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महाराष्ट्र शासन
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To,
Shri Devendraji Fadnavis
Hon'ble Deputy Chief Minister
Government of Maharashtra
Mantralaya, Mumbai – 400032

Subject: Suggestions to make available advance rent and provide security to slum dwellers.

Respected Sir,

At the outset we state that we stand shoulder to shoulder with the Government in all its efforts to secure transit rent on time for the slum dwellers. We further make it abundantly clear that we are not representing the case of few Developers who are in default and the law and government machinery may take its own course in such schemes. We empathize with the lives of slum dwellers and their families who have had to go through the ordeal of living without transit rent and having no end in sight towards fulfilling their dream of a home in Mumbai/MMR area. We through our representation wish to play our part in shaping the vision of a 'Slum free Maharashtra' and provide practical suggestions and progressive solutions which when applied together render Circular no. 210 more effective and logical. All of which would go a long way in:

- preventing further transit rent issues for slum dwellers.
- speed up slum redevelopment.

CHALLENGES OF IMPLEMENTATION OF THE SAID CIRCULAR:

a. Schemes delayed due policy changes / indecisions:

The Circular fails to concentrate on the aspect of recovery of rent where default has already taken place and it fails to address the core issue of the PIL i.e. action to be taken in schemes where slum dwellers are dis-housed and transit rent is not being paid by the developers of such scheme. It instead progresses on the notion that all cases of Developer default is willful and/or due to financial ill health of the Developer. It further wrongly assumes that barring developers from taking on any further schemes would act as a deterrent to developers and these developers would have made good the rent defaults. This line of thinking is extremely short sighted in our opinion as in many cases there are other systemic issues rather than just Developers financial capacity or his intent which leads to default in rent to be paid. In many cases a developer may not be paying rent in one SR scheme but consistently fulfilling his/her/their rent and other obligations in all other schemes undertaken by them. More so this is purely because some schemes due to changing circumstances turn out to be unviable or non-developable because of changing regulations such as

i) height of buildings being restricted as a result of Civil aviation restrictions as has occurred in Dahisar area.

ii) Ministry of Defense changing its norms from 2016 allowing development of plots up to 50 meter away from defense controlled lands in 2016 to reducing the distance in Dec of 2022 only to revert to maintaining no development up to 500 meters of defense land in 2023.

Maharashtra Chamber of Housing Industry

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VASAI VIRAR | ALIBAG | KARJAT-KHALAPUR-KHOPOLI | YOUTH NMR

iii) The recent order of the Hon. Supreme Court with regards to mining around Eco Sensitive areas affected the schemes around Sanjay Gandhi National Park and Aarey Colony, paralyzing construction and development in the area until the Hon. Court was pleased to clarify that such restrictions would not apply to construction activity.

b. Only 4 % of schemes are actually in default:

As per records there are 1636 slums being implemented presently in Mumbai MMR. There are rent default issues plague 163 slum schemes i.e. only 9% of the total ongoing schemes. Further there are about 4084 schemes being submitted to SRA and are at various stages of approval. If we dive in further 53 of the 163 i.e. 32 % of defaulting slum schemes constitute 90% of the total outstanding rent in Mumbai and MMR falling under the purview of the PIL. Out of total default of 610 crores, these 53 schemes have outstanding transit rent to the tune of Rs 564 crores. Instead of concentrating efforts on these schemes forming only 3.2% of total SRA schemes. SRA has chosen to paint the 96% of the genuine schemes and developers with the same brush and brought out prohibitive and restrictive measures which will adversely affect functioning ongoing schemes as well as deter new developments from being submitted.

c. Delays in Scheme implementation between LOI & CC:

Vide the Circular no. 210, Two years advance rent is mandated at the stage of Annexure-III. At this stage the Annexure II is also not finalized since as per EODB and amended regulations of DCPR 2034, the LOI for the scheme is issued on basis of draft Annexure-II today. Let aside Annexure-II, even LOI which creates a basic right in favour of Developer has not been issued and yet an attempt to accrue rent is being made. It's a mere myth that Developers are lining up to execute SR schemes and specially if they have to shell out 2 years Rent even before approvals are in place or even a right is created in their favor. The time taken between Annexure II, LOI and eviction of slum dwellers is anywhere between 1 year for most schemes and 18 months to 2 years owing to large schemes due to sheer number of approvals/permissions required to be obtained by the Developers before actual construction can commence on site. LOI, layout approval, MOEF, site specific NOC like railway NOC, Defense NOC, Forest NOC, Highway Buffer NOC and other general NOC's required by all projects like civil aviation, drainage, SWD, parking, traffic, fire NOC and the list is endless. Procurement of all these NOCs require a significant amount of commitment of time and money from the developer and an adverse remark in any of the above approvals may derail a project. The circular 210 is effectively asking the developers to keep 2 years' transit rent idle for 2 years while the conditions for development and approval are being ascertained. The risk that the project may not even fructify as envisaged by the developers due to various conditions which may be imposed in the course of obtaining such approvals/permissions.

d. Increasing cost of Project and Rehabilitation:

The Circular assumes that Developers undertaking SR schemes have limitless capital. Contrary to the said notion, every Developer has a limited capital as per his capacity and the capital allocated proportionate to the size of the project in order to bring the project to a stage where project sales kick in so as to allow the project to drive itself. It is also noteworthy that financial institutions and NBFCs shy away from funding rehab portion of the slum schemes deeming it too risky and hence access to funds comes at a premium for rehabilitation stage of the project and most financial institutions open their doors to SRA Scheme only when the site for rehab and sale is clear, sale built up area approvals are in place and when RERA registration of the project is done. This pre-condition of 2 years advance rent will de-rail all the calculations of the developer for judicious deployment of funds and the SR scheme shall just further strain the cash flows required for development of the scheme as Developers wouldn't have the funds to progress the schemes through the Rehab stage as the money would be tied up in advance rent since the stage of Annexure III. Furthermore, this will increase costs in the project

and make the end project costlier and unaffordable. In-fact in many locations slum schemes are languishing because of the high cost at which FSI becomes available thereby forcing the developer in increasing the 'sale cost.'

