# METRO CITY DNA

# SELF-REDEVELOPMENT: NEED OF THE HOUR.

TODAY MUMBAI CITY AND SUBURBS REQUIRES OUT OF THE BOX THINKING BY ADOPTING MODE OF SELF-REDEVELOPMENT TODAY BECAUSE DEVELOPERS ARE FACING FINANCIAL CRUNCH FOR TWO REASONS FIRST IS DUE TO RECESSION AND SECOND IS DUE TO THE SPREAD OF COVID-19 PANDEMIC INDUSTRIAL ECONOMY HAS GONE FROM POSITIVE AND NEGATIVE MODE BUT BEFORE THAT WE NEED TO ANALYZE WHY? THERE ARE MANY FACTORS WHY MUMBAI NEEDS SELF-REDEVELOPMENT.

BY:- AR. DILIP DESHMUKH

# DEVELOPMENT BY MHADA

Let's analyze by peeping into past in real estate sector Mumbai suburbs started developed during 1980-2000 almost 2 decades ago. Exception was that of Mulund west area which was developed between 1950-1960. MHADA authority has played a key role in developing Mumbai's affordable housing sector from 1962 onwards. People from both LIG and MIG are staying in these layouts which were constructed by MAHDA. I would like to heartily congratulate dynamic officers from MHADA and government of Maharashtra for this extra ordinary achievement. There are about 19000 cessed building in city and tenanted and co-operative buildings in suburbs which are roughly estimated to be 25000 that are waiting to be redeveloped.

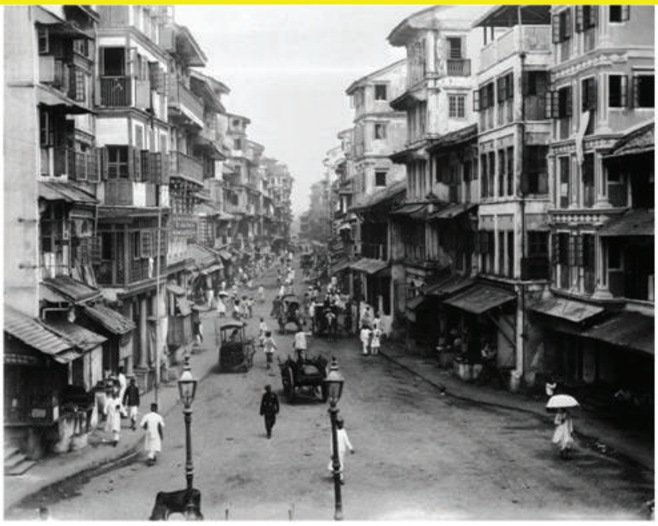

Recently published DCPR – 2034 has given a financial feasibility to develop the plot according to the width of the road the more the width of the Road the more FSI will be available.


Therefore, Gates possibilities of re – development has opened. However, still re – development is still not happening and Developer has trapped in financial crunches. Hence, in absence of middle man the developing societies are compelled to think the option of self re – development of their buildings

Before I give out line of the details about self-redevelopment, we need to understand the tragedy which led to the fall of developer's interest in redevelopment. Today, developer is in financial crunch as the project that he had undertaken for redevelopment has stopped or having slow progress. MCGM published its 1st DCR in 1967 and it was in force in till 1991.

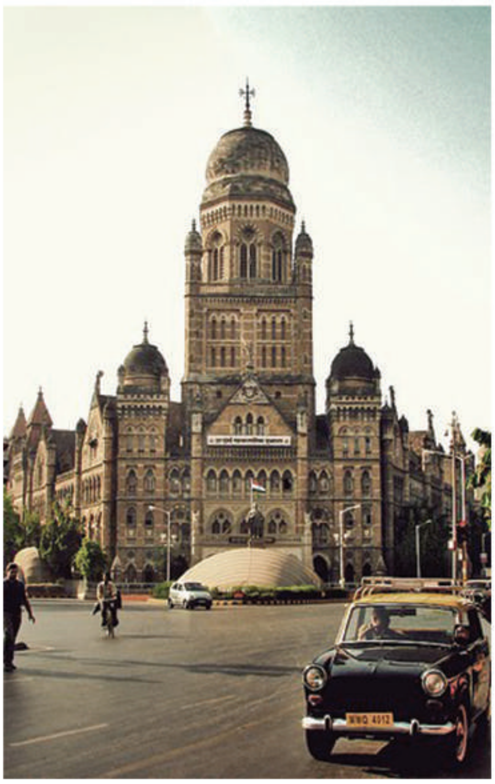
## 1967

The 1st DCR published in 1961 lacked clarity and hence the rules were changed by introducing clarification policy (3000-4000) many times by government and municipal corporation, & clarification to classification were sought and new amendments were proposed in 1967 DCR.



