# Government's impetus to society self redevelopment

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It has been an increasing trend over the past few years for co-operative housing societies in Maharashtra to forego appointing a developer and undertaking 'self- redevelopment' of their old and dilapidated buildings. The main cause for choosing to undertake self-redevelopment, despite its obvious challenges, is that societies want to control the redevelopment process of their own property.

**Government Resolution dated 13 September 2019**

The Government of Maharashtra saw the need to support such self-redevelopment endeavors of co-operative housing societies owning buildings for more than 30 years and which have now been dilapidated and passed a Resolution on 13 September 2019 ("**Resolution**") granting several relaxations and incentives to co-operative housing societies undertaking self-redevelopment.

Following are a few noteworthy provisions of the Resolution:

Developmental Incentives

The Resolution provides for (i) setting up a single window clearance system for grant of all redevelopment approvals within 6 months (ii) grant of additional 10% incentive FSI for rehabilitation component, in accordance with the local development control regulations, if the FSI required to build the rehabilitation building is more than permissible FSI, (iii) Increase of FSI to 0.4 without premium from 0.2 with premium in cases of buildings on a road having less than 9 metre width (iv) concession in requirement to keep open space in case multiple societies undertaking joint redevelopment (v) 50% concessional rate for purchase of transferable development rights and (vi) Incentive FSI of 2.5 and subsidy of Rupees Two Lakhs Fifty Thousand to be provided to those housing societies which agree to construct 35% of the free sale component for economically weaker sections/ lower income groups.

Relaxations in Costs

In addition to the developmental incentives, the Resolution contemplates (i) concessions in the premium charged by the local planning authority with the liberty to make payment thereof in instalments, (ii) exemption from land under construction tax for societies completing the redevelopment within 3 years, (iii) concessions ought to be provided in the goods and services tax and open space deficiency development charges levied in respect of the self-development undertaken by societies, and (iv) stamp duty concession to be provided in line with those available for beneficiaries of the Pradhan Mantri Awas Yojana. The extent of concessions to be provided in the premium and GST has been left upto the planning authority and GST council to determine.

Financial Aid

The Resolution also provides for financial aids to Societies for self-redevelopment such as State Government will provide a subsidy of 4% in the rate of interest of bank loan taken by the societies for construction finance. The societies will be required to execute a tripartite agreement between the society, the financing agency and the contractor. The Resolution is silent on whether any specific terms and conditions are required to be included in such tripartite agreement or whether parties thereto are free to contract as they deem fit.

Nodal Agency and Grievance Redressal Committee

The State Co-operative Bank is to act as a nodal agency to provide finance and guidelines to the societies opting for self-redevelopment. The aforesaid nodal agency is also required to publish information about the scheme of self-redevelopment and encourage societies to participate.

In order to resolve any disputes which could possibly arise in case of society self-redevelopment, the Resolution provides for setting up one grievance redressal committee in every district. Such committee is required to necessarily include the following members (i) the district deputy registrar or a representative nominated by him and (ii) officer appointed by the planning authority in the district.

Societies will also be required to set up vigilance committee to monitor the progress of redevelopment.

Registration and Appointment of Contractor

Recognising that the societies will need to appoint a contractor for undertaking the aforesaid re-development, the Resolution contemplates that the concerned planning authority will set out criteria for appointing a contractor, and such contractor will need to be registered with such planning authority. Certain responsibilities have also been cast on the societies, such as societies will be required to examine the last 3 years financials in order to ascertain stability and capability of a contractor

If progress of redevelopment is found by the society to be unsatisfactory, the society is expressly authorised to remove the defaulting contractor and appoint a new one in his place.

**Conclusion**

All the new provisions sought to be brought in by the Government are a step in the right direction. The Government appears to have tried to ease several hurdles faced by societies while undertaking self-redevelopment. While certain provisions of the Resolution are quite specific while other provisions are more of a recommendation to other State authorities to provide certain relaxations and such relaxations have not been fleshed out in the Resolution itself. In view of the nature of the Resolution, for the several provisions of the Resolution to become implementable (including additional FSI, premium payment, concessions under goods and services tax etc), relevant development control regulations would need to be amended and departments of the State Government would need to pass appropriate amendments under the relevant laws.

Separately yet pertinently, in case any society decides to fund its redevelopment by selling the free sale component of the redevelopment (whether to third party purchasers or members themselves), then such societies would prior to advertising their project or selling any apartment would need to register the project under the provisions of the Real Estate (Regulation and Development) Act, 2016 ("**RERA**"). Such society would then be considered as a 'promoter' under RERA and would be subject to the strict compliance requirements and penalties thereunder. While self-redevelopment by societies seems to be workable, however, every Society would have to ensure that majority members of the societies is aggregable with such redevelopment and continues to remain on board till such time the entire development is completed.

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