

**Presentation for
ICRIER's Program on Capacity Building and
Knowledge Dissemination**

Session II: Unlocking Land Value

by

Isher Judge Ahluwalia



**AUGUST 31st,
2012
NEW DELHI**

India is urbanising...

Urban population to increase

- From 377 million today to 600 million by 2031
- From **53** metropolitan cities in 2011 to **87** by 2031

Urban share of GDP to increase

- From 63 per cent in 2011 to 75 per cent by 2031



**Urban planning in India is therefore crucial
at India's present stage of rapid structural transformation**

Metropolitan cities are cities with population over 1 million or 10 lakh (Class IA and Class IB cities).

Urban planning in India

- Primarily based on Town and Country Planning Act of the United Kingdom 1947
- Focuses on detailed land use zoning without due attention to transit-orientation, inclusion, or conservation

Gaps in urban planning

**ULB
level**

Lack of integration between:

- spatial planning and socio-economic planning
- transportation and land use planning
- physical and financial planning

**Metropolitan
level**

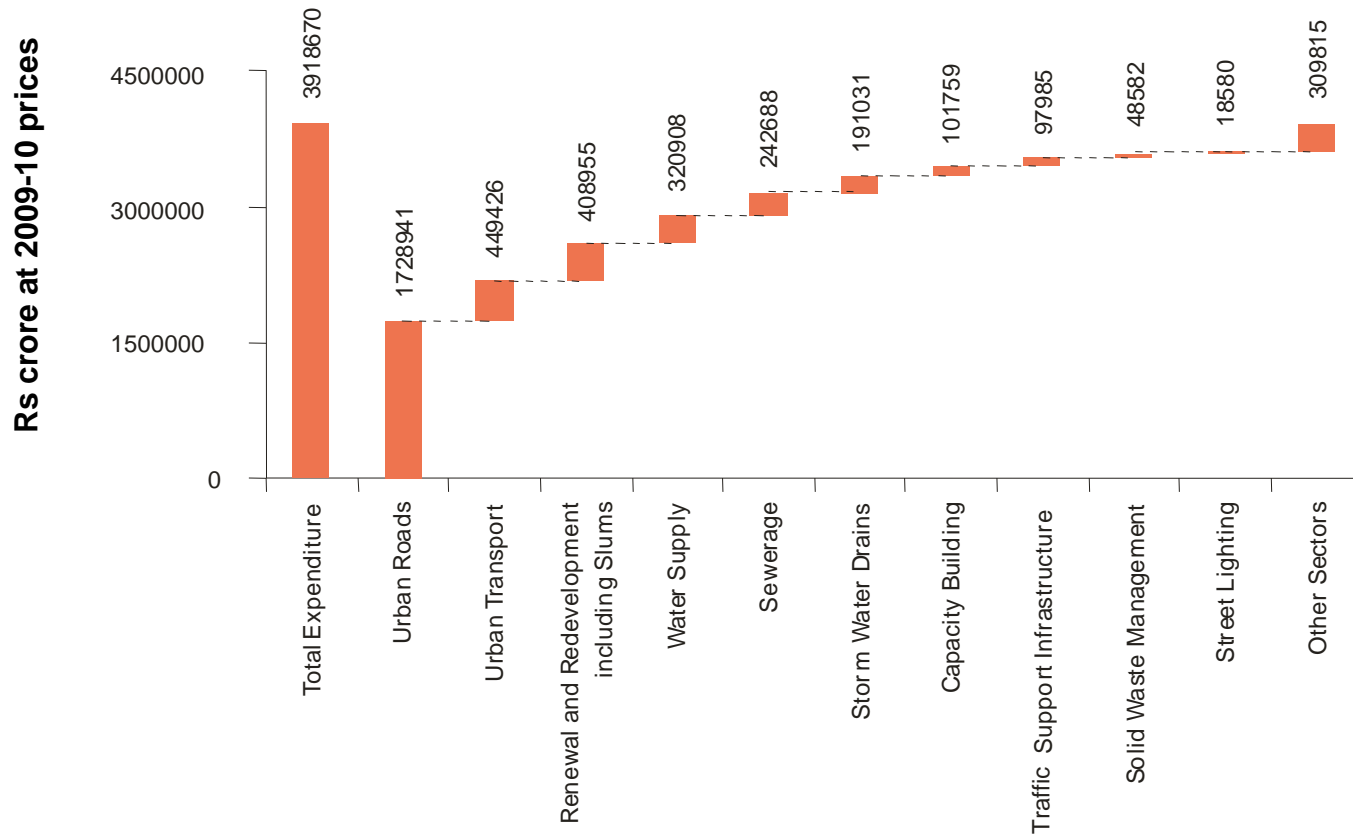
Lack of connectivity across cities/towns