In those days only a few architects could get the notifications from the municipal corporation about the changes in the DCR (first hand information) and the rest of the architects were kept in shadows about these changes in the DCR, because of this only a certain group of architects with the knowledge would consistently receive new projects a water tight situation was kept regarding these modifications.

## 1991



In 1991 DCR which was published by MCGM have taken care of all the lacunas which was observed in earlier D.C. Regulation and for the first time MCGM introduced Transfer of development rights (TDR) and a lot of changes were made in proposed D.C.R – 1991 as the days passed from 1995 onwards some of the developers had already began to misuse the 1991 DCR by proposing flower beds and service slabs in toilet ducts, common passages, chajjas and were allowed free of FSI but were sold to customers.

In one of the PEATA's seminar then honorable municipal commissioner, Subodh Kumar was appraised of the free of FSI being sold to end user by misusing D.C.R & customer had to purchase the extra carpet from the developer which was actually free FSI therefore additional burden was put on the customer and because of all these irregularities it became a tough job to obtain occupancy certificate for the architects.

## 2012

Then M.C took the matter seriously and introduced the Modified DCR on 4th January 2012 overnight illegal flowerbeds, service slabs, common passages etc. were overnight banned and then from this point onwards developers motive to get free of FSI area was checked. Till that time to grab the project some of the developers were offering such free of F.S.I in carpet illegally.

There after developers started renegotiating with the society that the so called flower bed, terraces, passages will not be available and the committed area needs to be reduced due to the new modified regulations, consequently feasibility of the new projects were not financially viable due to which some of the ongoing projects were stopped and developer had to amend the plans.

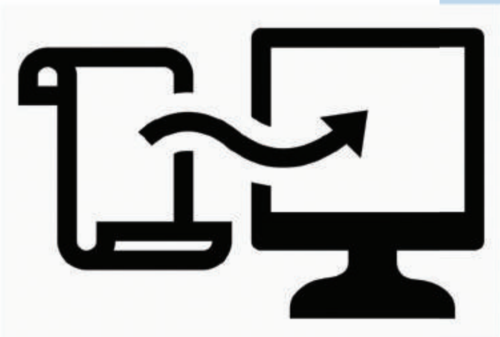
Modified DCR allowed 35% fungible area by charging premium and that was a big blow to the developers, due to this the cost of redevelopment had increased ranging from about Rs.3500/ sq. ft. to Rs. 7000/sq. ft. on saleable component. In the meantime, accept the modified DC regulations took developers 2 years by renegotiating with the society and started the project from the scratch. Hence the developer had setback of 2 – years.

On one hand free of FSI soaps were totally crushed by then Hon'ble M.C, MCGM and on other hand Developers had to shell out money for Fungible F.S.I which they were enjoying free of cost earlier, Developers were stuck in interest, Rent and knock down soaps by New modification, but still they could breath.Their patience was at stake they were failing to adhered to the time line of completion of projects worried on estimates of expenditures of the projects. Some of the developers stopped paying rents. They were in search of financial partner. In order to save their standard.

## 2014

In 2014, News regarding new DCR came in Newspapers and there were rumors that FSI is going to be increased so societies members were keen to get the FSI from the developer therefore it further delayed the project by 2 years when finally, New DCPR 2034 had published after 2 years i.e. 2016. The developer were in dilemma, whether to adopt new DCR or to carry on the work as per old regulations. As MCGM had sent the Proposed to State Govt. for its final sanction but per old regulation the company which was given the contract to study and formulate the DCR, (the company from Bengaluru) had made a mess lot of mistakes in Development Plan and that received a lot of criticism from society therefore government of Maharashtra had to send back the DCR for correction.

Then municipal commissioner Shri. Ajoy Mehta had taken the challenge and constituted the DCR with the help of their officers and mistakes were rectified and finally DPCR was published on 27th May 2016.It is take important to mentioned that,
In 2014, there was a change in alliance in the government and new party had resumed the offices in November 2014 and in January 2015, Government of Maharashtra had published the norms of EODB for approval of building proposal in MCGM limit to promote online approval and to claim higher rank in world economy. In this process the proposal is required to be submitted online, hence it took a whole one year for this process to establish and to make substantial progress.

Hence the architects and developers had to switch from physical submission to online submission therefore another year was wasted in complying with the new system. In October 2016, de monetization came into force in India, this was heavy blow witnessed in years some of the developers were on verge of collapse.

