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Foreword

Maharashtra — an economic and industrial powerhouse of the country — is leading urbanization in India. It annually contributes about 10 lakh to the urban population of India which is more than 10 per cent of national level. However, the urban population in Maharashtra is highly concentrated in the western region, specifically in Mumbai, Pune and Nashik region. These three cities together account for more than 50 per cent of Maharashtra's urban population.

Huge influx of population in these cities has resulted in significant stress on urban infrastructure affecting the quality of life. For instance, almost half of Mumbai city population currently resides in slum areas without proper access to basic urban services like water, power, sewerage etc.

The state has taken numerous steps in the past to improve the quality of life in cities, however, the desired results have not met the expected results. Some key issues such as limited growth of new cities, a difficult regulatory environment and delay in execution of key projects may have resulted in deterioration of urban infrastructure in Maharashtra.

For the state to continue on the urbanization path, it is important that it undertakes significant expansion of its urban boundaries, ease hurdles affecting real estate development and promote affordable housing development in the city of Mumbai.

This study, an effort by KPMG in India and NAREDCO, highlights some of the key concerns and strives to provide an agenda for action for the Maharashtra government to meet the vision of 'Housing for all by 2022'. I would like to thank all the stakeholders involved in preparing and providing valuable inputs. I hope that you find this report insightful.

Arvind Mahajan
Partner and Head,
Infrastructure and Government Services,
KPMG in India

Foreword

The real estate sector is of strategic importance to Maharashtra's economy. It is among the largest contributor to the state's economy, revenue receipts, employment and a major source of foreign investment. Additionally, the sector has forward and backward linkages with more than 250 industries. It is estimated that Maharashtra needs to develop about 1 crore housing unit's basis by 2022 to achieve the vision of our Honorable Prime Minister Shri Narendra Modi. Both rural and urban region of Maharashtra would require about 50 lakh houses each by 2022.

The rural housing in Maharashtra primarily requires funding support of about USD10-15 billion, which can be meted out from central and state subsidy to rural families without adequate housing. Urban housing requires a deeper intervention such as developing smart and other theme based cities; building new transport infrastructure such as airports, ports, roads and railways; easing the real estate business by streamlining archaic norms and procedures; and finally, rejuvenating existing cities especially Mumbai.

In the last decade, there have been reforms across a wide spectrum of real estate issues such as land acquisition, regulation to protect customer interests, opening the doors to foreign investors, and the introduction of Real Estate Investments Trusts (REITs). While this current wave of innovative energy in the sector has infused new life, there are still a number of issues that need focused attention, failing which the real estate sector will not be able to achieve its full potential.

This study, a joint initiative by NAREDCO and KPMG in India, showcases the steps required to meet the growing urban housing need in the state of Maharashtra. We are thankful to KPMG for the necessary support and guidance for preparing this study.

Niranjan Hiranandani
Convener
Vision Maharashtra

Foreword

Demographic trends suggests that Maharashtra is witnessing a large scale urbanization with urban population growing at the rate of 10 lakh annually. As per KPMG's estimate, the State's urban population is expected to increase from 5 crore in 2011 to about 6.8 crore by 2022.

However, the pattern of urbanization is largely concentrated towards the western region especially in cities such as Mumbai, Pune and Nashik. Burgeoning of existing cities is leading to over utilization of urban infrastructure affecting the urban service delivery and quality of life. It is important that the Government focusses on decongesting these cities by promoting new urban centers by developing necessary transport and economic infrastructure.

In addition to developing new cities, the State also need to focus on improving the urban service delivery in the city of Mumbai and Pune. Special dispensation for affordable housing, slum rehabilitation, rental housing, increasing Floor Area Ratio, expediting approval process etc. needs to be looked into to make these cities world-class. Several policies have been introduced in past to improve housing conditions, however, the pace of implementing these policies has been slow. We request the Government to take necessary actions and expedite the policy implementation as well.

This study, a joint initiative by NAREDCO and KPMG in India, showcases the steps required to meet the growing urban housing need in the State of Maharashtra. We are thankful to KPMG for the necessary support and guidance for preparing this study.

Sunil Mantri
President
NAREDCO

Executive Summary

The state of Maharashtra seems to be witnessing rapid urbanization. As per National Census 2011, Maharashtra has the highest urban population of more than 5 crore — the highest among any state. Urban population in the state is rising at about 10 lakh per annum, and it is envisioned that by the 2022 almost half of Maharashtra's population of about 13 crore would be urbanized[1].

By the year 2022, the housing need in Maharashtra is expected to grow to 1 crore housing units (50 lakh each in urban and rural), with more of the housing requirements in the urban regions.

Region wise housing shortage in Maharashtra (lakh)

Particulars	Rural	Urban
Existing deficit	30	20
Additional need	20	30
Total	50	50

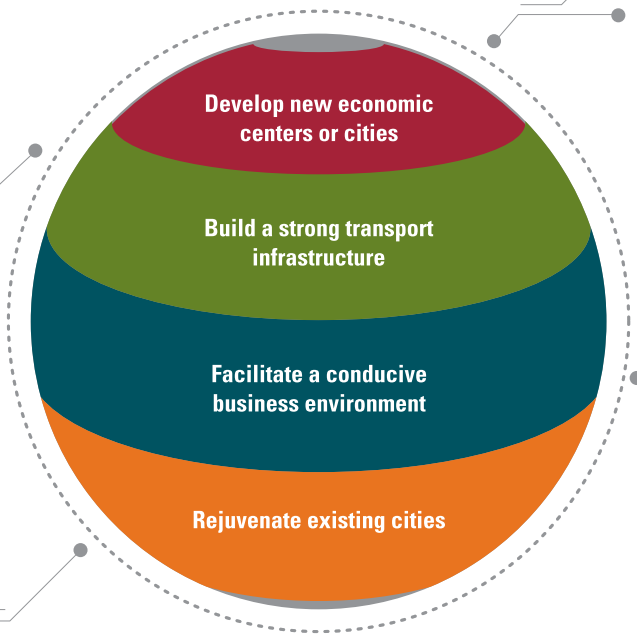
Source: Census 2011; Planning Commission

Though, the housing need till 2022 is justly distributed between rural and urban regions, the latter requires a concentrated effort from the state Government. While, the rural housing could require cumulative investment of about USD13-15 billion, the urban housing could require more than USD200 billion investment. To help ensure mobilization of resources for the mass scale housing development, private sector participation may also be required.

A four phase strategy to improve its urban growth and meet the housing for all vision by 2022

The small cities can be connected with international airports and ports through a strong network of highways, and railway. Some key infrastructure projects, which may not be viable for private investment today, must be taken up by the government to set the stage for flow of private investments.

Maharashtra may want to develop new economic centers, such as Nagpur, Navi Mumbai, Thane, Ambarnath and help decongest the existing hubs such as Mumbai, Pune and Nashik.



The government needs to parallel work to upgrade the urban infrastructure in existing cities, especially Mumbai and Pune to improve the quality of life. Special attention on housing, slum-rehabilitation, urban transport, water and sewerage is required.

The cost and ease of doing business in Maharashtra's cities must be looked into to promote development of requisite local infrastructure in the city. Additional efforts such as skill development, fiscal incentives, labor reforms, etc. must be introduced individually for each city.

Source: Census 2011; KPMG in India analysis

01. KPMG in India analysis based on Census 2011

Executive Summary

Action steps to augment urban and affordable housing development in the state

Housing for all by 2022
Vision for Maharashtra

Maharashtra is one of the largest and most prosperous states of India. The state is often referred to as economic and industrial powerhouse of India. The state is the largest contributor to the Indian economy and in 2013-14, its share was 14 per cent[2].

Key statistics of Maharashtra

Demographics	Maharashtra	India	Maharashtra ranking
Population	11.2	121.1	2nd in India
Growth (2001-2011)	1.5%	1.1%	13th out of 20 large states*
Urban population (crore)	5.08	37.71	2nd out of 20 large states
Urbanization rate	45%	31%	2nd out of 20 large states
Social indicators			
Human Development Index	0.572	0.467	7th
Literacy rate (2011)	83%	74%	12th (3rd among 20 large states)
Employment (FY10)	3.80%	5%	5/14 (3rd among 20 large states)
Per capita income (INR lakh in FY13)	1.1	0.5	3rd among 20 large states
Economy			
Current economy size (USD billion in FY14)	222	1,691	1st
Economic growth (FY05-FY14)	9.10%	7.20%	1st among 20 large states
Direct tax collection (INR lakh crore)	4.5	3.0	1st
FDI equity inflow (USD billion)	67.8	223.0	
Physical Infrastructure			
Installed power capacity (mw)	34,867	249,488	
Wireless subscribers (crore)	10.3	91.0	
Broadband subscribers (lakh)	23.6	653	
National highway length (km)	5,515	79,116	
Major and minor ports (no.)	2+53	13+187	
Airports (no)	8	133	
PPP projects (no)	88	1,339	
SEZs (no)	65	392	
Railway route length (km)	6,107		

Source: Census 2011; MOSPI; RBI; IBEF
*20 large states according to population size.

02. KPMG in India analysis based on Handbook of Statistics on Indian Economy 2013-14, RBI, 15 September 2014

The state of Maharashtra is witnessing significant housing shortage. As per our analysis based on studies conducted by Planning Commission in 2012, the state faces a total housing shortage of about 50 lakh (20 lakh in urban and 30 lakh in rural). By the year 2022, the housing need is expected to swell to 1 crore housing units (50 lakh each in urban and rural). The housing needs are expected to increase largely in urban regions.

The housing need till 2022 is equally distributed between rural and urban regions. The rural housing could require cumulative investment of about USD13-15 billion and the urban housing could require more than USD200 billion investment. Mobilization of resources for the mass scale housing development could require involvement of the private sector.

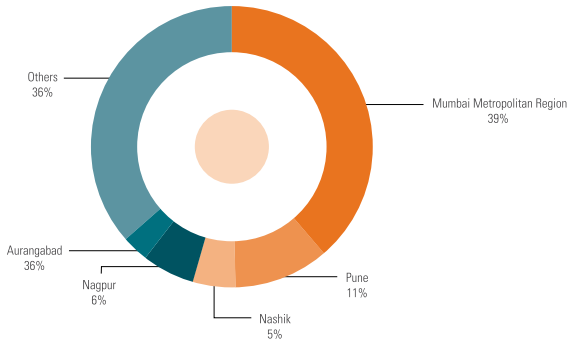
The rural housing development must be led by state, with funding and project management support from the Central Government. In our view, the central government with participation from state governments, drafting a plan of delivering four crore houses in rural areas by 2022 is a good start.

For urban housing need, the state needs to strengthen the private sector for managing construction risks and project delivery. While, the necessary policies and reforms are already in place, the state needs to improve the execution (for instance the Affordable housing policy and the Rental Housing Policy). Further, the state needs to develop new cities to accommodate the urban population growth.

A four phase strategy to accommodate urban growth

The urbanization pattern in Maharashtra is largely concentrated in the western belt. Of the total urban population, about 56 per cent resides in the Mumbai Metropolitan Region, Pune and Nashik. Other major urban region in Maharashtra, especially in the eastern belt, are Nagpur and Aurangabad (9 per cent of the total urban population).

Maharashtra urban population break-up



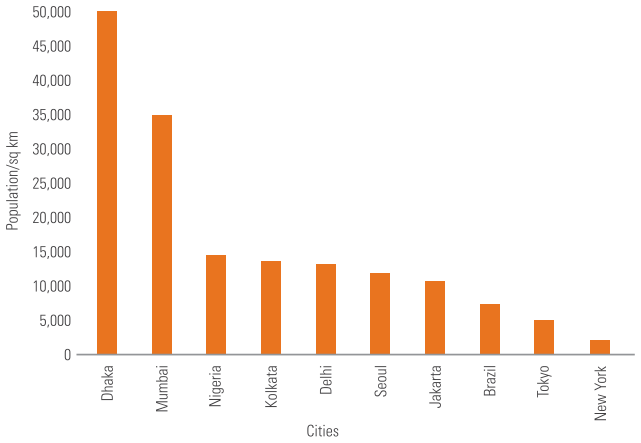
Source: Census 2011

High concentration of urban population in just few cities has resulted in significant densification of the cities which affects the urban service delivery, especially with respect to housing.

High population density in the urban regions of Maharashtra has resulted in significant pressure on limited land parcels inflating the land prices. High land prices has affected development of affordable housing in the state.

As of 2012, it is estimated that the state faced an urban housing shortage of 19.4 lakh units[3] . Our estimate suggests that by 2022, the state of Maharashtra would require about 50 lakh new houses to meet the existing shortfall and future need taking into account rising urban population and reducing family size. This is about 50 per cent of the existing urban housing stock of 1.1 crore housing, as of census 2011. A big chunk of this housing need could be for affordable housing, requiring a concentrated effort from the government in this direction.

