

# Suburban Slum Redevelopment in Mumbai, India



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## INTRODUCTION

Slum redevelopment has recently emerged as a popular and successful model in Mumbai's chaotic commercial real estate market. With slums occupying a significant portion of the city's land, the government of Maharashtra's Slum Rehabilitation Scheme presents a great opportunity for private developers. As the market experiences political cycles, policy makers update schemes to gain favor with voters, and slum redevelopers find it increasingly difficult to feasibly meet the stringent requirements of rehabilitated housing. This paper discusses the implications of such policy updates on Shivangan SRA CHS, an ongoing redevelopment in Mulund East, Mumbai.

## GEOGRAPHICAL CONTEXT

In the northeast suburbs of Mumbai lies Mulund, a well-connected neighborhood with access to the Central Railway line as well as the Eastern Express Highway. Situated at the starting point of the city's railway network, Mulund has recently witnessed a growth in real estate development. It is geographically split into two parts – Mulund (East) and Mulund (West), which are abbreviated Mulund (E) and Mulund (W) – with each of the two areas having its own unique demographic and real estate development opportunity.

While the western side of Mulund is livelier, with full-fledged development including large-scale residential complexes, shopping malls, entertainment halls, and offices, the eastern side is more conservative and quieter, and is primarily occupied by residential areas with some retail, schools, and temples to support the demographic there. The west is wealthier, and families here tend to have higher disposable incomes, which is reflected in the real estate prices in the area. However, property values on both sides are almost at par.

Mulund is the perfect spot for residents of Navi Mumbai or Thane,<sup>1</sup> who commute to downtown Mumbai for work and are looking to relocate to an address within Mumbai city.<sup>2</sup> In the early 2000s, established developers such as Oberoi Realty, Shapoorji Pallonji Real Estate, and Rustonjee Builders were continually constructing large-scale residential complexes in Mulund (W), while Mulund (E) typically had stand-alone apartment buildings with limited amenities. Increasing migration into Mumbai suburbs led to rising property prices in gateway neighborhoods such as Mulund. With a large portion of land being underutilized by slums, Mulund presented a great opportunity for developers to undertake profitable projects in the neighborhood.

1 Thane and Navi Mumbai are neighboring cities to the north and east of Mumbai, respectively.

2 Mulund is the first stop on the railway line for trains entering Mumbai from Thane or Navi Mumbai.

## THE SLUM REDEVELOPMENT MODEL

In 1995, the government of Maharashtra, led by Shiv Sena,<sup>3</sup> formulated a Slum Rehabilitation Scheme (SRS), which relaxed the eligibility criteria for slum dwellers in Mumbai.<sup>4</sup> In order to attract private developers to underutilized public land, the scheme granted Transferable Development Rights (TDR) and provided Floor Space Index (FSI)<sup>5</sup> incentives for developers to build for-sale condominiums. The salient features of this scheme included the following:

1. In-situ rehabilitation of eligible slum dwellers with one tenement per family.
2. Residential tenement size was fixed at 225 square feet, and the square footage of non-residential tenements was to be provided as per actual area subject to a maximum of 225 square feet.
3. Self-financing by way of compensating the developer with salable components proportionate to the rehab component for sale on the open market (i.e. for-sale condos).<sup>6</sup>

Thus, the scheme allowed for a development model wherein:

1. At least 70% of the eligible slum dwellers<sup>7</sup> of a viable slum area form a cooperative housing society (CHS) as per the provisions of the Maharashtra Co-operative Societies Act, 1960

3 Mumbai is the capital of the state of Maharashtra. Shiv Sena was the elected political party in 1995.

4 For Shivangan SRA CHS, eligibility was granted for families residing in slums since before 2000.

5 FSI is the same as FAR. FSI is the term used in Mumbai and in the Slum Rehabilitation Scheme.

6 Slum Rehabilitation Scheme (1995), Urban Development Department (15/10/95), Govt. of Maharashtra.

7 In 2018, the 70% participation requirement was changed to 51% in an amendment.

(MCS Act), with its Chief Promoter elected to represent the interests of its members (i.e. the eligible families on site).

