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THE INDIAN INSTITUTE OF ARCHITECTS
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20th Jan. 2024

मध्यवर्ती टपाल केंद्र
मुख्यमंत्री सचिवालय
महाराष्ट्र शासन
मंत्रालय, मुंबई ४०० ०३२
आ.क्र.........
दिनांक:- 22/1/24

मध्यवर्ती टपाल केंद्र, मंत्रालय
आ.क्र. 6616371 दिनांक 22/1/24
स्वाक्षरी:-

To,
Chief Minister of Mharashtra,
Mantralaya, 7th floor,
Mumbai 400 021.

The Urban Development Department,
Mantralaya,
Mumbai 400 021.

The Collector, City
Old Customs House,
Shahid Bhagat singh Marg,
Mumbai 400 001.

The Collector, M.S.D.,
New Administrative Building, 10th floor,
Kala Nagar, Mumbai 400 051.

The Municipal Commissioner,
Brihan Mumbai Municipal Corporation,
Mahapalika Marg,
Mumbai 400 001.

Sub: Problems, recommendations and solutions for Re-development of Residential Buildings.

Hon'ble Sir,

We are an Association called as "The Indian Institute of Architects (IIA)" which is a National body of Architects in the country that was first established in 1917 as "The Architectural Student's Association", later it went on to become "The Indian Institute of Architects" in 1929 and today boasts a membership of over 25,000 Architects. However, even though we are called the Architects, but we have never given any say nor are heard of during any decision making of the improvement of the city planning, wherein we are the masters and have the maximum technical know-how. Based on our expertise, cities generally prosper because of good infrastructure, buildings, environment, etc. We design keeping in mind the growth potential and design the cities in buildings with 20-30 years planning at the back of our mind, so that the citizens/ occupants are not inconvenienced, and the city will grow in prosperity, health and socially.

However, lately we have observed that in the guise of re-development a lot of things are taken for granted and it has become un-affordable for the general public to purchase a decent house/ dwelling in Mumbai city limits. Thus, after studying a lot of cases, our submission is as below. We request you to kindly provide a solution on the lines suggested by us and we will assure you that it will be a win-win situation for all.

- **INTRODUCTION –**

There are quite of lot of buildings in Mumbai which are getting old and dilapidated and there is a certain urgency in case of redevelopment of buildings since life of these buildings have become more than 60 years, which is the general age of buildings considered in Mumbai, unless maintained by the Occupants.

In Mumbai, the problem has become quite acute as the Mumbai is standing on reclaimed land and due to which the sub-soil is generally salty and marshy, which affects the base and foundation of the building. Also, the buildings are exposed to heavy rain and due to its proximity to sea, it affects the materials used in the building overall. Therefore, the dilapidating condition of Mumbai buildings is faster than the other buildings in the interior of Maharashtra. To add to the problems many buildings in existence at present were built sometime in the 1960's to early 1980's with sub-standard quality of materials especially cement, which is one of the most important materials and majorly used material for construction of the building. Due to the use of sub-standard quality materials, the buildings in 50 years' time have dilapidated faster. However, for carrying out re-development, there are no incentives given by the Government or the Local Municipal Authorities, except for redevelopment of cessed [33(7)] and MHADA [33(5)] buildings wherein FSI is better and the premiums charges are at a concessional rate than other redevelopment schemes.

- **PROBLEMS –**

With the implementation of the DCPR- 2034, wherein redevelopment is allowed under Regulation 33(5), 33(7), 33(7A), 33(7B) and 33(9). But in all these cases, the payments/ premiums to be paid varies greatly.

For example, as per Regulation **33(5)** and **33(7)** one gets a FSI of 3.00 minimum and the premium to be paid is less than normal premium.

For Regulation **33(7A)**, one gets to build an area equivalent to the existing area required for rehab + 50% without paying any premium.

In Regulation **33(9)**, one gets an FSI on sharing basis with minimum FSI of 4.00, without paying any premium for additional FSI, but the surplus area is to be shared.

But for **Regulation 33(7B)**, which is a redevelopment scheme for the Society there is no such rebate and most of the Societies wanting to carry out re-development fall under this category for re-development. At present re-development under 33(7B) is not a viable proposal and many Developers shy away from such proposals as there is not much margin of profit available and the market is unpredictable and so also are the Government Rules & Regulations, which changes constantly.

