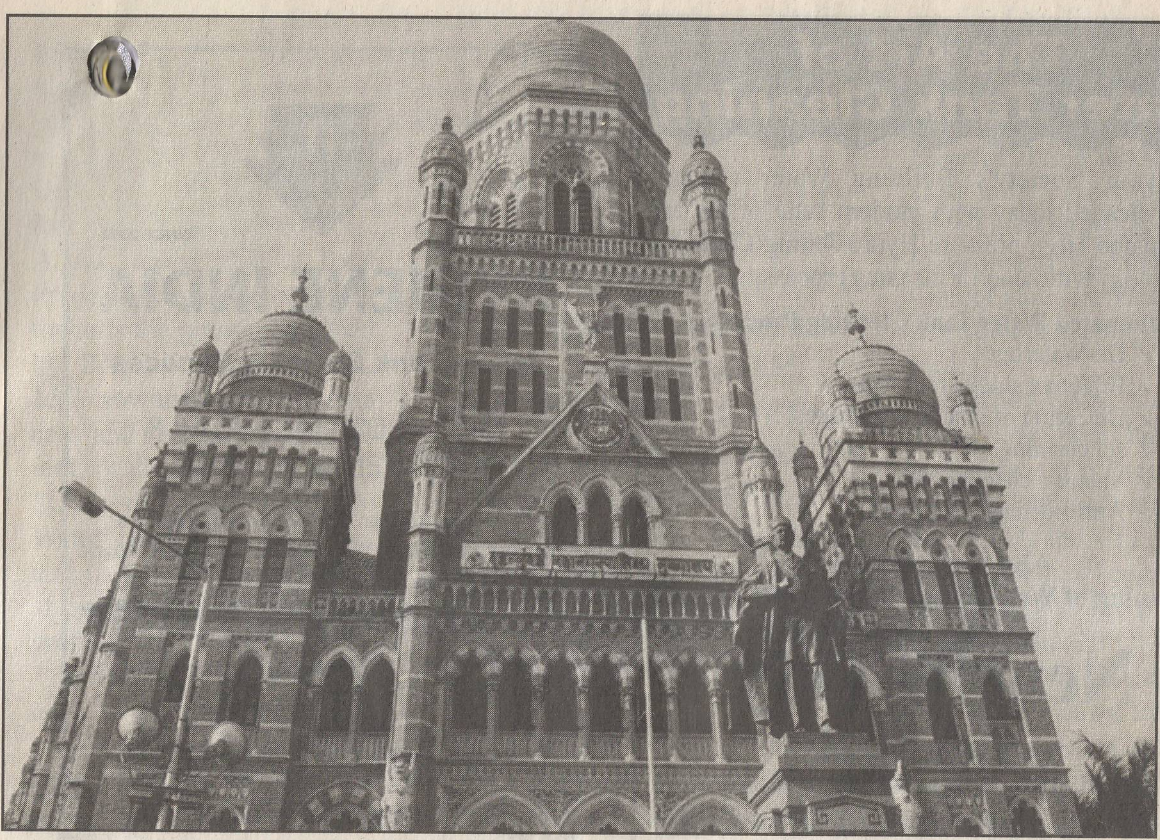


Premium on Development/Redevelopment projects

THE NEW **LAGAN** ON COMMON MAN

The increase in premium & revenue on development/redevelopment projects has made virtually impossible to take up any projects in Mumbai city & suburbs, under any of the regulations, due to the high premium payable to BMC & Government. As a result the numbers of dilapidated buildings in Mumbai City & Suburbs will rise sharply as there will be no takers for its redevelopment and common man will be forced to stay in it, even after many notices issued by BMC to vacate it, as in Mumbai common man has only one home of his own & can t afford to buy another one due to price increased by huge BMC premiums.

Harshad More

Development or Redevelopment projects of Mumbai are now more benefitting to BMC than the land owners or occupants or developers. It is now commonly said in Real Estate of Mumbai that BMC is now the bigger partner in Development or Redevelopment Projects. About 25% to 35% of Total Project Expenses is going towards the premiums levied by BMC & Government, 35% towards construction cost and remaining towards rent, professional fees, GST, Stamp duty, Electricity & Water charges, interest cost and if Sales revenue exceed above then developer get profit.

THE DCPR IS BASICALLY "DEVELOPMENT CONTROL & PROMOTION REGULATION" AS NAMED BUT PRACTICALLY IMPLEMENTED IT WILL MEAN TO COMMON MAN AS "DEVELOPMENT FOR COLLECTION OF PREMIUM & REVENUE" AND IT IS THE NEW LAGAN ON HOMES OF COMMON MAN.

