

# The Dynamics of Colonization of Peripheral Housing Schemes and Policy Options in Case of Lahore

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## Abstract

*This paper deals with the issue of colonization of peripheral housing schemes by taking Lahore as a case study. It not only presents an analysis of the dynamics of the colonization process but also discusses the policy options to enhance colonization in peripheral housing schemes. The paper concludes that a more systematic approach is needed for generating house building activity in peripheral areas of Lahore. Arriving at the format of such an approach would require a concerted effort on the part of the decision makers to first address some critical policy questions having serious implications for overall housing provision in the city in future.*

**Keywords:** Private Housing Schemes; Public Sector Housing Schemes; Colonization; Spatial Growth; Developed Plots.

## 1. Introduction

Colonization of completely developed housing schemes can contribute not only to meeting the housing backlog in major cities of Pakistan but also to effective utilization of infrastructural services supplied several years ago and being considered presently as dead investment. This paper deals with the issue of colonization of peripheral housing schemes by taking Lahore as a case study. The analysis presented in this paper is based on discussions with senior town planners and policy makers dealing with housing and urban development. It has also relied heavily on the research interest and direct observation of the authors concerning the interaction between planning regime and urban development of Lahore. The first section presents an overview of the current land use pattern of the city. This is followed by an analysis of the dynamics of the colonization process. Then it discusses the policy options to enhance colonization in peripheral housing schemes. The final section concludes the discussion by raising some policy questions which must be addressed appropriately to guide the process of housing provision and future urban growth of Lahore.

## 2. Spatial Growth of Lahore

Lahore has been experiencing a rapid population growth since independence in 1947 and is now home to an estimated over 7 million people. The

human swarm has been spreading over and ravaging the surrounding countryside with housing colonies, commercial and business establishments, roads and factories replacing agricultural fields [1].

At the time of independence Lahore was mainly confined to walled or old city comprising a mixture of housing, commerce and cottage industry and evolved as a mosaic of socially cohesive and functionally specialized neighborhoods [2]. Soon after independence, the city started experiencing growth along radial roads and rail routes with different uses taking scattered locations. The inter-city road and rail routes attracted more development respectively because of availability of transport service and availability of state land squatted by poor people in the wake of weak development control.

The 1960s saw decentralization of activities in Lahore thus paving the way for urban sprawl. It was the 1980s which really saw tremendous growth in land development and physical expansion of the city in the form of new housing schemes of the private sector mainly in the area between two major corridors in the south. After a short slump, land development activities have again gathered pace since the start of the new millennium in various parts of the metropolis. This includes even eastern parts of the city where growth has remained restricted due to

proximity of international border with India with the exception of unapproved private sector land sub-divisions spreading since the 1980s. But this trend has changed now and even well planned private sector housing schemes have sprung up in this area namely Park View, Green City, and site and services schemes launched by the Defence Housing Authority (DHA). The current boom in land development is being partly attributed to increased flow of remittances from abroad and lack of other formal investment opportunities.

It is worth mentioning here that since the 1950s up to 1980s, the physical development that has taken place in the city of Lahore followed a combination of planned and unplanned activity pattern. For instance, the inner zone and its adjoining areas comprise of non residential uses like retail and wholesale commerce, warehousing and cottage and some large scale industry intermingled with purely residential neighborhoods. This trend changed drastically and initially during the 1980s and then from 2000 onwards, much of the development in the eastern and southern parts of the city and to some extent in north-western area across the river Ravi has largely been in the form of approved new housing schemes. The unfortunate aspect of the outward expansion of the city from the inner zone (which includes the walled city) towards the southern side is that it did not result in development of areas with specialized functions and services. Therefore the inner zone still serves as a hub of specialized activities and services.

### **3. Developments of Housing Schemes in Lahore**

Until 1985, the Lahore Development Authority (LDA) and its predecessor Lahore Improvement Trust (LIT) has been the principal public body involved in the supply of residential plots in Lahore. The Lahore Cantonment Board and the Housing and Physical Planning Department have also been involved in housing and land development in the city but their share has been limited [3]. Both the LIT and LDA have developed some 97,000 plots of varying sizes with LDA alone responsible for supply of 73% of these plots [4]. The LDA was able to develop large number of plots because of the provision under the Punjab Acquisition of Land (Housing) Act 1973 to acquire land at a very low rate of Rs. 40,000 per acre. However, the repeal of

1973 Act in 1985 and its replacement with Land Acquisition Act 1894 rendered LDA unable to undertake any new housing project for quite some time. The reason was the requirement under the 1894 Act to pay compensation at one year's average market rate. This involved huge financial outlays for acquisition purposes which money starved LDA was unable to mobilize [4]. Recently, under considerable pressure from the provincial government, the Authority has launched the LDA Avenue by adopting a market oriented approach.

