of land for development purposes had to be restricted in a specified way
- (b) only specified activities/operations could be carried out in, on, over or under the land
- (c) the land was required to be used in any specified way
- (d) a sum or sums were required to be paid to the authority periodically on a specified date or dates.

The agreements under Section 106 are known as “Planning Obligations.” These are legalized and regularized under various planning Acts and government circulars. Planning obligations typically require that low and moderate income households should be provided a proportion of total units in a new housing development. A report prepared for the Office of the Deputy Prime Minister (2005), underlines how Section 106 provision aims at the government’s intentions to create mixed and inclusive communities.

Town planning law in the United Kingdom does not prescribe a fixed percentage or pre-established requirement for affordable housing, as the technique is on the basis of negotiations held between the local authority and the developer. Local authorities restrict the development of land in a way that requires new housing developments provide affordable housing for lower income segments. They specify the type, number and timing of such housing and financial contributions that the developer has to pay for providing infrastructure. The Unitary Development Plan (2002) of London stipulated that 25 percent of the new residential units should be affordable if provided on-site. If the affordable units are provided off-site, then the figure would be 33 percent. Payments-in-lieu will be the cost of providing the 33 percent affordable units off-site.

Section 106 agreements have created around 40 percent of affordable housing units in the United Kingdom by 2005. This has been possible due to the key role played by the availability of additional subsidies (social housing grant) has played a decisive role in this outcome. However, studies have revealed that numerous problems do crop up in negotiations because of the lack of capacity to negotiate and the lack of awareness of market factors on the part of local authorities. Also, the number of affordable units built is found to be substantially below the predicted figures.

3.6.3. Australia

Australia follows a system of Development Contributions which are levied on new developments in the law. They take three forms: (i) contribution in kind – land gifted to the public authority by the developer for roads, drainage and public facilities like open spaces, gardens, schools, health center, etc.; (ii) work-in-kind – public infrastructure facilities constructed by the developer and handed over to public authority on completion; and (iii) monetary charges – financial contributions towards the acquisition of land for public use or provision of infrastructure facilities and affordable housing. Since the 1980s, the range of facilities that can be funded through development contributions has expanded considerably to include major head work infrastructures such as arterial roads, sewerage treatment plants, social infrastructure facilities like parks, libraries, and affordable housing. Municipalities, while granting development permission, require the developer to assimilate a certain promotion of affordable housing in the proposed development, or make an in-lieu monetary contribution for equivalent IH units of the specific standard to be provided elsewhere in the municipal jurisdiction.

State laws in Australia permit negotiations with developers to make contributions. For example, under Section 94 of the Environmental Planning and Assessment Act of 1979 in New South Wales, a developer seeking development or re-zoning permit, can be required to provide or bear the capital and recurrent cost of public infrastructure facilities and services, affordable housing, recreation and environmental conservation. There is no limit to contributions that can be negotiated and these can be in lieu of or in addition to development contributions. South Australia and West Australia have used density bonuses, inclusionary zoning, and other similar development incentives. Whereas South Australia now has a 15 percent mandatory affordable housing target for all new developments (Renewal SA 2013), Western Australia uses the same target, but only for government-led activity or when public land is released (Western Australian Government Department of Housing 2010).

The longest running inclusionary zoning scheme in Australia is Sydney's Ultimo-Pyrmont urban redevelopment area which was aimed at "building better cities" in the early 1990s. The erstwhile industrial/port district in the inner city was intended to be transformed

completely. The knowledge hub was also to be provided a targeted amount of affordable housing. To achieve this target, the City West Housing Limited, a not-for-profit company by the name of “City West Housing Ltd.” was launched by the State Government for owning, operating and building the targeted affordable housing. The sources of funding for affordable housing include federal grant, an agreed upon share the value of State Government land sales in the redevelopment district and proceeds from IZ scheme applied to the area – both cash and in-kind. In its latest version, the City West IZ scheme requires developers to provide affordable housing based on the formulae: 0.8 percent of the total residential floor area and 1.1 percent of the total non-residential floor area. In 2009/10, the cash-in-lieu rates were: Australian \$26.40 per square metre for residential development and Australian \$37.95 per square metre for non-residential development. The developers made IZ cash contributions to the tune of \$47 million in 2013-14 to the City West Housing Ltd including contribution from an additional nearby urban renewal precinct known as Green Square, which prescribed 3 percent of the total residential floor area and 1 percent of the total non-residential floor area for affordable housing under the IZ program. The target set for the IZ scheme for Ultimo-Pyrmont in 1994 has already been achieved (Spiller and Anderson-Oliver 2015).

3.6.4. Canada

The main principle which forms the bedrock of inclusionary zoning in Canada is to leverage the involvement of private sector in supplying affordable housing. Since 1988, Vancouver in Canada has been requiring 20 percent of the houses in all major developments to be affordable units. Municipalities of several provinces, including Ontario use various tools like granting exemptions in development charges and property taxes, which are levied on new residential developments to provide affordable housing. Section 37 of Ontario’s Planning Act is very closely related to IZ as they both exchange community benefits for affordable housing. Both involve taking planning permissions to build at densities or heights greater than that are currently permitted on sites designated for new residential developments. Ontario also allows second suites in single detached houses as a right to expand affordable rental housing.

The 2004 Plan of Montreal, Canada established a benchmark by officially committing the city to make 30 percent of its all new housing units affordable, half by the private sector through government incentives and half in social housing. The plan established the following guidelines: (i) 15 percent of new dwelling units were to be reserved for community or social housing targeting households with low or very low incomes (usually less \$35,000 household income) and (ii) another 15 percent were to be built as affordable units by the private sector, targeting households with income roughly between \$35,000 to \$55,000. Some reasonable financial assistance could also be provided in addition to density bonus. The inclusionary set-aside was supposed to act as a guideline instead of being a mandatory requirement, and its implementation could be varied in response to local conditions. The policy aimed to target developments of 200 and more units. The provision of affordable housing was negotiated specifically in large developments that required the introduction of major modifications in the approved master plan or zoning, such as a change of use to residential purposes, or an increase in the permitted density or height; or allowing public investment in improving the basic infrastructure and environment. Reportedly, Montreal's inclusionary housing policies based on a voluntary approach revealed after two years of implementation that the goal was surpassed – 39 percent of new housing built in Montreal achieved the affordability targets, both in very low and moderate income categories.

3.6. Affordable Housing and Inclusionary Zoning in India

To address the problems of the housing market due to increased urbanization and rising demand for affordable housing, the Central as well as State Governments in India have made inclusionary efforts from time to time – some successful, some unsuccessful and some with mixed success. The primary method of addressing the problem is subsidized housing programs. Limited efforts are also made to cater to the root cause of the lack of affordability, which is rooted in the operation of urban land markets and inadequacies in the master planning system. There have been attempts to incorporate inclusionary zoning/housing considerations into national and state housing policies and programs. However, private sector-led initiatives as envisaged by the Central and the State Governments under policies have not shown the desired success. Some of the inclusionary initiatives taken up by the Government of India and State Governments are presented below briefly.

3.7.1. National Urban Housing & Habitat Policy 2007

The National Urban Housing & Habitat Policy (NUHHP), 2007 stipulated reservation of 10-15 percent of land in every new private/public housing venture or 20-25 percent of Floor Space Index (FSI)/ Floor Area Ratio (FAR), whichever is greater, for LIG/EWS housing.

3.7.2. Jawaharlal Nehru National Urban Renewal Mission

The Integrated Housing & Slum Development Program (IHSDP) and the Basic Services to Urban Poor (BSUP) components of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) prescribed for reserving a minimum of 20-25 percent of developed land in all projects of housing (both private and public) for LIG/EWS category with a system which ensured cross-subsidization, i.e., MIG/HIG groups would be charged higher prices to subsidize the low-income households.

Some State Governments in the past have adopted inclusive practices to solve the problem of land, housing shortage, slums, civic amenities, etc. They have also resorted to measures like transit-oriented zoning and inclusionary zoning practices to integrate transportation and housing as a measure of inclusive urban planning. A summary of state government initiatives in a brief are presented below:

- Providing security of tenure to slum-dwellers: Patta Act in Madhya Pradesh; Land regularization scheme, Telangana State.
- Regulation to promote inclusively and integrated new townships: Gujarat and Andhra Pradesh.
- Land Banking: Pooling and allocation of encroached and un-encroached state government/ municipal land, including urban ceiling-surplus land for housing the urban poor: Andhra Pradesh, Gujarat, Madhya Pradesh, Telangana State, and Chhattisgarh.

- Inclusive Land Use Zoning: Reservation of land for EWS and LIG segments in plotted developments, e.g. 5 percent for EWS and 5 percent for LIG in Andhra Pradesh.
- Reservation for EWS/LIG Houses in Group Housing Schemes: Hyderabad, Madhya Pradesh, Chhattisgarh, Delhi and Kolkata (PPP Model).
- Reservations of land for housing poor in planned urban development: Under land pooling/ readjustment policy through the Town Planning Scheme in Gujarat, up to 10 percent of developable land reserved for Socially and Economically Weaker Sections (SEWS). The new Land Pooling Scheme of Delhi Development Authority also stipulates reservation of housing for the poor based on zoning incentives provided to development entities, including significantly higher Floor Area Ratio (FAR).
- Transit-oriented Development: The new Transit Oriented Development Policy of Delhi Development Authority reserves housing for the poor in TOD zones, subject to significantly higher Floor Area Ratio (FAR).
- Mandatory Service Quarters in all HIG Colonies/Integrated-Inclusive New Townships/Shelter Fund Contribution: Master Plan for Delhi – MPD-2021.
- Reservation in FSI in Master /Zonal/ Local Area Plans/Layouts: Minimum 15 percent of FAR or 35 percent of dwelling units, whichever is more for community service personnel/EWS and LIG in Group Housing: Master Plan for Delhi – MPD-2021.
- Transferable Development Rights (TDR) and Accommodation Reservation (AR): Maharashtra.
- Incentive FSI for Housing to Project Affected Persons (PAPs), Rental Housing, Slum Rehabilitation under Slum Redevelopment Scheme (SRS) and housing program under JNNURM (BSUP and IHSDP): Mumbai, Nagpur, and Pune.
- Premium Floor Space Index (FSI): Hyderabad.

- Farmer as Equity-holder in Townships: Gujarat, Magarpatta, Pune, Amaravati (Andhra Pradesh new capital).
- Return of a percentage of acquired land to landowners after development: City and Industrial Development Corporation (CIDCO), Mumbai and Jaipur.
- Land acquired by Government placed as Equity in Development of Housing with Reservation for Affordable Housing – Kolkata (PPP).
- Urban Renewal: 1/3rd-1/3rd-1/3rd Rule in urban renewal projects - 1/3rd for Housing the Poor, 1/3rd for Conservation and 1/3rd for Development (Supreme Court Ruling in Mumbai Textile Mills Case)
- Contribution by Developers towards Shelter Fund: Madhya Pradesh and Chhattisgarh.
- Fiscal Incentives (e.g. Concessions in Taxes/Charges due) to Developers for EWS/LIG Housing: Andhra Pradesh.
- Basic Services to the Urban Poor (BSUP): Fund to leverage resource for housing and basic services to the urban poor – with contribution from select taxes/charges such as Property Tax, Vacant Land Tax, Land Use Conversion Tax, Transfer of Property Tax, Development Tax, Betterment Levy, etc in Andhra Pradesh, Telangana State and other States.

3.8. Some Conclusions

Research by scholars and guidelines/practices followed by national, state and local governments suggest that globally inclusionary zoning (IZ) programs are increasingly being favored by countries to address their escalating problems of affordable housing and social exclusion. In general, local authorities prescribe up to 10-30 percent of housing units under developer-led programs for affordable homes. IZ is applied to both green-field and brown-field developments. Both ownership and rental units are encouraged with focus on long-term affordability and social inclusion. However, universally IZ programs are strongly linked to incentives or benefits to developers. They are instruments under a flexible zoning law or

strategy that links urban planning to socioeconomic objectives. They do not impose costs; rather they offset costs. The recent effort by New York City through the Mandatory Inclusionary Housing (MIH), the boldest attempt in the United States suggests that IZ is not only sound in terms of economic and social criteria, it is also politically attractive. Nobel laureate Paul Krugman has endorsed the initiative of New York City Mayor to go taller and denser on the condition of building more affordable houses, making the city more affordable for more people. When the productivity gains associated with density are large, IZ policies are strongly justified.

