

# **HOUSING TENURE FOR THE URBAN POOR: A CASE STUDY OF MUMBAI CITY**

Gaurang Desai <sup>1</sup>, Madhura Yadav <sup>2</sup>

<sup>1</sup> Bhoomi, 5/ 25 Queens Road, Westmead 2145 Tel: 02-98525779, Fax: 98525741, Email – g.desai@uws.edu.au,

<sup>2</sup> Marathwada Institute of Technology, Dept. of Architecture, Beed Bypass Road, Aurangabad India 431005 Tel: +91 - 240 – 2376011, Email – ymadhura@gmail.com

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## **ABSTRACT**

**Keywords: Housing Tenure, Urban Poor, Mumbai**

The island city of Mumbai is the economic growth engine and commercial capital of India. A combination of in-migration combined with a severe land shortage has resulted in Mumbai having one of the most expensive real estate in the world. As a result the city faces a housing crisis with an estimated 60% of its total population living in slums, adopting multiple non-formal housing tenures.

In recent times, concerted efforts at the political and policy levels to redress this crisis show an overwhelming preference for conferring ownership on slum residents. The common reasoning behind this approach is the belief that ownership facilitates the integration of market forces, results in a more efficient land use, increases revenues through taxation and, helps extend formal financial services such as housing finance to the poor. This paper analyses these claims and the possible impacts of the same on the urban poor. It concludes that an exclusive emphasis on conferring ownership is a uni-dimensional policy directed at a polyvalent and layered problem which may not provide the suggested benefits and in fact render homeless, some of the very people it is designed to benefit.

## CONTEXT

The island city of Mumbai is the commercial capital and economic growth engine of India. Originally composed of seven small islands, land reclamation and infill carried out during the 18th and 19th century integrated these islands into a continuous peninsula (Deshpande and Arunachalam, 1981). Beginning as a seaport on the west coast of the Indian peninsula, Mumbai has steadily diversified its economic base to include value-added manufacturing and financial services. The country's central bank, the Reserve Bank of India and two of India's largest stock exchanges, the Bombay Stock Exchange and the National Stock Exchange are all located here. Mumbai accounts for one-tenth of factory employment and value-added manufacturing, while the port handles more than one-third of the total value of foreign trade (Deshpande, 1996), making the Brihan Mumbai Municipal Corporation one of the richest, with a budget of more than USD 1.2 billion (Mohan, 2003), exceeding the budget of nine States and Territories in the Union of India. This economic growth is sustained by and in turn, drives the steady influx of migrants from rural and regional centers of the country. Consequently, the Mumbai Metropolitan Region (MMR) is one of the fastest growing regions of India. Its population increased from 7.7 million in 1971 to 18.3 million in 2001 (Census of India, 2001) and is projected to increase to 22.4 million by 2011 (MMRDA, 1999).

This in-migration combined with poor land supply due to some of the most extreme topography and excessive government interventions in the form of regulations are the main reasons for the city's housing crisis. Comparing Mumbai to other similar sized Asian cities, Bertaud (2004) found that within a radius of 25 km from the city centre, sea and water bodies occupy 66% of the total area for Mumbai while it was 22% in the case of Jakarta and 5% for Seoul. Cities with such extreme topography often compensate for the lack of land by allowing the height of buildings to be increased. In the case of Mumbai however, this is not the case. While the Floor Space Index (FSI) in most large cities varies from 5 to 15 in the Central Business District (CBD) to about 0.5 in the suburbs, in Mumbai the FSI remains uniformly fixed at 1.33 for the Island City and 1.00 in the suburbs (Alain Bertaud, 2004)

The primary reasons for this are government policies favoring distributed and equitable growth across geographies. This is effected by attempting to "restrict the growth of population in the larger urban conglomerates" (Planning Commission, 1978) and redirecting development to regional centers by extending tax benefits to industry. Furthermore, investments in urban centers such as Mumbai is restricted through urban planning policies like the Urban Land Ceiling Act (ULCA), that result in an undersupply of land and, stringent FSI regulations which monitor the intensity of land use (MMRDA, 1973). The ULCA caps the amount of land that can be accumulated by the private sector and transfers large urban land holdings to the public sector creating monopolies that have had a history of inefficient and corrupt distribution mechanisms. In doing so, it prevents the free trading of land thereby eliminating an important mechanism for discovering efficient land use. Mumbai also has stringent environmental regulations such as the Coastal Regulation Zone (CRZ) which restricts any development within 500meters of the high tide line and, the Rent Control Act (RCA), initially drafted to prevent high rents. However, the RCA eventually ended up empowering tenants more than the owners resulting in restricted investments in the housing sector that eventually killed the development of a rental housing market. The RCA is also the reason for the Mumbai CBD being crowded with old dilapidated structures that cannot be demolished due to occupants who refuse to vacate.