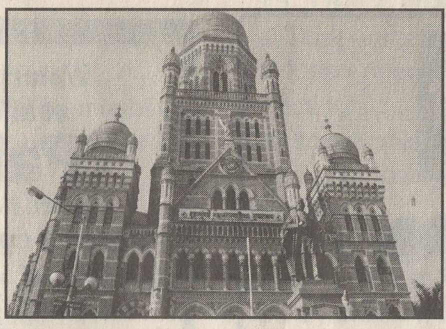
About 15 years back the case of different and proposals were felt workable even when FSI was not as it is given today as per road width. The base of levying charges on development proposal was to collect revenue on per square meter of area approved for development for infrastructure irrespective of the value of land and the development work was feasible even with less FSI as intention was to provide with basic need of "Shelter" not making huge revenue from development or redevelopment projects. Development proposal in area like Churni road were levied the same charges as were levied for development proposal in area like Dahisar. Also earlier only development premium charged was for development charges on per square meter which was varying as per user i.e. residential, commercial & industrial, scrutiny fees were nominal & staircase area was allowed to be claimed free of FSI on basis of nominal charges.

But in last 15 years, for the development projects the BMC charges has been raised sharply making almost all project financially non-viable even for those properties which are getting more FSI as abutting on larger width of roads. These charges were charged erstwhile on square meter basis which now has been shifted on Land rate basis and which has emerged not only as sole killer factor of Real Estate in Mumbai but also has created worries for BMC & Government themselves.

Land Rate is the rate fixed by Government of Maharashtra for lands as per their location and which is revised annually. This rate forms the base for determining the Value of Land which forms the base for fixing taxes on the said land or property by State Government & Central Government like Stamp duty, Capital gain tax, Wealth Tax & income tax, compensation etc.

Earlier BMC had their own village wise land rates and were not related to the Government land rate and as per which the Charges for development or scrutiny fees were charged for projects. But in years 2002 & 2003 the BMC silently shifted their calculating method from their own determined rates to Government Land rates. Initially the Staircase premium & development charges were few percentages of these land rates, which in following years the BMC kept on steadily increasing the percentages on the land rates. The present position is that the Staircase premium is charged at 25% land rate for residential area and 50% of land rate for commercial area whereas the development charges are charged 4% of land rates for residential builtup area and 8% of land rate for commercial builtup area.

The DCR 1991 introduce the concept of Transferable Development Rights (TDR) to avoid giving compensation amount being given to land owners on whose land the reservation were proposed in Development Plan. The BMC & Government saved money by granting TDR which became the basis for development / redevelopment since 1991 till today & the TDR started governing the development / redevelopment activity and its rates started touching the sky. Thereafter to check the TDR rates Government introduce Government paid FSI in year 2008 which was allowed 0.33 FSI & initially only 25% of land rate of year 2008 was charged which kept the TDR rates under control & also eased the cost burden of development / redevelopment projects. But as per DCPR2034 the Govt FSI is now charged at 50% of prevailing land rate and further due to the new TDR policy of indexation the TDR rates has also merged on basis of land rates which is making virtually impossible to buy TDR on land whose land value is more.



In the year 2012, to check or regulate the flower bed, dry area or illegal use of extended area in name of Elevation Projection, the concept of Fungible Compensatory FSI was introduced. The Balcony Area of 10% which earlier was granted Free of FSI since decades was also included in the fungible area of 35% on Builtup Area permissible, but once again by charging premium at rate of 60% for residential area and 100% for Commercial area. The developers on increase in the cost as per the principle of doing business added the same on their product and increased the cost of premises to be sold to purchasers, due to which the Sale Amount suddenly jumped in the year 2013 after introduction of Fungible Compensatory premium. Now looking at the increase in Sale rates the Government was quick to increase the Government land rates of Mumbai in the subsequent year, which started the chain reaction because as land rate increased the premiums also increased, so the cost of premises again increased and looking the increase price Government increased land rates again. It is this effect of this chain reaction the price of the premises which includes the basic amenity of home has increased till such extent that it has gone beyond the reach of Mumbaikar who is supposed to be earning much more than other cities of this country. To mentioned that till end of 2018 the amount of Fungible Premium collected by MCGM was more than Rs.10,000 Crores and was not utilized for any infrastructure work as per the Sanctioned modification.