Population density across major cities globally



Source: World Urban Areas Population and Density: a 2012 update, newgeoghraphy website, http://www.newgeography.com/content/002808-world-urban-areas-population-and-density-a-2012-update, March 2012

To accommodate the rapid urbanization and improve the quality of life in existing cities, the government needs to develop new urban centers and rejuvenate the infrastructure in existing cities, especially in and around the city of Mumbai. In the past, new cities such as Thane, Navi Mumbai and Pune have come up to accommodate Mumbai's urban growth. However, many of these cities have largely been developed with a residential focus and lack economic drivers.

For instance, in the cities of Thane and Navi Mumbai cities does not have any significant economic driver[4]. A large number of residents in these cities commute to the city of Mumbai daily leading to excessive stress on urban transport infrastructure.

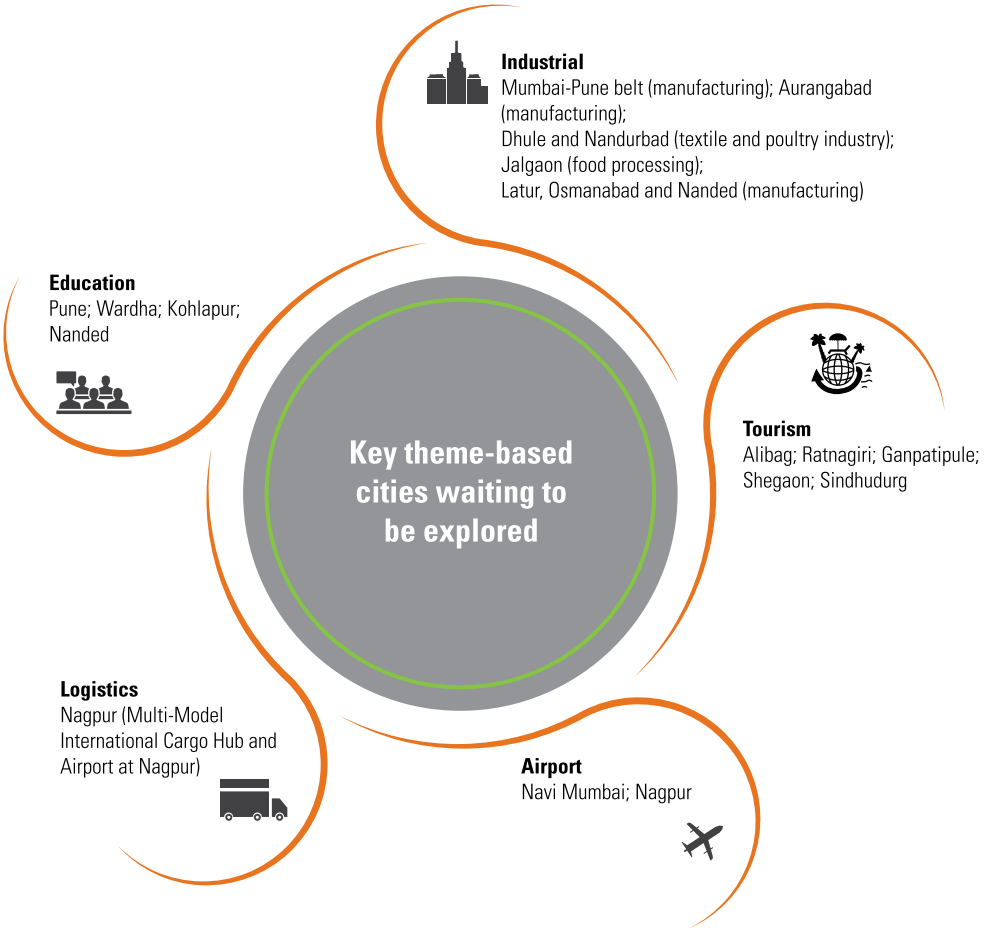
Large scale horizontal development of the city of Mumbai may not be sustainable in the long-run, and the government may need to develop new economic centers. In addition to developing and creating new urban centers, the government also needs to rejuvenate the city of Mumbai to improve the quality of life of its citizens.

03. Report of the Technical Group on Urban Housing Shortage (TG-12) (2012-17), Ministry of Housing and Urban Poverty Alleviation, Government of India, September 2012
04. KPMG in India analysis based on discussion with industry bodies and developers

Help develop new economic centers or cities

Maharashtra needs to shift urban economy concentration from a handful of cities (such as Mumbai, Pune, Nashik, etc.) to new cities. The government has taken numerous steps to develop new cities and it has witnessed some success. However, the pace of development and lack of local economic driver in these new cities has supported economic concentration in few cities. Economic concentration — which can lead to concentration of jobs — long commute from far-off places and requires heavy investment in urban transport infrastructure.

Maharashtra has a good network of sub-cities around the existing large urban centers. For instance, the city of Mumbai is surrounded by large residential cities such as Navi Mumbai, Thane, Ambarnath, etc. The government could nurture the strength of the local economies of new cities to promote local employment growth. For instance, the government sould promote the new cities on basis of particular themes such as tourism, digital, industrial, logistic, airport, etc.



Help build a strong transport infrastructure

Development of suitable infrastructure should be a priority for the government of Maharashtra to improve access to new cities. Efficient rail and road network, functional airports, improved connectivity of the non-major ports with hinterlands together with uninterrupted supply of electricity at a reasonable cost can go long way in improving the prospects of future industrialization and urbanization. Some major infrastructure projects which must be taken up on priority basis are listed below:

Roads - for opening up connectivity to new cities and ushering economic growth, a sound road network is essential. Some urgent requirements in this light are listed below:

- The existing two-lane national highways must be converted into four-lane
- 150 km long Mumbai-Nashik Expressway must be developed at the earliest
- Roads connecting district headquarters should be constructed on major traffic corridors to facilitate speedy travel
- Convert Ratnagiri-Solapur-Nanded-Yevatmal-Nagpur (Major State Highway 6) into four lane National Highway. This project is expected to connect Maharshtra's rural hinterland right upto the border of Madhya Pradesh, along with the coastal region of Maharashtra. Total investment envisaged is about INR13,500 crore for the 904 km highway.
- Coastal Highway i.e. Major State Highway 4 is running along the coastal region of the state parallel to NH-17. This project is expected to significantly improve the connectivity of Mumbai sub-urban cities such as Thane, Navi Mumbai, etc. Total cost for the 787 km two land highway is expected to be about INR2,000 crore.

Railways - The government would have to take the initiative to develop the railway network in the state and improve connectivity. Some key projects which must be taken up on urgent basis are listed below:

- Ahmednagar-Parli-Vaijanath project as well as Wardha-Nanded-Pusad rail connectivity project costing about INR5,400 crore with state contribution to the extent of INR2,450 crore.
- Expedite approval process for Manmad-Indore, Wadsa-Desaiganj-Gadchiroli, Nagpur-Naghbir, Gadchandur-Adilabad, Pune-Nashik and Karad-Chiplun railway projects. The Maharashtra government would have to contribute about 50 per cent for these INR11,000 crore worth projects.

Ports - There is significant scope of improvement for Maharashtra to reap benefits from its long-coastline. An important port project, promising growth in Maharashtra:

- The Rewas Project - which is expected to have a cargo handling capacity of about 140 MT by 2020.

Airports - Maharashtra needs to develop new international airports in other cities to integrate and complement the transport infrastructure development. Some major projects requiring urgent government attention are:

- Airports at Navi Mumbai, Pune, Nagpur, and Aurangabad must be developed as international airport. An investment of about INR1,350 crore from the state is envisaged for these projects.

Source: Report of The High Level Committee on Balanced Regional Development, Government of Maharashtra Planning Department, October 2013

Resource Requirment for Connectivity

Sr. No.	Sector	Item	Resources required (2012-13)			
			Central	Private	State	Total
1	2	3	4	5	6	7(4+5+6)
1	Roads	State roads			38262	38262
2		Ratnagiri - Nagpur NH	13500			13500
3		Port connectivity		9700		9700
4		Coastal road			2000	2000
5		Local sector road	23524		35367	58891
6		Road on PPP basis		11719		11719
		Total	37024	21419	75629	134072
7	Railways		5700		5200	10900
8	Airport				1350	1350
	Grand Total		**42724**	**21419**	**82179**	**146322**

Source: Report of The High Level Committee on Balanced Regional Development, Government of Maharashtra Planning Department, October 2013

Facilitate a conducive real estate business environment

The state must ease procedural rigidities and involvement of multiple public agencies to facilitate further investment. Securing necessary approvals for housing projects has peculiar complexities arising due to uncertainties, interdependencies and inefficiency in operations of various process workflows and authorities. As per a World Bank study titled 'Doing Business 2015', Mumbai is ranked lowest with respect to 'Dealing with Construction Permits' globally.

The study highlights that construction approvals requires an average 27 procedures spread over a period of 162 days. Further, the cost of obtaining necessary approvals is significantly high compared to other economies. The report stated that the cost of obtaining approvals for developing a warehouse in Mumbai is about 46 per cent of the warehouse value (50 times the local per-capita income).

In addition to a complex approval procedure, developers often face delays in seeking permits. Against the defined time period of about six months, it takes anywhere between two to three years to secure approvals and No-Objection Certificates (NOCs) from various authorities[05]. The major time taken is in seeking NOCs, especially from the Ministry of Environment and Forest (MoEF) and the Airport Authority of India (AAI). A delay in securing approvals by a year could inflate the project cost by about 10-20 per cent, due to blockage of capital in land[06].

It has been observed that securing environment clearance (EC) is a major bottleneck in the state of Maharashtra. Securing EC can take anywhere between 6 to 18 months, which is significantly high against a stipulated time of 105 days by the MoEF[07]. A deeper analysis of the EC mechanism reveals that the issues afrise due to unclear guidelines, complicated procedure and coordination hurdles, lack of transparency, shortage of resources in the approval authority, and duplicity or unnecessary approval activities. A detailed analysis of the EC process is provided in the Annexure.

The existing approval process by various urban development authorities in the state of Maharashtra requires a major overhaul. The processes need to be streamlined, duplicate steps must be removed, parallel approval process instead of sequential approval process should be introduced, etc. The streamlining of the approval process needs to be complemented by developing a 'one-stop-shop' or 'single window clearance' system connecting regulatory authorities at the central, state and urban local bodies' level, supported by a robust technology platform. This single window platform could be operated either by the municipality or the local development authority.

Development of technology enabled single-window clearance has also been recommended by a committee on Streamlining Approval Procedure for Real Estate Projects (SAPREP) in January 2013 and the government must consider the suggestions provided in the study to improve the business environment.

In addition to reforms in the approval procedure, there are several issues related to land, revenue and housing sector which add to the delays. A list of these issues along with possible approach have been highlighted in the Annexure.

05. Approval process for real estate projects, FICCI, accessed 1 April 2015

06. "Red tape over green: Over 800 projects stuck in Maharashtra," Indian Express website, http://www.financialexpress.com/news/red-tape-over-green-over-800-projects-stuck-in-maharashtra/1179820/0, accessed 1 April 2015; "Eco-nod delay affects big real estate projects," Times of India website, http://articles.timesofindia.indiatimes.com/2013-05-26/nashik/39537329_1_maharashtra-pollution-control-board-environmental-clearance-appraisal, accessed 1 April 2015; "Delay in clearances escalates housing projects cost by 15%," The Time of India website, http://articles.timesofindia.indiatimes.com/2008-06-18/india/27752157_1_environment-clearances-environmental-clearances-housing-projects, accessed 1 April 2015; KPMG in India analysis

07. Report of the committee of streamlining approval procedures for real estate projects in India, Ministry of Housing and Urban Poverty Alleviation, January 2013

Help rejuvenate existing cities

Heavy urbanization has stressed the urban infrastructure in certain cities, especially Mumbai. For instance, almost half of Mumbai's population residing in slums with limited access to basic services such as water, sewerage, housing etc[08]. urgent steps are required to prevent decay of Mumbai.

Certain issues such as high degree of control on land market, lock-up of land parcels by government agencies, inefficient spatial planning and improper development of urban peripheries seems to have led to artificial scarcity of developable urban land. The shortage of land may have resulted in inflating land prices which affected the development of a formal affordable housing sector. Additionally, lack of a formal rental housing market resulted in development of slums across the state. Rental housing stock is an essential part of housing in a city as it helps accommodate the new migrant population, temporary workers or low-income population, who are unable to or do not require a permanent house[09].