2. By passing a resolution in a general meeting of its members, the CHS appoints a private developer to implement the redevelopment project. Projects are initiated only after documenting the consent of at least 70% of the slum dwellers. Developers can be removed at any point by reason of non-performance and/or violation of the terms and conditions for approval of the project imposed by the government authority.
3. The slum-occupied land is considered a “resource” for implementation of the redevelopment scheme. For redevelopment of slums located on public land, the land-owning governmental authority provides the land to the developer at a percentage of the market price. In the case of privately-owned land, the landowner receives a preferential right to undertake the redevelopment directly or through a nominee. In a case where the owner fails to redevelop the land in a timely manner, and upon the request of the CHS, a compulsory acquisition is carried out by the Slum Rehabilitation Authority (SRA or Authority), with payment of meager compensation to the landowner. Following such an acquisition, a new developer appointed by the CHS undertakes said development.
4. After approval of the scheme by the Authority, the site is vacated and slum dwellers are relocated into temporary on-site camps or off-site rental housing, paid for by the developer.
5. Based on the criteria set by the SRS, the developer builds rehab tenements on the site to provide permanent housing for the eligible slum dwellers.
6. In return for providing free housing, the developer receives floor space index incentives to build for-sale market-rate condominiums on the site.
7. The developer pays SRA INR 40,000.00<sup>8</sup> per tenement as a maintenance deposit, which remains in a special CHS account for 10 years. The interest earned on this principal amount is used for recurring expenses such as common area maintenance, electrical costs to operate elevators and motor pumps, property taxes, and water charges payable to the municipal authority. After 10 years, the CHS can withdraw the principal amount as needed. Tenement allottees are not permitted to sell or lease their tenements for 10 years from their date of occupancy. It is assumed that tenement allottees will eventually have improved incomes, which they may use to buy a new property.

8 This was 20,000 INR prior to the 2018 amendment to the SRS.



Figure 1. Final rendering of the lobby for the Baya Upper Nest towers.



Figure 2. Rendering showing street view of the Baya Upper Nest towers.



Figure 3. Daytime rendering of the Baya Upper Nest towers.



Figure 4 & 5. Podium level amenities including a swimming pool, terrace lounge, and gym for residents of the Upper Nest.

Arihant Construction’s Shivangan project in Mulund (E) followed this model. Original plans for the redevelopment involved two components. In this case, the co-operative housing society is referred to as Shivangan SRA CHS,<sup>9</sup> while the for-sale condominiums are marketed as Baya Upper Nest by The Baya Company.<sup>10</sup>

### ORIGINAL PLANS FOR SHIVANGAN CHS

A leading developer in Mumbai’s real estate industry, Arihant Construction Company owned a prime site in Hanuman Chowk.<sup>11</sup> Measuring a total area of 6732.10 square meters (72,463.72 square feet), and located within a 3-minute walking distance from the Mulund (E) railway station, this site presented a great opportunity for redevelopment. In addition to its proximity to major transportation hubs, it is also close to schools, parks, restaurants, shopping, healthcare



Figure 8. Jogging track for the residents of the Baya Upper Nest.



Figure 9. Terrace lounge at the podium level of the Upper Nest towers.

9 Co-operative Housing Society listed under the Slum Rehabilitation Authority, Govt. of Maharashtra.

10 As discussed later in the case study, The Baya Company took over Arihant Construction Co. in 2017.

11 A prime location within Mulund (E), named after the Hanuman Temple located there.

facilities, and other family-oriented infrastructure.

Original plans for the redevelopment involved three rehab buildings and one for-sale apartment tower. Based on the minimum density requirement of 500 housing units per hectare (~202 units per acre), this site was required to accommodate 306 rehab tenements. This included 224 tenements for the dislocated slum dwellers and 82 additional tenements as “surplus rehabilitation tenements” that are provided to the government for use as rehabilitation of slum dwellers/occupants of other structures that are affected by infrastructure or other government projects such as road widening, laying of railway tracks, and the like. Such surplus tenements are referred to as Project Affected Persons (PAP)<sup>12</sup> tenements. The project was originally approved in 2006, as seen in the SRA’s approved Letter of Intent dated April 29, 2006.

Construction started soon after the premises were vacated, and slum dwellers were put up in temporary housing. By 2008, Arihant Construction Co. completed part of an 8-story rehab building for Shivangan SRA CHS, with housing units of 20.9 square meters (225 square feet) each. This part of the rehabilitation building accommodated only 40 of the 224 slum dwellers that were eligible for free housing under the Slum Rehabilitation Scheme of 1995. Meanwhile, another rehab building, planned to be 8 stories, was constructed up to the plinth level (i.e., ground level).

## CHANGE IN POLICY

In 2007, the central government of India approved a national housing policy, which stipulated that the minimum size of a dwelling should be no less than 25 square meters (269 square feet). In order to align the state’s slum rehabilitation scheme with this federal policy, the Government of Maharashtra issued a notification dated April 16, 2008, changing its minimum tenement size requirement to conform to these requirements. Passed under political pressure to appease citizens, this policy left private developers in a bind to re-evaluate their proposed schemes.

