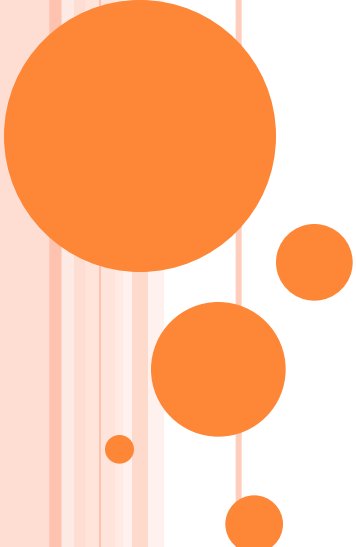


UNLOCKING URBAN LAND VALUE FOR FINANCING INFRASTRUCTURE



By
Jawaid Akhtar
Secretary, UDD, Karnataka

Detail Capital Investment Requirement

Agency/ Sector		Investment need by 2011-12 (Rs Crore)	
		Constant cost	Current Prices
BBMP			
1	Roads	1238	1628*
2	Storm Water Drainage	1127	1478
3	Street lighting	110	145
4	Solid waste Management	523	677
5	Slum Upgradation	2000	2629
6	PPP Project by BBMP	3235	4059
7	PPP Project by PPP Developers	4853	6088
8	Others	2243	2948
9	Land Acquisition cost-SWM	129	155
10	Land Acquisition cost - others	178	213
Sub Total (BBMP)		15636	20020
BWSSB			
1	Water Supply	5986	8089
2	Sewerage	2203	2941
Sub Total (BWSSB)		8189	11030
BDA			
	Pheripheral Ring Road	4000	5096
Total Investment		27825	36146

* This requirement is increased to Rs. 6078 Cr. On assessment by M/s RITES in CTPP.

Investment Sustaining Capacity

- ✓ Investment need by 2011-12 is assessed at Rs. 36,146 crore
- ✓ BBMP can sustain investments of Rs. 8,889 Cr. only (44.5%) leaving a gap of Rs. 11,131 Cr
- ✓ BWSSB could take the sustainability to Rs.4,963 Cr. (45%) thus leaving a gap of Rs. 6,066 Cr
- ✓ As against the total requirement of Rs.31,050 crores, the funding deficit of BBMP & BWSSB remains to be above Rs.17,197 crores



FINANCIAL REQUIREMENTS OF ULBs: 2010-15

EXCL. BBMP (RS. IN CRORE)

Receipts & Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Own Sources	355	390	429	472	519	2165
SFC share (8% of NLGORR)	2205	2386	2582	2794	3022	12988
Total Revenue Receipts	2560	2776	3011	3266	3541	15154
Revenue Expenditure	1592	1751	1927	2119	2331	9720
Revenue Expenditure on O&M of proposed assets	1461	1607	1768	1945	2140	8921
Gap	493	582	684	798	930	3487
Capital investment required for infrastructure	7444	8188	9007	9908	10899	45446
Total Financial Gap	7937	8770	9691	10706	11829	48933

Betterment Tax (S.20 KUDA Act, 1987)

- On increase in value as a consequence of any development scheme in an area
- Amount of Tax shall be $1/3^{\text{rd}}$ of estimated increase in value
- Process of assessment clearly laid down u/S. 21 KUDA Act
- Cases of dispute to be referred to District Court.



Development Fee (S.18 KTCP Act, 1961)

- Levied for permission for change in land use or development of any land or building
- Amount of Fee not to exceed 1/3rd of the estimated increase in the value of the land or building
- Provision of appeal before District Court, if the change or development is not capable of yielding better income
- Rates prescribed in connected Rules in 1989 and 1994
 - For Land : Million plus population Rs 20/40/75 per sq. mtr.
 - For Building : Million plus population Rs 2/4/10 per sq. mtr.
 - Rates under revision



Cess & Surcharge (S.18-A KTCP Act, 1961)

- UDAs/ PAs were collecting fees or cesses like water augmentation cess, ring road cess etc. based on their resolutions/ GOs
- Quashed by Court in 2001 as without statutory provision
- S.18-A introduced in 2004 to provide legal basis for these cesses/surcharges
- Limit of 1/10th of the market value added with all other charges
- Rules are being framed



Transferrable Development Rights (TDR)

(S.14-B KTCP Act, 1961)

- Development potential of *reserved plot* is allowed to be separated from the plot itself and transferred to *receivable plots* subject to certain conditions- 28 terms and conditions for grant of TDR prescribed
- Introduced in 2004 and amended in 2007: Rules framed in 2005
- For roads, parks, heritage buildings , any notified purpose
- Could not pick up because of rigid set back and parking requirements- utilization of full FAR even otherwise an issue.
- Concept of Premium FAR introduced in Mangalore, that can be utilized on payment along with TDR
- TDR terms are under review.



Joint Development of Layouts

(Rules u/KUDA Act, 1987)

- Land to be obtained under Acquisition or Purchase
- Consideration- Sharing of residential plots- 35 to 40%
- Formula evolved based on variables : land value & development cost
- Elaborate system of allotment of owner's share
- Corner, CA sites etc. with UDAs
- Developing capacity of UDAs multiplied manifold (15plus)
- Gain to owner multiplied several fold (4 to10 times)



PPP Projects:

Garuda Mall, Bangalore

- JV with M/s MHIPL ; agreement signed on 19/06/2002
- 30 years venture; 7 storied mall with parking
- Built up area : 723604 sq. ft.
- Commercial area : 325076 sq. ft. (BBMP 41%; MHIPL) 50.25%)
- Parking area :398610 sq. ft.(BBMP 77.37%; MHIPL22.63%)
- FY 01 payment: Rs 3.75 cr
- Lease period returns : Rs 100 cr plus



PPP Projects (contd.)

Kempegowda Maharaja Complex, Bangalore

- JV with M/s Maharaja Builtech
- 30 years lease; 6 storied complex
- FY 01 rental: Rs.1.02 cr.
- Lease period rental: More than 30 cr.



SN Market, Shimoga

- Lands belonging to Industries and AH&VS Depts. as well as CMC
- 3.36 acres land taken on DBOT basis; 32 years concession
- Ownership to continue with CMC, mortgage not allowed
- Quarterly payment to increase every year, building to revert after 32 years.
- Constructed area 2.68 lakh sq.ft. , 35000 sq.ft. to be returned to CMC on completion of construction phase.
- Bid: Rs.12.60 lakh/ quarter , to increase@3% every year
FY01 rental: Rs 50.60 lakh
- Old shopkeepers to be rehabilitated (internal auction)
- Industries Dept and AH&VS Dept. offices accommodated
- Other services also provisioned



Constraints of PPP

- State has good examples but in water, sanitation etc where land value is not unlocked.
- Limited scope of land based projects outside Bangalore in Municipal sector; most lands already leased or allotted; limited commercial potential in small towns (Old constructions not leased out).
- Not many activities amenable to PPP.
Roads/flyovers u/PPP yet to emerge due to problems in user charge collection. Water/ UGD /SWM do not make use of land
- Civic authorities not equipped to handle then process- Capacity
Failed initiatives: Belgaum,Hubli-Dharwad,Mysore,(Shimoga)
- Absence of norms as compared to SRs for normal tendering makes comparisons difficult and allegations easy to believe
- Controversies of certain past initiatives- Discouraging factor
- Significant impetus delayed due to economic recession



Thank You

Jawaid Akhtar
secudd@rediffmail.com