As per World Bank Census 2011, about 50 per cent of Mumbai's households earn less than INR20,000 per month. Based on the income, these households can at best afford houses priced at about INR10 lakh. However, an average price of MHADA dwelling for Economically Weaker Section (EWS) is about INR15 lakh, or 50 per cent more than affordability[10]. Thus, there is a huge gap in income and affordability of housing. Several factors such as limited developable urban land, high statutory charges and taxes, long-gestation period, and high schedule and cost overruns in housing projects have resulted in making houses unaffordable in Mumbai. Some key actions points for the government in this line are listed below:

Clear rental housing stock to promote rental housing development

The development of a formal rental housing market in Maharashtra has been limited due to rent control regulations such as the Maharashtra Rent Control Act, 1999.

The government of Maharashtra launched a Rental Housing Scheme (RHS) with participation of private sector in 2007. The scheme is being implemented since 2008 in urban areas of the MMR (except in the limits of Navin Mumbai and Matheran Municipal Council). However, the rental housing scheme has been affected by significant delays. Of the 225 proposals for rental housing received by the government, only 20 projects have been given permission[11]. The government needs to expedite the approval of rental housing projects in the MMR region on priority.

Rationalize taxes and statutory charges imposed on houses

The real estate sector is taxed heavily leading to high cost of development. It is estimated that taxes and fees account for about 30-35 per cent of total development cost. Heavy taxation of the real estate sector inflates the property prices, which are ultimately passed on to the consumers.

List of direct and indirect taxes imposed on real estate development

Sr.no	Tax	Percentage of property cost
1	Developer agreement stamp duty	5
2	Stamp duty on purchase of property	5
3	Registration	1
4	Value added tax	1
5	Service tax	2.6
6	VAT to contractor	4
7	Other levies such as service tax	2.6
8	Excise and custom duty	15
	Total	**-35**

Source: KPMG in India analysis

There is an urgent need to rationalize multiple taxes imposed on the real estate sector of Maharashtra. In addition to payment of Value Added Tax (VAT) and service tax on various inputs, a developer has to pay additional VAT and Service Tax on development of property. Further, a buyer has to pay high stamp duty on purchase of property. It is suggested that the government rationalizes certain taxes to make properties affordable in cities.

It is further suggested that affordable housing projects are exempted from various charges such as stamp duty, external development charges, VAT and service tax to bridge the gap between cost and affordability. The government may consider cross-subsidizing the revenue loss from exemption granted to affordable housing projects from non-affordable housing projects.

08. Census 2011
09. KPMG in India analysis based on National Census 2011
10. Housing, FSI, Crowing and Densities, Handbook Vol.1, Praja Foundation, March 2014
11. Maharashtra Rental Housing Scheme

Slum rehabilitation

According to Census 2011, about 1.2 crore or 24 per cent of Maharashtra's urban population resides in slums. Greater Mumbai accounts for almost half Maharashtra's slum population. Mumbai has a slum population of more than 52 lakh across 11 lakh households.

Though, the slum population has declined by about 10 per cent since 2001[12], the number of slum dwellers is significantly high. Thus, it is essential that the government undertake a detailed assessment of the current slum rehabilitation policy and bring necessary changes in the policy to expedite slum-rehabilitation projects. Few major challenges in Mumbai's slum-rehabilitation policy are:

- As a process, the Slum Rehabilitation Authority (SRA) — the nodal agency of Mumbai Metropolitan Region Development Authority overlooking slum rehabilitation projects — grants approval for Slum Rehabilitation Projects (SRPs) on receipt of application from Co-operative societies formed by slum dwellers. Legal documents and clear title of the slum dwellers is a challenge for formation of Co-operative societies.
- Under the SRA scheme, consent of 70 per cent of the slum dwellers is required for a developer to undertake SRP. Obtaining consent from such high number of residents often leads to significant delay in and at times is also a non-starter.
- After obtaining approvals from SRA, a developer also needs to obtain various approvals for commencing project work. These approvals requires significant time and results in schedule and cost overruns in SRA projects.
- Obtaining funding for SRA projects is a difficult process in contrast to a normal real estate project.

Few suggestions to expedite redevelopment of slums in Mumbai are

- Reassess the consent clause for SRA projects and if possible reduce it to about 50 per cent or lesser number
- Effective procedure to be set in place with respect to documentation to fasten the process of formation of Co-operative Societies by Slum Dwellers
- SRA Authorities should be given authority to make it single window clearance for SRA Schemes
- SRPs should be granted certain tax incentives to thrust Developers to foray into SRA Space
- SRP must be included in the Corporate Social Responsibility activities to allow funding in SRP projects
- Consent conditions to be removed if land is auctioned by SRA or government.

Augmenting financial resources

The real estate sector in India lacks consistent supply of capital across the value chain. At present, limited sources of funding for land acquisition, limited exposure of banks towards the real estate sector despite having lowest NPAs and absence of long-term funding are key challenges restricting development of housing in the state[13].

On the consumer front, access to housing credit especially by EWS and Low Income Groups (LIG) households is limiting the ability of these households to purchase houses. The government must encourage micro housing finance facility to empower the EWS and LIG households to own houses.

Lack of technology, and research on speedy construction and innovative materials

Inspite of being the second largest employer in the country, the construction sector as a whole faces manpower shortage[14]. Further, the sector is heavily dependent on manual labour, faces longer time lines for construction completions, which often results in supply getting deferred. Hence, technologically faster and alternative methods of construction need to be adopted on a large scale, generating need for specialized training.

12. Census 2011
13. Funding the vision — Housing for all by 2022, KPMG in India, 2014
14. Decoding housing for all by 2022, KPMG in India, 2014

Other measures to improve urban fabric of Maharashtra

Labor reform

Reforms of labour laws such as Chapter 5A and B of the Industrial Disputes Act - must offer more flexibility to employers, which can raise aggregate employment. These gains can accrue within a short period.

Fiscal incentives

Fiscal incentives in the form of concessions/deferrals/ waivers in stamp duty, transparency in Value Added Tax refunds, and without delay in target regions need to be rationalized or phased out in a time-bound manner.

Taxation incentives

New cities needs to be strategically strengthened by extending cost competitive tax rebates and interest rebates. Specifically a two per cent rebate in VAT and one per cent reduction in interest rates on capital borrowed from the banking sector could boost economic activity in new regions and attract private investments. The state must also support the central government initiative in bringing Goods and Services Tax (GST) to smoothen the inter-state flow of investments and product/services.

Skill-development

The growing chasm between educated and/or technically qualified youth and industry's job-needs, has to be bridged at the earliest with appropriate skill-development programs involving private sector participation.

Summary of recommended reforms

A list of measures to augment urban and affordable housing development in the state are provided below.

10 point action agenda for the state Government

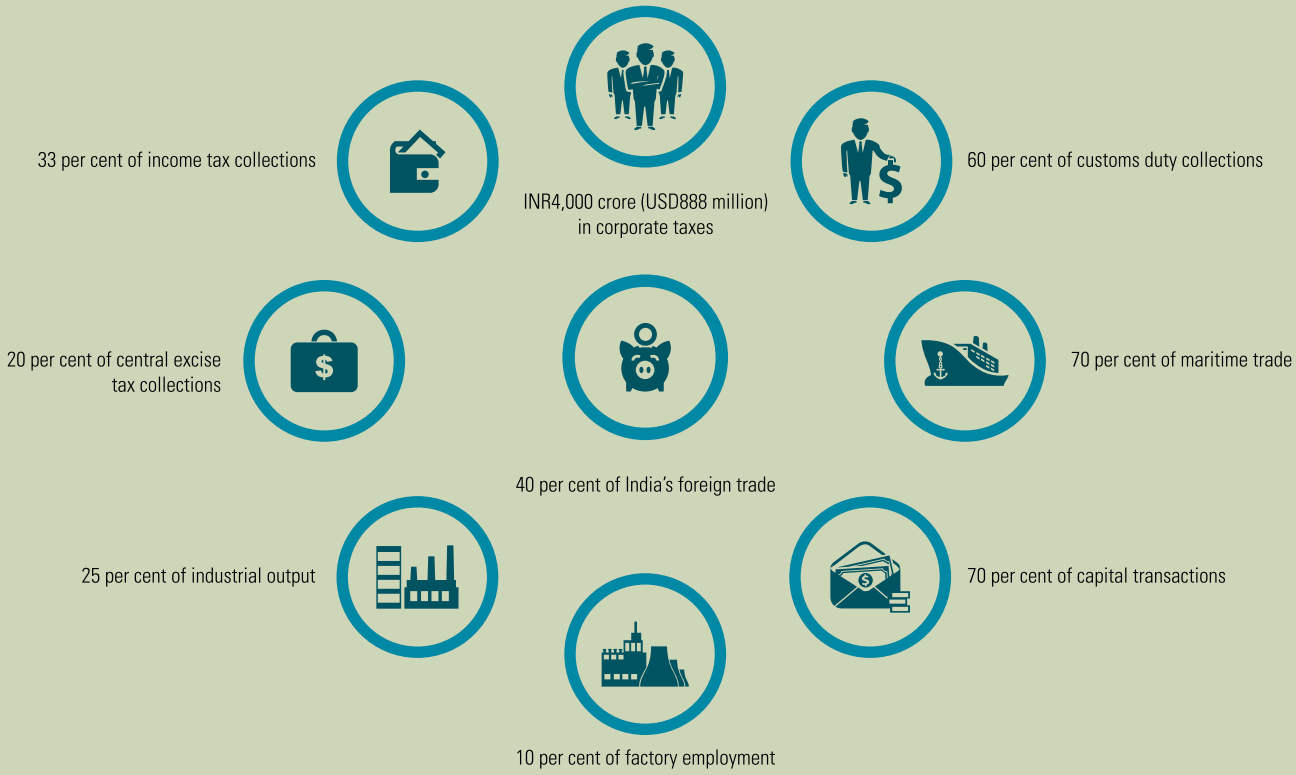
Streamline the approval process by introducing single-window clearance mechanism backed by technology. A study commissioned by Ministry of Housing and Urban Poverty Alleviation to Streamlining Approval Procedure for Real Estate Project in India (SAPREP) has suggested several measures to improve the approval process. It is also suggested that architects must be registered with the development authority and must be empowered to approve the building plan of the projects.
Strengthen and help ensure implementation of housing reforms such as Affordable Housing (less than 60 sq meter) and Rental Housing policies.
Expedite development of transport infrastructure to increase urban catchment areas. The Navi-Mumbai Airport, Nhava-Sheva Trans Harbor Link and Mumbai-Nashik Expressway must be implemented on mission mode. In short term, the government may consider utilizing the in-land and coastal waterways to help reduce commute time in the city of Mumbai.
Rationalize the high taxes and statutory charges to improve housing affordability. A special dispensation in by lowering stamp duty for the first time home borrower might be considered by the government. Exemption from VAT and Service Tax for affordable housing projects must be considered by the central and state governments.
Support the pro-growth reforms introduced by Central Government especially in the field of land acquisition, and Goods and Service Tax.
Increase the staff strength and skills in various government department especially in the environmental clearance division to reduce delays or delegate powers to local bodies, viz. Municipal Corporations.
Relook at building development norms and explore the possibility of increasing FAR/FSI and density norms for affordable housing projects in large cities such as Mumbai and Pune. FAR/FSI incentives for Green Buildings must be considered by the government.
Release large land parcels held by various public authorities such as Railways, Defence, and Port Authority etc. to augment development of housing under PPP model.
Improve the existing Slum Rehabilitation Policy and re-development of old and cessed buildings, especially the consent clause which is currently high at about 70 per cent to 50 per cent of lesser.
Allocate higher financial resources towards the city of Mumbai and Pune to improve the quality of life in these cities.

The housing sector, a major enabler and contributor to the state of Maharashtra, holds significant potential to support the high economic growth of the state. Proper nurturing could help increase the sector's share in the economy.