Countries around the world have realized in the course of their urbanization that urban land markets have an inherent tendency to exclude low-income households. They are thus increasingly adopting inclusionary zoning and inclusionary housing practices, and experimenting with innovations. IZ has been the dominant strategy to promote inclusion of low- and moderate-income households in land and housing markets. When developers take up residential development ventures, they are required to provide up to 30 percent of the units for urban poor households under conditions of planning permission subject to grant of incentives. Inclusionary zoning also applies to commercial real estate, sometimes through impact fees as per square metre charges for financing affordable housing and sometimes by way of contribution to affordable housing pool. When developers construct non-residential complexes like offices and shopping malls, they are required to contribute in cash or kind, based on the terms of development permission accorded by the local authority. The size and amount of their contribution are generally fixed proportional to the requirement for lower-income housing necessitated by the new facility.

While some states and cities in India have adopted inclusionary models to promote affordable housing, the efforts are not very significant. How India addresses the challenges of housing shortage to the tune of 18.78 million, of slums containing about a quarter of the urban population, and of urban poverty plaguing the lives of an equivalent number, and also prepares to meet the emerging demands of urbanization are important policy questions that the country has to address. As projected by the United Nations, India would add more than 400 million people to the existing population of 410 million in cities and towns, including rural-urban migrants by 2050. Addressing the backlog, current and growth needs of

urbanization for serviced land and floor space, especially those for the EWS and LIG segments is an important priority under India's inclusive growth agenda.

The next chapter reviews some promising reforms aimed at making urban planning and development inclusive in India. These include:

- Inclusionary zoning practice of land reservation for socially and economically weaker sections under the Gujarat Town Planning Scheme.
- Policy announcements made by the Delhi Development Authority with the approval of Government of India through the Master Plan for Delhi (MPD)-2021, including the Delhi Land Pooling Policy and the Delhi Transit Oriented Development Policy.
- Policy of Rajasthan Government to promote affordable housing through various models.
- Pioneering effort by the Government of Madhya Pradesh for assignment of permanent and temporary pattas to slum dwellers under the Patta Act.
- A recent initiative by the Government of Telangana State to regularize government land under the occupation of slum-dwellers and the poor in cities and towns.

Chapter IV

Towards Inclusive Cities: Government Policies and Programs in India

4.1. Background

The Eleventh and Twelfth Five Year Plans of India adopted fast and inclusive growth as an important strategy to ensure the development of the nation. It was explicitly recognized that growth would not automatically percolate to the bottom of the pyramid, unless deliberate efforts are made to craft inclusion into the strategy of economic growth and targeted programs are undertaken for the poor and marginalized sections of the society – those who are bypassed by the growth process. Over the course of years the Government of India and State Governments have embarked on inclusionary policies and programs in the urban sector, which can be classified into the following categories: (i) affordable housing, (ii) slum development and upgradation, (iii) city-wide infrastructure development programs, including connectivity infrastructure for slums and low-income settlements, (iv) basic civic facilities to the urban poor, including slum-dwellers: sanitation, education, water supply, health, etc., (v) skill development and employment programs, including wage and self-employment; and (vi) social assistance and social security programs.

This section provides a bird's eye view of some key national programs launched in the past having bearing on affordable housing and inclusionary urbanization.

4.2. National Programs

4.2.1. Jawaharlal Nehru Urban Renewal Mission

In 2005, the Government of India initiated Jawaharlal Nehru Urban Renewal Mission (JNNURM), the first large urban mission in the country with a Government of India grant commitment of Rs.1,00,000 crores over the mission period of 7 years. The key objective was to support cities for undertaking infrastructure and basic services to the urban poor in accordance with City Development Plans. It comprised of four sub-Missions:

- 1) Urban Infrastructure and Governance (UIG) for the development of basic infrastructure facilities such as water supply, sewerage, drainage, roads, area development and renewal programmes, etc. and undertaking reforms in urban governance (23 reforms) – applicable to 63 select cities of national importance.
- 2) Basic Services for Urban Poor (BSUP) for providing affordable housing to the urban poor for free or at affordable prices with basic amenities and services – applicable to 63 select cities of national importance.
- 3) Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) – for providing infrastructure facilities – applicable to other cities and towns.
- 4) Integrated Housing and Slum Development Program (IHSDP) for providing housing either in situ or in a new location to the urban poor along with basic infrastructure amenities – applicable to other cities and towns. The Government of India grant for housing and basic services to the poor under JNNURM was 50% - 90% depending on the state and population of town.

BSUP and IHSDP components under JNNURM contemplated three key reforms in connection with the objectives of inclusive cities: some internal earmarking was done within local body budgets for providing basic services to the urban poor; about 20-25% of developed land in all housing projects – private or public – were earmarked for EWS/LIG category using public-private-partnership model with a system of cross-subsidization; and providing basic amenities to the urban poor, including improved housing, security of tenure at affordable prices, sanitation, water supply, and ensuring delivery of other already existing universal services of the government for education, health and social security (7 Point Charter). However, the implementation of these reforms has not met with success. This is because state and city governments have not addressed the critical factors responsible for exclusion of the urban poor from urban land and housing markets.

A recent report by Lok Sabha Secretariat (2015): *Public Accounts Committee Eighteenth Report: Jawaharlal Nehru National Urban Renewal Mission* informs that as against the central grant of `1,00,000 crores initially envisaged and `66,085 crores subsequently committed, only `40,484 crores could be released by the end of the mission period 2015-12.

While about 15 lakh houses were sanctioned for the poor over the 7-year mission period, the progress towards completion of these houses has been satisfactory. Among the factors responsible for the deficient progress of BSUP and IHS DP in cities, lack of availability of litigation-free land at suitable locations, lack of tenure or land title in slums, inability of states and ULBs to mobilize their share to match Government of India funds in time, non-payment of contribution by beneficiaries, poor capacity of urban local bodies and other implementing agencies, inadequate involvement of beneficiaries, contractor-led execution, non-implementation of reforms and weak monitoring.

4.2.2. Rajiv Awas Yojana

The Government of India also launched the scheme of Rajiv Awas Yojana (RAY) in 2009 with a vision of creating a "Slum-free India" and goals of achieving the target of creating equitable and inclusive cities in which every citizen has access to decent shelter, basic civic infrastructure and services, social amenities and strong livelihood linkages. The scheme was applicable to states and cities which committed property rights to slum dwellers. The main focus of this scheme was to redevelop all existing slums and suggest solutions to the problem of shortage of affordable housing so that growth of new slums could be prevented. About 50% of the cost of slum development/improvement, including housing was to receive central grant for a project. The mission of RAY was to rectify the failures of the formal urban planning system that are responsible for the creation of slums. The RAY planned for providing affordable housing stock to the urban poor and initiated some crucial policy changes like security of tenure and entitlement of the property rights to slum-dwellers and the poor in order to make cities inclusive. Just like JNNURM, RAY also imposed reservation of land for EWS and LIG in every housing project, whether private or public. RAY envisaged the preparation and implementation of Slum-free City Plans.

4.2.3. Smart City Mission

The Smart City Mission launched by the Indian Government in 2015, strives to promote economic growth and improving service delivery to urban residents through the development of 'smart' cities, selected on the basis of a national competition. The goal of the Mission is to promote cities which provide core infrastructure facilities and decent quality of life, also

undertake sustainable and inclusive development with the help of “Smart” solutions. In this regard, four models are suggested in the Mission document: (i) City improvement (retrofitting); (ii) City renewal (redevelopment); (iii) City extension (green-field development) and (iv) Pan-city initiative. The Smart Cities Mission will strive to facilitate the development of basic city level infrastructure by promoting convergence and synergy with other programme such as Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Swachh Bharat Mission (SBM), Pradhan Mantri Aawas Yojana (PMAY), State Government schemes, etc. The duration of the Mission will be five years – from financial year (FY) 2015-16 to 2019-20.

The proposed financial support under the Smart City Mission is as follows: the Government of India will invest a total of Rs. 48,000 crores in 100 smart cities during five years with each smart city getting Rs. 100 crores annually for five years; states/urban local bodies will match resources amounting to Rs. 48,000 crores as per the approved 50:50 funding pattern. These funds will act as ‘catalyst’ to leverage funds from other sources: internal and external. Smart cities are expected to have innovative, technologically efficient, creative, digital, e-governed and knowledge-powered service delivery systems. They would make housing more inclusive, promote mix-land use and Transit Oriented Development (TOD). The Mission will work on improving urban governance, providing equitable access to service delivery, and efficient physical and social infrastructure. The main belief of the mission is that technology helps cut out the leakages and facilitate efficient provision.

4.2.4. Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The Government of India has launched another new Mission by the name of AMRUT (Atal Mission for Rejuvenation and Urban Transformation) in June 2015 to establish direct linkages between infrastructure development and city development. The primary focus of this mission is to provide basic facilities and services which will result in improvement in the quality of life of all, including the poor and the most disadvantaged groups. The Mission tries to ensure accessibility of each and every household to a tap with assured water supply and also a sewerage connection. It aims to increase the amenity value of cities by promoting

development of greenery and well-maintained parks; and also reducing pollution by switching to public transport or making pathways for non-motorized vehicles.

AMRUT is a revised version of JNNURM. It tries to learn from mistakes of JNNURM. It uses the concepts of incrementalism (step-wise process to achieve the benchmark of universal coverage under civic services) and cooperative federalism. AMRUT makes State Government equal partners in the planning and execution of projects. It also employs the approach of incentivization for reform implementation. Unlike JNNURM which penalized States for not conforming to the reforms, AMRUT provides incentives for them to introduce reforms the better governance.

4.2.5. Affordable Housing for All Mission

The National Mission for Urban Housing “Housing for All by 2022” – Prime Minister’s Awas Yojana – launched in 2015 aims at affordable housing with all basic services to the poorest of the poor in cities and towns. The objective of the Mission is to construct two crore affordable homes in a span of 7 years from 2015 to 2022. The target beneficiaries are poor people of EWS and LIG categories, with special focus on women, SCs and STs. The Mission provides for four options to beneficiaries, Urban Local Bodies (ULBs) and State Governments. These are as follows:

In-situ slum redevelopment is based on using land as a resource. Urban local body and state government will provide land free of cost, especially in slums. Private developers will construct affordable houses for slum-dwellers on one part of the land and housing units for commercial sale in the market on the remaining part. State and city government can give financial concessions or additional Floor Area Ratio (FAR) and Transferable Development Right (TDR) to make slum development projects financially more viable. Private developers will be chosen through open tendering. Central Government can provide a grant of Rs.1 lakh on an average per house and that can be used by the State Governments for any slum redevelopment projects in the state to make the projects more viable.

Credit-linked Subsidy Scheme is a demand side intervention. In this, the beneficiaries of EWS and LIG categories, who are seeking home loans, will get interest subsidy at the rate of

6.5 percent for tenure of 15 years or the tenure of the loan, whichever is lower. This subsidy is eligible only up to a loan amount of 6 lakhs.

Affordable housing in Partnership is a supply side intervention. In this, the supply of affordable housing can be enhanced through private developers, public-private or inter-governmental partnerships. The program shall reserve 35 percent of houses for EWS and the minimum project size shall be above 250 houses. Each EWS house will be given Rs 1.5 lakhs on an average as central assistance.

Beneficiary-led individual house construction or enhancement: Under this component, the beneficiaries belonging to EWS/LIG sections will get assistance for either building new houses or enhancing their existing houses on their own. Beneficiaries will be those who are excluded from any other component under the Mission. The maximum assistance under this program is 1.5 lakhs.

