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Vijay Lakhani

Ref. No. MCHI/PRES/19-20/369

June 4, 2020

To,

Dr. Praveen Pardeshi (I.A.S.)

Additional Chief Secretary

Urban Development Department

Sub: CREDAI-MCHI suggestions to Revive the Real Estate Industry

Respected Sir,

Firstly, at the outset, we would like to Congratulate you for the commendable, pro-activeness and thought put in for every step taken by the State Government to contain the spread of this virus. We are confident that together we can fight this Pandemic and we as an association and each of our member is available at all times at the disposal of the Government to fight this Natural Calamity gripping our city and state and Country.

This Pandemic COVID-19 is going to cause an unprecedented impact on business and liquidity. The outbreak of Coronavirus is expected to further weaken the real estate segment especially residential real estate sector that has already been reeling from the adverse impact of the prevailing liquidity crunch, huge unsold inventory and weak affordability and subdued demand conditions.

Last few years saw structural changes like Demonetisation, RERA and GST which slowed the Real Estate industry then, we experienced the NBFC liquidity crisis which closed the doors of finance for the real estate industry. This lockdown coupled with the mentioned past factors has literally tied a knot around the neck of the real estate industry.

It's important to note that on account of various reasons, even before the lockdown, the entire real estate sector had already been pushed into an economic and liquidity recession, which had resulted in a huge reduction in job creation as well as job loss in the construction industry. The industry today was barely operating at only 40% of its actual capacity which is bound to go drastically. Various developers are already considering on reducing the workforce by 35%-40%. With the current uncertainty we don't believe any developer will think of starting any new project in CY 2020. The stalled projects are under huge stress and are staring at a glooming future. The sector hit by a series of rapid changes without time to settle to any change, has only been further unsettled, rattled due to the lockdown.

Our demands from the government are keeping in mind the following consideration:

- 1) We don't want to burden the government with financial payout to us but only giving us some concession for 18 months so that we can get the boost which is so necessary to reenergizes and recharge our companies and employees. More over any potential revenue that may be sacrificed by the government will be more than made up by the uptick in the economic activity as a result of such incentives / concessions.
- 2) We want to in fact support the government by generating more employment opportunity for daily wage earners and approximately help close to 250 ancillary industries which are directly or indirectly connect with real estate.

Sir as submitted above, in view of the COVID 19 pandemic, the economic situation has gravely deteriorated and the general public mood is at an all-time low. Buyers have no incentive to buy real estate in this situation and its aftermath. It is generally believed, that for the next 12-18 months or until a cure/ vaccine for the COVID 19 disease is found, economic activity and public sentiments will continue to be negative. It is therefore imperative that the public sentiment including sentiment of the buyers as well as developers is revived by giving incentive for both the public to purchase real estate as well as for developers to continue to build and launch new projects. It is a fact that the State Government charges such as premium, stamp duty, Land Under Construction charges, etc. constitute between 30-35% of the sale price i.e. for e.g. if the sale price of a project is Rs. 10,000 per sq. ft. then in such a project the State Government levy would be in the range of Rs.3000-3500 per sq. ft. depending on the nature of the project.

In view of the above the State Government ought to announce a Real estate incentive scheme which can be called as the **REAL ESTATE INCENTIVE SCHEME 2020**, under which the following incentive ought to be provided:

I. DEMAND CREATION & PUTTING POWER IN THE HANDS OF THE CONSUMER

1. 1% Stamp Duty should be charged for a period of 18 months for all kind of Real Estate sold/purchased/leave and licenses/Conveyance /lease deed between until 31 st December 2021.
2. Zero registration charges for all agreements for all kinds of real estate transaction.

Incentivizing buyers for a short period of time will help to bring in liquidity to the developers which will then in turn create housing stock and ensure project completion. It will also result in robust GST collections from the enhanced construction activity and sale of flats. Any potential loss of revenue to the government will be made up by robust GST collections. Moreover, if there is no incentive provided to the buyers there will be no sale nor construction activity and hence no stamp duty and no GST.

II. SURVIVAL/ GROWTH and THE COST OF DOING BUSINESS.

A. IMMEDIATE RELIEF FOR A PERIOD OF 18 MONTHS

1. All permissions from local planning authorities be treated as deemed granted on submission of application and self-certification by the concerned architect/professional, for a period of 1 year. The formal permission may be subsequently issued by the planning authority. This would reduce the lead time required for formal approvals which is close to 6 months and will help in contributing to revival of the industry.

2. Reduce all premiums /charges / levies / cess / Premium for staircases, Lift well and Lobbies, etc. by 90% payable under the DCPR payable to the Municipal Corporation/State Government including Premium/ fungible FSI etc. This shall be applicable to all new projects under taken during the 18 months window. Thereafter the premium shall stand reduced to 50% of the current premiums. These premiums/charges shall be paid at the time of grant of OC without any interest being levied. In respect of any on-going projects where part instalment of premium has been paid then in such cases if the premium so paid is more than 10% of the applicable premium then in such a case no further premium shall be levied.
3. LUC charges payable to the Municipal Corporation should be on basic FSI and not on plot potential. Further 10% LUC charges will be levied for a period of 18 months.
4. Open space Deficiency Premium to be levied only for basic FSI and not on additional FSI allowed by DCPR
5. No premium shall be levied for the second staircase and premium for lift well shall be charged only one time in accordance with the National Building Code and not on every floor as per current practice.
6. Land Rate in the Ready Reckoner should be equal to 25 % of the residential rate
7. RR rates of flat should be reduced by atleast 25-30% and developers should be allowed to sell below RR rates .
8. Stamp duty on development agreement joint venture joint developments etc needs to be reduced to 1%. Also, Stamp Duty in case of redevelopment project should be reduced to Rs.1000/-
9. In case of Amalgamation, Merger, Demerger or Reconstruction of Companies, NCLT Orders or Court Consent terms, maximum Stamp Duty payable shall be Rs. 10 lakhs, to allow for consolidation of projects under one balance sheet.
10. All revenue related matters such as sub division, PR Card etc should be made on line so as to improve ease of doing business.
11. The premium payable for conversion for Class II to Class I should be charged at 25% (residential rate) of the RR rate irrespective of the user.
12. RERA i. Refunds to Customers only after project completion. We fear to customers may cancel their booking due to current economic situation and that could lead to huge cash flow mismatch in the project itself. ii. All project completion deadline under RERA be extended by 24 months
13. ULC – One-time settlement to be made realty ➤ Charging the ULC premium @ 5% irrespective of the status or class of the land. ➤ Allow partial development while charging the ULC premium on a pro-rata basis. ➤ Interest free deferment payment facility to be introduced for one time ULC premium payment spread over 3 to 5 years. ➤ No penalty for extension, or for progress report or for any other reason

Even with COVID-19, we are hopeful that with the support of the Government, we will be one of the major sector to contribute towards re-building State of Maharashtra

Look forward to your continuous help and support.

Thanking you,

Yours Sincerely,
For CREDAI-MCHI

Nayan A. Shah
President

Bandish Ajmera
Hon. Secretary

CC

- 1) Shri Iqbal Singh Chahal (I.A.S), Municipal Commissioner, MCGM
- 2) Shri Vinod Chithore, Ch.E.(DP) & Director (ES & P), MCGM