**Regional
level**

Lack of synergy between urban and rural development

Financing of urban infrastructure investment requirement of Rs. 39.2 lakh crore over the period 2012-2031:

Role of unlocking land value.....



*This estimate is at 2009-10 prices and does not include primary education, primary health, electricity distribution and land cost. There is an additional requirement of **Rs 20 lakh crore** for operation and maintenance of old and new assets.*

Rationale for land as a resource

Land values increase because of...

- market forces of agglomeration
- urban planning
- infrastructure development

*leading to
private
gains*

...enhancement in land values can be tapped to

- mobilize resources for urban planning and urban infrastructure development

International examples of tapping into unlocked land value

Bogota

Beginning in 1997, municipalities were authorized to capture 30 to 50 per cent of the land value increments resulting directly from public investments in infrastructure or indirectly through planning and regulatory changes

Copenhagen

Appreciated land value resulting from a metro rail line of 22 kms has been unlocked through direct payments (10 per cent), real estate taxes (10 per cent), and operating profits from the metro (30 per cent)

Hong Kong

Derives a major proportion of its revenue from land through lease/sale of property with grant of densification and development rights.

Sydney

In the metropolitan region, a **betterment levy** of 30 per cent was imposed on specified rural lands during the period from 1970 to 1973. Proceeds from the levy were earmarked for financing city improvements.

United States

Development impact fee, an important instrument for unlocking land value, is used to generate revenues for funding or recouping the costs of capital works or extensions of existing infrastructure attributable to new development in many cities.

Current instruments for Unlocking Land Value in India

- Government of India
 - Capital Gains Tax
- State governments
 - Stamp duty
 - Conversion charges
- Development Authorities
 - Land monetisation
 - FSI (Floor Space Index) charges
 - Development charges
- Urban Local Bodies
 - Property Tax
 - Vacant Land Tax

Innovations at work in India

- **Mumbai Metropolitan Regional Development Authority** auctioned 13 hectares of financial centre **land** between Jan 2006 and Nov 2007 raising \$1.2 billion – 10 times its total capital spending in 2005
- Town Planning Scheme (TPS) have been used to acquire undeveloped land in kind to build road infrastructure in **Ahmedabad**. Out of the total road length of 76.3 kms of the outer ring road, 57 kms were acquired through TPS.
- **Greater Hyderabad Municipal Corporation** levies an impact fee to generate resources for infrastructure development.
- **Hyderabad Municipal Development Authority** is proposing to levy a **special impact fee** on any development occurring within 1 km corridor of the Outer Ring Road

Innovations at work in India...contd.

- In **Pimpri-Chinchwad**, FSI was increased from 1 to 1.8 along the BRTS alignment to raise resources. The proceeds were transferred to an **Urban Transport Fund**. Other cities in Maharashtra, e.g., Mumbai, Thane, etc. have also used FSI to mobilise finances; Hyderabad and Bangalore have done the same.
- **Bangalore Metro Rail Corporation** recently proposed **TDR** (Transfer of Development Right) to secure land for metro rail alignment in lieu of compensation for the acquisition of land. A **cess on additional FSI** on all properties located within 500 metres from the metro rail alignment is also under consideration.
- A **5 per cent cess on market value of land** in Bangalore is proposed for building the **Metro Infrastructure Fund**.

Thank You