- They had fear of loosing lum sum cash by introduction of demonetization. In real estate it is assumed that all land dealings are carried out 50 : 50 formula. Demonetization has halted the land deals for a while.
  I am not at claiming that developers were affected by demonetization but politician, Doctor's Businessman, Advocate, Actors and general public were affected in order to check the Black money roaming freely in India.
  In the mean time recession was seen globally, there were tremendous cash crunch seen in India. It was evident.

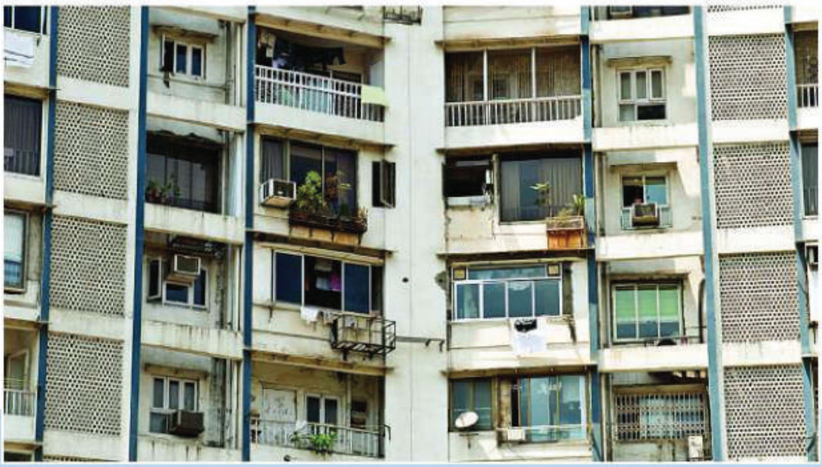

- The projects which were started in 2011 were already affected due to modifications in DCR in 2012 and DCPR 2034 / EODB and then demonetization and GST has added a lot of pressure on developers and further by introduction of MahaRERA


- Thereafter Builders had to register themselves as per this act and therefore there were lot of restrictions on spending the money or diverting the money from one project to another. According to RERA, new flats needs to be registered within 3 months from the booking therefore the investor in the project were wiped out.
- All these factors were responsible for liquidity crisis therefore most of the developers were trapped in cash crisis & due to recession, developers were not able to sell the flats and investors could not invest in the project due to provision laid down in MahaRERA and result was that the developers could not repay the loans to the banks in time hence the companies were going under NPA and the credibility of the developers was at stake.

- At this point the developer were searching for a partner or financer from NBFC because projects were half way done and they had to pay rent every month to the society and alternate accommodation. This was a vicious circle that the developers were trapped in. In February 2018 share markets collapsed because government of India had removed LTCG and therefore midcap and small cap shares were down by 70-80%. This has added fuel to the cash crunch for the developers because some of the developers were parking their funds in the share markets as cash is easily available in 2-3 days this access was also permanently closed.

- Now, cooperative housing societies were not ready to trust the developer as their credibility had gone down the drain due to this societies were not certain once the project is handed over to developer whether he can complete it within the given time frame or not therefore there was a lot of brainstorming among the society members as whether the project should be handed over to the developer or not.

**The Architects, researchers and real estate experts suggested to go for self- redevelopment.**



- In the recent past, the concept of development manager has emerged, society redevelopment is totally looked after by the manager and he will look after each and every aspect of the redevelopment project fort the society.

- However, society has to appoint an advocate, architect,  PMC and other consultants including CA. including Development Manager (DM). After the appointment, architect will prepare the feasibility report of the project and
table it to the society on the basis of the feasibility the development manager will study the feasibility and approach the bank for project loan.

- Architect will Then, the loan will be disbursed on getting all required approvals & CC. At this point the contractor will be in position to start the construction work and the development manager will supervise the work and all aspect of the work till the completion of project.

- In this case banker will mortgage the sell component (flats / premise) of the project and therefore the risk will be limited. Society members mayl get more carpet area as compared to the offer from the developer.

- The main reason is that in the self-redevelopment project the developers profit is totally shared by the society since the development is under taken by the society instead of developer.

- There are many ways to make the project successful without opting for bankers loan those societies who would like to go for self-redevelopment has the biggest opportunity to redevelop their own society and to get full benefits out of the redevelopment.

- Today there are many dilapidated and dangerous buildings in Mumbai in MCGM limit which require immediate redevelopment & buildings which are within aerodrome vicinity has height restrictions and can not consume more than 1.5 FSI. Therefore all such society's can be redeveloped under self-redevelopment scheme.

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