The increasing mismatch between demand for land and housing through in-migration and poor supply have resulted in Mumbai having some of the most expensive real estate prices in the world. Unable to afford such exorbitant prices, access formal financing and in the face of a reduced public housing scheme, a large number of the urban poor are forced to live in slums.

### **INFLUENCES ON RECENT SLUM HOUSING POLICIES**

During the past 50 years, there have been a number of policy measures undertaken to address issues related to slum housing. Ranging from demolition and relocation of slums to the provision of essential infrastructure, each has had a significant impact on the resident's quality of life. Most have however failed to understand the unique characteristics of slum settlements, by imposing formal planning measures.

According to Simon and March (1958), policy making is constrained by inherent limitations of time and resources on the part of its participants. Consequently, policy making is a political process that requires decisions to be made that affect the material interests of various groups within society (Hawkesworth, 1998). The focus on home ownership for slum residents in recent times reflects a convergence of interests and their ability to collectively set the political agenda.

Since the eighties and through the nineties, international agencies such as the World Bank advised governments to refrain from any direct role in the provision of housing (World Bank, 1993). Central to this, was the belief that centralization of power and responsibility by government agencies had resulted in inefficient and inadequate solutions (Rondinelli, et al., 1989), stifling initiatives at a more localized level (Ostrom, 1990; Korten 1990). As an alternative it suggested that housing be treated as an economic and not social sector, mandating the integration of private capital and market instruments. To support such initiatives, it suggested the development of private property rights, housing finance instruments and the integration of private players in the development process.

### **National Housing and Habitat Policy 1998**

The Government of India introduced the National Housing and Habitat Policy (1998) to address the national housing shortage. According to the 1991 Census figures, the housing shortage was estimated at 22.90 million units, 90% of which were for the poor and low income category with an estimated cost of Rs 1, 51, 000 crores. The policy envisaged the creation of 2 million new houses each year, with a special emphasis on provision of housing for the urban poor. Drawing on the recommendations of the World Bank, the policy acknowledged the ineffectiveness of centralized housing policies and the need to act as a facilitator, rather than a provider. The policy outlined a role for private players by promising market mechanisms that ensured profits. At the heart of these mechanisms lay the need for conferring home ownership on slum residents. It was argued that ownership would also result in a more efficient land use, provide incentives for the upkeep and maintenance of the urban environs and, increase tax revenues.

### **Vision Plan for Mumbai 2003**

In 2003, a leading business organization called Mumbai First commissioned the global consultancy firm McKinsey, to prepare a vision document for transforming Mumbai (McKinsey, 2003) into a world class city. The driving force behind this was a concerted

effort on the part of the political and business establishment to boost economic growth in the city which had dropped considerably in comparison to the newer urban centers of Bangalore and Hyderabad, in the south. According to Mahadevia (2005), during 1999-00 to 2000-01 the city's Net State Domestic Product (NSDP) and Per capita NSDP (PCNSDP) had registered a negative growth of -2.98% and -4.53% respectively. Consequently, the stated aim of the study was to achieve economic growth "comparable to world-class levels while simultaneously upgrading the quality of life it provides to its citizens" (McKinsey 2003, pg. 1).

The study identified four key sectors (McKinsey 2003, pg. 13) to achieve the desired 8-10% annual growth rate, an increase of 4-5% points over the preceding years. These included:

- Services – both high end and low base including hotels, tourism, recreation and modern format retail activities ;
- Manufacturing and,
- Consumption based businesses.

Identifying the poor supply of land as one of the reasons for the city's economic stagnation, the report recommends the shifting of all manufacturing activities to the mainland, reducing real estate transaction costs by relaxation of taxes and stamp duties, the repealing of restrictive policies such as ULCA and the reforming of the RCA. With more than 60% of its residents living in slums, the study acknowledges the enormity of the task and suggests the issue of photo-identity cards as a means to regulate in-migration. Furthermore, the document distinguishes between slum residents who migrated relative to a proposed cut-off date. Pre-1995 slums are recommended for redevelopment through market led actions while post 1995 slums were to be demolished, with its occupants to leave the city.

### **DHARAVI SLUM REDEVELOPMENT AND HOUSING**

Drawing from these multiple influences, the state government of Maharashtra put its seal of approval to a proposal by a local architect and builder for the privatization of slum housing in Dharavi where similar initiatives had failed in the past (Hare and Abbot, 1998) . Initially located at the outskirts of the city, the cities steady expansion had transformed Dharavi into its geographic center, placing it adjacent to a new CBD, the Bandra Kurla Complex (BKC). Well connected by roads, seaways and public transport systems, the BKC is only a 30 minute drive away from the international and domestic airports. This makes Dharavi a low rent slum in a very high rent suburb and its real estate, a potential gold mine.