Secondly, the rent to be paid to existing members and Corpus (Hardship) Fund makes the Developer's dig deep into their pockets to complete the project and if the project gets delayed for any reason, then the project may run into loss and the project may also get stalled, if the Developer gives up the project.

We are doing several re-development projects for the Society's and for the Developer's and we find in our feasibility reports, **that most of the projects are not viable**. Whatever projects seem viable, if there is delay in the project for some unforeseen reasons, such as Society member's non-cooperation, change in governments rules and regulations, or shortage of materials in the market, the project becomes unviable. However, the main culprit in the whole re-development process is the premiums, which is tabulated and inferred accordingly.

While carrying out any re-development project, the following premiums/ fees are required to be paid:

1	NOC from the Authority - Collector/ MHADA/ MbPT/ BMC/ Owner	X% of the Ready Reckoner Rate
2	Appointment of Architect for preparing the plans and layout and getting the same approved from the local Municipal Authority. Carrying out Table Survey	5% of the cost of construction as per Council of Architecture guidelines.
3	Obtaining PRC, CTS plan, DP remarks, Tax clearance certificates, NOC from Fire department, Parking Consultant, Drainage Approval, Storm water Drain Approval	Approximate ₹ 150 per sq.mt. of constructional area
4	Scrutiny Fees to Building proposal Department	₹ 116/- per sq.mt. of construction area.
5	Staircase Premium	25% of the Ready Reckoner Rate & staircase area is approximate 30-35% of the permissible Built-up Area.

6	Additional FSI	50% of the Ready Reckoner Rate for 50% of the plot area.
7	TDR	50% of the Ready Reckoner Rate & minimum 50% and maximum 100% depending upon road width.
8	Fungible Area	50% of the Ready Reckoner Rate on 35% of the total built up Area.
9	Development Charges	4% of the Ready Reckoner Rate on Built up Area + 1% of the Ready Reckoner Rate on Land Component Area
10	Additional Development Cess	4% of the Ready Reckoner Rate on Built up Area beyond basic FSI
11	Labour Cess	1% of the Rate of Construction on Constructional Area
12	Open Space Deficiency	25% of the Ready Reckoner Rate on share of Additional FSI + General TDR utilised & basic Built-up Area. 6.25% of the Ready Reckoner Rate on share of Fungible Area. 2.50% of the Ready Reckoner Rate on share of Slum TDR Area
13	Land Under Construction charges	0.50% of the Ready Reckoner Cost on total built up area per year
14	Extra Water & Sewerage Charges	₹ 280 per sq.mt. of the constructional area.
15	Pest Control Services	₹ 80 per sq.mt. of the constructional area.
16	Survey Remarks Demarcation of Road Lines Street light charges Tree NOC Hydraulic Engineer & Water Works Sewerage Remarks	Approximate ₹ 10,00,000/-
17	Railway NOC (Optional)	Approximate ₹ 2,50,000/- in case of plot abutting the railway line and time is 12 months minimum.
18	Nalla Remarks (Optional)	Approximate ₹ 2,50,000/- in case of plot abutting the railway line and time is 2 months minimum.
19	Civil Aviation NOC	Approximate ₹ 1,50,000/-

- The total cost for obtaining all these NOC's, of which around 80% are required prior to the start of work on site, the cost of the same comes upto ₹ 7,500 – ₹ 8,000 per sft. of the built-up area. ....*(A)*
- The cost of construction is around ₹ 3,500/- per sft of the construction area which works out to ₹ 5,000/- per sft of the built-up area for the habitable area of occupants. .... *(B)*

- Registration and stamp duty cost is 6% of the Ready Reckoner Rates for additional area (in this case it is fungible area is to be accounted) ......*(C)*
- GST @ 12% of the Stamp Duty Value .... *(D)*
- Rent during the time of construction, which is approximately ₹ 50 to 100 per sft of the existing area for 24 months, which works out to around ₹ 1,500/- per sft of the built up area of the occupants. ..... *(E)*

On adding up all these values (A to E), the total cost comes around basic cost of **₹ 15,000/- per sft. of built-up area**.