The Open Space requirement for any proposal is prescribed such that in event of proposing to consume the entire potential as per Basic FSI, TDR & Govt FSI & Fungible FSI and further requirement to provide parking the building cannot be proposed within the said norms of regulations, hence almost for all proposal the relaxation is needed to be sanctioned for allowing the proposed building with deficient surrounding open space. The said relaxation is sanctioned under discretionary powers but once again by charging premium known as Open Space Deficiency Premium. The open space is measure only at ground level upto Plinth as per definition mentioned in DCPR but the deficient area is counted at ground increasing with the height of building and is multiplied by number of floors & by including the cantilever portions of building which increases the said open space deficiency premium multiple times and the amount become one of the largest head among the BMC charges & premiums. To add on that the telescopic method of increasing the Open Space Deficiency premium was introduced & presently implemented and many professionals are still wondering the basic of its calculations which seems to them like Duckworth-Lewis Formula used in Cricket.

With the FSI premium the other charges also have been steadily increased by BMC & Government and also have rose sharply in last few years. The Newly sanctioned DCPR 2034 has now finalised the rates of the premium for FSI and also introduced new head of charging premium under it. Presently as per DCPR 2034 the various charges & its rates on development / redevelopment projects is as below:

1. Scrutiny fees, charged now on entire construction area which is proposed to be hike at 10% every year. Important to mention that it is repeatedly charged on already sanctioned area if any amendment proposed.

@Rs.78/- psm for residential area
@Rs155/- psm for Commercial area

2. Development Charges,

@ 4% of Land rate for residential area,
@ 8% of Land rate on Commercial area and
@ 1% of Land rate on Area of land

3. Staircase Area premium,

@25% of land rate for residential area
@50% of land rate for commercial area

4. Development cess

(on all area above basic FSI 1.00)
@4% of Land rate for residential area,
@8% of Land rate on Commercial area

5. Labour cess

@1% of Land Rate for entire approved area

6. Infrastructure Development Charges

(only for TDR proposals)

@[illegible] of Construction Cost (Rs.27500/ psm) for TDR Area

7. Govt FSI Premium (for TDR proposals)

@50% of Land rate for Additional Govt FSI Area

8. Additional FSI Premium

(For MHADA redevelopment proposals)

LIG proposals: 40% to 55% of LR, as per ratio of Land Rate & Rate of Construction

MIG proposals: 60% to 75% of LR, as per ratio of Land Rate & Rate of Construction

HIG proposals: 80% to 95% of LR, as per ratio of Land Rate & Rate of Construction

More the land rate more the premium to Government.

9. Fungible Area premium

@50% of Land Rate for Residential proposed area

@60% of Land Rate for Commercial proposed area

10. Redevelopment Cess

For Cessed buildings redevelopment:

@4% of Land rate or Rs.5000/- psm, whichever is more on Sale Area

For MHADA redevelopment:

@7% of Land Rate on additional area

11. Open Space Deficiency Premium

Deficient area on floor X no. of floors gives Total Deficient Area, then Percentage of Basic FSI, Slum TDR, General TDR, Govt FSI & Fungible FSI is determined. Thereafter the Land rate is multiplied according to various FSI i.e. @100% of LR for Area under Basic FSI & General TDR, @25% of LR for Fungible FSI Area and @10% of LR for area under Govt FSI & Slum TDR.

12. Extra Water Charges

@Rs.285/- psm on gross construction area including stilt, podium, basement etc.

13. Capitation Fees for C.F.O. N.O.C. (10% increased annually)

For Low Rise building @Rs35/- psm on Gross construction area (Min Rs.175000/-)

For High Rise building @53/- psm on Gross Construction area (Min Rs.265000/-)

14. Land Under Construction Tax (LUC) charged by Assessment Dept:

@1.69% of Land Rate on Sanctioned Builtup Area per annum for Residential Area

15. Other charges includes

- Temporary Water Connections charges
- Road opening charge for Water & Sewer connection
- Prorata charges for Setback road construction
- Prorata charges for nallah retaining wall or major Drain
- Street lights charges (as per no of poles on abutting municipal road
- Revalidation fees & it penalty (increases 10% every year)

The DCPR is basically "Development Control & Promotion Regulation" as named but practically implemented it will mean to common man as "Development for Collection of Premium & Revenue" and it is the new LAGAN on homes of Common man.

BMC is giving installments in making payments for few of the above premiums but by charging interest @18% p.a. just like finance institution give loan on interest.

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