This change in the regulations failed to clarify how the updated requirement affected ongoing schemes where construction was completed up to different stages. To address this issue, on June 11, 2008, the government issued a clarification stating that that new regulation applied



Figure 6. An isometric rendering of a typical floor plan layout for the condominiums.

to ongoing projects, provided that the occupancy certificate has not yet been issued. The problem with this clarification was that occupancy is typically granted for buildings that are complete. But at earlier points in construction before the certificate of occupancy is issued, the entire reinforced cement concrete (RCC) structure may have been built and thereafter it is almost impossible to alter the structure of the building. As Arihant Construction Co. evaluated its strategy to solve this dilemma, the CHS demanded bigger tenements and pushed for updated plans. Under pressure from the CHS, an alliance of private developers urged the government to further clarify the policy.

In December 2008, another clarification was issued, superseding the earlier order. It stated that converting units from 225 to 269 square feet is not required if the building is constructed up to the plinth level. Although this notice initially seemed promising, Arihant struggled to proceed with the project since the CHS was unwilling to accept the 40 tenements of 225 square feet and continued to demand larger units of 269 square feet. Arihant sent over revised drawings as a proposal to convert the second rehab building to the larger tenement sizing. As the developer dealt with this conflict, the confusion regarding the applicability of this policy continued.

During this period of confusion, Arihant was still waiting for the revised plans to be approved. As the CHS pressured the developer to deliver larger houses quicker, Arihant continued construction of the second rehab building with unapproved plans showing 65 tenements of 269 square feet

<sup>12</sup> PAPs are commercial tenants and businesses affected by the redevelopment scheme.

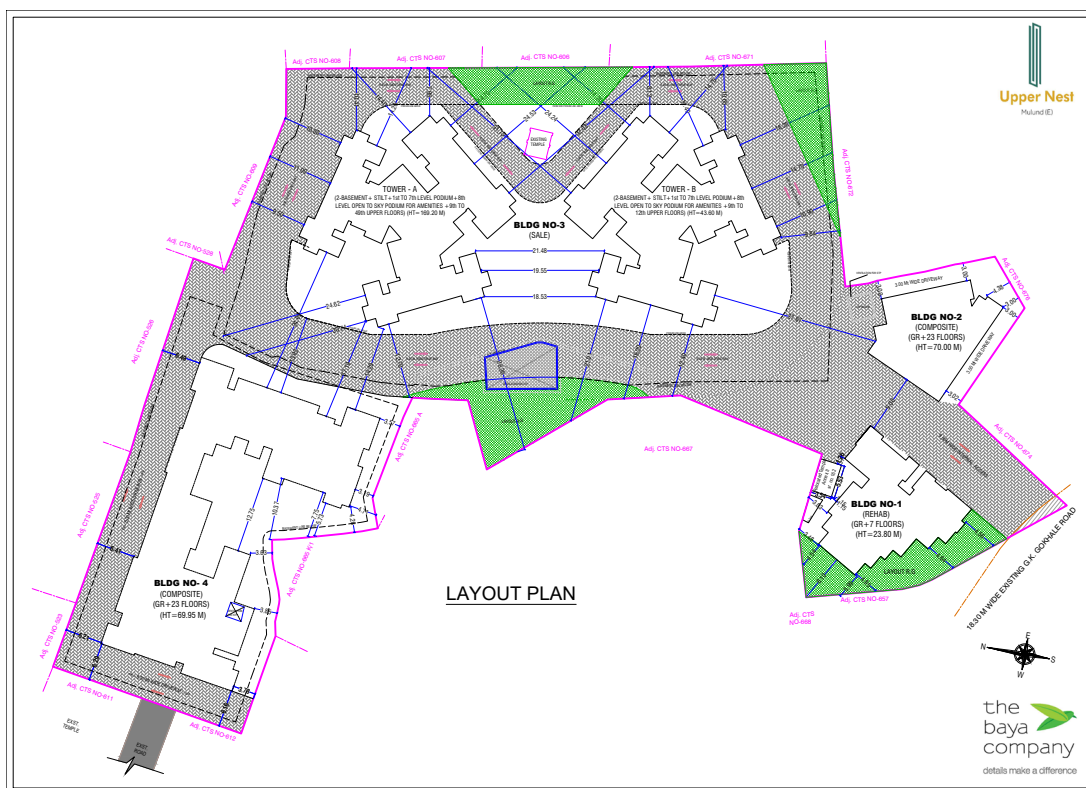


Figure 7. Project scheme layout showing rehab and for-sale condominium buildings as of February 27, 2020.

each. The developer was aware that post-facto permission would allow for regularizing this building even though it was constructed without approval. This is possible through a penalty payment, provided that the building is approvable by the Slum Rehabilitation Authority from the viewpoint of building regulations. However, since the building had been constructed up to the plinth level at the time of the policy change, they could not receive a post-facto permission, as the building was not approvable under the terms of the policy.