According to the proposed redevelopment plans, a single desk clearance body was to be constituted – the Slum Rehabilitation Authority (SRA) – to approve projects and authorize changes to planning policies to help speed up approvals and prevent costly delays. All slum dwellers resident in Mumbai prior to 1995 would be eligible for a fixed 225 square feet apartment irrespective of the size of their current dwelling. These apartments would be housed in a 7 storey block with 12 apartments lined up on each side of a corridor. The project would be funded entirely by cross subsidizing the profits made by private developers. An increased intensity and density of land use, affected by relaxing Mumbai's stringent FSI regulations would compensate participating developers. Developers could now add additional floors beyond the normally permissible limits and sell them at market rates, cross-subsidizing the slum residents' apartments. Furthermore, according to the SRA, Dharavi would be divided into three zones with differing yet specific ratios between the area provided to

rehabilitate the slum dwellers and the area allowed for open market sales (SRA, 1995). In the case of the latter, the permissible FSI could go as high as 4 against a uniform 1.3 across the city.

On June 1, 2007, the SRA invited bids for the 'Redevelopment of Dharavi' project. Leading international developers from across the world formed joint ventures with local developers to bid for the project (Financial Express, 2007), the results for which shall be known by September 2007. Much depends on the success of the Dharavi project. If successful, it could provide a template for future slum redevelopment schemes and cement the integration of private players and markets in the process. However, little is known about the way in which slum settlements are structured. Also, demographic information remains sketchy, what with the absence of institutional frameworks and formal regulatory mechanisms. Consequently, the effects of a policy as specific as this cannot be predicted and what cannot be predicted cannot be controlled.

### **SLUMS SETTLEMENTS AND INFORMAL TENURE FOR THE POOR**

While slums are commonly represented as places of poor social and physical infrastructure due to their occupation of public and private land, a detailed study helps explain them as the collective spatial and economic response of the underprivileged to secure their future. In doing so, slums often exhibit a complex mix of land use and diverse tenure settings.

A study of the slums at Dharavi in central Mumbai helps elaborate. Infamously termed as the largest slum of Asia, city records from 1985 place its population at 300,000 within an area of 425 acres (Warning, 1995). Located at the edge of coastal mangroves and hemmed in by major roads at the periphery the slum was originally a swamp inhabited by the local *Koli* fishermen in the 1950s. Regular infilling and tipping of waste filled up the swamp depriving the *koli* of their livelihood, and consequently displacing them. Their place was quickly taken up by the migrant potter and leather tanning communities from Gujarat and Tamil Nadu, respectively. The then government and civic administrations ideological opposition to large cities resulted in all manufacturing units facing multiple federal, state and local taxation as well as various environmental restrictions. Sectors operating on wafer thin margins often operate out of such slum locations to save on overheads. Today Dharavi is home to a number of small scale businesses such as garment manufacturing, waste processing, pottery, furniture design, finished leather goods and foodstuffs. Consequently, there are mixed infrastructure and labor needs with some units requiring electricity, some skilled labor and others just the physical space. Such an agglomeration consequently results in land sub-division and/ or the sharing of space so as to maximize returns. Needless to say it results in very interesting and divergent typologies as well as tenures. Often the manufacturing process of a product is distributed into modular sub-assemblies with the output units forming the input for other business units. This process helps de-risk businesses and share costs by maximizing the utilization of space through the creation of complex tenures. Furthermore, streets are often treated as an extension of the dwelling. During the working day or at times of festivals, activities often spillover to the outside and the street becomes a shared space between the dwelling and the public, in general. Again, this inversion of space creates very interesting architectural typologies and a hierarchy in spaces.

Shortly after the potter and tanning communities arrived in Dharavi, young workers from the northern states of Uttar Pradesh and Bihar began arriving to take up jobs in the then vibrant

textile mills of Mumbai. A lack of public housing for the middle and lower income groups (MIG/ LIG) meant that most of these new migrants had no choice but to move into slums. While the middle and upper income groups build their houses in one go, the poor build their houses in an incremental and staged manner. Incremental building provides them with the flexibility to match incomes to the process of building development. Also, the self-employed often have no fixed income. These variations in monthly incomes coupled with a reluctance to take on long-term debt, habituate the poor to flexible spending patterns. During periods of lean business and incomes, the poor often resort to short-term loans from relatives or private moneylenders. These loans are often repaid by downward adjustment of monthly expenses so that repayments may be prioritized. Similarly, dwellings are improved in quality and size only over a period of time when savings have been made.

