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# Primer on Repeal of the Urban Land Ceiling and Regulation Act JNNURM State-Level Reform

## Final Report

Indo-USAID Financial Institutions Reform and Expansion Project—  
Debt & Infrastructure Component (FIRE-D Project)

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# Repeal of Urban Land Ceiling & Regulation Act (ULCRA)

State Level Reform

## 1. The Reform

The objective of the Urban Land (Ceiling & Regulation Act), 1976, (hereafter ULCRA) was to facilitate the availability and affordability of urban land by increasing its supply in the market and by establishing an efficient land market. The ULCRA provided for imposition of a ceiling on both ownership and possession of vacant land; acquisition of excess vacant land by the state government with powers to dispose of the land for the common good; payment of compensation for the acquisition of the excess land; and granting exceptions in respect of certain specific categories of vacant land.

The ULCRA came into force in 1976 in 64 urban agglomerations spread over 17 states and three union territories (UTs) and covered towns with a population of more than two lakh as per the 1971 Census.

The implementation of the ULCRA in the states and UTs was, however, dismal mainly due to:

- Absence of clarity and too much discretionary powers given to the state governments for granting exemptions.
- Compensation provided for the acquired land was very little, which often led to lengthy litigation disputes. The maximum compensation was Rs.10 per sq. meter and the total compensation could not exceed Rs.2 lakhs per owner. This made landowners reluctant to declare their vacant land as surplus.
- Absence of a mechanism to encourage the entry of the vacant urban land into the land market through appropriate fiscal measures. Land prices in cities reached astronomical heights due to artificial scarcity of land created by ULCRA.

Since the ULCRA has not met its intended objectives, the Government of India decided to repeal the Act with the passing of the Urban Land (Ceiling and Regulation) Repeal Act, 1999. Various states subsequently repealed the Act. The only states yet to repeal ULCRA are Andhra Pradesh, Assam, Bihar and West Bengal.

Repeal of the ULCRA has been included as one of the mandatory reforms suggested in Jawaharlal Nehru National Urban Renewal Mission (JNNURM). States have to commit to repealing it within a committed time frame. It is envisaged that the repeal of the Act would go a long way in reviving the stagnant housing industry and facilitate construction of dwelling units both in the public and private sector.

## 2. Rationale for the reform

The following are the principal reasons why the ULCRA should be repealed:

- Vast tracts of land in cities are expected to be released for development. This will bridge the gap between demand and supply in the real estate sector of various states.
- The housing sector will receive a big boost. The increase in the supply of land will improve accessibility and affordability for the urban poor.
- It will tend to improve transparency and efficiency in land acquisition, which would encourage domestic and foreign investment in the real estate sector.
- The administrative fees payable under ULCRA for getting permission for land development, which are sometime as high as Rs.100 per square feet, would be done away with and the benefits passed on to the consumers.

Some of the specific advantages of repealing the ULCRA for states, ULBs and citizens are as follows:

### States

- Increased supply of land and investment in housing will have multiple effects in generating direct and indirect income and employment generation besides improving productivity levels and the overall social well-being.
- It will ensure faster granting of building permissions and promote real estate development in selected cities, shorten project execution time, and save on interest. These benefits can be passed on to consumers.
- Large tracts of land that earlier would have required urban land ceiling clearance from the government can now be taken up for construction and development of integrated townships and construction of houses for EWS/LIG.
- Decline in number of litigation cases.
- New supply of land is expected to have a moderating effect on property prices.
- It will remove the impediments to land supply and free it from obsessive government control.

### ULBs

- Increased housing supply will help in mobilizing property tax.

### Citizens

- Increased accessibility and affordability of housing for the urban poor.
- Reduced corruption and unlawful payments to get permission for development.

### **3. Steps to implementing the reform and timelines**

In order to repeal the ULCRA, the state governments may take the following steps.