## LOBBYING THE STATE GOVERNMENT

Seven years after the approved letter of intent, none of the eligible slum dwellers had yet been relocated into permanent tenements. Around 50 were in temporary transit camps on site while others were living in rental housing, costing Arihant Construction Co. approximately ₹10,000 (\$141) per month per family. For almost a decade, the CHS and the developer wrote letters to the SRA to consider their case since the building was code-compliant and approvable, except for the term regarding plinth completion. However, with no substantive power to regularize this building, the SRA was unable to decide on the case.

To raise this matter to a higher authority level, SRA CEO S.S. Zende, a senior bureaucrat, wrote a letter to the Principal

Secretary of the Urban Development Department (UDD) on April 29, 2011. In his letter, he urged the UDD to allow him to approve the revised Shivangan scheme under special provisions, wherein the 65 tenements at 269 square feet may be regularized and the building may receive an occupancy certificate, following the payment of a penalty. Mr. Zende also proposed that the originally built 40-tenement building be converted into a for-sale component and sold in the market.<sup>13</sup>

This proposal, if approved, would regularize 65 of the 224 rehab tenements

required for the project, while also leaving an additional 82 PAP tenements to be accommodated separately.<sup>14</sup> Mr. Zende acknowledged that the remaining unbuilt tenements will be constructed at 269 square feet, according to the updated policy.

## SPECIAL COMMITTEE OF THE UDD

From 2011 to 2015, this case file kept circulating within the Housing and Urban Development departments, with no ruling on the matter. Meanwhile, Arihant kept pursuing other projects, while regularly making payments to keep its slum dwellers in temporary rental housing.

Eventually, the UDD formed a special committee of three Indian Administrative Services (IAS) officers to decide on special cases such as Shivangan SRA CHS. The three senior bureaucrats on the committee ruled that the conversion requirement of tenements up to the larger size of 269 square feet was entirely dependent on the structural feasibility of such an architectural update, and that each case will be adjudicated separately. However, following this

13 This would be accomplished by demolishing non-load bearing walls to create larger apartment units for sale.

14 This would result in a total 306 units (224 for slum dwellers + 82 for PAPs), based on the minimum density requirement.

new clarification, the Government failed to provide a final decision on the Shivangan case.

As the developer awaited a final decision, the government issued a new notification on May 19, 2015, stating that any such special cases for ongoing projects affected by the increase in required tenement sizing will be adjudicated by the Chief Executive Officer of the Slum Rehabilitation Authority. The SRA CEO had the authority to approve special case projects, provided that converting tenements from 225 to 269 square feet did not require demolition of already constructed structures within the building.

## REVISITING THE ENTIRE PROJECT SCHEME

Following the UDD notification in 2015, the project faced some unforeseen challenges. Due to delays in construction arising from changes in policies and increased costs, the partners in Arihant Const. Co. experienced financial difficulties. The partnership firm did not have the financial capability to implement this project and to obtain approval for the revised proposal. As a result, in 2017, a leading real estate developer, The Baya Company, took over Arihant Const. Co. and bought out the stake of each of the eight partners in this project.<sup>15</sup> With a strong reputation in the industry and unparalleled expertise in slum redevelopment, The Baya Company presented a promising future for the project.

With his newly acquired authority, the new SRA CEO, Vishwas Patil, approved the 65-tenement building, years after its construction was completed. 65 families were moved into these permanent tenements. Despite this success, one problem remained: none of the slum dwellers within the CHS wanted units in the 40-tenement building since it had smaller units of 225 square feet and retention of this building was also not feasible from a planning point of view.

To appease the CHS, The Baya Company submitted revised plans to SRA proposing that it will demolish the 40-tenement rehab building and in its place, build a new building with larger units. The entire project scheme was revisited, and Mr. Patil approved this new plan on July 1, 2017. This new scheme included 3 buildings in total – one rehab building with 65 occupied tenements, another one that will accommodate the remaining rehabilitation and PAP

tenements at 269 square feet per tenement, and finally, a for-sale apartment tower. The revised layout and building plans showing this new scheme were also approved in 2017.

