

## SELF / DM / Contract Re - development Initiative by REX – PMC

**Govt. of Maharashtra has issued GR on Sept. 13, 2019 and provided support / various relief -**

**To promote Contract / Self redevelopment of private & MHADA society and cess - tenanted / buildings within municipal areas of Mumbai & suburbs.**

Some of highlights of Directives for old and dilapidated buildings for more than 30 years old are as follows:

- 1 One window system
- 2 Approvals in 6 months
- 3 Increase in FSI by 10%
- 4 Plots falling on road less than 9 mt. can also go for self-redevelopment with 0.4 FSI with no premium.
- 5 50% rebate for TDR.
- 6 Discount on premiums to be given.
- 7 Installments for paying premiums instead of down payment.
- 8 Concessions on LUC tax.
- 9 Concessions in Stamp Duty.
- 10 Concession in GST.
- 11 Reduce in open space deficiency premium.
- 12 District central bank to act as nodal agencies.
- 13 Project to be completed in 3 years.
- 14 4% subsidy on interest, thus now interest will be 8.5% p.a.
- 15 Tripartite agreement to be made between Bank, Society & Contractor.
- 16 For quality construction - at least 3 members committee to be formed - 2 members from society and 1 from Bank.
- 17 Special grievance Redressal committee to be formed for any problems/ grievances/ complaints.
- 18 Contractors to be registered.
- 19 Contractors to submit 3 years balance sheet.

This is welcome move by Maharashtra Govt.

**There will be huge benefit to the societies opting for self-redevelopment and many projects will become viable.**

**Principals / Formula to calculate the feasibility-** (15.01.2020)

Govt. has issued the directives for MCGM / Mhada to make suitable changes within DCPR and other norms, Notification to be issued by Mhada / MCGM will clarify it more, which may take some more time.

Mainly following parameters will impact the feasibility report

- The approval cost will come down by 30%.
- The TDR / premiums cost will come down by 30%.
- The FSI facility 10%+ only on the members' entitlement carpet area.
- The finance / interest cost will come down by 30%.
- The Taxes cost will come down by 40%.

Following Problem has been faced by members Since last 15 years –

1. Developer promise never matches performance.
2. Average project time – 5 yrs.
3. Carpet area is reduced in 99% cases.
4. Bank guarantee never works 9 proved to be just piece of paper.
5. Rent pay stopped before time.
6. Out of approx. 8000 society buildings 70% are stuck.

To avoid all the above typical problem following system is advised.

To avoid disputes / corruption / complications among members.

To plan / arrange finance & manage project thus generate better / more benefits to each members of society.

**DM / Self / Contract Redevelopment.****REX CON COR / GRUHA SANKALP SANSTHA – Initiative.**

A NGO with group of persons like Architect + Structural engineer + Advocate + chartered Accountant + Civil engineers & various other highly qualified individuals .

**What to Do**

We overtake entire project responsibility as PMC – Start to Finish.

All required / Entire technical services to society for self / Contract redevelopment, wherein society members gets more benefits, without any extra work load.

### **We also provide fund & Sale management support services.**

We provide all technical services - Architectural ( Design + Elevation + Liaison at BMC & various dept. ) , Structural design + Techno legal support & assistance + financial advisor + valuer + site supervision + site management as PMC.

We guide society and conduct / manage the system from concept to completion.

1. Concept promotion / Detailed Dynamic Feasibility report.
2. Project structuring & Building planning.
3. Members ( Expectation / apprehensions ) management.
4. Fund procurement / Financial planning & Sale management.
5. Construction ( Contractors ) management.
6. Building Warranty / DLP management.

**Under DM / Self / Contract system - Society & members to get at least 50% more benefits than builders offered percentage.**

### **How to do**

#### **Step - 1**

Appoint PMC to do Detailed / Dynamic project feasibility report on General Redevelopment - Entire responsibility with builder.

Self / Contract Redevelopment - Only Construction responsibility with builder.

Fund / Sale management – To fund house / Investor / VC , etc.

#### **Step – 2**

Arrangement of finance: - Under Self / Contract Redevelopment.

Funding Part – 1 ( options )

Project needs fund only for planning & passing / approval – upto IOD.

Explore options – Step wise

a. Each member to contribute a fund of Rs. **5 / 10 lacs** but proportionate to their existing area. Say **Rs. 500 - 1000/-** Per sq.ft. against interest on money or extra space at landing / discounted price.

Member may take bank loan of small amount on personal guarantee.

OR Any other suitable option as per case.

- b. Any **2/4** members to contribute towards initial fund against purchase of additional area in advance at discounted price ( 20 – 50 % ) .
- c. To invite an outside investor (relatives of existing members) & offer only 2/ 3 flat for sale at discounted price against payment.
- d. Society may take loan from NBFC / fund house / Investor / VC, others.

#### Funding Part – 2

- a. To organize sale of area to members / & their relatives.
- b. To invite developer / contractor on barter system .
- c. To organize sale of space / area to general public / others.
- d. Society may take loan from MDB, others.

Security to investors – All the money so received must be deposited at escrow account for the project .

#### Step – 3

PMC / Architect to do all technical works & planning & passing for IOD.