From early 1980s to date, the residential land development activities have chiefly been performed by the formal and informal private sector. To this end, the LDA has framed certain regulations under which it grants approval to housing projects of the private sector in two stages. It first grants technical approval to a private sector sponsored housing scheme when its layout plan is submitted and found up to the required standards. Final approval is granted when the services design of scheme is submitted and found in conformity with the LDA's standards. In addition, transfer deed for land under public facilities and mortgaged deed for 30% plots of the scheme have been executed with LDA. To date LDA has granted technical approval to 59 and final approval to 73 private sector housing schemes [4]. It is also worth mentioning here that the DHA has developed large tracts of land located in the south-eastern part of Lahore into planned housing scheme.

An important characteristic of housing schemes whether developed by formal public sector or private sector is that many of them are still lying vacant despite the fact that these were completed long ago. On the other hand, there are housing schemes where house building activity has started at a rapid pace even when these have recently been developed (See table 1).

### **4. Dynamics of Colonization Process**

Numerous factors can strongly influence the process of colonization of housing schemes. Following provides an account of these factors including those pointed out elsewhere [5]:

#### *4.1 The impact of near-by built up area*

The more closely a new housing scheme is located from the existing built up area, the more it will have the chance to be colonized rapidly

since it gives the potential occupiers a sense of security. Closeness to build up area also gives feeling of being part of the city rather than an isolated place and this adds to the attractiveness of the scheme.

*4.2 Proximity of housing scheme to existing higher order services and facilities*

The distance of a housing scheme from the existing higher order facilities and services influence the choice of the buyers of residential plot/house. Thus housing schemes which enjoyed close proximity to city centre have colonized quickly. In contrast, housing schemes situated far away from the city centre took long period of time to fully colonize. Similarly a vast majority of private sector schemes, finally approved by LDA and completed with infrastructure services, either took long time to go through colonization phase or are still characterized by low levels of house building activity.

*4.3 Provision of new higher order services and facilities*

It has been observed that provision of higher order services and facilities in new housing schemes has not only contributed to swift sale of plots but also rapid colonization. For instance, the strategy of DHA to facilitate the establishment of Lahore University of Management Sciences, Beacon House School, Lahore Grammar School, degree college, hospitals, civic centers and similar other facilities worked well in ensuring rapid colonization in first five phases of the housing scheme. The DHA is pursuing this approach in case of forthcoming phases of the housing scheme by arranging the land for setting up of an International University of Engineering, Science and Technology, Lahore School of Economics, a golf course, and a teaching hospital. In contrast, similar types of higher order facilities are missing in LDA’s controlled area thus contributing to slow colonization of housing schemes.

*4.4 Road linkages with surrounding hubs of activities*

Provision of appropriate road linkages with hubs of activities in the immediate surrounding areas of new housing schemes can make a strong contribution to encouraging house building activity over there. Further the integration of road network among different housing schemes reinforces the mobility patterns. The prospective builders/plot owners are highly attracted by efficient and integrated road linkages since lack of consideration of this issue can lead to creation of bottlenecks which may hamper the colonization of a scheme. Effective linkages among housing schemes can be ensured through spatial development plans or through guided land development [6].

*4.5 Construction of model houses*

Construction of few model houses in some housing schemes has also been used as a marketing strategy by private residential land developers like Green City, Eden Avenue, Bahria Town and EME housing scheme. In addition, some developers have offered incentives for owners of plots who build houses within the period specified by the developers. The types of incentives include provision of cheap building material, grant of interest-free loan, free of charge supply of potable water for certain period etc.

These strategies have not only helped in quick disposal of plots in those housing schemes but have also stimulated the other plot owners to build their houses.

*4.6 Repute of the housing scheme*

Several factors can contribute to building a fine image of a housing scheme in the eyes of the plot owners. These include factors, in addition to those mentioned above, as the reputation of the developer, efficient lay out pattern of the ensuring strict compliance with building

**Table 1:** Status of Colonization in Selected Housing Schemes in Lahore [7].

Housing Scheme	Year of Launch	Total Plots	Constructed Plots	
			Number	Percentage
EME Co-operative	1986	3,000	447	14.90
Jubilee Town	1992	4,284	11	00.26
Valencia	1998	3,000	1,047	34.90
DHA Phase-V	2001	437	157	35.92

regulations, maintaining good environmental housing scheme, spacious roads, and effective management of activities like security services, conditions, and offering bus service to the residents. The decency and good repute of new schemes have attracted even people already living in planned residential areas in Lahore.