With approval in place, the first constructed building with 40 of the 225 square foot tenements was demolished. Construction of the new buildings started according to updated approved plans. The 65-tenement building continued to remain occupied, while shore piling for the for-sale building construction began on site. Things were finally looking promising for the redevelopment scheme.

## ANOTHER CHANGE IN POLICY

As construction on site proceeded, the government sanctioned yet another Development Control and Promotion Regulation (DCPR) on September 21, 2018, which increased the required tenement size to 300 square feet. Once again, the CHS started demanding larger tenements from the developer. At the same time, The Baya Company, although not as keen to use the additional FSI incentives, was interested in working with the CHS to provide larger units for the slum dwellers.

Known for its attention to detail, The Baya Company recognized that it is possible to convert the occupied 65 tenements from 269 square feet to 300 square feet in a structurally feasible manner.<sup>16</sup> As an elevation feature, the RCC structure of this building had provisions for exterior niches of 0.75 m (2.5 ft.) in depth. These niches were present in front of each rehab tenement and had the structural strength to safely carry live loads. The developer identified that this additional area can be incorporated into each tenement by moving the curtain wall to the outer edge of this elevation feature.

Including this space into the tenement's floor area and merging the exterior elevation feature into the interiors of the unit would make it possible to increase the tenement size to 300 square feet. The CHS appreciated The Baya Company's efforts in meeting its demands. The company is currently awaiting approval for the revised plans proposing this layout change.

Also in the new DCPR was an update requiring redevelopment schemes to have a minimum housing density of 650 tenants

<sup>15</sup> The commercial deal was reached in 2016, while the takeover was completed in 2017.

<sup>16</sup> Structural feasibility was a condition for approval, as stated by the policy update discussed earlier.

per hectare (~263 tenants per acre), in contrast to the 500 required when this project was approved in 2006. The scheme now required 405 tenements in total, which is an additional 99 over the 306 that were planned for this site. With one rehab building already constructed and the other in the process of being built, along with the foundation for the condominium tower in place, it was impossible to fulfil this additional requirement for PAP tenements. If The Baya Company had to provide these additional tenements at the increased 300 square foot size, the second rehab building would have to be over 30 floors, while the for-sale tower would end up being over 70 floors tall. The project would not be viable due to elevated construction costs.

To solve this issue, The Baya Company will make use of clubbing, a provision allowed by clause 10 of the Regulation 33(10) of the DCP Regulations as part of the Slum Rehabilitation Scheme. This provision allows the developer to interchangeably use two plots and shift tenement requirements as well as FSI incentives from one to the other.

The Baya Company's director disclosed that 65 of the originally planned 224 tenements will stay on the Shivangan site, while the remaining tenements will be shifted to an adjacent plot, which Baya acquired recently. Thus, the remaining 159 rehab tenements will be constructed on this new site. The additional FSI from the increased tenement area is still applicable on the original site, which allows The Baya Company to maximize its profit from sales as condominiums will sell for higher prices in a prime location.<sup>17</sup>

The new site had a small apartment building, and apartment owners here have consented to such a clubbed redevelopment scheme, in return for free condominiums. Finally, the remaining 181 PAP tenements are now moved to a Baya scheme in Mankhurd, another suburb of Mumbai.<sup>18</sup>

## **FUTURE CLIMATE OF SLUM REDEVELOPMENT**

Today, the project site has one 8-story rehab building completed and occupied by 65 families. Another rehab building, now modified to be 24 stories, is ready for construction but is still awaiting approval. In the remaining part of the original site, the foundation is completed

for a 180-meter (590.5 foot) apartment tower, with 7 condominiums already sold.

As it proceeds with the project, The Baya Company needs to raise ₹150 crores (\$21.1 million) to support construction costs. Although the company anticipates delays in funding due to the Non-Banking Financial Corporation crisis, it is hopeful of receiving financial assistance from local banks, which are aware of The Baya Company's good reputation regarding timely delivery of high-quality projects.

After recent elections, the Congress party came to power in Maharashtra through an alliance. Prior to the elections, it had promised slum dwellers an update in SRS DCPR increasing minimum tenement requirement to 500 square feet. With the stress of a potential policy update, developers such as The Baya Company are understandably wary of the future of ongoing slum redevelopment schemes across Mumbai.

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The Baya Company. Archived architectural drawings. Shivangan SRA CHS (2006-2017).

The Baya Company. Baya Upper Nest sales brochure (2017).

<sup>17</sup> The original site is better suited for higher sale prices of condominiums.

<sup>18</sup> Clubbing with yet another project. Details regarding the Mankhurd site are unknown.