

Editor's Note

The Union Budget presented on February 1 had many elements of the work being done by The Infravision Foundation (TIF). From the focus on urban regeneration to the prioritising of seven routes for High Speed Rail. It was an enormous validation of TIF's work.

Why Land Value Capture can fix India's infrastructure financing crisis

The Infravision Foundation study on Land Value Capture has just been published and it shows how a 3-I Strategy (Invest-Integrate-Intensify) can help in harnessing the value of public goods appropriately. The study by IIM Ahmedabad's Sandip Chakrabarti and TIF Founder and Managing Trustee Vinayak Chatterjee's latest InfraTalk column in Business Standard provide details on this phenomenon as well as solutions.

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Land Value Capture: The Missing Piece

A new metro station can raise surrounding land prices by 15–30% within 12–18 months. Yet in India, most of this publicly created wealth is captured privately. This asymmetric equation isn't just inefficient, it's unjust.

The critical question is: How can Indian cities finance the infrastructure needed for our demographic shift and economic ambition?

The challenge is that metro construction costs ₹250–₹550 crore per km, with fare revenues rarely covering even operating costs, making chronic deficits the norm even as traditional funding sources are inadequate.

The international playbook looks different. Hong Kong's MTR recovers 20–25% of capital costs through rail + property. Tokyo's Tsukuba Express financed 63 per cent of its cost via land readjustment while London's Crossrail raised £4.1 billion through development levies.

India has policies -- the 2017 Metro Rail Policy, Value Capture Framework, TOD policies -- but the implementation remains weak. Navi Mumbai's betterment fee was slashed from 50 per cent to 0.05 per cent after protests. Delhi Metro's value capture was stifled by conservative FAR norms (vs Hong Kong's 8–10 FAR corridors) circle rates lag market value by 30–50 per cent, with fragmented governance across SPVs, development authorities, and municipalities.

Read the full report here: <https://theinfravisionfoundation.org/assets/pdf/LVC-report-for-urban-and-regional-public-transport.pdf>

The solution is clear:

INVEST: Create value before capturing it. Build high-density, mixed-use, pedestrian-friendly zones around transit station

INTEGRATE: Build unified metropolitan transport authorities, think Transport for London – with statutory power over mobility planning, land use, zoning approvals, and development rights

INTENSIFY: Scale up station-area redevelopment with commercial complexes above/around stations, air-rights concessions, retail leasing, advertising, station-naming rights, PPP-based redevelopment with revenue-sharing.

The same can apply to highways as well, with betterment cess on land sales within 750m of new roads and sharing revenue between state and central agencies.

The Bottom Line: LVC is not a "fancy frill." It's an imperative. Public investments continue to produce private windfalls. Allowing this imbalance to persist is economically irrational and ethically indefensible. As Vinayak Chatterjee writes in his column: "Cities race to build metros, expressways, and regional rail at unprecedented scale, the question isn't whether we need Land Value Capture, it's how quickly we can implement it effectively."

Read the full InfraTalk column in Business Standard: <https://theinfravisionfoundation.org/assets/pdf/landValue.pdf>



TIF on Budget

TIF Founder and Managing Trustee Vinayak Chatterjee was much in demand, as usual, for his views on the Union Budget, from a detailed article in Financial Express to CII's social media platform.

<https://www.financialexpress.com/opinion/transforming-cities-and-rail-travel/4127873/>

<https://x.com/FollowCII/status/2017888487106842772>

The endorsement for urban rejuvenation and TIF's study on High Speed Rail was especially interesting. As Chatterjee wrote in Financial Express: The Union Budget's focus on infrastructure has two dominant themes—rejuvenating cities and high-speed rail (HSR). The finance minister spoke at length to outline the attention to tier-II and -III cities (population below 5 lakh) and a series of measures for their rejuvenation by mapping City Economic Regions (CER) based on their specific growth drivers. An allocation of Rs 5,000 crore per CER over five years is proposed for implementing their plans. Municipal bonds too have been incentivised with an attractive package of Rs 100 crore for a single-bond issue greater than Rs 1,000 crore. Smaller issue sizes continue to be incentivised under the Atal Mission for Rejuvenation and Urban Transformation. TIF has done a lot of work in the area of UMTA as a driver of urban growth, encapsulated in this column by Chatterjee in 2024:

https://www.business-standard.com/opinion/columns/indian-cities-cry-out-for-umta-124032601044_1.html.

The other dominant area was the announcement of seven HSR corridors (Mumbai-Pune, Pune-Hyderabad, Hyderabad-Bengaluru, Hyderabad-Chennai, Chennai-Bengaluru, Delhi-Varanasi, and Varanasi-Siliguri), which echoes TIF's report. **Read it here:** <https://theinfravisionfoundation.org/assets/pdf/The-Case-For-Developing-High-Speed-Rail-Corridors-In-India.pdf>



UMTA in Action

There was a flurry of action on the idea of the Unified Metropolitan Transport Authority (UMTA), which TIF has been arguing for as a means to resolve urban mobility issues. The Government has begun drafting a bill to set up the Delhi Unified Metropolitan Transport Authority (DUMTA), an umbrella body aimed at streamlining the city's fragmented transport system. Chief Minister Rekha Gupta has constituted a high level task force and asked it to finalise the draft legislation at the earliest.

The Gujarat Government has approved a proposal to set up an urban transport fund under the Unified Metropolitan Transport Authority. The decision was taken at the first meeting of UMTA chaired by the chief secretary. The decision was in line with the National Urban Transport Policy 2006 and the Metro Rail Policy 2017. The state government earlier announced the constitution of UMTA for Ahmedabad and Surat to strengthen urban mobility governance.

India's Cities in the World Spotlight

Indian cities were the subject of much conversation around the world, from Gita Gopinath speaking of the invisible cost of pollution in India at the World Economic Forum to The Economist analysing the broken state of urban India. Delhi is 145th out of 173 countries in a ranking of the world's worst cities to live in according to the Economist Intelligence Unit. Delhi is also the third most crowded city in the world. India now has five "megacities", all in the same boat. Governance in Delhi is split between municipal bodies, a state government, the national government and several bodies created to oversee matters such as housing, planning and the metro rail. The Kolkata metropolitan area (the world's ninth-largest) contains no fewer than 423 different governing entities, according to the World Bank.

Here is Gita Gopinath at the World Economic Forum: <https://www.youtube.com/watch?v=w4BQoYdWv0U>

And here is The Economist arguing for more governance:

<https://www.economist.com/leaders/2024/06/20/india-should-liberate-its-cities-and-create-more-states>



QUIZ: Test your 2025 Infra Power

1. Which city tops The Economic Survey Ease of Living Index 2025 compiled by the Ministry of Housing and Urban Affairs?
2. Which sector was the first Vande Bharat sleeper train introduced in?
3. Which city metro became operational in December 2025?
4. How many of the world's 10 most populous cities in 2025 are in Asia?
5. Which is the World's Best Cities top ranked city globally for the 11th consecutive year?

1. Pune
2. Kolkata to Guwahati
3. Bhopal
4. Nine
5. London



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