The implementation of the Housing for All Mission involves many challenges, given the experiences of the earlier national initiatives of Basic Services for the Urban Poor (BSUP) and Integrated Housing and Slum Development Program (IHSDP) components under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The biggest hurdle for “Housing for All by 2022” is the unavailability of serviced land for providing affordable housing to the LIG/EWS at suitable locations in cities. The solutions to the above mentioned problems call for a multi-pronged strategy including reforms in the current system of land use zoning and urban planning.

4.3. State Programs/Initiatives:

This section is based on information collected by the HUDCO Chair Programme at the School of Economics in the University of Hyderabad (HUDCO Chair Programme 2016).

4.3.1. Gujarat Town Planning Scheme

Land pooling has been successfully practiced in Japan, South Korea, Taiwan and Latin American countries. In line with these international practices, a rich model of inclusive and self-financed urban development in India is adopted by Gujarat through the Town Planning

Scheme (TPS). Gujarat, using the TPS as a principal method of land assembly, has undertaken planned development and expansion of cities for more than 50 years in accordance with the demands of inclusive urbanization. Gujarat Town Planning and Urban Development (GTPUD) Act, 1976 envisages urban planning in two steps. First, a Development Plan (DP) is prepared for a designated development area. Second, the DP is implemented through the mechanism of Town Planning Scheme (TPS) for constituent smaller areas. The broad development vision, direction to the development of the city and the new areas to be included in the plan are indicated in the DP. The designated area is divided into smaller areas of approximately 100-200 hectares, and each involving 100-250 landowners. Each of these smaller areas is called a TPS. The TPS model uses land pooling to promote planned urban development.

Every TPS is legally required to reserve land to the extent of nearly 10 percent of total area for social and economically weaker sections (SEWS) leading to inclusive development of the city. As Section 40(j) of the GTPUD Act provides for:

“the reservation of land to the extent of ten percent; or such percentage as near there to as possible of the total area covered under the scheme, for the purpose of providing housing accommodation to the members of S.E.W.S.”

The following criteria are adopted by TPS to decide the allotment of land for purposes other than for SEWS: 15 percent for construction of roads, 5 percent for creating parks, playgrounds, open spaces and gardens, 5 percent for building social infrastructure like schools, fire stations, dispensaries, and public utilities and 15 percent for sale by the planning authority to meet the cost of development infrastructure in the scheme area. The remaining lands are returned to the land owners, as near as possible to their original lands and if possible of the same tenure as was with the land-owners.

Gujarat TPS offers a land-owner-friendly as well as equitable alternative to mandatory land acquisition for urban development. It can be used as an evidence to demonstrate the success of inclusionary zoning in providing affordable housing and promoting inclusive development. Under TPS, the planning system itself delivers a major portion of land for affordable housing. The TPS also incorporates the principle of beneficiaries pay and value

capture. Betterment charges are levied on landowners in proportion to the land value increment due to planning and infrastructure improvements by local authorities through TPS. Appendix 2 provides details of the Town Planning Scheme and its processes.

4.3.2. Gujarat Policies for Affordable Housing

The Government of Gujarat has adopted a state level policy framework to promote affordable housing in the State. This is presented based on documentation of best practices by the Ministry of Housing and Urban Poverty Alleviation.

Table 4.1.

State Level Policy Framework for Affordable Housing: Gujarat

Intervention (Policies/ Schemes/ Regulations)	Key features/Highlights
Regulations for Slum Redevelopment and Rehabilitation – 2010	Private Land: Facilitate in-situ slum rehabilitation on private land parcels, through Public-Private-Partnership (PPP), incentives of Transferable Development Rights (TDR), free sale development rights, enhanced Floor Space Index (FSI) and rationalized planning norms, allocation of Economically Weaker Section (EWS) type houses with at least 25 sq. mt. carpet area, consisting of two rooms, kitchen, toilet and bathroom with all basic amenities free of cost
Gujarat Slum Rehabilitation Policy (PPP) – 2013	Public Land: Facilitate in-situ slum rehabilitation on public land parcels – slum dwellers on public land residing on or before 1.12.21, through PPP, incentives of Transferable Development Rights (TDR), free sale development rights, enhanced Floor Space Index (FSI) and rationalized planning norms, allocation of EWS type houses with at least 25sq.mt. carpet area, consisting of two rooms, kitchen, a toilet and bathroom, with all basic amenities free of cost
Gujarat Affordable Housing Policy (PPP) –	Providing affordable housing on public and private land through PPP, incentives of higher FSI and rationalized planning norms, cross-

2014	subsidization by allowing development for free sale for maximum 2/5 th FSI and 10 percent commercial development, stage wise fixed payment by beneficiary, LIG/MIG type of housing with modern facilities at affordable price (maximum price capped).
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Source: MoHUPA (2012)

4.3.3. Maharashtra Slum Rehabilitation Scheme (SRS)

In December 1995, the Government of Maharashtra launched the Slum Rehabilitation Scheme with the formation of Slum Rehabilitation Authority (SRA). Under this scheme, slum dwellers were provided free of cost rehabilitation tenements. The process included cross-subsidization through a sale component based upon a grant of additional FSI as incentives. The developers were permitted to construct the sale component to meet the expenditure of rehabilitation. During the screening process, eligible slum dwellers were given in-situ rehabilitation whereas non-eligible slum dwellers were expelled from the land. Projects submitted by developers with 70 percent consent of eligible slum dwellers were entertained. Initially the deadline for determining the eligibility of slum dweller was 1.1.1995; this was subsequently extended to 1.1.2000.

The key features of the SRS initiative of the Government of Maharashtra were as follows:

- Zero financial investment made by the State Government
- One slum dweller got a self-contained one bedroom flat with alcove/kitchen, water closet toilet and bathroom with carpet area of 269 sq. ft.
- A sum of Rs. 20,000/- per tenement was recovered as maintenance deposit from the developer to meet the maintenance cost of the rehabilitated building.
- Rehabilitated tenement allotted to a slum dweller could not be sold for a period of 10 years.
- Saleable built up area was allowed for every 1.0 sq.mt. of rehabilitated construction as under:
 - Rehabilitation 1.00 sq.mt

- City area 0.75 sq.mt
- Suburb area 1.00 sq.mt
- Dharavi area 1.33 sq.mt.

4.3.4. Rajasthan Affordable Housing Policy

In 2009, the Government of Rajasthan announced Affordable Housing Policy with focus on addressing the problems related to housing of EWS/LIG segments. In addition to this, the State launched other initiatives as follows: (i) the Township Policy 2010 made mandatory provisions for affordable housing in new towns; (ii) the Slum Development Policy 2012 created an enabling PPP framework for slum redevelopment; and (iii) the Policy of Transferable Development Rights 2012 provided for land acquisition in lieu of Floor Area Ratio. The Affordable Housing Policy 2009 envisaged the following alternative models:

Model No. 1: Mandatory Provisions

- Schemes of Rajasthan Housing Board: Providing minimum 50 percent of plots / houses / flats of EWS / LIG category and 20 percent of the plots/ houses / flats in MIG-A category.
- Schemes of Urban Local Bodies: Minimum 25 percent plots / houses / flats of EWS / LIG and 20 percent of plots/ houses / flats in MIG-A category.
- Schemes of Private Developers: 15 percent of the number of plots in case of a township and 5 percent of the FAR in case of group housing for EWS / LIG.
- Giving incentive of 0.50 Additional FAR for EWS / LIG housing
- Developers reluctant to build EWS/LIG flats in core area schemes can opt for other locations subject to guidelines and more number of flats for EWS / LIG categories being available.

Model No. 2: Private Developers on Private Land

- Selected developers to take up construction of EWS/LIG/MIG-A flats (G+2/G+3 format) on minimum 40 percent of the total land for EWS/LIG and 12 percent for MIG-A.

- Built-up EWS/LIG/MIG-A flats to be handed over to the nodal agency (Rajasthan Avas Vikas & Infrastructure Limited) at pre-determined prices, to be allotted to eligible beneficiaries.
- Freedom given to developer to construct MIG-B/HIG flats on the remaining land.
- Several incentives offered to developers.

Model No. 3: Private Developers on Land under Acquisition

- Urban Local Bodies to demarcate private lands for acquisition and set apart for construction of houses to the developer; cost of acquisition + 10 percent shall be payable by the selected developer.
- Lands which are already under acquisition for residential schemes of Development Authorities / Urban Improvement Trusts / Urban Local Bodies may be used for creation of stock under Affordable Housing Policy as in Model No.2.
- 52 percent of the land will be used for EWS/ LIG/ MIG-A as per Model No. 2 of the policy; the remaining 48 percent of land allowed to be used for HIG and other category of flats.

Model No. 4: Private Developers on Government Land (for rental housing or outright sale basis)

- The Urban Local Bodies to offer Government land for construction of EWS/LIG flats through an open bidding process.
- Land is to be offered free of cost but the bidding parameter is the maximum number of flats offered by the bidder.
- The developer who offers the maximum number of flats is awarded the project.

Model No.5: Slum Housing on PPP Model

- Aimed at encouraging PPP Model for slum redevelopment.
- Slum Development Policy issued by the State Government on 22.08.2012.
- Slums situated on Government land as well as on private lands can be taken up for redevelopment.

- Swiss Challenge model also allowed – developer who prepares the project and gives his offer to Government will have the first right of refusal after bids have been invited.
- Several incentives – FAR 4.0 (Transferable Development Right facility – TDR also available), commercial use 10 percent and high rise buildings permitted on developers segment.

The following incentives were announced by the Government of Rajasthan to promote affordable housing in partnership with developers.

- FAR – Double of the permissible FAR, facility of TDR as per TDR Policy, 0.5 Additional FAR for timely completion of project.
- Complete waiver of-
 1. Conversion Charges,
 2. Building Plan Approval Fees,
 3. External Development Charges
- Commercial use up to 10 percent of plot area
- Fast track approval of the project – within 30 days
- Buy back of the flats by the nodal agency of the State Government at pre-determined price, i.e. Rs 750/- per sq. ft. on super built up area for EWS/LIG and Rs 1000/- per sq. ft. for MIG-A (price revised for EWS/LIG to Rs 850 per sq. ft. taking into account extraordinary rise in construction cost).

(An indirect benefit of value appreciation of the remaining land and also the land falling in the close proximity of the projects).

4.3.5. Andhra Pradesh Group Housing Model

In all the Group Housing and Group Development Scheme Projects having land more than 5 acres, the following stipulations are made by the Andhra Pradesh Group Housing Model:

- Developers provide 10 percent of total built up area towards the EWS / LIG units (5 percent for EWS units and 5 percent for LIG units) or

- 25 percent of total number of units of housing projects towards EWS / LIG units (12.5 percent for EWS units and 12.5 percent for LIG).
- In view of making EWS / LIG units available, 10 percent of City Level Infrastructure Impact Fee will be exempted for the main project; there will be a total exemption in the area of EWS / LIG units by the concerned local body/Urban Development Authority.
- For Group Housing / Group Development Schemes having more than 3000 sq. Mt. and up to 5 acres, shelter fee is collected at the rate of 20 percent of total site area of the project.
- Shelter fee collected could be utilized for development of EWS / LIG housing:

4.3.6. Land-sharing Model, Vijayawada

The Government of Andhra Pradesh, assembled 226.54 acres of land under the jurisdiction of the Vijayawada Municipal Corporation, through the innovative instruments of land pooling/sharing at Gollapudi and Jakkampudi villages for inclusive urban expansion. Under the Basic Services to Urban Poor (BSUP) component of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), 40 percent of the assembled land was allocated for housing the poor and low-income segments. This was done by establishing a partnership between landowning farmers and the State Government. After the land use conversion for urban use, layout approval and plotted development, 60 percent of the land was returned to the landowners. The internal and the external infrastructure facilities provided by the municipality/government authorities in the designated area are completely free of cost.