Steps	Years			
	1	2	3	4
Resolution to be passed in the state assembly indicating state's intent to repeal ULCRA				
State legislature to pass a resolution in compliance with the repeal of ULCRA Act passed by Parliament in 1999				
State government to issue notification in this regard				
State Urban Development Department to issue directions/guidelines with regard to usage of excess vacant land that would be released after repeal of the Act				

Once the Act has been repealed the following steps need to be taken to bring excess vacant land to the market:

- Spell out clearly provisions of the repeal act to address cases where the possession of excess vacant land had been taken, but not used or handed over to the state and local authorities for development purposes, or where land has been encroached upon and/or where possession has not been taken.

- Usage of the excess vacant land under possession of urban agglomerations in order to improve the housing stock, e.g., development of housing cooperative societies, etc.
- Deployment/transfer of staff of Urban Land Ceiling Department to other state departments.
- Constitution of 'Screening Committees' to decide on the land under possession of the state governments for which no schemes/projects have been prepared. To dispose of excess vacant land, state governments may formulate a policy to auction it and make use of the revenue for development of housing schemes for EWS/LIG.
- Moreover, the land which is acquired or taken possession by the Government under the Act and which are free from encroachment and other litigations can be allotted to other departments of the state and the balance land can be sold through tender-cum-auction as mentioned above.

### **Impact Assessment of Repeal of Act**

An impact assessment of repealing the Act, was carried out in the states of Uttar Pradesh, Madhya Pradesh, Punjab, Karnataka and Gujarat in 2001-2002. The following were the findings:

- Karnataka and Gujarat constituted 'Screening Committees' and 'Auction Committees' to dispose of excess vacant land.
- Punjab and Madhya Pradesh released all excess vacant land acquired and vested with the state government.
- In Punjab, all the vacant land, which was acquired under the Act, but was not under 'possession' of the state government, was released.
- In Madhya Pradesh, the urban agglomerations of Indore, Jabalpur and Ujjain released 4,350.33 ha., 279.86 ha. and 43.91 ha., respectively, of excess vacant land after the repeal of the Act.
- The data available for Punjab, Madhya Pradesh, Karnataka and Gujarat reveals that out of the 11,979.48 ha. of land vested with the state governments before the repeal of the act, the land released after the repeal of the Act was 4,734.06 ha. as on 31 Oct. 2001.
- After the repeal of the Act, the Land Ceiling Departments in the respective states were lying defunct. In Uttar Pradesh, the employees of the Land Ceiling Department were facing an uncertain future. The state governments were considering steps to absorb these employees in other departments.

#### **4. Measuring Achievement/Outcomes**

##### *Outcomes*

- The state government passes a resolution in the state assembly to repeal the ULCRA.
- The state government issues a notification with regard to repeal of the Act.
- The state Urban Development Departments issues directions/guidelines to allow for the usage of excess vacant land that is released in a manner to increase the housing stock for the urban poor.

***Monitoring Indicators***

- Increase in quantum of land that becomes available for development.
- Increase in the share of housing stock.
- Registration of land increased.
- Increase in construction activity.
- Increase in the ownership ratio.
- Released land used for construction of houses for EWS/LIG.
- Reduction in time for getting permission for land development.

## **Annexure I** **The Urban Land (Ceiling & Regulation) Repeal Act, 1999**

1. An Act to repeal of the Urban Land (Ceiling & Regulation) Repeal Act, 1976.

Be it enacted by Parliament in the Fiftieth Year of the Republic of India as follows:

1. This Act may be called the Urban Land (Ceiling & Regulation) Repeal Act, 1999.
  2. It applies in the first instance to the whole of the states of Haryana and Punjab and to all the Union Territories; and it shall apply to such other states, which adopt that Act by resolution passed in that behalf under clause (2) of article 252 of the Constitution.
  3. It shall be deemed to have come into force in the states of Haryana and Punjab and in all the Union Territories on the 11<sup>th</sup> day of January, 1999, and in any other state which adopts this Act under clause (2) of article 252 of the Constitution on the date of such adoption; and the reference to repeal of the Urban Land (Ceiling & Regulation) Act, 1976, shall, in relation to any state or Union Territory, mean the date on which this Act comes into force in such state or Union Territory.
2. The Urban Land (Ceiling & Regulation) Act, 1976 (hereinafter referred to as the principal Act) is hereby repealed.
  3. (I) The repeal of the principal Act shall not affect-
    - a. The vesting of any vacant land under sub-section 10, possession of which has been taken over by the state government or any person duly authorized by the state government in this behalf or by the competent authority;
    - b. The validity of any order granting exemption under sub-section (I) of section 20 or any action taken there under, notwithstanding any judgment of any court to the contrary; and
    - c. Any payment made to the state government as a condition for granting exemption under sub-section (I) of section 20.

