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# **Mumbai's New Pagdi Redevelopment Rules And Their Impact On Tenants, Landlords And The Housing Market**



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Maharashtra's decision to introduce a separate regulatory framework to dismantle the century-old Pagdi system marks a major shift in Mumbai's housing sector. Announced by Deputy Chief Minister Eknath Shinde, the move aims to resolve long-standing disputes between tenants and landlords while accelerating redevelopment of ageing buildings across the city.

The state's proposal defines a framework to facilitate maximum redevelopment efforts in Mumbai's Island City (which has a long history of legal and social complications caused by the Pagdi System). Based on this announcement, the framework is structured around a three-tier FSI (Floor Space Index) system for development.

In instances where FSI cannot be fully realised due to either height restrictions or zoning limits, TDR (Transfer Development Rights) will also be provided. Analysts assert that the TDR policy will continue to highly impact the growth of real estate in Mumbai.

An important part of this proposal is the provision to build free of charge for the economically weaker section (EWS) and lower income groups (LIG) as part of the government's efforts to support equitable and inclusive redevelopment. Furthermore, this also aligns with the state's broader vision under the ***Majhe Ghar Majha Adhikar*** housing policy to build lakhs of affordable homes by 2030.

## What Is the Pagdi System?

The Pagdi system is a pre-Independence rental arrangement that became common in Mumbai before the 1940s and continues to be recognised under the Rent Control Act. It is widely prevalent in South and Central Mumbai, combining elements of tenancy and ownership.

Under this system, tenants pay a large one-time premium, known as pagdi, to landlords at the time of entry. In return, tenants receive near-permanent occupancy rights. Monthly rents remain extremely low and have often stayed unchanged for decades. Tenancy rights could be assigned / transferred, wherein the consideration shared between tenant and landlord.

Because these rents stayed fixed under the Maharashtra Rent Control Act for decades, landlords earned very little and had no revenue to repair the buildings thus, the landlords have little incentive or money to maintain or repair buildings. Over time these became unsafe. Tenants feared losing their homes during redevelopment and therefore resisted any change or move to redevelop these buildings. As a result, redevelopment remained stalled for years. All of this created long-term challenges.

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According to government data presented in the legislative assembly, more than 19,000 cessed buildings fall under this category. Some have been redeveloped, but many have collapsed due to age and neglect. More than 13,000 are still awaiting redevelopment. A large number of these are in a dilapidated condition while some have even fallen down, thus local authorities have recognised the necessity of a specialised redevelopment framework as the only solution to the problem. Currently, the Maharashtra Housing and Area Development Authority undertakes the repairs of these buildings. But many buildings, especially in South and Central Mumbai, need complete redevelopment, including demolitions, and not just repairs.

## What has the government proposed?

The government is planning a balanced framework to ensure redevelopment while protecting the interests of all parties.

According to the new system, tenants will be given a Floor Space Index (FSI) equal to the area they are currently occupying. On the other hand, landlords will receive the FSI that matches their share of the land. In the case of low-income and EWS tenants, there will be an extra incentive FSI so that their homes can be rebuilt without any cost. Should it happen that the utilisation of the FSI is limited due to height restrictions or other planning limitations, the remainder of the entitlement will be in the form of Transferable Development Rights (TDR) thus giving the option to the stakeholders to sell the unused development potential.

This means that tenants will get a flat that is equal in size to the one they currently live in. Whereas, landlords will get development rights in recognition of their ownership. Also, for families with low income, the government will offer additional support so their rebuilt homes come at no cost. If the available construction space on a plot cannot be fully used, due to certain reasons like height restrictions, the remaining space will be converted into development rights that can be used or sold elsewhere.

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## Who benefits from the new rules?

Tenants will receive rebuilt homes that are safer, while tenants will not lose their original premises or the rights associated with them. For a lot of tenants, this will give them an opportunity to go from old tenancies to owner-occupied flats.

For landlords, who have had to earn as little rent and struggled with maintenance for many years, there will finally be a clear process for redevelopment to occur and for landlords to be compensated fairly.

The fact that currently in local courts there are roughly 28,000 pending disputes between tenants and landlords means that there are many disputes that are tied up in litigation. These types of disputes delay redevelopment for several years.

In order to alleviate the backlog of pending cases, the government will create fast-track courts that will have to receive High Court approval. The goal is to clear the backlog of 28,000 pending cases within 3 years.

The process will provide fairness to both landlords and tenants. The redevelopment options that currently exist in Mumbai will still be available as well. The new format will simply be another option for buildings that have been stuck in litigation for many years.

## What will this mean for Mumbai?

The framework can provide the ability for thousands of families who are living in unsafe, older buildings in various areas of South and Central Mumbai such as Lalbaug, Parel, Dadar, Byculla, etc. to have the opportunity to move into modern and safer homes. Landlords will receive clear compensation and rights, and developers will have predictable rules.

For a city where building collapses have repeatedly endangered lives, this step could transform pagdi buildings by allowing redevelopment to proceed in a safe and more transparent way. Areas that have witnessed repeated building collapses may see a renewed push for redevelopment.

## Conclusion

Urban planners and housing specialists consider the reform to be both a necessary and timely one. The pagdi system discourages landlords from making capital investments or improving their properties due to the control of rent rates; as a result, many of the older parts of Mumbai have become run down.

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For decades, tenants have been resistant to being displaced and have been concerned with being moved to a lower quality of dwelling. Hence, development in these areas has essentially stopped for the last several decades due to this discrepancy.

This new system will enable developers to negotiate and provide transparency to the government in the regulatory framework of old regulations that have created difficulties for decades.

Developers will have a clear and concise set of parameters to work within, which will reduce their risk of being sued and hence reduce the time necessary to recover from lawsuits that have caused significant delays in the execution of their projects.

If the new system is properly implemented, it will create a tremendous opportunity for redevelopment to take place. There will be many benefits to this type of redevelopment, including safer buildings, better density management (i.e. reduced parking needs on crowded streets), an expanded housing supply, and a resurgence of existing economically distraught and poor developments for many years. Most housing professionals agree this will create the proper balance between the protection of the tenant and compensation for the landlord/developer. It will allow for the long awaited modernisation of Mumbai's old pagdi housing stock to new urban forms.

**Kindly note the exact provisions of the regulation and the new framework is still pending to be published and entitlement of the landlord and tenants will depend finally on the rules that will be framed. Will be updated once the framework is published.**



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