Major cities of Maharashtra - an overview

Mumbai Metropolitan Region (MMR)

Key contributions



Source: Department of Chemicals & Petrochemicals, Government of India

Demographics

Increase in population from 2010 to 2011

Spread Over 4 Districts:
Mumbai, Mumbai Suburban, Parts of Thane and Raigad

Area : 4,355 sq.kms

About 1000 Villages

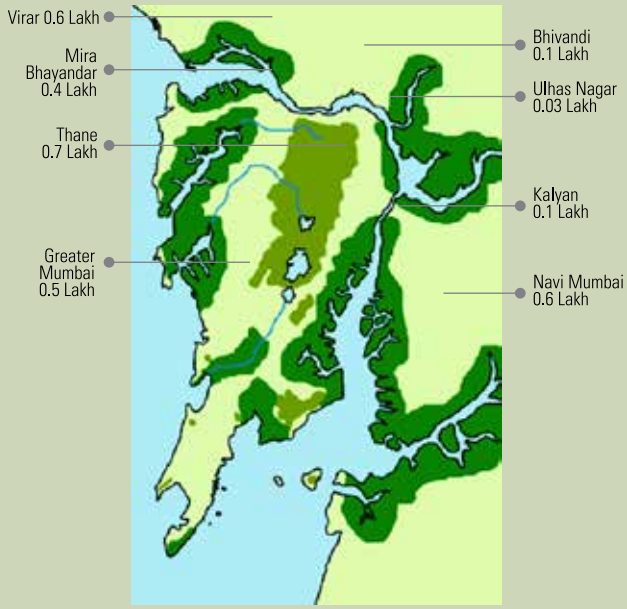
Population: 22.8 Million (2011) - 94 per cent urban

34 million (2031 projected)

Employment: 7.6 million (2005); 15 million (2031 projected)

Urban Local Bodies: 8 Municipal Corporations, 9 Municipal Councils

Average Literacy Rate: 90.28



Source: Mumbai Metropolitan Region Development Authority (MMRDA); MMRDA Projects

Key contributions of MMR - Mumbai and Thane

Thane is the biggest district in Maharashtra with a population 1,10,54,131 (2011) and constitutes 9.84 per centof total population of the state.

Thane district has registered highest population growth rate 35.9 per cent during 2001-11.

Thane contributes 13.6 per cent to GSDP of Maharashtra i.e. ~INR180033 crore (2013-14).

Mumbai has the highest contribution of 27.4 per cent in the services sector followed by Thane with 14 percent.

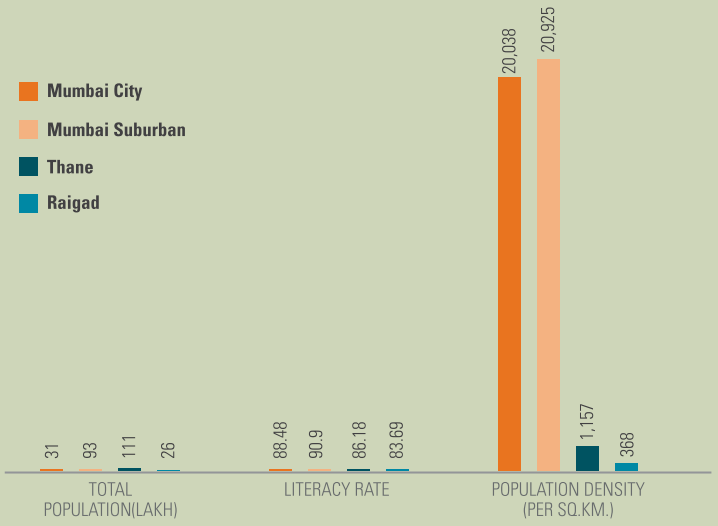
Mumbai is India's largest city (by population) and serves as one of the economic powerhouses of India

It is the financial and commercial capital of the country as it generates 6.16 per centof the total GDP

The prominent Industrial sectors in Mumbai are banking & insurance, hotel & restaurants, petrochemicals and real estate.

Due to a robust industry and services sector, Mumbai has the largest share in GSDP, 22 per cent i.e. ~INR2,91,221 crore (2013-14).

Districtwise population indicators (census 2011)



Source: Census India; "Home buyers in MUmbai to feel the pinch as ready reckoner rates increase"

Change in number of census houses used as residence in mmr districts - from 2001 to 2011: use by condition (in lakh)

Source: Economic Survey of Maharashtra 2013-14

Housing price index for Mumbai, as per quarter April-June, 2014 is 233

Housing Scenario

- Residential real estate is extremely expensive in Mumbai than other metros.
- Migration, which is mostly intra-state, has led to enormous increase in the population of Mumbai, resulting in people shifting towards the northern part of city for housing.
- Ready reckoner rates have been increased by 30-40 per cent in Mumbai by the Maharashtra government, effective from 1st January, 2015.
- It is expected to impact the sales of residential real estate and affordable housing adversely.
- By end of 2014, 1.64 lakh housing units of all types in the MMR region were unsold while the number is 57,000 lakh in the Mumbai.
- A major reason for this is because a number of housing projects have been launched regardless of the declining sale of houses.
- 60 per cent of Mumbai's population stays in shanties.
- 2.5 lakhs houses under the Rent Celling Act signed up agreement for housing.
- Despite PPP route, no house constructed in the last 5 years.
- 36 lakhs houses required in the MMR region by 2020.

Projects

Projects completed by Maharashtra State Road Development Corporation (MSRDC)

Project	Start Year	Estimated Cost (INR crore)	Expenditure (INR crore)	Completion Year
Flyovers in Mumbai	1997-98	1,617	1,260.64	1999-00
Mumbai-Pune Express Way	1998-99	2,136	2,132.04	2001-02
Kalyan-Durgadi Bridge	1999-00	15	15.12	2001-02
Widening of Thane-Ghodbunder Road	2000-01	118	72.16	2003-04
Rajiv Gandhi Sea Link Project	2000-01	1,634	1,645.01	2009-10

On-going projects of MSRDC

Project	Estimated Cost (INR crore)	Expenditure upto 31st December, 2013	Expected year of completion
Versova- Bandra Sea Link Project	4,430	11.3	N.A.
Mumbai Urban Transport Project(MUTP)	472	321	2013-14
Mumbai Urban Infrastructure Project (MUIP)	393	164.9	2013-14

Source: Economic Survey of Maharashtra 2013-14

Current Scenario

- Airports Authority of India (AAI) in joint venture with Mumbai International Airport Ltd. built a new integrated terminal T2 to modernise Chhatrapati Shivaji International Airport (CSIA), Mumbai.
- A new airport has been proposed in four phases at Navi Mumbai with estimated cost of about ~INR14,574 crore Project cost for phase-I is about INR6,147 crore
- Maharashtra Government has set up a new entity 'Mumbai Next: MMR Transformation' to turn Mumbai into economic hub

Transport projects in MMR					
Project	**Phases**	**Cost of project (INR crore)**	**Expenditure (INR crore) upto 31st December, 2013**	**Current Status (as of 2013-14 Maharashtra Economin Survey Report)**	**Expected year of completion**
MUTP : Rail Components	Phase-I: New lines: Mahim-Santacruz, Kurla-Thane, conversion of DC to AC, etc. including new rakes	3778	3778	Completed	
	Development of two vital roads connecting the eastern and western suburbs of Jogeshwari & Vikhroli and Santacruz & Chembur	491	821.3	Work of JogeshwariVikhroli link road completed. SantacruzChembur link road work in progress	March, 2014
Mumbai Metro Rail Project	Phase-I : Versova-Andheri-Ghatkopar (14 km)	2356	3359	98 per cent of civil work completed and remaining work in progress	2014
	Phase II : Charkop-Bandra-Mankhurd (32 km)	7660	-	Preliminary work completed	N.A
	Phase III : Colaba-Bandra (29 km)	23136	39.7	Request for proposal invited from short listed consultant for appointment of general consultant	2020
Mumbai Mono Rail Project: Wadala to Chembur & Sant Gadge Maharaj Chowk (Jacob circle) to Wadala (20 km)		2460	1950	Phase I Wadala to Chembur is completed & opened for public; Phase II Sant Gadge Maharaj Chowk (Jacob circle) to Wadala 77 per cent work completed	2015
MUIP : Roads, Flyovers, Subways, etc.		3207	3351.9	15 roads completed (including eastern freeway) and handed over to BMC/ PWD, remaining works are in progress	2014
EXTENDED MUIP: Project to complement the MUIP. Under this Project, 34 sub-projects are undertaken. (16 Roads, 13 Flyovers, 3 Creek Bridges and 2 ROB)		2607	978.5	Four roads & four flyovers are completed and remaining are in progress	2015
Multi-Modal Corridor from Virar to Alibaug: Construction of freeway having eight lanes for the vehicles besides dedicated lanes for buses (140 km)		9500	6.2	Techno-Economic feasibility study for Virar (Navghar) to Chirner (79 km) has been completed.	2016
Mumbai Trans – Harbour link : Link from sea front at Sewri to Nhava (22 km)		9630	5	Bids being invited.	N.A.

Source: Economic Survey of Maharashtra 2013-14

Thane — an upcoming suburb of MMR

Thane is one of the major districts in Maharashtra and has emerged as the third most industrially advanced district of the state. It is India's most populated district. The three main cities of Thane district – Thane, Kalyan and Bhiwandi[15].

The district is currently witnessing growing demand from real estate sector, and is expected to emerge as a prime business district. It is seen as a preferred location for long term investments. Thane is also likely to witness improved connectivity to South Mumbai. It offers a good connectivity to Dahisar area. Due to rapid growth in construction activities, migration, growing number of corporate offices and small-scale industries, it has seen huge increment in its per capita income.

Recent developments/government initiatives[15]

- Maharashtra Government has planned and is working to develop a mass-rapid transit system (MRTS) in the Thane-Bhiwandi-Kalyan sub-region to improve transport system in the Mumbai metropolitan region
- Thane is expected to be split into two regions. Maharashtra cabinet approved the division of Thane district to create Maharashtra's thirty sixth district – Palghar
- Mahanagar Gas Limited (MGL) has begun to supply Piped Natural Gas (PNG) in Bhayander, Thane district
- The per capita income of the Thane grew 162 percent in past seven years. In 2014-15 it was recorded at INR1.73 lakh while in 2007-08, it was only INR66,174.

Issues/Challenges

- The growth in the district is concentrated in this industrial belt
- The population in Thane district has crossed one crore mark and there exists immense pressure on suburban central railway
- The water supply is erratic in the district and it lacks potable water.

15. Economic Survey of Maharashtra

Pune

Key contributions[16]

Pune is the second largest city in Maharashtra and the sixth largest city in India

Pune has a population of 94,26,959 (2011) and constitutes 8 per cent of the total population of the state

Pune registered population growth of 30 per cent during 2001-11

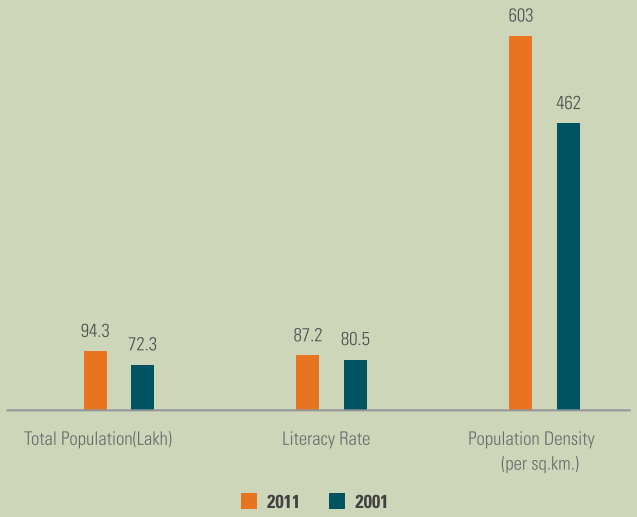
Pune contributes 11.3 per cent to GSDP of Maharashtra i.e. -INR149,585.8 crore

Pune contributes nearly 16 to 17 per cent to the industry sector in Maharashtra

Pune has per capita income of more than INR1 lakh

IT, education and automobile are the prominent industries in Pune

Pune population indicators (2001 – 2011)



Source: Economic Survey of Maharashtra 2013-14; Pune Government

Number of census houses used as residence in pune district - from 2001 to 2011: use by condition (in lakh)

Source: Census India ; "Pune high-end residential records highest capital value appreciation", Business Standard, 25 August 2014, accessed February 2015, "Pune residential project launches down 11% in H1 2014: Report", Business Standard, 26 August 2014, accessed February 2015; National Housing Bank;

16. Economic Survey of Maharashtra

Housing price index for Pune, as per quarter April-June, 2014 is 241

Housing Scenario

- In India, in the residential segment high-end properties market, Pune recorded the highest increase in capital values of 39 per cent during the period 2011 - 2014
- In the mid segment, it recorded an average appreciation of 28 per cent in the period 2011 - 2014
- Demand-supply mismatch has a significant impact on the fast growing real estate market in Pune
- New residential launches at Pune in the first half of 2014 shrunk by 11 per cent as compared with the corresponding period in 2013
- Demand in the Pune residential market is expected to reduce from 38,800 units in 2013 to 34,500 units in 2014

Pune has witnessed large scale migration due to following demand drivers for residential property:

- Proximity to Mumbai
- Upcoming infrastructure (Metro rail, international airport, etc.)
- Preferred IT/ITes hub
- Significant presence of manufacturing & service sectors
- Presence of several reputed educational institutes