The land sharing model proved to be a win-win situation for both landowners as well as the Government. Under the conventional land acquisition, the farmers would have received an estimated compensation of Rs.58.4 lakhs per acre. In the land-sharing model, farmers got a fully developed 1800 square yards plot per acre of land. The value of the developed land, worked out by the Vijayawada Municipal Corporation, ranged between Rs.5,000 to Rs.10,000 per square yard. Thus, the farmers got Rs.90 lakhs to Rs.180 lakhs per acre in the model of 60:40 land-sharing as against Rs.58.4 lakhs per acre in traditional land acquisition. In addition, they saved on land use conversion, registration, development, betterment and

layout development charges as well as infrastructure connectivity costs. By resorting to conventional land acquisition, the Government would have spent Rs 5292 lakhs to compensate the farmers. However, the amount spent for infrastructure development on the farmers' share of land (60 percent) was only about Rs 4600 lakhs. This indicated a saving of Rs. 692 lakhs for the Government through the land sharing model. Thus the land sharing model cuts down the costs for both landowners as well as the Government (Mohanty 2014).

4.3.7. The Madhya Pradesh Patta Act

The Madhya Pradesh Government passed a law in 1984 to provide leasehold rights to the landless persons. These persons had been residing in the government-owned land in urban areas and the lease could be given up to an extent of 50 sq. mts. The law is known as the Madhya Pradesh Nagariya Kshetron Ke Bhoomi Hin Vyakti (Pattadhruti Adhikaron Ka Pradan Kiya Jana) Adhiniyam, 1984, also called the Patta Act. The Act was amended in 1998, 2003 and 2008 and covered all the urban areas in the state. Section 3 (1) of this Act provides for a cutoff date limiting the application of the Patta Act to occupation of municipal land by landless persons before 10th April 1984. Section 3 (3) also provides that the leasehold rights are not transferable other than by way of inheritance. Two types of patta were given. Permanent patta for 30 years was given to those who were living in settlements that were to be improved and rehabilitated in-situ. Temporary patta was given to those who were living in settlements that were to be relocated. Such patta automatically expired after the family relocated to another site with permanent patta. Out of total 40,600 plots identified in slums, 20,790 were provided with tenure rights in the initial phase of the program.

In 1998, the Patta Act was amended and 31st May 1998 was declared as the new date of eligibility. Along with this, plot areas for different categories of the cities were also revised (100 to 600 square feet). Lease rent per square feet per year for 10 years was introduced at the rate of Re. 1 for Nagar Panchayats, Rs. 1.50 for other towns and Rs. 2.00 for Rajbhogi cities (Jabalpur, Bhopal, Gwalior, Indore and Raipur). Three categories of patta were introduced: (i) for the registration of disputed cases, (ii) permanent lease of thirty years and (iii) temporary lease of one year. Introduction of Mohalla Samitis took place with the intention of empowerment of the community in the management of development and social

welfare, as well as to address public grievances. An amendment made in the Patta Act in 2003 allows mortgaging of pattas for obtaining housing loans from banks, government organizations or registered housing societies. Subsequently the deadline was extended to 31 May 2003 and 31 December 2007.

4.3.8. Delhi Master Plan 2021 (MPD-21)

MPD-21 embarks on a multi-pronged strategy for affordable housing to the urban poor through (i) rehabilitation of slums and Jhugi-Jhompdi (JJ) clusters, (ii) redevelopment and reconstruction in resettlement colonies, (iii) new housing for the urban poor, and (iv) night shelters for the colonies. Private developers are provided incentives to create affordable homes with higher Floor Area Ratio (FAR), part commercialization of land, provision of Transferable Development Rights (TDR), and adoption of the cooperative resettlement model under which tenure rights are provided through co-operative societies. Low income households are also provided with relaxed planning norms covering land use, plot size, density, FAR, ground coverage, setbacks, space for commercial use and physical and social infrastructure. Adequate land is also reserved for new housing to EWS and LIG. It is mandatory for developers of group housing to provide at least 15 per cent of Floor Area Ratio (FAR) or 35 per cent of dwelling units, whichever is higher for community service personnel/EWS and LIG. Redevelopment schemes or industrial housing are the two ways to achieve this in old built-up areas. In urban extensions, the acquisition and development costs of land for the urban poor are to be borne by the rest of the project through cross-subsidization and the EWS and LIG housing are promoted by handing over the reserved lands to the designated agency.

4.3.9. Delhi Land Pooling Policy

In September 2013, Ministry of Urban Development, Government of India approved the Land Pooling Policy (LPP) of Delhi Development Authority. This policy aims at making landowners, partners in inclusive urban development. The landowner or a group of landowners shall be allowed to pool land for mixed planning, servicing and sharing of land for development as per the prescribed standards and recommendations. Each landowner can get an equitable return under the LPP despite of the land uses allocated to their land in the

Zonal Development Plan (ZDP) with minimal displacement. The salient features of the LPP are:

1. The LPP is applicable to the urbanizable areas in the urban extension of Delhi for which ZDP has been approved.
2. LPP envisages two categories of land pooling: Category I (land 20 hectare and above) – the developer entity will have 60 percent share (53 percent – gross residential; 2 percent – city level public/semi-public use and 5 percent – city level commercial), while DDA will retain 40 percent and Category II (land below 20 hectares) – the developer entity will have 48 percent share (43 percent – gross residential; 2 percent – city level public/semi-public use and 3 percent – city level commercial, while DDA will retain 52 percent.
3. The land use distribution at the city level for the proposed “urbanizable” extensions adopted by the LPP is: Gross residential – 53 percent; commercial – 5 percent; industrial – 4 percent; recreational – 16 percent; public and semi-public facilities – 10 percent; and roads and circulation – 12 percent.
4. For every 1,000 hectares of land pooled, the gross residential distribution provides for about 50,000 dwelling units for EWS housing (32 – 40 sq. mt. size).
5. Residential Floor Area Ratio (FAR) 4.0 for Group Housing to be applicable on net residential land which excludes the 15 percent FAR reserved for EWS housing. Tradable FAR is permitted subject to conditions.

Delhi’s Master Plan MPD-2021 proposes the construction of 25 lakhs additional housing units by 2021 which would require 10,000 hectares of land. This makes the new Land Pooling Policy very crucial. As per DDA’s calculation, 2.5 lakh houses, including 50,000 units for Economically Weaker Sections (EWS), will require 1,000 hectares of land. The actual implementation of the LPP depends on the decision of the Delhi Government to declare 95 villages as development areas and 89 of them as “urban” villages.

4.3.10. Delhi Transit-Oriented Development Policy

Transit-Oriented Development in Delhi, which has been granted approval by the Ministry of Urban Development in 2015 is a key initiative by the Indian Government to promote the use

of low carbon compact public transport system which serves high density areas and encourages mixed land use to ensure sustainable and inclusive development. The salient features of the Delhi TOD Policy are:

1. Provision of significantly higher Floor Area Ratio of 4.0 on the whole amalgamated plot being developed/redeveloped, can provide an incentive for the proper development/redevelopment in TOD zone. However, these higher norms can be applied only for plots of an area of 1 hectare or more, and for this preparation of a comprehensive integrated scheme is required.
2. Transferable Development Rights (TDR) can grant additional Floor Area Ratio to schemes where the area is larger than 1 hectare.
3. In case more than 50 percent of the plan area falls within the influence zone, the entire approved layout plan of a scheme will need to be included in the influence zone.
4. It will be compulsory to use at least 30 percent of overall Floor Area Ratio for residential purpose, at least 10 percent of FAR for commercial purpose and at least 10 percent of FAR for providing community facilities. The remaining 50 percent FAR will be utilized as per the land use category demarcated in the Zoning Plan.
5. There shall be an amalgamation of various housing types for people belonging to a wide range of income brackets. The communities will then be able to share public spaces/ recreational facilities/parks. It will lead to the minimization of gentrification and creation of more community oriented developments.
6. The mandatory residential component covering 30 percent FAR shall wholly comprise of units of 65 m² area or less. Out of this, half of the FAR, i.e. 15 percent of the total FAR, has to be used for EWS units of size ranging between 32-40 m². In addition to this, an additional mandatory FAR of 15 percent has to be utilized for EWS units.

The Delhi TOD Policy stipulates that the developer entity shall retain 50 percent of the Economically Weaker Section dwelling units and dispose them only to the owners of the apartments, at market prices, to house Community Service personnel (CSP) working for the residents/owners of the Group Housing. These will be developed by the developer entity at

the respective Group Housing site/premises. The left over 50% of the housing stock is to be sold to the DDA for providing housing to EWS. The sale to DDA/Local Bodies would be at the base cost of Rs.2000 per sq. feet as per Central Public Works Department (CPWD) Index of 2013 (plus cost of EWS parking) which shall be increased as per CPWD escalation index when the units are actually handed over and can be developed by the developer entity at an alternative nearby site. The developer will have to provide the necessary commercial and public service facilities for this separate housing project. The entity will have the right to undertake an actual transfer / transaction of saleable component under its share/ownership to prospective buyers only after the prescribed land and EWS housing component is handed over to the DDA.

4.4. Some Observations

While several innovative initiatives have been embarked upon by State Governments in India to facilitate the provision of land and affordable housing to EWS and LIG segments, they have not been able make an appreciable impact on the supply of affordable housing, which is still government-led. A study of these initiatives leads to the following observations:

1. The programs have failed to recognize the significance of rental housing in the affordable housing market. Large sections of the society cannot or want to afford to own a house, even if they are available at very low prices based on subsidized land. Some poor sections with very low income and non-fixed place of working need affordable rental houses rather than own houses. Also a large population of migrants is seasonal, they come for specific purposes to the cities and they demand houses for affordable rentals.
2. State and local governments have not seriously pursued the concept of inclusionary zoning and inclusionary housing, although the same is articulated in national policies and programs. Such practice is being increasingly pursued in developed countries to provide affordable housing to lower income along with social inclusion. It is linked to developer-led housing with strong incentives to developers for affordable housing within the market system. A key prerequisite for the success of inclusionary housing is that the government acts as a facilitator, not a builder. Such facilitation is based on

- flexibility in the urban planning and zoning, currently missing in most master plans of cities in India.
3. The main focus of programs has been on the construction of new ownership houses and none has focused on the already-existing stock, including those languishing for lack of maintenance and those in the form of vacant houses not utilized in any form. No steps are taken to investigate the reasons for vacating and also to make sure that this does not happen. Issues of rent control that dissuades building of rental housing are not addressed.
 4. The over-emphasis on subsidies for affordable housing was the common feature in all the programs. Some provided subsidies to developers, some to consumers and some to both. Subsidies are important to ensure the affordability of housing, but the chances of subsidies being misutilized are high. Cross-subsidization can be an efficient formula in some cases. Land can be differentially priced within a project according to attractiveness of location and building control regulations; higher income groups can cross-subsidize the prices for lower income groups to some extent. Certain incentive can be provided to developers in the form of zoning benefits. Thus, precious resources of the government can be spent on development of infrastructure and civic amenities in relatively far-away locations which can absorb the next slot of affordable housing projects.
 5. It is very hard to find out whether the targeted population is getting the benefits of affordable housing or not. Location of project and provision of infrastructure services, especially transportation are key issues. The identification of beneficiaries is a weak point in all the programs; there is no easy way to link the identity of the beneficiary with income level. Also if a group of slum dwellers has title to a land then they can easily come and claim the benefits under the program. But the slum dwellers in most parts of the country have no clear titles to the land under their occupation. In some cities, it is seen that the areas which started as slums or JJ colonies have now developed into well-organized localities. If residents in these areas, having title to the land, can enter into a scheme then they can easily get benefits, but they do not need it. So it is very hard to find whether the beneficiaries under affordable housing programs are the deserving ones.

6. India has generated some very successful models of inclusionary zoning like Gujarat Town Planning Scheme (TPS) with landowners/farmers as partners in urban development – adopted with success in building the new capital of Andhra Pradesh, with no cost to government and cumbersome land acquisition. But the need is to implement the models according to geography, culture, economic context and policies of different regions. Like no two regions are the same, no two inclusionary zoning policies can be the same. Each State needs to have a suitable legal framework as under Gujarat TPS with the process being made simpler and less time-consuming.