One of the strategies adopted by the poor to supplement income is to rent out a part of the house or a room. Rental tenure is a result of an informal understanding between the leaser and the lessee, outside the legal and institutional framework. It is common practice for individuals to co-occupy rental accommodation, sub-let or, rent a single room in an owner-occupied house. The form and nature of renting is often dependent on issues such as affordability, access to essential services or proximity to employment opportunities, etc. Also, sharing of rental property often allows the tenants to share rent and deposit costs. This is especially true in the case of recent migrants who face severe financial difficulties till they manage to secure a job. Besides, sharing also provides peer support in times of financial or social stress. Consequently, sharing of rental properties is often based on ethnic linkages, common places of origin or, occupation.

To summarize, the 'slum real estate' selectively metamorphosises based on the owners capacity to leverage surplus real estate through multiple tenure systems. Consequently, architectural typologies, tenure systems, and land/ housing markets all play a role in defining the economic and social wellbeing of residents. Consequently, slum housing policies that affect either need to be carefully examined.

### **EFFECTS OF SUPPLY CENTERED POLICIES ON HOUSING TENURES**

The current measures are premised on the assumption that privatization and deregulation results in a more efficient land use, increases revenues through taxation and, helps extend formal financial services such as housing finance to the poor. However, it raises the issue of whether the mere absence of the government is adequate to ensure efficient markets (Mukhija, 2001). For, if markets are all about discovering price based on demand and supply, ignoring the demand side of the equation may result in serious inefficiencies and inequities. According to the Magsaysay Award winning Jockin Arputham of the National Slum Dwellers Federation, who represents the slum residents, the Dharavi redevelopment plan is extremely unpopular with residents. He adds that residents are not "opposed to redevelopment and resettlement...but just want to be consulted and involved in the plans" (IIED, 2007). In light of the above, what are the likely consequences of such policies?

### **Efficient land use through permanent housing**

Dwellings and slum based industrial structures have their own unique and contextual architectural typology, heavily dependant on ground-level living. These often determine the nature of business activity. Furthermore, these flexible typologies allow for a dynamic tenure system that helps residents generate additional income by partial/ shared renting or as landlords. It is difficult to imagine how these would be possible in a typologically finite,

multi-storied apartment block. In fact, living in a concrete apartment block with dual lifts would entail a monthly maintenance levy often beyond the means of the slum dwellers.

Then again, there is the issue of renters. Landlords are often hesitant to reveal tenant occupation due to fear of tenants gaining official documentation which could challenge their claims over the property in the future. Consequently, tenants are often asked to temporarily leave during visits by survey or census officers. The data informing current policy is therefore inaccurate and could consequently render a large proportion of renters and sub letters homeless.

The experience of preceding slum redevelopment schemes suggest that the new apartment blocks would experience ‘downward raiding’ from the HIG and MIG with most slum residents encashing their entitlements by selling and relocating to another slum seeing more value in a one-time gain than a recurring expense.

### **Housing Finance**

Commonly used systems for identifying suitable borrowers include a housing expenditure to income ratio. A thumb rule calculation commonly employed by housing finance companies assumes that borrowers can afford 30% of their income on housing expenses. Provided these conditions are satisfied the loan advanced has to be repaid in Equated Monthly Installments (EMI) over a period of 15–30 years. Loans are extended only to those households that have a verifiable minimum monthly income or those who can offer the dwelling or assets as collateral.

However, as seen earlier slum residents build their houses in an incremental and staged manner with variable monthly incomes. Variable incomes with flexible expenditure patterns mean that no indication can be given of what proportion of their income residents are willing to spend for their habitat. Also, incremental building requires smaller loans for shorter durations and with flexible repayment patterns.

However, most housing finance companies are hesitant to deal with such loans due to the high overhead costs, inadequate systems for monitoring them and smaller interest spreads. Consequently, it is difficult to foresee how the conferring of ownership can help the poor secure financing in the absence of an institutional framework and clear guidelines.

### **Increased Revenue through Taxation**

Assuming that most residents do retain their apartment entitlements, it is difficult to foresee how they would manage to keep up with recurring expenses such as strata maintenance expenses and municipal taxes. There is a very high probability that most would default. Taking punitive action in such an eventuality is highly unlikely, given that penalizing the poor is seen as politically unacceptable. In the likely event of residents selling the apartments and moving to a different slum settlement, the net taxable income is likely to remain the same.

### **CONCLUSION**

By simultaneously rejecting traditional/ non-formal forms of land use, housing development and housing tenure mechanisms, and refusing to create adequate regulations and frameworks



for the private sector to operate in, the government may set into motion a chain of events which cannot be predicted and what cannot be predicted cannot be controlled.

Based on the governments ability to modify land use through a creative tweaking of land development regulations the policy represents only the supply side of the markets, totally ignoring demand. With no demonstratable benefits accruing to the poor, and a total disregard for their preferences, which remain central to employment, economic well being and security in the city, the slum redevelopment of Dharavi and by extension the policies and ideologies it represents - privatization and conferring of ownership – represent the converging interests of civic administrators, large property developers and the political and business establishments.

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