

Plan approvals: When will this stalemate end?

As the city grows, aspiring investors look for a peaceful and spacious area to invest in. Taking on this cue, developers are creating townships replete with school, hospital, recreation centre and a supermarket. Such townships serve two purposes - they provide a clean living environment and help decongest the city.

But over the past eight months, developers have stopped work on such townships because BMRDA has stopped plan sanctions and land conversions.

Says V Lakshminarayan, Managing Director, Nirman Shelters (Bangalore) Pvt. Ltd., and President - Karnataka Township Developers Association, "The BMRDA ban on conversion and plan sanction has caused a set back in the industry. Developers haven't been able to launch new projects. The BMRDA had banned conversion on July 15, 2006 with a firm promise that they would restart the same after making the interim master plan on January 1, 2007. There was a Government Gazette to this effect, valid until December 31, 2006. As on date, the process is still being held up without a Government Gazette or any other reason to do so."

Members of The Karnataka Township Developers Association and The Karnataka Land Developers Association have formed an action committee to get their plans back in action.

"If the ban is not lifted by March 8, 2007, The Karnataka Township Developers Association (KTDA) and The Karnataka Land Developers Association (KLDA) representing all leading BMRDA jurisdiction developers have decided to stage a dharna in front of the BMRDA office on March 9, 2007 at 10 am. More than 10, 000 members including leading developers along with their employees, suppliers, architects, engineers, consultants, land lords, artisans, farmers and all concerned with the industry will participate," says V Lakshminarayan.

Members of these associations talk about the impact of this ban.

Says V Lakshmina rayan, Nirman Shelters (Bangalore) Pvt. Ltd., and President - Karnataka Township Developers Association, "The conversion and plan sanction was stopped to create a new CDP and we had also accepted the fact that there is a need for CDP. But then, BMRDA should have stuck to their commitment of restarting on January 1, 2007. This ban was arbitrarily implemented by BMRDA without even discussing with the developers, who, until then, had supported all BMRDA norms. This sudden ban had even stopped plan sanctions which were in the final stages. Also, conversion payments had been made. Roads, CA sites and parks had been relinquished in favor of BMRDA. All relevant fees have been paid up as well. This situation is leading to the unorganized sector resorting to formation of layouts in the Green Belt area. The organized sector has over 10,000 employees comprising architects, engineers, technically qualified staff, administration and marketing people. How long do we pay salaries without running a business?"

Adds S Jagadishwara Reddy, Managing Director, JR Housing Developers Pvt. Ltd. and Vice President - Karnataka Land Developers Association, "The developer community has invested over Rs 10,000 crores. This is raised as loans from banks and private institutions. We not only have to repay these loans, but also service the same without being able to run the business effectively."

Ravindra B R, Director, Pride & Expert and Joint Secretary - Karnataka Township Developers Association and Someshwara, Managing Director - Roland Meadows and Secretary - Karnataka Land Developers Association say, "The Central Government has given the developers a benefit in the form of 80 IB to promote middle class flats and villas. As per this income tax rule, if the land area is above 43,560 sft (1 acre) and if the built-up area of each individual flat/house is lesser than 1,500 sft and if the plan sanction is taken before March 31, 2007, then the developer gets IT exemption. With the BMRDA stopping the whole process of plan sanction and conversion, how do we avail a legitimate benefit which was available to our industry? Also, we have been deprived of our fundamental rights to avail the IT benefit. We are not able to avail the same because we need to get the conversion and plan sanction before March 31, 2007. This will invariably affect the price of the end product. And chances are that all the prices would have to be raised to cover the income tax component. In a nutshell, middle class clients who buy flats and villas are going to be affected. The government is also losing out on huge incomes like registration fees, conversion fees, development fees, plan sanction fees and all other charges, which would run into thousands of crores."

Says Dr N Venugopala Reddy, Managing Director, Classic Group of Companies and Executive Member, Karnataka Township Developers Association, "The government should extend the facility provided to all other industries. We are fulfilling one of the most important requirements of mankind which is housing. The developer industry should be extended all land acquisition facilities given to other industries, like KIADB acquiring property on behalf of the private industry. This would bring transparency in transactions. We, as developers would not mind paying the market valuation and not the government valuation. This would save us from all unnecessary litigations with the land lords. The government would also earn huge exchequer from transactional fees from the developers. Also, there will be a clean and planned development around the city. I think the government should give a serious thought to this and help the developer community. We sincerely request the BMRDA to consider all these points and immediately lift the ban on conversions and plan sanctions so that we can serve the clients transparently and cost effectively."