In India, the adoption of IZ/IH would require a larger policy shift in which developers will have to shoulder a part of the wider social costs of development. Planning and local authorities also need to contribute by removing the hurdles that block developers from producing a “fair share” of affordable housing. Affordable housing problems in metropolitan cities like Mumbai have to be solved by the developers of Mumbai rather than the Government as metropolitan cities have the ability to be self-dependent due to their strong agglomeration economies and rising land values. They should not depend on Government subsidies. In smaller cities, the Government can intervene and bear the cost of providing housing to EWS/LIG at lower than market rate. In reality, the developers bear the burden of subsidizing the EWS and LIG, but not at the cost of cutting down their profit margins. IH implementation has to be cost-neutral for the developers with positive impact on development. Developers will bear the burden only till the extent they are compensated in the form of various cost offsets and incentives. This aspect needs to be kept in mind while considering obligations on the part of developers in India.

Chapter V

Summary of Findings: Road Map for Reforms and Research

5.1. Why Inclusive Cities?

The world is urbanizing at a fast pace with a 69.8 percent increase in urban population over the period 1990-2014. For the first time in history, it became more than 50 percent urban in 2008. India is also urbanizing but at a slower pace compared to other developing and developed nations. The urban population of India was about 377 million in 2011 and is 410 million at present. The level of urbanization has soared from 10.8 percent in 1901 to 31.2 percent in 2011. The urban population is expected to increase to 820 million by 2051 (United Nations, 2015). India will cross the 50 percent urban mark by that time. If economic growth accelerates, the pace of urbanization in Indian will also accelerate and the country may cross the 50 percent mark by 2040. With a share of 29.7 percent of the total population in 2007, urban areas contributed about 62-63 percent of GDP. This contribution is projected to increase to 75 percent by 2021. The contribution cannot be sustained and enhanced unless our cities function as drivers of economic growth and socioeconomic transformation. India needs to make all out effort to develop economically efficient, environmentally sustainable and socially inclusive and equitable cities.

The rapid urbanization of the world has pushed governments, politicians, planners, private developers, civil society, and many other actors to embark on strategies to address the huge urban challenges that are impacting on everyone's lives. Urban centres continue to grow rapidly in an unplanned fashion. Growing population and lack of serviced spaces for living and working in urban areas for the masses have led to deterioration in living conditions, especially those of the poor in urban centres. Shortage of housing in urban areas in India in 2012 is estimated at 18.78 million; 95.7 percent of this pertains to EWS and LIG categories. About 25 percent of the population in urban areas lives below poverty. An equivalent percent resides in slums; the state of civic services and human development indicators in slums is precarious. Deplorable living conditions and extreme forms of urban poverty in the slums have posed a menace to the sustainability of our cities. They have given

way to some really significant questions: whether our cities are people-centered and humane, whether the poor in our country have any right to the city or why they have islands of despair in the midst of plenty.

Conditions of Indian cities are not conducive to sustained growth. They suffer from acute shortage of housing and infrastructure which is a direct consequence of the failure of urban land and housing markets and lack of corrections for externalities by the government. Mumbai, the financial capital of India had 54% of its population living in slums in 2001 (Census 2001). The figure is reported to be 41% in 2011 (Census 2011). Only 30% of the total sewage in cities is treated and 30-50% of the total households still do not have sewerage connections. Only 86,000 units of homes are available against the demand of 1.7 million homes in five metros in the price range of 1-2 million rupees. Housing and infrastructure in Indian cities are already in stress and when this is combined with the fact that India is supposed to face the greatest influx of migration to cities that any country in the world would witness with more than 400 million people moving to urban areas between 2015 and 2050, the situation turns to be more grave. In this light, this research made attempts to study the theory, policies and practices of inclusive urbanization around the world and what India can learn from them.

Cities face many challenges. They have to create jobs and wealth without straining land, environment and resources. Common urban problems include congestion, shortage of funds to provide basic amenities, mounting scarcity of affordable housing at the bottom of the pyramid of the urban society and deteriorating infrastructure. Another larger set of problems which our cities face is the problem of exclusiveness. A large section of society is excluded while drafting plans for the development of cities. The urban poor face three types of vulnerabilities: residential, social and occupational. These vulnerabilities go far beyond the concept of income poverty that planners and policy-makers are obsessed with (Mohanty, 2014). There is no program at the Central Government or State government level, which adopts a holistic approach to deal with all these kinds of vulnerabilities. Programs and schemes tend to be compartmentalized and departmentalized. Residential vulnerability, which is the most critical issues facing the urban poor, and which is closely linked with the other vulnerabilities has also not received due attention from researchers and policy-makers.

Hardly there has been any major research in India to link the issues of residential vulnerability to the failure of both urban land market and the urban planning system. The urban planning system is expected to address the inadequacies of the urban land markets. In this background this thesis has delved into the issues of inclusionary zoning and incorporation of the same in the development plans of cities.

5.2. Lacunae in Urban Planning

The presence of slums in a large number of the largest cities of the country that are the creators of wealth and public finance indicate that strategies, policies, projects, plans and implementation capacities have not kept pace with the speed of urban transformation. Lack of planned urban development and neglect of issues of inclusion in public policy in the past has resulted in low quality of life, deteriorating physical environment and high inequalities in service provision. Indian cities face the problem of exclusiveness of poor, deficient infrastructure, poor governance and finance ('rich city- poor urban government' syndrome). The country faces formidable challenges in managing the process of urbanization and spatial concentration of population, while including the poor and marginalized sections in the urban development process. Spatial planning in Indian cities in the past did not integrate the poor with transport, land use, density, infrastructure and services. Cities need to rethink their physical planning, spatial design, infrastructure, housing, and institutional organization to accommodate the unprecedented growth in population. India's current outlook for urban development is not sufficient for the forthcoming gigantic tasks and requires an instant update. If the current trend of unplanned urbanization continues, the quality of existing services will deteriorate sharply and new demand for services will never be met. This can put the current economic growth rate at risk as well. There is a dire need for planned, efficient, inclusive and sustainable urban development in India to enable urbanization to act as an engine of India's structural transformation and drivers of prosperity.

Cities in India still follow the master planning model. This master plan technique was borrowed from the United Kingdom but the most ironic part is that the UK has many times amended the model but India is still following it without any changes. There are some basic defects in the master planning of cities. They do not include the people with low income, and

hence create a virtual city instead of real city. They also ignore the possibilities of slums, self- created employment settlements and street vendors. Cities based on non-inclusive master plans tend to become non-inclusive. There is no place for the poor in formal master plans. It's not that the government is not aware about these conditions. It knows the overall situation and has been devising many programs for decades to overcome the problems, but the main question is how successful these programs are? JNNURM has been successful in providing huge central assistance to cities for infrastructural development. It has also been very effective in rejuvenating the focus of the country towards urban sector, but the truth is that Indian economy and society are so complex that just mere provision of infrastructure cannot solve all the hidden problems of biasness and exclusion which urban poor usually face.

5.3. Track Record of JNNURM

JNNURM, a reform-linked program was the first experiment of its kind done in India. It gave positive results in some states like Andhra Pradesh, Karnataka, Gujarat, Maharashtra, Maharashtra and Tamil Nadu. The Mission also helped some ULBs to undertake big ticket projects which turned into milestone in the success story of the cities. It funded the 100% citywide sanitation program of Navi Mumbai, first world class BRTS in Ahemdabad, and the solid waste management program in Rajkot. But there were also a lot of loopholes in the mission. The model on which JNNURM was based was incomplete. In terms of economics, a complete model for a city needs to incorporate location, migration, agglomeration, land and housing markets, slums, poverty, informal sector, planning, financing and governance systems, urban service providers, municipal governments and many other components. Cities are complex with many parts, seemingly disjointed, but essentially interconnected. One cannot solve the problems in one sector in a city without considering the overall framework of city development. JNNURM tried to provide basic infrastructure and services to the city and to the urban poor without linking them to citywide infrastructure systems. It also did not link the poor to livelihoods, leaving the subject to another program, i.e. National Urban Livelihoods Mission. It ignored the basic fact that development with a top-down approach, based on subsidies, cannot be sustainable.

The affordable housing and basic service components of JNNURM would have been more meaningful if people would have involved from concept to commissioning. They could have been made partners in programs, paying their share of the cost of housing and basic services which they were going to avail. But the poor could not do so because they did not have a proper source of earning in the absence of required urban skills, education and health care that impact on their productivity and earning. This calls for addressing housing, services and livelihoods together rather than separately. Apart from this, the bureaucratic system is laden with red-tapism and corruption, which fail every significant effort to provide social justice to the people. This needs to be overhauled. The physical achievements of the JNNURM program in the form of approvals and releases of fund given in the table below show that JNNURM was only a partial success and a beginning:

Table 5.1.

JNNURM: Work in Progress

Work done	UIG	UIDSSMT
	Number (up to 2010)	
Cities/towns covered	62	641
Project approved	526	764
Projects completed	84	123
	Rs crore	
Allocation	31500	11400
Approved project cost	60215	12929
GoI Funds committed	27878	10363
GoI Funds released	11860	7110

	BSUP	IHSDP
	Number	
Cities/towns covered	64	820
Project approved	477	966
Dwelling units for the poor approved	1028503	515244
Dwelling units for poor completed	264965	108416
Dwelling units for poor in progress	318151	137373
	Rs crore	
Allocation	16356	6828
Approved project cost	26844	9712
GoI funds committed	13567	6614
GoI funds released	6103	3577

Source: Report on Indian Urban Infrastructure and services, March 2011.

Post JNNURM, the Indian Government launched RAY with the goal of a slum-free India. RAY did not attain its objectives. Moreover, the scheme was not pursued with change in Government. The Housing for All Mission is new. However, it needs to take into account the problems faced by JNNURM and RAY in practice.

5.4. Moving to a Rights-based Approach

The past national missions and programs for the urban poor did not adopt a “right-based” approach. It must be recognized that cities are not just places, they are about people, living and working together for benefits and welfare. Cities are places of innovation, hope and aspirations and they do not belong to only one section of the society. Diversity is the key

characteristic of a good city. So an aspect which policies and upcoming missions may consider the “Right to City” for each and every section of society, as adopted by Brazil through the City Statute. This cannot be achieved by following a project-based approach. We need to design a comprehensive policy which includes all the prospects of urban life. Urban policy and urban development programs need to adopt an approach that considers the city as a whole with its residents at the center of all programs and activities.

The main goal of this thesis was to review the strategic role of urban planning as an instrument to ensure the provision of adequate land and affordable housing for the poor through the technique of “inclusionary zoning (IZ)”, which is closely connected with the Right to City. The thesis considered IZ as a desirable way of creating long-term affordability of housing and workplace for the urban poor, and fostering social inclusion by capturing resources created through the marketplace. Even the developed countries have realized in the course of their urbanization that urban land markets have an inherent tendency to exclude low-income households. They are thus increasingly adopting inclusionary zoning and inclusionary housing practices, and experimenting with innovations. IZ has been the dominant strategy to promote inclusion of low- and moderate-income households in land and housing markets. When developers take up residential development ventures, they are required to provide up to 30 percent of the units for urban poor households under conditions of planning permission subject to grant of incentives. Inclusionary zoning also applies to commercial real estate, sometimes through impact fees as per square metre charges for financing affordable housing and sometimes by way of contribution to affordable housing pool. When developers construct non-residential complexes like offices and shopping malls, they are required to contribute in cash or kind, based on the terms of development permission accorded by the local authority. The size and amount of their contribution are generally fixed proportional to the need for lower- income housing generated by the new facility.

5.5. Inclusionary Zoning Regime in India

Evidently, inclusionary zoning/housing is one of the few successful strategies available to local authorities around the world to accommodate the otherwise-excluded low-income communities in asset-rich neighborhoods where they are likely to gain from better jobs and

more access to quality services like better schools, hospitals and public services. The construction of affordable housing by developers in developed countries, however, is not based on a concept of charity. While the developers are expected to mitigate the adverse impacts created by new development, including those pertaining to affordable housing without burdening the existing residents or the local authority and also contribute out of the unearned benefits due to public investments, they are provided with zoning incentives such as relaxation of planning norms, provision of density bonus or fast track approvals. Effective IZ programs are possible in those countries because the urban planning models that countries adopt are flexible, not rigid as in India.