Hence, for a LIG/ MIG dwelling unit, the flat owner will have to pay a minimum of ₹ 15,000/- per sft. of area in a re-developed building, which was already his but to get better facilities/ amenities, he has to pay an additional ₹ 15,000/- per sft. of area purchased. Thus, for a single unit/ flat approximately 600 sft. built-up area (550 sft. carpet area) the total cost comes to around a minimum of **1 Crore**, which for a common man is very high and hence they have no option but to continue to reside in the old, dilapidated conditions. If they think of carrying out re-development, then cost for each member will be paying such high prices for getting a new unit. If the Developer re-develops the building, then, he will have to sale his sale component flat at minimum ₹ 40,000/- per sft to break even and complete the project on no loss no profit basis, as there is interest cost and his investment/ capital cost that one has to accounted for before getting a good profit.

From the above, it can be clearly seen that out of ₹ 40,000/- per sft, ₹ 20,000/- per sft, i.e. 50% cost goes to the Government/ Local Municipal Authority, ₹ 10,000/- per sft goes back to Society towards rentals & corpus Fund and ₹ 10,000/- per sft goes towards interest and capital cost of the Developer. Anything above ₹ 40,000/- per sft, is the profit, which means only one can build only for the rich and well to do families having an earning capacity of more than ₹ 15 lakhs per annum. Also, from the above table, one can see that the Government and the Local Municipal Authority have become "**sleeping partners**" in any redevelopment of buildings as they are getting 50% of the premiums in the guise of development of the city. Thus, all these high charges and premiums not only make housing unaffordable but also dampens the redevelopment activity. Since housing, which is a basic need of humans, a shelter to live is made costly, it is of no surprise that the cities have so many slums/ shelterless people.

Reduction in premiums will not only spur the redevelopment activity but will also increase the revenues. The recent example is seen when by reducing the premiums and duties, Government collected an unprecedented amount of more than 10,000 Crores and the year after that, when the premium rebate was over, the same government struggled to collect 25% of last year's premium amount.

So, one can say that by reducing premiums, only one can increase the construction industry as well as collect sizable premium amounts.

Another option is to carry out self re-development of Co-operative Housing Societies. Self- Redevelopment comes into existence, when the Developer sees no sizable profit in the scheme. So, as there is no sizable profit in re-development, it means that the project itself is not a viable one and is unlikely to happen.

In self-redevelopment, all the members in the Society need to be united and have full and complete faith in the person(s) carrying out re-development. Thereafter, all members have to pay their share in advance, which is generally beyond their capacity, so that the project can start with planning and approvals.

Secondly in most the Co-operative Housing Societies (CHS) the Managing Committee consists of retired people who have no knowledge of doing any redevelopment of Buildings. About 50 years earlier, they in their young ages, may have done the development of buildings but there is a sea change overall and the present conditions do not encourage self-redevelopment.

Thirdly in the CHS, there are some old, retired persons residing alone in their flats and are very reluctant to move out because of the hassles to be carried out on their own, as their children are out or not co-operating, which is also again a fact of life. Some members are earning enough to meet their needs and hence shelling out extra funds for re-development is a difficult task. While others are there who have their thinking stuck to 1990's, where projects were stalled for reasons which are things of the past and they have not been updated with the present times and thus making them understand, is again a difficult task. Hence, on the overall, it is very difficult for a Housing Society to carry out self-re-development, unless all are assured that they will get their dream homes at the end with least amount of stress, which is a rare occurrence especially in Mumbai city.

Fourthly, the finance available for this type of redevelopment is very limited. Only one small bank with so many restrictions from RBI is financing self-redevelopment. Which makes it not a scalable model for this type of redevelopment.

Therefore, the number of projects completed or are being completed is not more than 25. Hence, the CHS's are reluctant to go this type of redevelopment. Further, even if they go ahead for re-development, as seen above, the members have to pay ₹ 15,000 per sft of the area that they will be taking as their unit. To shell out this amount and if an individual takes a loan of 50% of the value, which will be around minimum **1 Crore** as explained above and so the EMI will be ₹ 50,000/- per month. This monthly additional ₹ 50,000/- will be in addition to the other daily cost one will have to bear to sustain a family.