#### Step - 4

1. Tender process to appoint Contractor / developer for actual construction. Format of tender – The developer to be asked the cost of total construction as per design / plan, already put up for passing.
2. Cost & benefit recovery by developers will be by offering proportionate salable area in exchange of investment & profit.

#### Step – 5

Cost for transit accommodation & corpus – **2 / 4 unit / flat** may be offered by Society for sale After IOD & appointment of developer / contractor.

#### Step – 6

Society to vacate the building and allow the Developer to do construction and also the controlled sale of his part of area only in proportion of **@ 75%** of the investment made by developer, till that stage.

#### Step – 7

Entire balance area / unit / flats will belong to society, which will result in 50% more living area on builder's percentage.

#### Step – 8

As soon as the construction is completed the role developer is over & he may not remain involved with POA / DA.

**Example:-**

Feasibility report (Financial results) of a society at Santacruz–(w), Mumbai.

1. Financial gain under General Redevelopment – entire work responsibility with builder.

**Rs. Sixty four crore and Ninety nine lacs** Equal in kind as **50% ±** free carpet area + Nil usable area + Rs. **2,500/-** per sq ft. on existing carpet area as corpus amount + Rs. **100/-** approx. per sq. ft. on carpet area per month (**24 month**) transit amount + Rs. **20,000/-** transportation charges + stamp duty & registration of individual agreement other benefits to each member shall be provided/ offered.

2. Financial gain under DM / Contract Re-development – Planning & approval to be done by society by PMC / Architect .

Further Construction & related responsibility with builder under **barter ( Exchange )** system.

Rs. Ninety two Crore fifty eight lacs Equal in kind as **75% ±** free carpet area + nil usable area + Rs. **3,000/-** per sq ft. on existing carpet area as Corpus amount + Rs. 100/- approx. per sq. ft. on carpet area per month (24 month) transit amount + Rs. 20,000/- transportation charges + stamp duty & registration of individual agreement other benefits to each member shall be provided/ offered.  
(Under Average & standard working system)

**Two case study.****Contract Re - Development case study of Aditya Society - Juhu.**

for Book / website / presentation.

A Mhada society of **40 members of middle class at JVPD**, wanted to redevelop their dilapidated building. In 2003, they invited various developers to quote financial offer for the project, after verifying all relevant title documents & plot area / carpet area, many builders came forward. They offered 25-30% extra carpet area within 2.4 FSI, after visualizing that the redevelopment can happen only once in lifetime, for more benefits / possibilities, society invited PMC through newspaper notice, out 37 responses, society appointed REX CON COR / REX PMC , and asked us to explore for more technical support / options.

In 2004 we advised them Self / Contract development, which took them more than 6 month's to understand, finally two member from society took initiative and confirmed to invest required investment. As per project feasibility, the members – developer agreed to purchase salable area at market rate plus 15 % profit. Accordingly carpet area equivalent to the total project cost with profit was made / agreed to be provided to the developer member & balance belonged to each member of society.

**As a result each member got 66% carpet area extra. (400 old to new 676 sq ft.)**

Aditya B, building got completed by In 2007 , Aditya - A, got completed by 2009, Aditya - C got completed by 2011.

Conclusion :- this is an **example of contract development** , wherein **basic funding is done by 2 members** only, who were practicing CA & investor, now they are good reputed builder in the area. They also agreed for each & all technical advice of PMC - Rex, thus the buildings constructed as per zone iv that is 50% better strength quality & 80 years of life.

**Contact person – Mr. Dholakiya.** (Society member)

**Contract Re-Development case study of Priti Sangam- Boriwali – (w).**

(for Book / website / presentation.)

A society of **76 members of at Sai baba nagar** , wanted to redevelop their dilapidated building. The plot area is 2000 Sq.mtr & existing carpet area was 3000 Sq.mtr. (approx) In 2008, they invited various developers to quote financial offer for the project. after verifying all relevant title documents & plot area / carpet area, very few Builders came forward. They offered 10% extra area in form of flower bed , to be enclosed after OC , but no extra carpet within FSI, also wanted society **members to pay for construction cost.**, after visualizing no possibilities, society turned to PMC & contacted us for technical guidance.

**In 2009** - we floated tender through newspaper, out of 18 developers shown interest , only two remained in race but under terms of **no extra area & no payment** from members, this also fizzled out.

**In 2012** - 5 developers / contractors were invited as per interest shown, under terms - that society member must **purchase at least 100 sq ft carpet** in lieu of corpus / rent / no extra carpet area this worked. After various ground clearing discussion / meetings **67 out of 76 member agreed to purchase** additional carpet area @ 12,000/- per sq ft.

In 2012 after approval of new DCR the fungible area benefit also came into effect , **Members got 25% extra carpet area free out of this fungible area.**

Conclusion :- this is an **example of contract development** , wherein **basic funding is done by members** Themselves and the project has moved forward - On July 13, IOD - received , flat allotment has been done , **all of members have vacated without dispute** , the demolition of old building & construction of five floors is already done by 01 / 11 / 2014.

**Contact person – Mr. Bhandare / Mr. Rajapure ( Society members)**

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