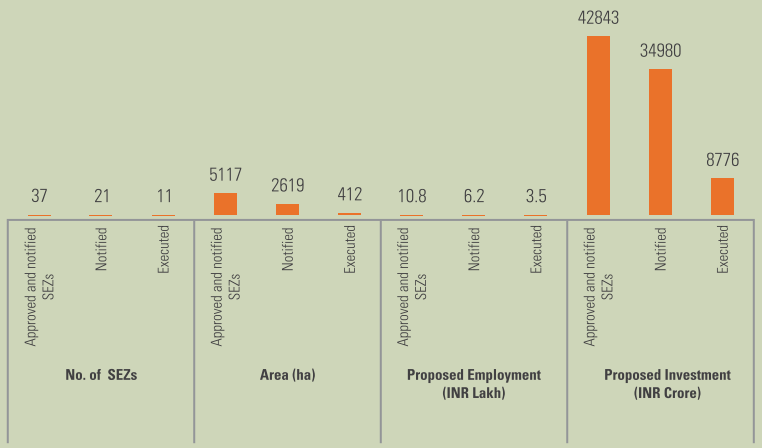
On-going projects of MSRDC

Project	Estimated Cost (INR Crore)	Expenditure upto 31st December, 2013	Expenditure upto 31st December, 2013
Increasing capacity of Mumbai-Pune Express Way (MPEW)	5,000	3.17	2013-14
Way side amenities on MPEW	200	1.68	2014-2015

Planned/In- progress Projects[17]

- Setting up a new international airport at Pune Maharashtra Industrial Development Corporation (MIDC) has been planned
- It is to be developed as a public-private partnership between the state government, AAI and the private sector. This airport is planned to cover a large area of over 2,428 hectares (6,000 acres), making it the largest airport in India
- The airport is planned to have two runways due to which a greater number of international flights is expected
- A 170-km ring road project is in-progress, being developed by Maharashtra State Road Development Corporation
- Work on Pune Metro rail project, approved in 2014, is expected to start in 2015

State government approved and notified SEZs in Pune (December, 2013)



Source: Economic Survey of Maharashtra 2013-14; "Ring road project veers toward the right path", Indian Express, 31 December 2014, accessed February 2015; "Green signal for Metro rail", Indian Express, 31 December 2014, accessed February 2015

17. Economic Survey of Maharashtra 2013-14

Nagpur

Key contributions

Nagpur is among the 15 cities of high importance in India and the third major city of Maharashtra after Mumbai and Pune

Nagpur has a population of 4,65,4000 (2011), constitutes ~4 per cent of the total population of the state, and registered population growth of 14 per cent during 2001-11

Nagpur's per capita income is more than INR1 lakh

The prominent industries in Nagpur are agriculture, textiles and automobile

Nagpur is rich in coal reserves and various other minerals

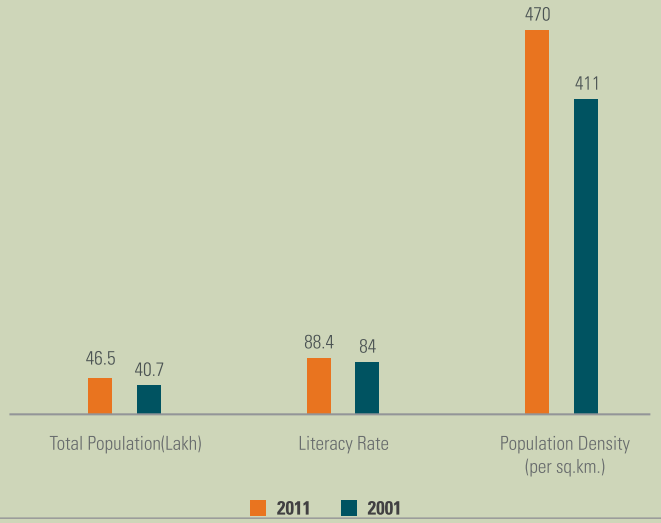
Nagpur has a number of educational institutions and several software campuses

Nagpur, located on the zero milestone, has got a location in the Indian sub continent making it a viable passenger and cargo hub

Major railways trunk route (Mumbai, Chennai, Howrah and Delhi) pass through the city. It is also a major junction for roadways in India

Nagpur has developed itself as a hub for medium to heavy industry and is the new preferred destination for IT, ITes and the BPO sector

Nagpur population indicators (2001 – 2011)



Source: Census India; "Nagpur's realty market is enticing metro investors", Times of India, 22 August 2014, accessed February 2015, "Tier II, III cities like Nagpur, Guwahati, Surat new growth poles on the realty map", The Financial Express, 22 February 2014, accessed February 2015; National Housing Bank;

Number of census houses used as residence in Nagpur district - from 2001 to 2011: use by condition (in lakh)

Source: Census India; "Nagpur's realty market is enticing metro investors", Times of India, 22 August 2014, accessed February 2015, "Tier II, III cities like Nagpur, Guwahati, Surat new growth poles on the realty map", The Financial Express, 22 February 2014, accessed February 2015; National Housing Bank;

Housing price index for Nagpur, as per quarter April-June, 2014 is 181

Housing Scenario

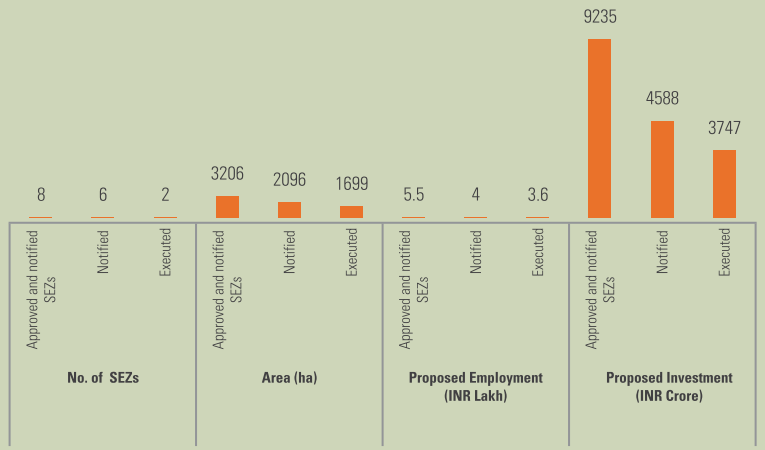
- Nagpur has developed as a major investment destinations in the current real estate scenario because of the increased levels of economic activities in the district
- The upcoming Multimodal International Hub Airport at Nagpur (MIHAN project) has also strengthened the real estate market of Nagpur
- Nagpur has emerged as a leading international tourist gateway for India which is driving its realty, especially commercial realty
- Excellent rail and road connectivity to the city has also promoted the residential real estate to observe a upward movement and rise in prices of properties in Nagpur

On-going projects of MSRDC			
Project	**Estimated Cost (INR Crore)**	**Expenditure upto 31st December, 2013**	**Expenditure upto 31st December, 2013**
Improvement of Nagpur-Aurangabad-Sinnar-Ghoti	722	767.7	2014-15
Widening of Nagpur-Katol-Jalalkheda Road	31	3.2	2013-14
Road works in Nagpur	422	436.6	2014-15
Mass rapid transport System-Nagpur	N.A	2.4	N.A

Planned/In- progress Projects[18]

- The proposed Multimodal International Passenger and Cargo Hub Airport at Nagpur (MIHAN project) comprises of developing the existing airport as an international passenger and cargo hub airport
- It is being implemented through a joint venture company - MIHAN India Ltd.(MIL) comprising Maharashtra Airport Development Company Limited (MADC) and AAI
- For economic feasibility of the project a multi-product Special Economic Zone (SEZ) adjacent to the boundary of the airport is also being developed
- Total projected investments in the next five years is expected to be INR124,273 crore
- The expected employment generation is about 1,20,000 direct jobs and about 3,50,000 indirect jobs by 2020 in the MIHAN area

State government approved and notified SEZs in Nagpur (December, 2013)



Source: Economic Survey of Maharashtra 2013-14 ; Industrial State Profile of Maharashtra Report 2013-14, MSME Development Institute, Ministry of MSME, Government of India

18. Economic Survey of Maharashtra 2013-14

Nashik

Key contributions in Maharashtra - Nashik

Nashik has a population of 6,10,7000 (2011) and constitutes -5 per cent of total population of the state.

It registered population growth of 22 per cent during 2001-11.

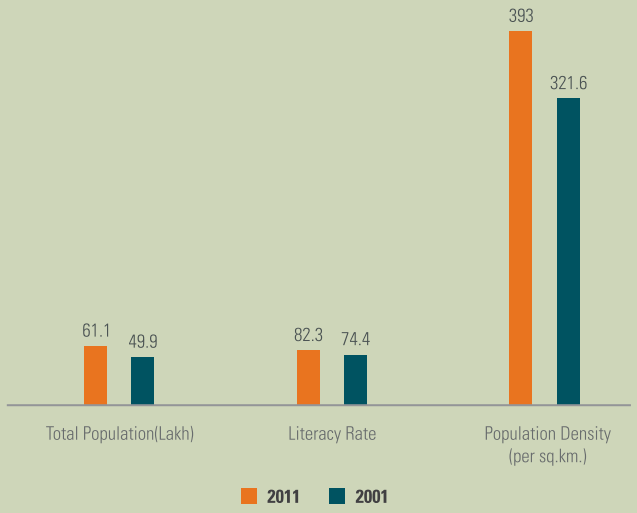
Nashik's per capita income is ~INR1 lakh.

Nashik is one of the fastest growing cities in Maharashtra and ranks third in terms of industrialisation.

Automobile and auto-components, engineering and grape processing industries are prominent in Nashik district.

Nashik is being transformed into IT and Wine Park Zone.

Nashik population indicators (2001 – 2011)



Source: Economic Survey of Maharashtra 2013-14; PPP in India, Ministry of Finance, Government of India; Census India

Housing Scenario

- The real estate market of Nashik is in high demand due to its industrial growth and proximity to Mumbai, attracting numerous buyers from all across the country
- The residential land scape of Nashik is changing and concept of townships is gaining ground
- Apartments are preferred than villas and row houses
- Nashik has potential to emerge as a smart city. Major demand drivers for property in Nashik include:

  Strategic location (proximity from Mumbai and Pune, located on the banks of river Godavari)

  Increased economic activities, affordable housing

  New international-level airport terminal at Ozar

  National Highway (NH) 3, 50; Mumbai-Nashik Expressway

Number of census houses used as residence in Nashik district - from 2001 to 2011: use by condition (in lakh)

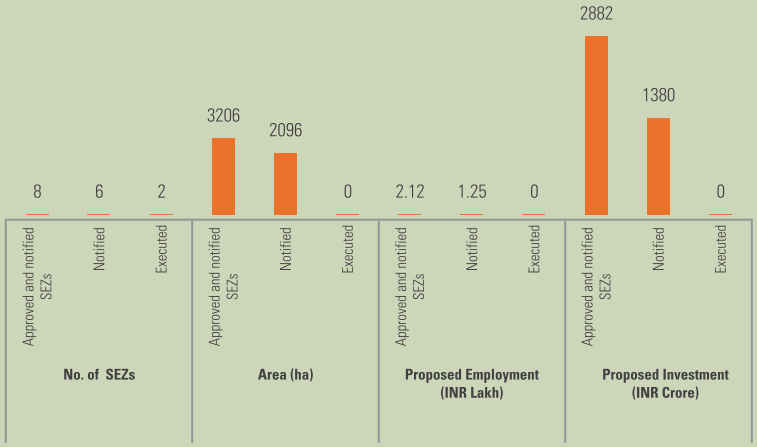
Source: Census India; "Nashik: Scoring high on connectivity and affordability", The Indian Express, 06 September 2014, accessed February 2015, "Growing with great strides", Estate World, 1 November 2013, accessed February 2015; Credai Nashik

Proposed project of Maharashtra State Power Generation Company (MAHAGENCO) during XIIth FYP		
Project	**Capacity (MW)**	**Expected date of commissioning and current status**
Nashik Unit-6	600	March, 2019 (Process to get the license from Ministry of Environment, GoI in Progress.)

Planned/In- progress Projects[19]

- The proposed Greater Nasik Metro
- Multi-product Special Economic Zone (SEZ) project promoted by Maharashtra Industrial Corporation
- Widening of the Mumbai-Nashik highway

State government approved and notified SEZs in Nashik (December, 2013)



Source: Economic Survey of Maharashtra 2013-14; "BJP to reward Maharashtra with Rs 37,000 crore infrastructure push", DNA, 1 November 2013, accessed February 2015; "Second longest Elevated Corridor in Maharashtra inaugurated", DNA, 14 June 2013, accessed February 2015 ; "Growing with great strides", Estate World, 1 November 2013, accessed February 2015

19. Economic Survey of Maharashtra 2013-14

Annexure

1. Assessing significance of the real estate and construction sector in Maharashtra

a. Largest contributor to Maharashtra's Gross State Domestic Product (GSDP)

Construction and real estate sectors (real estate, ownership of dwellings, business services and legal services) are the largest contributors to Maharashtra's economy. The sector has witnessed strong growth of about 9.6% between FY05 and FY13.