It is not an easy task to put the needs of the poor on the urban planning agenda. The tools of urban planning are quite slow and complex. There are a lot of legislative, technical and governance-related hurdles that come in the way of effective implementation of inclusionary zoning. Financing is also a key issue. Participation of the private sector is conditional on the profit prospects and economic situation. Extra subsidies are usually needed for the development of housing for LIG/EWS. But as innovative international experiences and Indian practices such as the Town Planning Scheme (TPS) in Gujarat, adopted by Andhra Pradesh for the development of its new capital at Amravati in an elegant way suggest, one can overcome these obstacles through proper legal and development frameworks.

Experience, however, reveals that the whole process of TPS is very time-consuming. It needs to be simplified. Also a framework for land pooling by private land owners or developers with covenants for inclusionary zoning/housing is desirable to meet the daunting challenges of inclusive urbanization in India. In order to ensure successful implementation of IZ programs, it is very important to have an adequate legal framework, appropriately defined basic parameters which are based on in-depth studies of needs, devising effective mechanisms for proper coordination between the various government levels and agencies involved, sufficient capacity building of all the factors involved, and proper planning for mobilization of the required public funding to provide boost to inclusionary housing in the case the private sector fails to show adequate interest.

While Gujarat's Town Planning Scheme is an elegant way to facilitate inclusionary zoning, inspiration can be taken from the fast track Andhra Pradesh Land Pooling Scheme (APLPS) for the development of new capital which has proved that rapid urban development is possible without depriving the owners of their agricultural land. Also, it shows that an inclusive growth model is possible, where every section of the society is included in developing the city which promises a better life and livelihood for all. AP Land Pooling Scheme has set a new example of large scale planned urban development for the Indian states with farmers as partners.

Research suggests that housing delivery through the planning system is not a panacea and should not be solely relied upon to secure the required quantities of affordable and social dwellings. Inclusionary zoning is not a "magic bullet" that will put an end to all affordable housing problems. IZ must be considered along with other conventional public subsidy-linked affordable housing policies (Calavita and Mallach, 2010). Inclusionary zoning measures, while important, are generally most beneficial for those at the higher end of the affordability continuum. They provide little scope for delivering housing for people at the lowest rung with ongoing, high and complex needs. The literature also suggests that IH shows good results only when market conditions are bright, and is more likely to be ineffective when market conditions are poor.

It is necessary to address the lacunae in the market and the master planning system that tend to disconnect the poor from their employment opportunities. The private sector can assume a key role in connecting the poor to development and growth as they come up. They require access to emerging job opportunities. Segregating them to pockets will not in their interest or the interests of the better-off and city as whole. The benefits of social inclusion and long-term affordability in the housing market are issues that cannot be approached through a narrow policy framework. They must be linked to public finance principles: "growth pays" and "beneficiaries pay". While developer must pay for the impacts they create, including those on affordable housing, those who gain from the inherently iniquitous spatial planning system and investments in public infrastructure and reap unearned increments in land and property values must pay.

5.6. Towards Inclusive Cities: Way Forward

1. The first step to move towards building inclusive cities is to reform the current Master Plans and introduce the concept of Inclusionary Zoning in Master Plans. Certain percentage of land needs to be reserved for the poor and informal sector in the total plan layout of the city and in zonal and local plans.
2. The option of small lot zoning – inclusive layouts – needs to be explored for housing the poor.
3. Housing market needs to be segmented. EWS should be given preference while allocating government and municipal land.
4. Special campaigns need to be launched for ensuring security of tenure as done in Madhya Pradesh and Chhatisgarh. Slum development needs to be made inclusive and targets need to be achieved within timelines.
5. A certain portion of municipal funds should be earmarked for the poor as was envisaged under JNNURM.
6. An inclusive policy framework needs to be developed taking into account all stakeholders like Habitat specialists, Government/Urban Local Bodies, Private sector, Civil society organizations and community. Special emphasis needs to be given on institutional strengthening.
7. To ensure that urbanization acts as a positive force to promote economic development, the policy makers and planners need to have an integrated framework of planning to rely on instruments like inclusionary zoning, inclusionary and rental housing schemes, transit oriented development, reservation of land for poor, mix land use, participatory planning, reforming municipal finance, and, structural and administrative reforms.
8. Planning, governance, financing, service delivery, and institutional framework should be addressed through same framework.
9. Policy makers should have sufficient knowledge about the housing and household information along with the availability of basic civic amenities in the city. They should also learn from mistakes committed in the past and evolve an inclusive urban and regional planning system which does not exclude the informal sector and poor.

10. It is essential to break away from the past practices and trends, and act decisively to ensure inclusive urban development in which the presence of the poor in cities is acknowledged, their contribution is recognized as vital to the functioning of the city and steps are taken for the redressal of the fundamental factors for the inequalities that chain them down to poverty. Only then social and economic growth can be possible.
11. The government and market should work together towards better integration of the informal sector into the formal urban planning system.
12. The responsibility of providing affordable housing through inclusionary zoning should not be left to market or private developers as they will never take efforts to reserve housing units for EWS/LIG. IZ has to be made mandatory and Government intervention has to be there in order to ensure that developers do provide affordable housing to the poor, subject to being provided with incentives.

5.7. Policy Recommendations for PMAY

The implementation of the new Prime Minister's Awas Yojana (PMAY) or Housing for All Mission involves many challenges, given the experience of the earlier national initiative of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) – Basic Services for the Urban Poor (BSUP) and Integrated Housing and Slum Development Program (IHSDP) components. The implementation of PMAY may take the following into accounts:

1. Availability of serviced land in areas with access to jobs by the poor is the key to address the affordable housing problem. The poor need housing at every part/zone of a city to be able to secure jobs. Thus, every effort must be made to include the poor in every development – either in situ or at a convenient alternative location.
2. Ownership housing is one option; rental housing could even be more important. Inclusionary zoning may promote both own houses and rental solution.
3. As in JNNURM, the lack of matching funds from States and cities, poor planning and implementation capacity, red-tapism, rent-seeking, and lack of incentive and motivation on the part of local official machinery can pose significant problems.

4. While strategizing affordable housing and implementing slum redevelopment programs, permission is required from a plethora of departments and authorities; coordination is itself a very big task for program implementation personnel. Approval and implantation procedures need to be simplified.
5. The biggest drawback in all urban missions of the Government is that programs are disjointed, but the poor need integrated programs to enable them to escape from the clutches of the vicious circle of poverty. An integrated approach is necessary.
6. JNNURM had a reform agenda for reservation of land for the poor in every housing project. The same may be pursued with a grant of incentives to developers as in the case of Delhi Land Pooling or Transit-Oriented Development Policy. The developers may not be asked to provide affordable housing without linking the same with the economics of inclusionary housing.

5.8. Directions for Reform

Cities are rich in capital and skilled labor. The poor provides the much-needed semi-skilled services to make cities functional. Thus, they need not be considered from the point of view of welfare or charity. Poverty alleviation is also a public good. It provides value addition to everyone's lives. Addressing the housing problems through inclusionary zoning helps in urban poverty alleviation apart from addressing the issues of public health, environment and social cohesion. Without this, the slums may turn into dens of crime or drugs as in many countries in Latin America. The future of inclusionary zoning seems promising as a means of increasing not only the affordable housing stock, but also its accompanying opportunities for residents and communities. But legal, policy, and practical issues need to be carefully considered to ensure the implementation of a legally-defensible and operationally-effective inclusionary zoning program. India needs to have a clear legal framework through State laws for inclusionary zoning as in other countries. National guidelines and policy statements have not worked.

Planners also need to understand that inclusionary zoning and inclusionary housing are based on good economics. Developers are to be adequately compensated for IZ/IH programs. This requires reforms in the planning and urban management systems. Laws concerning town

planning, urban development, functioning of municipalities, and framing development control rules and zoning and building regulations need to be modified or amended in States. Suitable IZ programs need to be designed taking into account the local market conditions. Inspiration can be taken from State Governments that are working for entitlement of property rights and security of tenure to urban poor through innovations, e.g. Patta Act in Madhya Pradesh and Land Regularization Scheme in Telangana State. Town Planning Scheme as in Gujarat with the land-sharing model and adequate safeguard for inclusion of the poor in every scheme; farmers as partners in planned urban development as in Magarpatta city, Pune, but with additional covenants to include the poor through incentives being provided to farmers-developers; public transport-led and Transit-Oriented Development (TOD) with strategic densification of city growth centres and location of the poor in high density development in and around transit nodes from where they can commute to work; and value capture financing to raise resources for affordable housing to the poor are worth adopting.

Regional and urban planning, transportation planning, transportation-land use integration, inclusive city development strategy and city financing strategy must be approached as a ‘whole system’ rather than disjointed parts. They need to be based on the paradigm of value creation, capture and recycling. Beneficiaries pay and growth pays. Every opportunity must be tapped to contribute to inclusionary housing in the interest of an inclusive city, inclusive growth and a strong, prosperous, vibrant and inclusive India.

5.9. Agenda for Further Research

This research has tried to pool together the context for, theory of, international and national practices in inclusionary zoning and inclusionary housing for drawing lessons for India. Ironically, there is not even a single paper on the application of either the economic theory of inclusionary zoning or the international practice of inclusionary housing in India. The neglect is a part of the neglect of land, housing, transport and urban economics in India. Even from the side of urban planning literature, not much research has been done on the issues of the legal framework for designing and implementing inclusionary planning instruments in India. The void in research needs to be filled up. In our study, we have assumed that inclusionary zoning leads to social interaction and cohesion between lower-income and higher-income

neighbors in mixed-income developments. But no evidence could be gathered on the actual gains achieved by lower-income residents or high-income groups in mixed housing. The study can be extended to find out if lower-income residents benefit from the employment or education connections or other “social capital” of their higher-income neighbors or high-income groups gain due to diversity, convenience and availability of semi-skilled labor. More research needs to be done to find out the difference in gains when lower-income residents are integrated into middle and upper income *neighborhoods* rather than integration in the same *building*.

India is a complex country. No single model of inclusionary planning or zoning or housing will be sufficient. The country must have many models and many alternatives, starting with the Gujarat Town Planning Scheme, which is tested, has worked well and is perhaps the most important alternative available for planned urban expansion and development to Indian cities in the era of new land acquisition laws that make mandatory acquisition of land for planning urban development extremely difficult.