Where-

- a. any land is deemed to have vested in the state government under sub section (3) of section 10 of the principal Act but possession of which has not been taken over by the state government or any person duly authorized by the state government in this behalf or by the competent authority; and
  - b. any amount has been paid by the state government with respect to such land, then such land shall not be restored unless the amount paid, if any, has been refunded to the state government.
4. All proceedings relating to any order made or purported to be made under the principal Act pending immediately before the commencement of this Act, before any court, tribunal or other authority shall abate:

Provided that this section shall not apply to the proceedings relating to sections 11,12,13 and 14 of the principal Act in so far as such proceedings are related to the land, possession of which has been taken over by the State Government or any person duly authorized by the state government in this behalf or by the competent authority.

5. (1) The Urban Land (Ceiling & Regulation) Repeal Ordinance, 1999, is hereby repealed  
(2) Notwithstanding such repeal, anything done or any Action taken under the said ordinance shall be deemed to have been done or taken under the corresponding provisions of this Act.

## Repeal of Urban Land Ceiling & Regulation Act

### Annex 2

#### List of 64 Urban Agglomerations where the Urban Land (C&R) Act, 1976, is Applicable/Repealed

Name of the State	Categories of Urban Agglomerations				States which have Repealed the Act (R)*
	A	B	C	D	
Andhra Pradesh	-	Hyderabad	Vishakhapatnam, Vijayawada	Guntur, Warangal	
Assam	-	-	-	Gauhati	
Bihar	-	-	Patna, Dhanbad, Jamshedpur	Ranchi	
Gujarat	-	Ahmedabad	Rajkot, Vadodara, Surat	Jamnagar, Bhavnagar	R
Karnataka	-	Bangalore	Mysore, Hubli, Dharwar	Mangalore, Belgaum	R
Madhya Pradesh	-	-	Gwalior, Indore, Bhopal, Jabalpur	Ujjain, Durg-Bhilai, Nagpur, Raipur	R
Maharashtra	Greater Bombay	Pune	Ulhasnagar, Sholapur, Nagpur	Thane, Nasik, Sangli, Kolhapur	R
Orissa	-	-	-	Cuttack	R
Punjab	-	-	Amritsar, Ludhiana	Jullundur	
Rajasthan	-	-	Jaipur, Jodhpur	Bikaner, Ajmer, Kota	R
Uttar Pradesh	-	Kanpur	Bareilly, Meerut, Agra, Allahabad, Lucknow, Varanasi	Morsidabad, Dehradun, Gorakhpur, Aligarh, Saharanpur	R
West Bengal	Calcutta	-	-	Asansol, Durgapur	
Delhi	Delhi				R
Chandigarh	-	-	-	Chandigarh	R
Pondicherry	-	-	-	Pondicherry	R
	3	5	27	29	

\* Repealed Act: The Urban Land (Ceiling & Regulation) Repeal Act, 1999 (attached).

The names of the states/Union Territories, which have repealed the Act but have no urban agglomerations with a population exceeding two lakh are as follows:

- Haryana
- Himachal Pradesh
- Manipur
- Meghalaya
- Tripura.

Remarks: Urban agglomerations are classified on the basis of the following criteria:

- Category 'A' - Super-Metropolitan Cities
- Category 'B' - Cities having populations exceeding 10 lakh, but excluding the super-metros
- Category 'C' - Cities having populations between 3 to 10 lakh

Category 'D' - Cities having populations between 2 to 3 lakh