Thus, the Government or the Policy makers in the Government will have to rethink and strategise their policies to make a project viable. Each project is different and unique and each project's viability differs from place to place and from project to project. For example, if a CHS is surrounded by slums, even if on paper, the project is viable, in reality there will be no buyers of flats for this project, or the flats would have to be sold at much concessional rates. In such cases the Ready Reckoner rates based on which these premiums are charged become excessive and unreasonably high. Further, the concept of self-redevelopment which can give more areas and better corpus, looks good. But it is not every Society's cup of tea. For a Society to succeed in self -redevelopment, there has to be trust and unity among members of the CHS. Also, there are limitations of scalability of self-redevelopment due lack of adequate finance. Presently there is only one bank which is funding this activity and it has a limitation of 5% of its disbursable funds which it can give for this activity. There is a need for a Govt. financial institution or vehicle which can finance this activity. Also as promised by the present Government, there should be one window clearance for these projects.

- **SOLUTIONS TO THE PROBLEM –**

The building industry is much maligned due to the behavior of the Developers, but the solution is not to isolate them. The recent introduction of Rera or MahaRera has helped the industry in many ways. The compliances in Rera like – having laid down standards like Rera carpet, maintaining an escrow account, maintaining a timeline for the completion of work, a regulator to deal with problems between buyer and seller etc., is proving to be beneficial. Since it has given a quasi-judicial body with regulatory powers, it gives a mechanism to approach an authority who can adjudicate or do reconciliation. There may be some limitations and those can be improved upon. Like for example, the definition of "Promoter" in Rera includes the land holder which in most cases it is the CHS, but MOFA act does not include the CHS land holder within the definition of "Promoter". Rera law should be amended to exclude the land holder from the definition of "Promoter" and should have only Developer as the "Promoter".

The law and the regulator under MahaRera should be such that it ensures that there should be delivery within time, with good quality and better enhanced areas for the existing landholders.

The most important thing the Government is required to do is to reduce the fees and premiums by atleast a minimum of 50% as it had done earlier and had seen good response to that scheme or do away with all premiums and levy one premium only, which covers all types of premiums, so there is no confusion towards payments to the Government or local Municipal Authorities. It should also extend the one window clearance facility to all players. Stamp duty, which keeps going up either due to increase in Ready reckoner rates or increase in actual tax increase, should be brought down to promote sale of flats.

- **SUMMARY –**

To summarize, it is a difficult task to carry out (self) redevelopment with so many restrictions/ limitations. Thus, the Government will have to come up with some solution, which can be an **out of the box idea** and can be a win-win situation for all.

Reduction in premiums and stamp duty will go a long way to improve the viability of many CHS redevelopments. In case of Housing, building new and good homes is more important that Revenue considerations which the Government has to understand. If this is not understood – then the Government is playing with the lives of people and trying to extort revenue from the helpless citizens.

In my/ our opinion, the solution according to us is that Government should act like the Financial Institutions, collect premiums/ fees in installments basis, i.e. EMI on quarterly basis and at the end of the tenure and have a single window approval, so that the citizens will get some confidence and will come forward for re-development.

The Government along with the Local Municipal Authority can approve the re-development scheme in toto and collect 5% of the total premiums/ fees and thereafter in 10 years' time recover the cost in quarterly installments, after completion of work upto Basic FSI of 1.00 or 1 year from the date of commencement of the work and recover the balance cost in 40 equal installments with an interest as mutually decided upon.

In this way, the occupants will not be taxed with a huge amount to be paid upfront and can be at ease while the work is in progress. Also, the Government are assured of the payment receivables and can strategize and allocate their funds accordingly.

If a Society fails or defaults in making the payment, then their basic necessary services such as light & water may be cut off, until the dues are cleared and the property may be seized with immediate effect, until the payment is made.

Thus, the Government needs to look into the matter, as the buildings are getting old and their life is decreasing day by day and also the family size has increased over the years and take a call for the safety of their citizens, since, if the citizens are not happy, then Government will not be able to face them and stay in office too, which may be taken into consideration.

If required, we, the Association would like you to give a presentation in presence of the personnel from Collector, MHADA, BMC, which may help to resolve and clarify a lot of issues.

Awaiting an early confirmation from your end.

Sincerely,

For, **The Indian Institute of Architects**
Brihan Mumbai Centre

Ar. Nilesh H. Dholakia
Chairman