#### 4.7 Access to public transport

In Lahore, the pace of house building has been very fast in housing schemes located along roads forming part of primary and secondary

road network and served with public transport services. Similarly, house building activity was low in those housing schemes in the south which previously were lacking access through public transport. However, the rate of colonization in those schemes has picked up with the introduction of new bus routes in 2001 and many households having no personal motor car or motor cycle have built houses (see box 1 for results validating this argument from a short survey of respondents from WAPDA Town in the south of Lahore).

**BOX 1:** Summary results from survey of bus passengers [5].

- 23% respondents purchased plot in WAPDA Town in 1980s, 29% in 1990s and the remaining bought the plots in 2000 and on wards
- 95% respondents had their own house while 5% were living in rented houses
- 84% respondents built their houses after 2000 and 16% in 1990s
- 74% respondents owned either car or motor cycle or both before shifting to WAPDA Town
- 36% respondents were using Daewoo bus for work trip, 45% for education, and 29% each for shopping and recreation purposes
- 51% respondents stated that the Daewoo bus service played a role in deciding to move to this area
- 90% respondents were of the view that introduction of bus route No. 10 has contributed to increase in pace of colonization
- 87% respondents stated that prices of plots have increased due to the introduction of this bus service. This information was also confirmed by some of the estate agents operating in that area
- 29% respondents were dissatisfied with route alignment and frequency of bus service.

It is worth mentioning here that some major corridors in Lahore will not be adequately served by buses only due to likely increase in passenger load and long distances regarding housing schemes located in the south and east of the city. Therefore, alternative options like provision of rapid mass transit need to be considered in the foreseeable future.

#### 4.8 Provision of utilities

The utilities like supply of natural gas and telephone lines were considered as one of the factors influencing the decision of the plot owners to build house in a particular area. The plot owners used to wait for construction of houses till the provision of natural gas and telephone lines. But the availability of portable gas cylinders and mobile telephones have solved these problems to some extent and prior availability of natural gas and land telephone lines are no longer amongst major considerations to decide to live at new place.

#### 4.9 Socio-economic factors

Socio-economic characteristics of the people play a crucial role in making decision to acquire a house. For the low income people, proximity to work place and other services has always been a major consideration in making choice about the location of housing. For instance, studies conducted in Lahore during the period of mushroom growth of unapproved land subdivisions in the early 1990s revealed that apart from low price of plot, proximity to work place was cited as the second most important reason for moving to those unapproved schemes [8-9]. Unapproved housing schemes have generally been colonized more rapidly than approved schemes since the former catered to the shelter needs of the major section of the urban population which is poor. Secondly, majority of these unapproved schemes were located in proximity to existing built up areas particularly in the eastern and north-western parts of Lahore.

As far as the approved housing schemes are concerned, which are mainly located towards the southern and south-eastern sides of the city, these have been housed by people belonging mainly to middle and higher income groups. The socio-economic reasons strongly associated with their tendency to move to those schemes include the desire to live in peaceful and open area away from the noisy and congested built up parts of the city, cleaner environment, feelings to live in high status residential area, and having access to personalized transport.

#### *4.10 Role of financial institutions*

The owners generally arrange finances for the construction of a house themselves using their savings, or borrowing from relatives, friends or employers. Very few of the people desirous of building a house have been seeking help of the House Building Finance Corporation (HBFC) in the form of loan available at mark up rate well below the market. The reason was that the terms and conditions of the HBFC for obtaining loan have been quite cumbersome [10]. This served as a barrier for the loan seekers and discouraged them not to avail this opportunity which in turn contributed to low rate of house building activity. The HBFC at present is severely constrained in its functioning as well as scope of activities with suspended loan operation and limited loan disbursement capacity [11]. Meanwhile, trends in housing finance have changed drastically with the increase in liquidity of the commercial banks and their willingness to generously finance the housing sector. Loans can be obtained from various commercial banks on easy terms and conditions. This new source of financing has considerably increased housing building activity in various housing schemes in Lahore.

#### *4.11 Secured land/plot title*

Secured land/plot title has also facilitated the colonization process in housing schemes. Clear land title has also helped the owners greatly in securing loan from financial institutions and commercial banks. Similarly, low levels of colonization have been observed in housing schemes or on plots in such schemes which went into litigations.