Sectors	FY13 GSDP at current price (INR crore)	Contribution to Maharashtra GSDP	CAGR (FY05-FY13)
Construction	86,222	6.5	11.1
Real estate, ownership of dwellings, BS and LS	221,449	16.7	8.8
Construction, real estate, ownership of dwellings, BS and LS	307,671	23.2	9.6
Manufacturing	242,083	18.3	7.6
Trade, Hotels and restaurants	193,262	14.6	7.7
Agriculture and allied activities	144,227	10.9	4.7
Banking and Insurance	143,190	10.8	13.8
Transport and storage	78,465	5.9	6.5
Public Administration	58,851	4.4	5.9
Electricity, Gas and Water supply	27,400	2.1	9.2
Communication	19,436	1.5	23.4
Mining and quarrying	6,507	0.5	2.3
Other service	102,677	7.8	7.9
Total	**1,323,769**	**100.0**	**9.0**

Source: Economic survey of Maharashtra 2013-14

b. A large contributor to the state exchequer[20]

The real-estate sector attracts taxes on transactions related to sale/purchase of land and built up property at predefined rates. Further, land and built up properties being capital in nature carry a significant value in absolute terms resulting in levy of significant taxes.

In addition to the above source of revenue, the sector also contributes by way of Value Added Tax and Service Tax paid by developers to the state exchequer. Though, absolute amount of contribution towards VAT and Sales tax is not available, the share of real estate and construction sector is very high as it contributes nearly 20 per cent to the state's economy.

Indirectly, the sector contributes towards state revenue as it has backward linkages with several manufacturing and service sectors (such as cement, steel, transport, utilities etc). Overall, the sector's direct and indirect contribution to state revenue is perceived to be highest among all sectors.

In 2013-14, the sector contributed INR 17.6 lakh crore to the state's ex-chequer through stamps, registration fees and land revenue. As per the state budget estimates for 2013-14[20], this contribution is expected to be INR 19.1lakh crore, of which INR17.4 lakh crore is expected towards stamp duty.

20. Economic Survey of Maharashtra 2013-14

Real-estate sector is the largest contributor to the State's exchequer

Item	FY12 (INR lakh crore)	FY13 (INR lakh crore)	FY14e (INR lakh crore)	FY14e (INR lakh crore)
Taxes on income	1.8	1.9	1.9	3.1
Tax on property and capital transactions	15.4	17.6	19.2	11.7
Taxes on commodities and services	70.4	81.1	86.2	10.6
Share in Central Taxes	13.3	15.2	18.1	16.5
State's non-tax revenue	8.2	11.1	12.0	21.2
Grants from central government	12.2	17.8	18.6	23.7
Total	**121.3**	**144.6**	**156.0**	**13.4**
Share of construction and real estate	**12.7**	**12.1**	**12.3**	

Source: Reserve Bank of India

c. Third largest employer in the State[21]

Real estate and construction sector is a major employer in the state. The sector which is highly labor intensive helps in generating employment, especially in semi-skilled and low-skilled categories.

Further, activities involved are neither cyclic nor seasonal; therefore, the sectors provides employment on a permanent basis. In FY12, the sector employed more than 27 lakh people out of 3.9 crore workforce. It is estimated that by 2022, additional 27 lakh people would be employed by the real estate and construction sector.

Leading employer in state	
Sector	Number of Employees
Agriculture and allied activities	257
Transport, Logistics, Warehousing and Packaging	28
Building, Construction industry and real estate	27
Unorganised	24
Total	**388**

Source: NSDC

d. Supports development of other sectors[21]

The real estate and construction sector has forward and backward linkages with more than 250 other sectors.

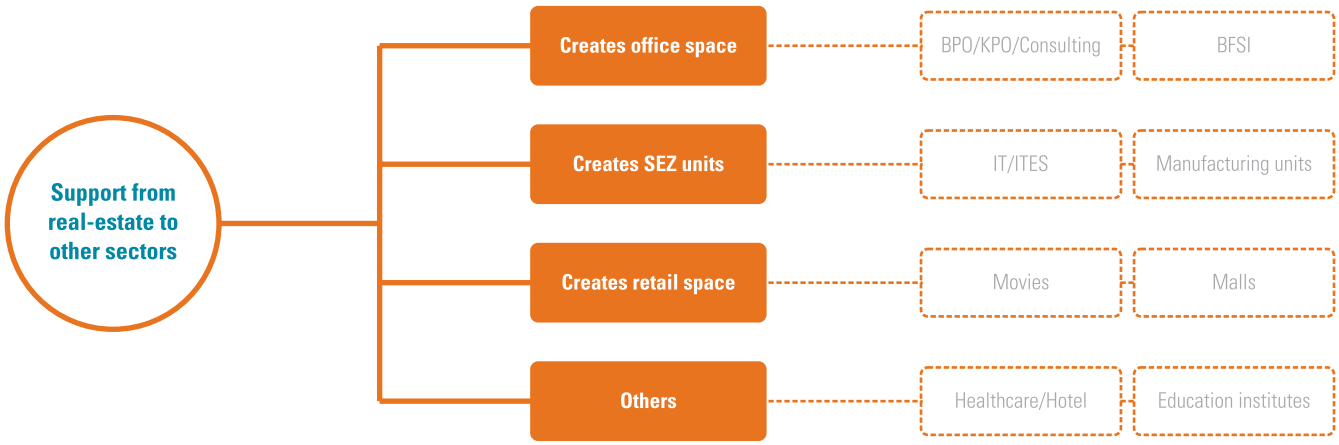
The sector plays an important role of being both, the contributor and enabler of overall economic growth.

It drives the growth in various sectors such as cement, steel, building material, construction equipments, etc., and also supports growth of service industry (IT/ITeS, hospitality, banking financial service, etc).

e. Source of FDI

The real estate sector in Maharashtra is a major source of foreign investments. Since 2005, the sector has witnessed an inflow of about USD3 billion in private equity. This is about 20 per cent of the total private equity investment in the State. A higher number of investments have been primarily concentrated towards the cities of Mumbai and Pune. The entry of private equity investment in the market has brought in a much disciplined approach towards construction and delivery of projects along with better transparency to the market.

Support provided by the real-estate sector to stimulate the growth in other sectors

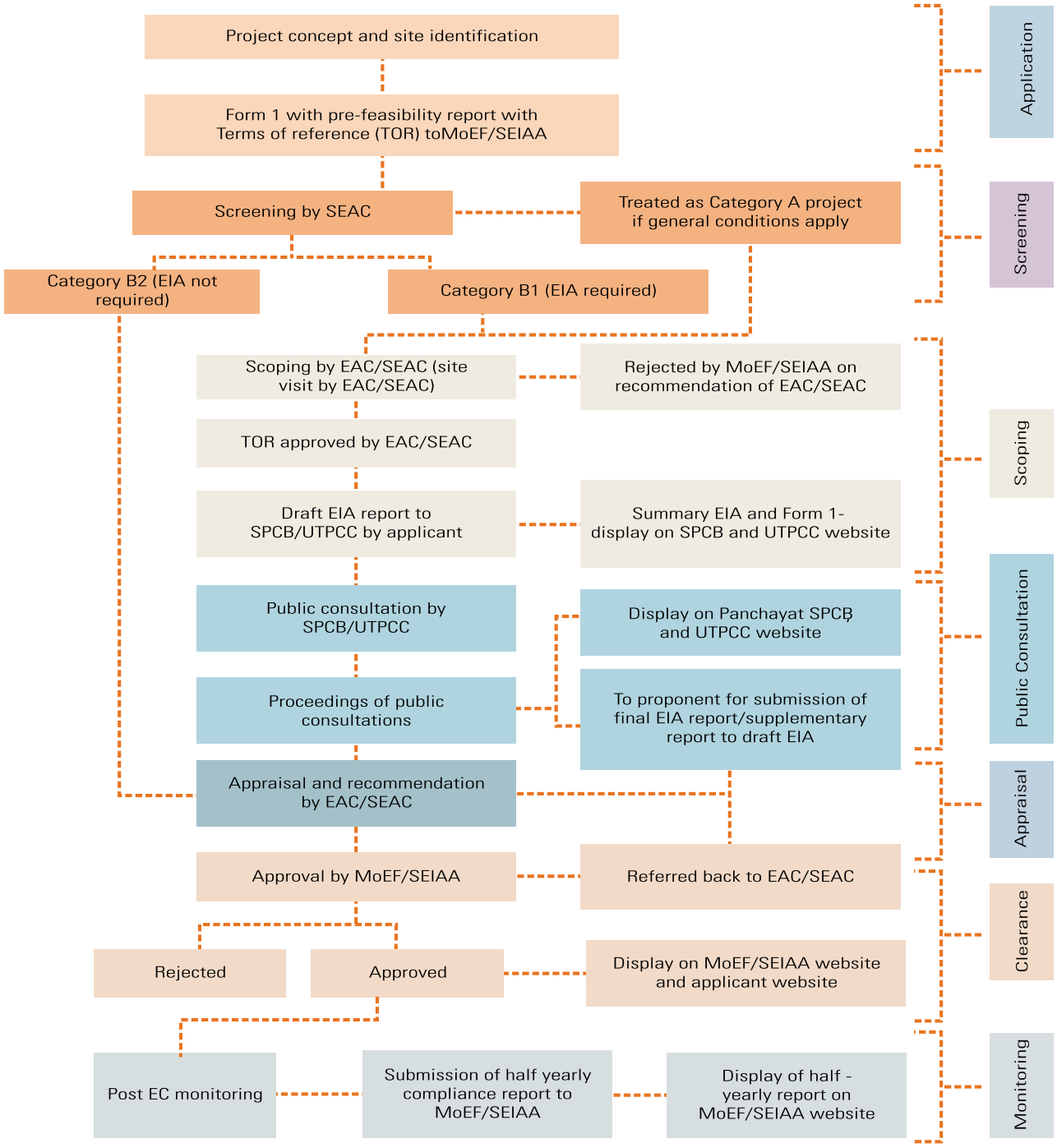


Note: This is an illustrative and is not exhaustive in terms of industries covered Source: KPMG in India analysis

21. NSDC

2. Environmental clearance procedure in Maharashtra

Broadly, there are six steps to obtain EC which are application, screening, scoping, public consultation, appraisal and clearance followed by submission of half yearly compliance report.



Source: Report of the committee of streamlining approval procedure for real estate projects in India, SAPREP, January 2013; The Environment Impact Assessment (EIA) Notification, 2006; KPMG in India analysis

Time Frame

According to the time frame set by MoEF, EAC/SEAC is obliged to provide their recommendations within 60 days of the receipt of the complete proposal to MoEF/SEIAA. After receiving the recommendations, MoEF/SEIAA must convey their decision of approval or rejection within 45 days to the applicant and EAC/SEAC. If MoEF/SEIAA does not communicate their decision within stipulated time frame, then the environment clearance is deemed approved or rejected as recommended by EAC/SEAC. However, a project is not deemed approved if EAC/SEAC does not provide their recommendations even after 60 days to MoEF/SEIAA.

Thus, a project which ideally should not take more than 105 days for EC, could be stuck because of delay in recommendations from EAC/SEAC. Practically it takes between 6-24 months to obtain EC by a developer. The current mechanism to obtain EC is cumbersome, lengthy and complex which results in significant delays. The major issues and challenges include:

Unclear guidelines: Several guidelines related to EC are ambiguous creating confusion among the developers and adding to the delays. For instance, there are no clear guidelines for categorising a real estate project under B1 and B2 categories and is left to the state committee's judgment.