Appendix 1

Table 1

India: Total, Rural and Urban Population (In Million) and Level of Urbanization (Percentage) 1901-2011

Year	Total Population	Rural Population	Percentage Rural	No of Cities /Towns	Urban Population	Percentage Urban
1901	238.4	212.5	89.2	1,916	25.9	10.8
1911	252.1	226.2	89.7	1,908	25.9	10.3
1921	251.3	223.2	88.8	2,048	28.1	11.2
1931	279.0	245.5	88.0	2,220	33.5	12.0
1941	318.7	274.5	86.1	2,427	44.2	13.9
1951	361.1	298.6	82.7	3,060	62.4	17.3
1961	439.2	360.3	82.0	2,700	78.9	18.0
1971	548.2	439.0	80.1	3,126	109.1	19.9
1981	683.3	523.9	76.7	4,029	159.5	23.3
1991	846.3	628.7	74.3	4,689	217.6	25.7
2001	1028.7	742.5	72.2	5,161	286.1	27.8
2011	1210.7	833.5	68.8	7,935	377.1	31.2

Source: Census of India for different years

Table 2

India: Number of Metropolitan Cities and their Share in Urban Population 1901 – 2011

Census Year	Number	Population	Population per city	Percentage of Urban Population
1901	1	1.51	1.51	5.84
1911	2	2.76	1.38	10.65
1921	2	3.13	1.56	11.14
1931	2	3.41	1.70	10.18
1941	2	5.31	2.65	12.23
1951	5	11.75	2.35	18.81
1961	7	18.10	2.58	22.93
1971	9	27.83	3.09	25.51
1981	12	42.12	3.51	26.41
1991	23	70.66	3.07	32.54
2001	35	108.29	3.09	37.85
2011	53	160.70	3.03	42.61

Source: Census of India for various years

Table 3

India: Level of Urbanization and Growth in Urban Population across States and Union Territories 1971-2011

Sl No	States	Percentage of Urban Population					Annual Exponential Growth Rate			
		1971	1981	1991	2001	2011	1971-81	1981-91	1991-01	2001-11
1	Andhra Pradesh	19.3	23.3	26.8	27.3	33.4	3.9	3.6	1.4	3.04
2	Arunachal Pradesh	3.7	6.3	12.2	20.4	22.9	8.3	9.3	7.0	3.31
3	Assam	8.8	9.9	11.1	12.7	14.1	3.3	3.3	3.1	2.46
4	Bihar	10.0	12.5	13.2	10.5	11.3	4.3	2.7	2.6	3.03
5	Chhattisgarh	NA	NA	NA	20.1	23.2	NA	NA	3.1	3.49
6	Delhi	89.7	92.8	89.9	93.0	97.5	4.6	3.8	4.1	2.37
7	Goa	26.4	32.5	41.0	49.8	62.2	4.4	4.0	3.3	3.01
8	Gujarat	28.1	31.1	34.4	37.4	42.6	3.4	2.9	2.8	3.07
9	Haryana	17.7	22.0	24.8	29.0	34.9	4.7	3.6	4.1	3.68
10	Himachal Pradesh	7.0	7.7	8.7	9.8	10.0	3.0	3.1	2.8	1.45
11	Jammu & Kashmir	18.6	21.1	22.8	24.9	27.4	3.8	3.4	3.4	3.10
12	Jharkhand	NA	NA	NA	22.3	24.0	NA	NA	2.6	2.80
13	Karnataka	24.3	28.9	30.9	34.0	38.7	4.1	2.6	2.5	2.74

14	Kerala	16.2	18.8	26.4	26.0	47.7	3.2	4.8	0.7	6.56
15	Madhya Pradesh	16.3	20.3	23.2	26.7	27.6	4.5	3.7	2.7	2.28
16	Maharashtra	31.2	35.0	38.7	42.4	45.2	3.4	3.3	3.0	2.12
17	Manipur	13.2	26.4	27.7	23.9	32.5	9.7	3.0	1.2	3.70
18	Meghalaya	14.6	18.0	18.7	19.6	20.1	4.9	3.1	3.2	2.70
19	Mizoram	11.4	25.2	46.2	49.5	52.1	11.8	9.6	3.3	2.59
20	Nagaland	10.0	15.5	17.3	17.7	28.9	8.5	5.6	5.3	5.10
21	Orissa	8.4	11.8	13.4	15.0	16.7	5.2	3.1	2.6	2.38
22	Punjab	23.7	27.7	29.7	34.0	37.5	3.6	2.6	3.2	2.29
23	Rajasthan	17.6	20.9	22.9	23.4	24.9	4.5	3.3	2.7	2.54
24	Sikkim	9.4	16.2	9.1	11.1	25.2	9.6	-3.2	4.8	9.42
25	Tamil Nadu	30.3	33.0	34.2	43.9	48.4	2.5	1.8	3.6	2.39
26	Tripura	10.4	11.0	15.3	17.0	26.2	3.3	6.2	2.5	5.66
27	Uttar Pradesh	14.0	18.0	19.9	20.8	22.3	4.8	3.3	2.8	2.53
28	Uttaranchal	NA	NA	NA	25.6	30.2	NA	NA	2.8	3.36
29	West Bengal	24.8	26.5	27.4	28.0	31.9	2.8	2.5	1.8	2.60
	Union Territories									
1	Andaman & Nico.	22.8	26.4	26.8	32.7	37.7	6.4	4.1	4.4	2.10
2	Chandigarh	90.6	93.6	89.7	89.8	97.3	5.9	3.1	3.4	2.38

3	Dadra & Nagar H.	0.0	6.7	8.5	22.9	46.7	—	5.3	14.6	11.57
4	Daman & Diu	—	—	46.9	36.3	75.2	—	4.9	1.9	11.59
5	Lakshadweep	0.0	46.3	56.3	44.5	78.1	—	4.5	-0.8	6.24
6	Pondicherry	42.0	52.3	64.1	66.6	68.3	4.7	4.9	2.3	2.73
	All India	20.2	23.7	25.7	27.8	31.2	3.8	3.1	2.7	2.76

Note: a) The figures for the states of Uttar Pradesh, Bihar and Madhya Pradesh for the 1970s and 1980s pertain to the undivided states as existed during that time. The figures for the 1990s are, however, for the new states and hence these figures are not temporally comparable.

b) In the absence of the Census data for total and urban population for the year 1981 in case of Assam, the urban and total population growth rates have been assumed to be constant during 1970s and 1980s. The same has been assumed for 1980s and 1990s for Jammu and Kashmir. The percentage of urban population has been arrived for Assam (1981) and Jammu and Kashmir (1991) based on these assumptions.

c) Goa in 1971 and 1981 corresponds to Goa, Daman and Diu.

Source: Census of India for different years

Table 4

India: Urbanization Trends 2001 and 2011

Population (Crore)	2001	2011
India Total	102.9	121.0
Urban	28.6	37.7
Rural	74.3	83.3

Urbanization (%)	27.8	31.2
Total No. of Towns	5161	7935
Statutory Towns	3799	4041
Census Towns	1362	3894
100,000-plus Cities	394	468
Million-plus Cities	35	53

Source: Census 2011

Table 5

India: Number of Agglomerations/Towns and Percentage of Urban Population by Size Classes of Towns 1901 – 2011

Census Year	Number of Agglomerations/Towns						Percentage of Urban Population					
	Class I	Class II	Class III	Class IV	Class V	Class VI	Class I	Class II	Class III	Class IV	Class V	Class VI
1901	24	43	130	391	744	479	26.00	11.29	15.64	20.83	20.14	6.10
1911	23	40	135	364	707	485	27.48	10.51	16.40	19.73	19.31	6.57
1921	29	45	145	370	734	571	29.70	10.39	15.92	18.29	18.67	7.03
1931	35	56	183	434	800	509	31.20	11.65	16.80	18.00	17.14	5.21
1941	49	74	242	498	920	407	38.23	11.42	16.35	15.78	15.08	3.14

1951	76	91	327	608	1124	569	44.63	9.96	15.72	13.63	12.97	3.09
1961	102	129	437	719	711	172	51.42	11.23	16.94	12.77	6.87	0.77
1971	148	173	558	827	623	147	57.24	10.92	16.01	10.94	4.45	0.44
1981	218	270	743	1059	758	253	60.37	11.63	14.33	9.54	3.58	0.50
1991	300	345	947	1167	740	197	65.20	10.95	13.19	7.77	2.60	0.29
2001	393	401	1151	1344	888	191	68.67	9.67	12.23	6.84	2.36	0.23
2011	468	474	1373	1686	1748	424	70.15	8.54	11.11	6.39	3.36	0.45

Note: Class I: 100,000 or more, Class II: 50,000 – 99,999, Class III: 20,000 – 49,999; Class IV: 10,000 – 19,999, Class V: 5,000 – 9,999 and Class VI: Below 5,000

Each urban agglomeration, comprising generally a number of cities, towns and outgrowths is considered as one unit.

Source: Census of India for various year

Table 6

India: Percentage of People living in various Types of Houses

Class	Pucca	Semi-pucca	Kutcha
Economically Weaker Section (EWS)	50	40	10
Low Income Group (LIG)	80	27	2
Middle Income Group (MIG)	92	19	0.5
High Income Group (HIG)	98	9	Nil

Source: Report of the Technical Committee on Estimation of Urban Housing Shortage, Government of India, Ministry of Housing and Urban Poverty Alleviation, National Buildings Organization.

Table 7

India: Urban Housing Shortage 2012

State	Number in Million
Homeless	0.53
Households in Non Serviceable kutcha houses	0.99
Households in Obsolescent Houses	2.27
Households in Congested Houses	14.99
Total	18.78

Source: Ministry of Housing & Urban Poverty Alleviation, Government of India

Table 8

India: Distribution of Households by Number of Rooms (% of Households)

No. of Rooms	Urban	Rural	Total
No exclusive room	3.1	4.3	3.9
One room	32.1	39.4	37.1
Two rooms	30.6	32.2	31.7
Three rooms	18.4	12.7	14.5
Four rooms	9.3	6.6	7.5

Five rooms	3.3	2.3	2.6
Six rooms and above	3.3	2.5	2.8

Source: Census 2011

Table 9

India: Distribution of Households by Material of Roof (% of Households)

Material	Urban	Rural	Total
Grass/Thatch/Bamboo/Wood/Mud	4.6	20.0	12.3
Tiles :	13.2	28.7	20.9
Handmade tiles	6.2	18.3	12.25
Machine made tiles	7.0	10.4	8.7
G.I./Metal/Asbestos Sheets	15.9	15.9	15.9
Concrete	51.9	18.3	35.2
Others	14.4	17.1	15.7

Source: Census 2011

Table 10

Access to Amenities: Distribution of Households by Material of Wall (% of Households)

Material	Urban	Rural	Total
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Grass/Thatch/Bamboo	2.7	11.9	7.3
Mud/Un-burnt bricks	9.3	30.5	19.9
Stone :	15.0	13.6	14.3
Packed With mortar	12.3	10.0	11.15
Not packed with mortar	2.7	3.6	3.15
Burnt brick	63.5	40.0	51.7
Others	9.5	3.9	6.7

Source: Census 2011

Table 11

Access to Amenities: Distribution of Households by Material of Floor (% of Households)

Material	Urban	Rural	Total
Mud	12.2	62.6	37.5
Stone	12.2	6.2	9.2
Cement	45.8	24.2	35.0
Mosaic / Floor tiles	25.9	3.7	14.8
Others	3.8	3.2	3.5

Source: Census 2011

Table 12

India: Distribution of Urban Housing Shortage in 2012

Category	Distribution of Housing Shortage	
	Number (in Million)	Percentage (%)
Economically Weaker Sections (EWS)	10.55	56.18
Low Income Group (LIG)	7.41	39.44
Middle Income Group (MIG) and above	0.82	4.37

Source: Ministry of Housing & Urban Poverty Alleviation, Government of India

Table 13

Urban India: Occupied and Vacant Census Houses 2001 and 2011

Use of Occupied Census Houses	2001		2011	
	Census Houses	Percentage share	Census Houses	Percentage share
Total number of Census Houses	71,558,356	100.0	110,139,853	100.0
Occupied Census Houses	65,106,336	91.0	99,046,223	89.9
Vacant Census Houses	6,452,020	9.0	11,093,630	10.1

Source: Census of India

Table 14

India: Distribution of Slums by Access to Housing and Basic Amenities (% of Slums)

Basic Amenities	Notified Slums	Non notified Slums

	2002	2008-09	2002	2008-09
<i>Structure of majority of houses</i>				
Pucca	65	64	30	50
Semi Pucca	30	30	40	29
Kutchha	6	7	30	21
<i>Access to drinking water supply</i>				
Tap	84	79	71	77
Tubewell/Handpump	10	17	22	17
Well and others	6	4	7	5
<i>Access to electricity</i>				
Household and street light both	84	76	53	53
Households only	11	16	25	26
Streetlights only	4	7	6	15
No electricity	1	1	16	7
<i>Internal and approach roads</i>				
Pucca road within slum	71	78	37	57
Motorable road approach to slum	73	73	55	58
Non motorable approach to slum	13	19	12	18
Affected by water logging during monsoon	36	41	54	54

<i>Access to latrine facility</i>				
Availability of septic tank/flush latrines	66	68	35	47
No latrine facility	17	10	51	20
<i>Access to sewerage and drainage facility</i>				
Underground sewerage available	30	33	15	19
Underground/covered drainage available	25	39	13	24
Open drainage	60	51	43	54
No drainage	15	10	44	23
<i>Garbage disposal facility</i>				
Garbage disposal by government agency	79	75	42	55
No garbage disposal arrangement	16	10	46	23
Garbage lifting by government atleast 1 day a week	86	93	81	92
Government primary school within 1km distance		88		85
Government hospital within 1 km distance	48	54	46	42

Source: NSS 65th Round: Some Characteristics of Urban Slums 2008-09 (May 2010)

Table 15

Percentage of Slums in Urban Households of various parts of the Country

City/State	% of Slum Households in Total Urban Households
Chhattisgarh	32

Andhra Pradesh	35.7
Madhya Pradesh	28
Orissa	23
West Bengal	22
Greater Vishakhapatnam	44
Jabalpur Cantonment	43
Greater Mumbai	41
Vijayawada	41
Meerut	40
Raipur	39
Nagpur	34
Greater Hyderabad	32
Kota	32
Agra	30

Source: Census of India

Table 16

Access to Amenities: State of Civic Services in India

Civic Services	% of Households	
	Urban	Slum

Access to Tap Water	70.6	74.0
Drinking Water within Premises	71.2	56.7
Electricity as Source of Lighting	92.7	90.5
Bath Room Facility	87.0	81.0
Access to Closed Drainage	44.5	36.9
Open Drainage	37.3	44.3
No Drainage	18.2	18.8
Latrine within Premise	81.4	66.0
With Water Closet	72.6	57.7

Source: Report on Housing Shortage in India. Census of India, 2011.