#### *4.12 Great inflow of investment from abroad*

Massive inflow of funds by expatriates has also been an important factor in enhancing the

process of colonization. The expatriates found it extremely lucrative and safe to invest in housing mainly on account of two reasons: first, buying a plot in new housing schemes promised hefty returns due to highly speculative nature of the housing market in the wake of September 11, 2001 incident and its fallout; second, constructing a house on the plot for disposal on rent to the prospective tenants ensured immediate gains on investment.

### **5. Policy Options for Accelerating the Colonization Process**

The discussion in the preceding sections pointed out the factors contributing to the colonization process. However, a large number of serviced plots in various peripheral housing schemes are still lying vacant. In order to enhance the process of colonization in these housing schemes, government intervention is needed. To this end a number of policy options can be considered which are discussed below:

#### *5.1 Tax on vacant developed plots*

Generally it has been observed that most of the owners have bought plots for speculation purposes with some households owning more than one plot of varied sizes. The national housing policies at the federal level and studies done on housing have been stressing for levying of tax on vacant developed plots [11-12]. But in practice this policy recommendation never received any attention of the implementing agencies due to strong influence of land mafia on decision making process. While the importance of this policy option cannot be under estimated, its successful and fair implementation requires a thorough deliberation.

#### *5.2 Subsidized loaning facilities*

The mark up on loan from commercial banks has gradually increased over the last couple of years. This has discouraged the interested developers and house builders to avoid taking loan from these banks. A possible way out to this end could be that the government through a designated agency (such as DHA, Provincial Housing and Town Planning Agency etc.) identifies housing schemes with significant potential to be colonized rapidly and provide loaning facilities for house building on subsidized interest rates.

### 5.3 Tax rebate on built-up property

In order to encourage colonization in the peripheral housing schemes, the government may announce tax rebate on newly constructed houses on plots of any size say for a period of five years<sup>1</sup>. A strong data base for managing property records would be needed for effective implementation of this option.

### 5.4 Condition of building period

In public sector housing schemes the condition of building period is imposed at the time of exemption/allotment of plot. The plot owners are required to pay penalties in case of failure to comply with the specified building period. On the other hand the building period for the plot owners in private housing schemes is not fixed at the time of allotment of plots. Instead this condition is applied as and when the house plan is submitted for approval from the concerned authorities thus giving leverage to the plot owners to keep the plot vacant for virtually as long as they desire without any threat of penalties for keeping the serviced plot vacant. This issue needs to be resolved by fixing the building period at the time of final approval of private housing scheme. Furthermore, the upward revision in the rate of penalties can be expected to also play a fair role in promoting the colonization.

### 5.5 Amendment in existing housing scheme regulations

The existing regulations for private sector housing schemes deal to the extent of provision of serviced plots only and do not include the provision for imposition of condition of building period at the time of their final approval. In order to encourage colonization in private sector housing schemes, the regulations can be amended to include a provision requiring the condition of realistic building period. This can be based on robust criteria encompassing the potential of colonization. The concerned authority should make appropriate arrangements to disseminate the stipulated building period of private sector housing schemes for the awareness of the general public.

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<sup>1</sup> Although, the government in the province of Punjab has already exempted house on five marla plot from property tax yet this exemption has only marginal effect on colonization of five marla plots in peripheral housing schemes simply because of their insignificant share.

## 6. Conclusions

The preceding paragraphs highlight that a range of factors can come into play to contribute to colonization of public and private sector housing schemes located in fringe areas of Lahore. Similarly, adoption of several measures as discussed above can encourage the colonization process further. But blindly applying these policy options may not be an appropriate course of action due mainly to the fact that the overwhelming majority of the plots in these schemes has been provided for middle and high income groups. This has already affected the colonization process in the sense that the high and middle income people are holding the plots either for speculation or do not currently need houses whereas low income people who are proportionately greater in number are unable to have access to plots/houses in these schemes.

This really puts the policy makers in dilemma as how to meet the housing needs of the poor while enhancing colonization of large number of vacant plots in existing schemes that are only within the reach of middle and high income groups? Another important policy issue is that to what extent new housing schemes for middle and high income groups should be launched in the context of already huge number of fully serviced lots ready for house building? Similarly, how and in what sequence the existing housing schemes should be prioritized for colonization? And more generally, should urban development in Lahore continue to follow this pattern and keep invading the surrounding prime agricultural land with no use for a long period of time?

Finally, even if the existing housing schemes are colonized under a systematic approach, their location demands either personal or public transport to fulfill mobility needs. In the context of sustainability, the role of efficient transport linkages accommodating high occupancy transport systems would be of paramount importance and hence will need to be strengthened [5].

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