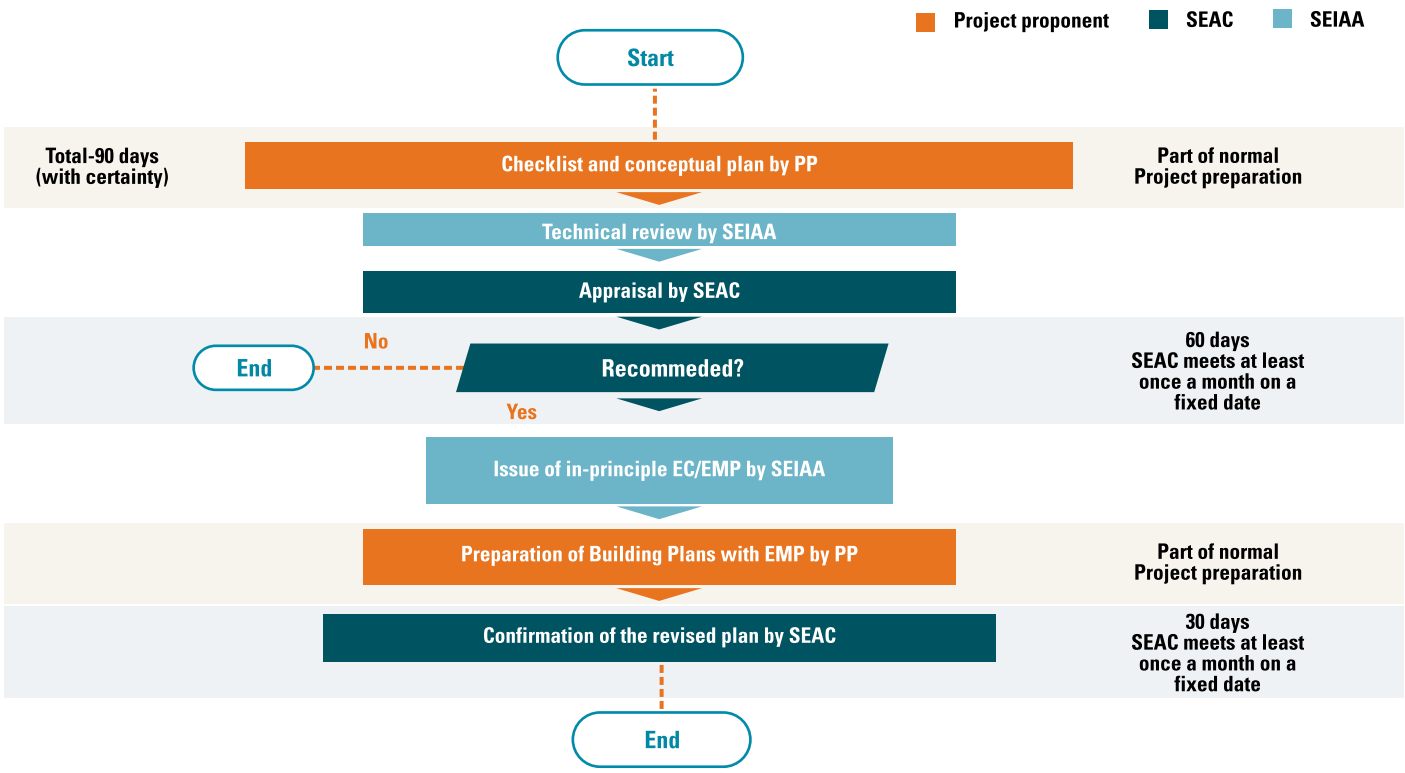
Complicated procedures and coordination hurdles: Several processes in obtaining EC are complicated in terms of the details to be provided and the procedure of submission. For instance, the Form 1A, which is submitted in the beginning of applying for EC, consist of about 60 open ended questions which are subjective in nature and requires descriptive answers. These questions have a very vast scope, many of which may have already been covered as part of building codes (National Building Code, various NOCs obtained from different departments, Building bye-laws, ECBC, etc.)

Lack of transparency: The existing EC process lacks transparency and seems arbitrary in nature. The deficiencies in the system give enough room for foul play and harassment to the applicant by fraudulent persons operating within the system. Thus, lack of transparency can often lead to delay in granting EC.

Resource shortage: There is a significant shortage of resources at SEAC, EAC, SEIAA and MoEF. In addition to shortage of manpower, huge backlog of pending projects and unavailability of committee members to meet as often as required has added to the delay. For instance, in July 2013, the Maharashtra SEAC and SEIAA were dissolved after resignation of some members in these committees.

Duplicity or unnecessary approval activities: There are many areas of duplicity in approval procedures to obtain EC. For instance, a developer needs to obtain separate clearances from the Pollution Board and Ministry of Environment which can be clubbed together to improve efficiency.

Revised environmental appraisal for category "B" projects (state level) - Building projects



Source: Report of the committee of streamlining approval procedure for real estate projects in India, SAPREP, January 2013

Impact of delay

On an average, it takes about one and a half year to obtain EC in the State of Maharashtra. According to the Consortium of Real Estate Developers' Association of India (CREDAI), delay in EC increases the cost of a real estate project by 10-15 per cent , which is then paid by the consumer. A delay in granting clearance can have a significant impact on the nation's economy, developers and property buyers/investors as depicted below:

Economy

"Red tape over green: Over 800 projects stuck in Maharashtra," Indian Express website, http://www.financialexpress.com/news/red-tape-over-green-over-800-projects-stuck-in-maharashtra/1179820/0, accessed 13 February 2014

"Eco-nod delay affects big real estate projects," Times of India website, http://articles.timesofindia.indiatimes.com/2013-05-26/nashik/39537329_1_maharashtra-pollution-control-board-environmental-clearance-appraisal, accessed 16 February 2014

"Delay in clearances escalates housing projects cost by 15%," The Time of India website, http://articles.timesofindia.indiatimes.com/2008-06-18/india/27752157_1_environment-clearances-environmental-clearances-housing-projects, accessed 13 February 2014

- Blockage of capital in stuck projects can affect the economic growth of the country (Real Estate sector contributed 6.3 per cent in 2012-13)
- Decrease in disposable income as consumers losses on rental income and interest on capital invested to purchase property
- Increase in housing cost can add to the inflation
- Delay in real estate can impact about 300 ancillary industries (cement, steel, agents, architects, contractors, etc.) which are dependent on the real estate sector.

Developers

- Increase in project cost due to interest expense incurred on delayed period
- Increase in risk for developers as cost of key materials (cement, steel, sand, etc.) may rise during the delayed time.

Consumer

- Loss due to excess rent paid as a result of delay in construction (consumer meanwhile stayings in rented property.)
- Loss on the expected rental gain from the property (for consumers who are currently staying in owned property)
- Loss of interest on the capital invested to book a property

Process to be followed for projects requiring EC under Coastal Regulation Zone Notification, 1991.

Coastal stretches have been declared as Coastal Regulation Zone (CRZ) by the Environment (protection) Act, 1986. CRZ regulates all the activities in the coastal stretches.

Concerned authorities at the State/Union Territory level regulate the development or construction activities in their respective CRZ area. Detailed norms and procedures have been established for regulating construction activities across different CRZs.

For regulating development activities, the coastal stretches within 500 metres of High Tide Line on the landward side are classified into four categories, namely:

Category I (CRZ-I):
Areas those are ecologically sensitive and important as declared by government. (Area between Low Tide Line and the High Tide Line.)

Category-II (CRZ-II):
Areas those are already developed up to or close to the shoreline.

Category-III (CRZ-III):
Areas which do not belong to either Category-I or II, such as coastal zone in the rural areas (developed and undeveloped) and also areas within municipal limits or in other legally designated urban areas which are not substantially built up.

Category-IV (CRZ-IV):
Coastal stretches in the Andaman & Nicobar, Lakshadweep and small islands, except those designated as CRZ-I, CRZ-II or CRZ-III.

There is no set process for obtaining NOC from Coastal Zone Management Authority (CZMA). The procedure in brief is explained below:

- The projects that require clearance under CRZ Notification, 1991 shall submit with the application a CRZ map duly demarcated by one of the authorised agencies, showing the project activities, with respect to CRZ (at the stage of TOR) and the recommendations of the State Coastal Zone Management Authority (at the stage of EC). Simultaneous action shall also be taken to obtain the requisite clearance under the provisions of the CRZ notification, 1991 for the activities to be located in the CRZ.
- For projects to be located within 10 km of the National Parks, Sanctuaries, Biosphere Reserves, Migratory corridors of wild animals, the project proponent shall submit the map duly authenticated by the Chief Wildlife Warden showing features vis-à-vis the project location and the recommendations or comments of the Chief Wildlife Warden thereon (at the stage of EC).

22. Report of the committee of streamlining approval procedure for real estate projects in India, SAPREP, January 2013

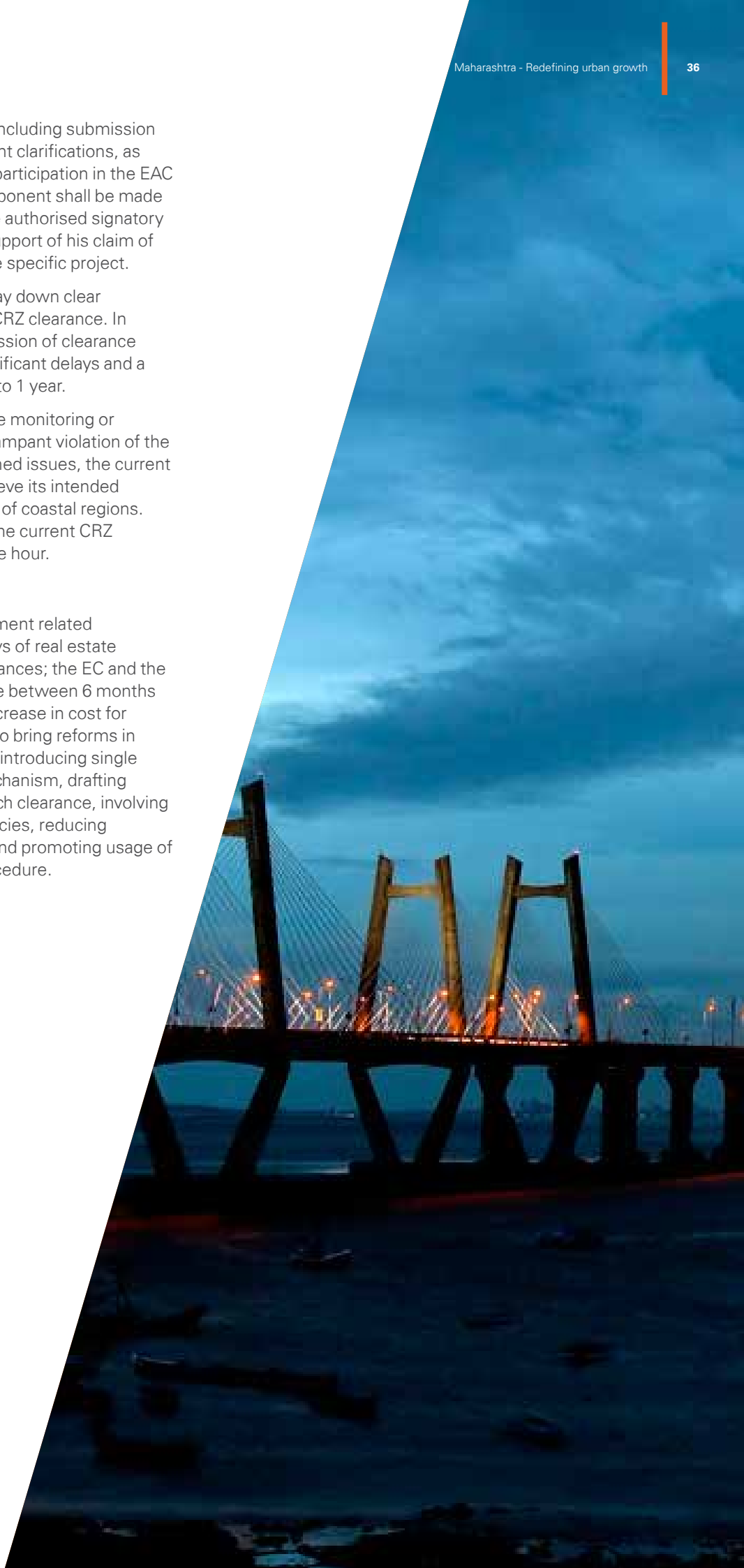
- All correspondence with the MoEF including submission of application for TOR/EC, subsequent clarifications, as may be required from time to time, participation in the EAC meeting on behalf of the project proponent shall be made by the authorised signatory only. The authorised signatory should also submit a document in support of his claim of being an authorised signatory for the specific project.

The current CRZ notification does not lay down clear procedure and timelines for obtaining CRZ clearance. In fact, there is no given format for submission of clearance applications. This tends to result in significant delays and a normal CRZ clearance takes 6 months to 1 year.

Additionally, there are no post clearance monitoring or enforcement mechanism resulting in rampant violation of the CRZ rules. In light of the above mentioned issues, the current CRZ notification does not seem to achieve its intended purpose of protecting the environment of coastal regions. A new set of rules and regulations for the current CRZ notification seems to be the need of the hour.