SRA schemes have already seen an increase in the following premiums under the DCPR 2034, the following are the increases

Sr. No.	Particulars	Cost as per 1991	Cost as per DCPR 2034
1.	Open Space deficiency for Rehab / Composite buildings	Nil	2.5 % of deficient area.
2.	Infrastructure Cost	560 Rs per Sq M in suburbs and 840 Rs / Sq M in city	2 % of Ready reckoner over Zonal FSI
3.	Maintenance Deposit	20,000 Rs / Tenement	40,000 Rs/ Tenement
4.	Parking	Not applicable for schemes of DCR 1991 as per circular 104	1 car park for every 8 tenements

In addition to all these cost the burden of 24 months' rent will be strangle hold on finances to carry out rehabilitation if the same is insisted by the Authority and eventually developers to make the project viable will have to increasing housing prices of sale which will impact demand.

Not only that we are already seeing a lack of interest to rehabilitation projects in areas of P/N, P/S, R wards and T Wards dues to excess Sale inventory available in the form of other non-slum developments and their sale rates being lower reduces the scope of allowing increase in the cost of sale of slum projects to keep them viable.

e. Creating Monopolistic practices and opportunities for Slum Redevelopment:

The Circular creates higher barriers for entry in a field where as it is few Real Estate developers are interested in operating and undertaking slum schemes. This extremely stringent condition of 2 years' advance rent and especially at Annexure III i.e. before LOI stage itself will ensure that even fewer developers with extremely high risk appetite and scant regard for risk reward Ratio would undertake SR projects. The trickledown effect of the circular would be felt first by the SRA itself in how many of 4000 odd schemes submitted progress further for approvals.

A number of seemingly larger players who are willing to take the burden of increased rental cost up front will benefit from a verbatim implementation of this circular and will thereby benefit in acquiring more schemes and lands for redevelopment, however if history has been our guide it is seen that large players often fail to execute rehabilitation work on the ground and rely on smaller developers to make rehabilitation possible.

f. Constructing Transit Accommodation to avoid rent:

A number of developers to circumvent the issue of advance transit rent will seek to construct temporary transit camps. Temporary transit camps have a history of creating a nuisance in terms of safety and security to both the slum dwellers and the ongoing sight construction itself. It will also compel developers to build such transit camps near construction sites and create hazardous living conditions to slum dwellers as well, in an attempt to avoid paying advance rent.

In order to overcome the issues highlighted above we would put forth to your kind consideration the following process which we feel would be equitable and workable to developers and the slum rehabilitation schemes:

SUGGESTED PROCEDURE:

- i. **3 Months advance rent at the time of IOA:**
This 3 months' advance rent would be paid by developers to the SRA. The architect would identify the slum dwellers affected by the proposed building for which IOA is sought and the 3-month advance would be deposited to the SRA.
The three months' advance rent at the IOA stage would allow slum dwellers to cover deposit costs to rental accommodation.
- ii. **Slum Clearance for affected area by SRA:**
SRA using its powers under section 33, 33(A) read with 38 and 3Z-1 or amended subsection 12(1) under section 3(D)(b)(ii) notified on 26.04.2018 or whichever may be applicable to evict the slum dwellers in masse affected by the construction plinth and appurtenant area needed for construction. SRA shall accordingly make area vacant and approve the plinth CC for the affected area.
- iii. **Payment of Rent annually in advance:**
After the approval of the Plinth CC and vacating the site the developer shall pay a year's annual rent at a time and only on payment of the same will the plinth CC from SRA be issued. Which will be disbursed by SRA on a monthly basis only.
- iv. **Event of Default:**
In the event of any default or the followings years rent not paid by the 11th month, SRA shall take steps not to grant further approval.

We believe that the above measures shall give SRA enough tools to deal with the rehabilitation and sufficient comfort to slum dwellers as well. In order to make the above process viable and considering the advance payments of rents that will be borne by the developer in the form of rent and escalated project costs under DCPR 2034 in paragraph (d) above, we request that the Hon. Housing Department of Maharashtra and SRA consider the allowance of **10:10:80 schedule of payment as adopted in the past vide Government GR bearing क्र. झोपुयो-२००८/प्र.क्र. २३६/२०१७/झोपसु -१ dated 22.09.2020** wherein the Hon. Housing Department had revised the schedule of payment for land premium wherein 10% was becoming due and payable at LOI stage, 10% at sale CC stage and 80% at sale OC stage be made applicable for all slum schemes and slum premiums/deposits and other payments, exerting discipline in disbursing rental payments.

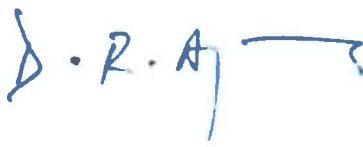
We submit the above proposal for your kind consideration and deliberation on the same to allow Slum Redevelopment by existing and aspiring developers remain a democratic and viable process to all and safeguarding the interests of the State, Housing Department, Slum Rehabilitation Authority and most of all the under privileged citizens of our nation.

Thanking you,

Yours sincerely,
For **CREDAI-MCHI**



Dominic Romell
President



Dhaval Ajmera
Hon. Secretary