Table 17

Access to Amenities: Distribution of Households by Drinking Water Source (% of Households)

Source	Urban	Rural	Total
Within premises	71.2	35.0	46.6
Near *	20.7	42.9	35.8
Away **	8.0	22.1	17.6

* Within 200 meters in rural areas or within 100 meters in urban areas.

** 500 meters or beyond in rural areas or 100 meters or beyond in urban areas.

Source: Census 2011

Table 18

Access to Amenities: Distribution of Households by Major Sources of Drinking Water (% of House Holds)

Source	Urban	Rural	Total
Tap	70.6	30.8	43.5
Hand pump & Tube Well	20.8	51.9	42.0
Well	6.2	13.3	11.0

Source: Census 2011

Table 19

Poverty Estimates in 2009-10 and 2011-12

Year	Poverty Ratio			No. of poor (million)		
	Rural	Urban	Total	Rural	Urban	Total
Expert Group (Rangarajan)						
1. 2009-10	39.6	35.1	38.2	325.9	128.7	454.6
2. 2011-12	30.9	26.4	29.5	260.5	102.5	363.0
3. Reduction (%age points)	8.7	8.7	8.7	65.4	26.2	91.6
Expert Group (Tendulkar)						
1. 2009-10	33.8	20.9	29.8	278.2	76.5	354.7
2. 2011-12	25.7	13.7	21.9	216.7	53.1	269.8

3. Reduction (%age points)	8.1	7.2	7.9	61.5	23.4	84.9
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Source: Planning Commission (2014): Report of the Expert Group to Review the Methodology for Measurement of Poverty

Appendix 2

Gujarat Town Planning Scheme

1. Introduction

Gujarat town planning and land pooling scheme is one of the guiding models of land assembly for planned urban development which is used as a benchmark for most of the upcoming land pooling initiatives in India. It is governed under the Gujarat Town Planning and Urban Development Act (GTPUDA), enacted in 1976. This Act and Rules framed under it guide and regulate urban planning in Gujarat as a two-step process. The first step is to prepare a “Development Plan” (DP) for a “Development Area” designated as such. The second step is to prepare “Town Planning Scheme” (TPS) for smaller areas constituting the designated Development Area.

An Urban Development Authority, also known as Area Development Authority, is responsible under the law for planning and development strategies in respect of the entire “Development Area”. In accordance with the provisions of GTPUDA, the Authority first demarcates the “Development Area” to include land around the city coming under the influence of urbanization. These areas are identified for the purpose of intervention through urban planning and planned development. The Development Plan (DP) is a macro-level plan for the entire development area. The new areas to be opened up for development are marked in the DP and divided into smaller areas. “Town Planning Schemes” (TPSs) are prepared for each of the smaller areas marked in the Development Plan in the second stage.

2. Development Plan

The Development Plan is the macro-level plan for the whole development area. It determines the overall infrastructure and direction of growth of the city. It reflects a broad-brush development vision and growth management strategy for the city for the next 10/20 years. It is a comprehensive document that is dynamic and detailed gradually. It determines where the

city is supposed to develop or extend into the surrounding countryside. Some of the different components covered under the Development Plan are:

- New growth areas for development;
- Trunk city-wide infrastructure including roads, water supply, sewerage, drainage networks;
- Land use zoning: Land allocated for the purpose of public uses, open spaces, residential, commercial and other activities connected with new growth;
- Environment and pollution control;
- Development control regulations;
- Priority investments.

With the help of limited public participation, the document is revised every 10 years. The draft of the plan, when prepared, is published and suggestions are accepted for the following two months. Then the draft is amended, if required, and is again published for further inspection. Thereafter, it is sent to the Government of Gujarat for further inspection, amendment, if required and final approval.

3. Town Planning Scheme

Micro-level plans are devised for smaller areas of about 100 to 200 hectares, constituting the total area covered under the Development Plan. Each such area, vacant or already built upon, is called a Town Planning Scheme (TPS). Each TPS generally involves 100 to 250 landlords and is named after the village it falls in. The Development Authority concerned takes up each TPS and a detailed proposal including land reconstitution, infrastructure development and financing is worked out.

The TPS provides for laying out or relaying out of the land. It allocates land for roads, water supply, storm water drainage, sewerage, street lighting, open spaces, gardens, greenbelts, recreation, schools, markets, etc. and undertaking development. It also provides for the preservation of objects of historical or national interest or natural beauty. Every TPS is legally required to reserve land to the extent of nearly 10 per cent of total area for socially and economically weaker sections (SEWs). The allotment of land from the scheme area is

made as per the following general standards: 15 per cent for construction of roads, 5 per cent for parks, playgrounds, gardens and open spaces, 5 per cent for providing social infrastructure such as schools, dispensary, fire brigade and public utilities, and 15 per cent for sale by the appropriate authority to meet the cost of infrastructure in scheme area.

The TPS offers the following advantages: (i) the planning process has all freedom that a new town offers without burdening it with land acquisition, associated costs and court litigation; (ii) the reduction in land area, costs and returns of the scheme are spread across all landowners; (iii) inclusive development occurs with sizable land being made available for the weaker sections through the planning system itself; and (iv) the local authority is enabled to levy betterment charges on landowners in proportion to land value increment due to planning and infrastructure improvements.

4. The TPS Processes

According to the GTPUDA, the TPS preparation process is complex process and undertaken in many steps. It can take at the most four years and one month. The steps involved in TPS include: conducting topographical survey of area, establishing ownership detail of each land parcel, preparing a base map after conducting a survey of landownership records , demarcating the boundary of the area, locating original plots on the base map, recording ownership details and plot size, planning layout of roads, carving out plots for amenities, tabulating deduction and final plot size, delineating final plot, working out infrastructure costs and betterment charges, conducting landowners' meeting, modifying draft TPS and obtaining approval by State Government. Each landowner gets back proportionately reduced developed land, contributing for reservations and land sale component to meet infrastructure costs. The details of various steps are:

1. Survey of Area

A very detailed survey of the whole area is undertaken, in which all the topography and physical details such as buildings, infrastructure, tress, compound walls, water bodies, drains, heritage structures, etc. are included. Any kind of private property or public property is marked.

2. *Documenting Land Ownership Details*

All ownership details and cadastral maps are collected from the concerned departments and compiled in a given format. The details, especially land tenure are carefully noted as mostly the land tenure is retained when giving back the land to the farmers. As the land sizes, types and places of documentation vary, this process is time-taking and tedious.

3. *Preparing the Base Map:*

All area records and maps are collected from different agencies for the preparation of the 'Base Map'. The maps and records are matched with the physical survey of the area. This process is called 'melavni' in the local language which means 'matching'. Discrepancies, if any, are resolved using this process. As the base map is prepared, it is sent to the Land Records department for approval, which is again a process which consumes a lot of time.

4. *Marking the Boundary of the TPS*

Taking all the physical and administrative features into consideration, the boundary of the TPS is clearly marked on the base map. At this stage, a sales map is also prepared using the relevant land prices and sales of land. This also determines the original value of plots.

5. *Marking Original Plots on the Base Map*

The original plots are marked on the base map and are given an original plot or OP numbers. If more than one land parcel belongs to the same person then these are consolidated and given the same OP number. This simplifies planning and reduces land fragmentation.

6. *Tabulating Ownership Details and the Plot Size*

According to the prescribed GTPUDA rules, information is tabulated in the F - form. Ownership details, land tenure, OP area, OP number, estimated value of the original plot, etc. are a few of the details that have filled in the form.

7. *Layout of the Road:*

If any city level road is passing through the TPS, it is first and foremost drawn on the base map. Then, keeping the expected future urban activities and their appropriate locations in mind, a road network is established on the map that maximizes efficiency. The percentage area of the plots devoted to roads plays a major role in the process.

8. Marking the Plots for Public Use and Amenities

Keeping the total proportion of land under public land use and amenities in accordance with the prescribed share, plots for school, open spaces, health facilities are marked. Some plots for poor and low-income group housing are also drawn up. According to GTPUDA, the percentage of area allotted under public use is 20 percent.

9. Tabulating the Final Plot Sizes

The total land used for public uses is calculated as a proportion of total land in TPS. That proportion is deducted from each original plot and the final plots are given back to the landowner. Efforts are made to ensure that the final plot retains its tenure and is as close to the original plot as possible. A semi-final value of the plot is also calculated. Generally it is same as the original plot, but there might be a slight difference in some cases.

10. Delineating Final Plots

As the public utilities are drawn up and worked out, the original plots have to be reconstituted and formulated as per the future plans envisioned. The irregular shapes of the original plots are made regularly and the final plot is drawn as close to the original plot as possible.

11. Estimating Cost of Infrastructure and Tabulating Betterment Charges

The costs of the infrastructure, compensation paid to the landowner, final value of the plot and other administrative charges are calculated. The increase in the value of land is also calculated and betterment charges are levied. The form that tabulates the cash flows is known as the “G form”. The “F form” is completed at this stage.

12. Meeting the landlords

At this stage, a notice is published in the local newspapers to invite all the landlords to meet the Development Authority so that suggestions and opinions of the landlords can be taken and a draft TPS can be prepared.

13. Modifying and Approving the Draft TPS

The relevant suggestions of the landowners during the meeting are noted and the draft TPS is modified according to them. The modified TPS is again published in newspapers and after another round of suggestions, it is sent for approval to the State Government. When approved, it is called “Sanctioned Draft TPS”. After approval, the Development Authority can take physical charge of the place allotted for roads.

14. Appointment of the Town Planning Officer:

After the approval of the draft TPS, a Town Planning Officer (TPO) is appointed to look after the physical as well as financial prospects of the project. It is his duty to deal with the landowners’ regarding any dispute on the physical aspects or compensation or betterment charges. The TPO is responsible to amend the draft TPS if he considers fit, finalize it and hand over the final plots to landowners.

15. Individual hearing of landowners on TPS and Finalization:

The Town Planning Officer gives a hearing to every landowner. If required, the preliminary TPS is modified according to the suggestions of the landowners. After a second round of hearing, the TPS is sent to the State Government which must approve it within two months. This is now the Final TPS and is published in the local newspapers as the ‘Award of the Final TPS’. Now, any appeals related to betterment charges or compensation are resolved. After this, the State Government is supposed to approve the Final TPS within three months.

Source: HUDCO Chair Program, University of Hyderabad, 2016

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