Conclusion

With significant time involved, environment related clearances are causing significant delays of real estate projects. The two most important clearances; the EC and the CRZ clearance, together take anywhere between 6 months to 2 years resulting in 10-15 per cent increase in cost for developers. It is highly recommended to bring reforms in environment related clearance such as introducing single window and time bound clearance mechanism, drafting detailed guidelines and checklist for each clearance, involving public and private sector in drafting policies, reducing redundant and repetitive procedures, and promoting usage of information technology in approval procedure.



3. Other issues and suggestions for improving real estate business in Maharashtra

Broadly, there are six steps to obtain EC which are application, screening, scoping, public consultation, appraisal and clearance followed by submission of half yearly compliance report.

I. Issues pertaining to modifications to DCR/DP

Sr. No.	Issue	Analysis	Solution
1.	Revision in safety belts from chemical industries.	• As per the guidelines of GOM, TMC has completed the procedure of 37 modification and submitted the proposal to GOM for final approval since May 2009. • As per modification Chemical Belt of 100 & 150 mtr. shall be measured from Storage point & in case of closed Chemical Industry such Belts shall be removed. • This is expected to promote the development on major chunk of land and also help redevelopment in gaothan areas.	Partially approved in 2011, but balance portion pending and needs to be approved at the earliest
2.	Commercial tdr	• As per the guidelines of GOM, TMC, has completed the procedure of 37 modification & submitted the proposal to GOM for final approval. • Owners/Developers are expected to get Commercial component out of residential TDR. This could remove the scarcity of commercial TDR.	Proposal Pending Since – September, 2009 and needs to be sanctioned at the earliest.
3.	Heritage structures issue for redevelopment	• The process of finalizing the list of heritage structures in Thane City has been initiated in the year 2001. and completed the same as per Section 37 of MRTP Act. 1966 in 2007. • Thereafter proposal was forwarded for the final approval of GOM. • Majority of structures shall be removed from the heritage list facilitating there redevelopment, as are included owing to conventional architectural features.	Proposal Pending Since – June, 2007 & needs to sanctioned on priority.
4.	Parking policy	• Considering the huge requirement of parking at public places, TMC after due diligence has drafted the policy for creating more parking places below road, playground, RG, gardens, etc. The said policy has been made by following the procedure as per Section 37 of MRTP and same has been forwarded to GOM for the final approval. This is expected to promote development of parking lots in the city.	Proposal Pending Since – October, 2009, needs to be sanctioned on priority
5.	Pg/rg development in lieu of tdr	• TMC has formulated the policy for development of PG, RG, parks and gardens in lieu of TDR. This policy is in tune with the approved policy of MCGM. The same is forwarded for the approval of the GOM. • This can help in creating infrastructure in Lieu of TDR.	Proposal Pending Since – September, 2005, needs to be sanctioned on priority.
6.	Tourism policy	• TMC has approved the policy for promotion & development of the Tourist sites on the guidelines of Maharashtra Tourism Policy. The said policy has been finalised by following the procedure under section 37 of MRTP Act. The proposal is forwarded to GOM for final approval. • This could promote tourism related development in the city.	Pending Since – August, 2009, needs to be sanctioned on priority.
7.	One tdr for acquisition of road & reservations in green zone	• There are many reserved sites and roads shown in DP of Thane which lies in the green zone. As per DCR, for any acquisition in green zone only 0.05 TDR/DR is allowed. Hence, for expediting the development and acquiring these sites for public purposes, TMC has formulated policy by following due process in law. The said proposal is pending with Government for final approval. • This will help the owners of the land under Green Zone & can expedite the development of Infrastructure in Green Zone.	Proposal Pending Since – May, 2007, needs to be sanctioned on priority.
8.	Application of 0.33 Fsi in thane	• Will help generate more funds for TMC. • Can create more tenements in limited space. • Can rationalise the TDR rates.	Proposal is pending with the government and needs to be sanctioned on priority.
9.	Amendment to appendix "w"	• This has stalled TDR generation & Utilisation proposals in Thane as Stringency Rule has come into effect since initiation of the modification process. • Early decision to Scrap the proposal & to adopt New State Policy will help the sector expedite.	The proposal of modification in the earlier Appendix 'W' has been pending with GoM since August 2014. Needs to be sanctioned on priority or State Policy needs to be applied for Thane.

II. Issues related to policy Decisions/Hardship

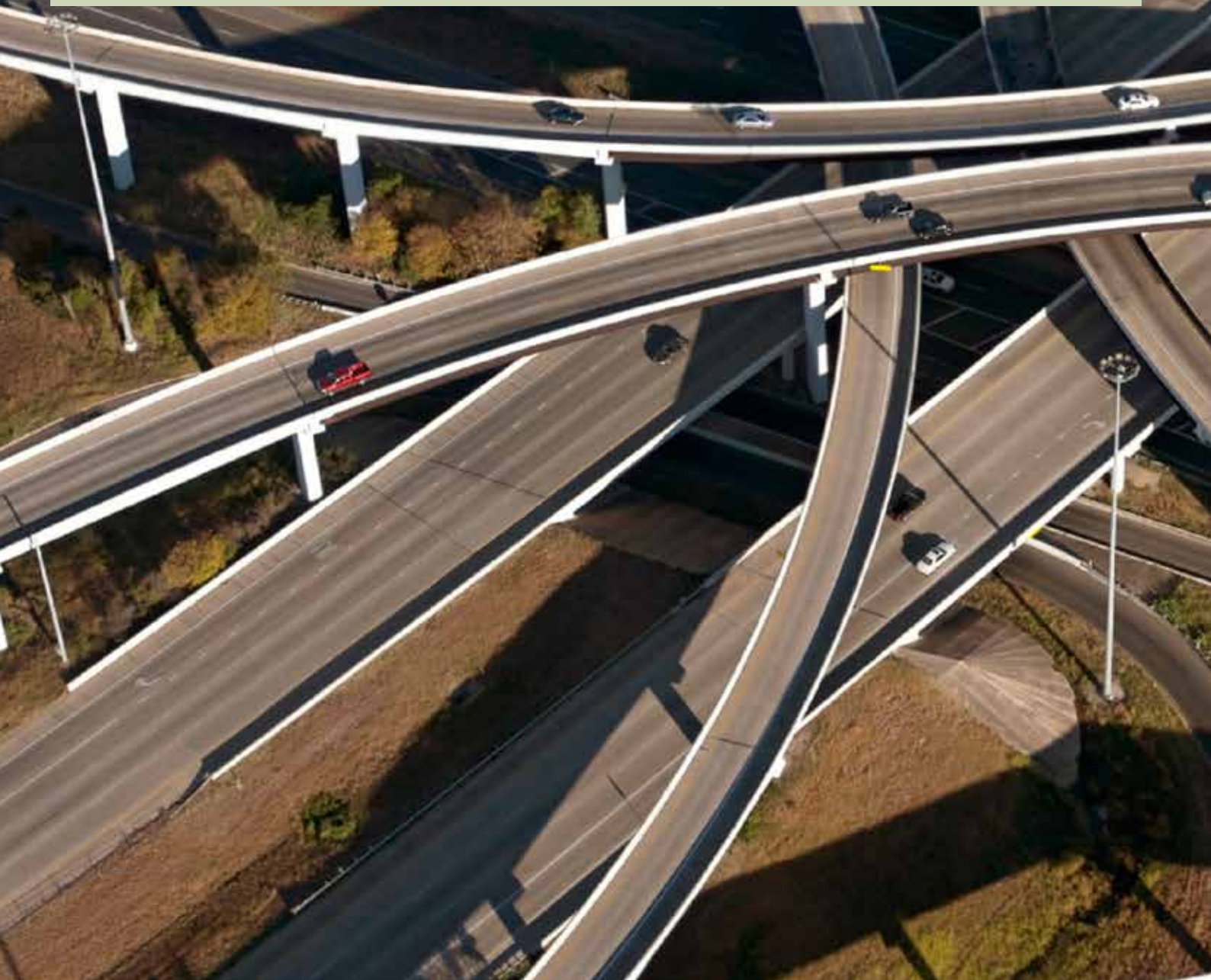
Sr. No.	Issue	Impact	Solution
1.	Education policy	• TMC has formulated well defined education policy for developing the reserved sites in the DP and same is forwarded for the approval of GOM. • This will help promote private participation in developing Educational infrastructure.	Proposal Pending Since – May, 2009, needs to be sanctioned on priority.
2.	Compulsory provision of 20% area for ews/lig	• Shall have to be made compulsory for plots that are more than 1 hector. • Practically not feasible from planning & social point of view. • May make many proposals commercially non-viable.	Rational approach needs to be taken by GoM.
3.	Mhada housing in jv with private landowners	• Policy is pending for approval since January, 2010. • This policy not made applicable to MMR. • Many developmental proposals are kept in abeyance due to delay.	Policy decision needs to be taken on priority.
4.	Mhada redevelopment	• Insistence of housing component is likely impractical. • This insistency seems to have stalled majority projects of redevelopment.	
5.	Post repeal action of ulc act.	• Many Schemes which were sanction when the ULC Act was in force are awaiting development owing to extension order • General order giving extension of 5 years to all such schemes will help to create affordable housing stock.	Circular clarifying such issue needs to be issued at the earliest
6.	Removing restriction on building heights in thane.	• No logic provided behind restricting the height. • Limits the options of development, so building height in the same line of MCGM shall be allowed in Thane.	Decision in this regards needs to be taken on priority
7.	Application of reformative provisions of regulation 33 of mcgm to thane	• MCGM policies shall be made applicable to Thane. • This will help promote the development. In fact Uniform DCR for entire MMR needs to be introduced.	The decision by Govt. needs to be taken on priority.
8.	Expedite process of revised czmp	• Uniform parameters needs to be applied for entire MMR for the preparation of revised CZMP. • The process needs to be expedited & plans should be brought into effect at the earliest.	Govt. should give time band mandate to CESS and MCZMA for finalising the Revised CZMP.
9.	Initiation of revised development plan of the city	• More than 12 years have elapsed. • The horizon of old DP is over. • Policy decisions needs to be taken at the earliest in the larger.	Policy decisions needs to be taken at the earliest in the larger public interest
10.	Implementation of online and time bound building proposal approval system	• Essential for promoting development. • Essential for transparency & accountability. • Architects to be empowered to certify, thereby 15 day sanction can be given.	Decision in this regard at Govt. level needs to be taken on priority
11.	Revival of special township policy	• The benefits of Special Township cannot be applied to layouts more than 10 Ha. Also, additional housing stock cannot be developed in the earlier approved projects. • Permissible FSI needs to be enhanced for creating additional housing stock.	Decision in this regard needs to be taken on priority.

Source: NAREDCO

III. Issues related to major decision regarding vital projects

Sr. No.	Issue	Impact	Approach
1.	Expediting the project of solid waste processing plant with sanitary land fill sites	• Essential facility for promoting health of the city. • Can help to make city clean & beautiful. • Decision is essential and can prevent health hazards in the near future.	
2.	Expedition and augmentation of sewer network and STP's with tertiary treatment	• Essential for preserving water courses. • Essential for promoting city health. • Decision is essential else may create health hazards in the near future.	Government should direct TMC to prepare DPR & request GoI for approval under New JNNURM (AMRIT).
3.	Augmenting water supply	• Timely provision for future growth is essential. • This can help ensure proper development. • Else, could create water crisis in the near future	Govt. should direct TMC to prepare DPR & request GoI for approval under New JNNURM (AMRIT).
4.	New suburban railway station	• The process for setting up new central railway suburban station has stalled & cannot be expedited in the absence of a policy decision • New suburban railway station at Mental hospital, Thane can help to reduce traffic congestion in old City & can boost development in GB road area	Govt. should take initiatives and constitute a special office to put this project on fast track.

Source: NAREDCO



About Naredco

National Real Estate Development Council (NAREDCO), one of the oldest and premium think tank and association of Realty Sector formed around 15 years ago, under the Patronage of Housing and Urban Poverty Alleviation, Govt. of India. Shri M. Venkaiah Naidu, the Hon'ble Minister of Housing & Urban Poverty Alleviation and Urban Development, is its Chief Patron and six Joint Secretary level officers from Central government and Central PSUs are on its Governing Board.

NAREDCO members inter alia include Housing and Urban Development Corporation (HUDCO), National Housing Bank (NHB), National Building Construction Corporation (NBCC), DDA, LIC HFL, PNB HFL, HDFC besides prominent Bankers & Financial Institutions such as State Bank of Bikaner and Jaipur, Yes Bank, Dewan Housing Finance Limited, Shriram Housing Finance Ltd., Reliance Home Finance Ltd., etc., Leading developers from across India are the Founder/ Patron / Regular members of NAREDCO.

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