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ESSENTIALS OF SELF RE-DEVELOPMENT

(Note with reference to Blossom CHS)

I. Blossom at a glance

Blossom cooperative Housing is more than 50 years' old cooperative housing society located at Military road, Marol, near Seven Hills Hospital, Andheri East. Marol Naka Metro station and international airport are close by.

It is registered vide registration No. Bom/Hsg/39 dated 21.6.1965. The society is promoted and built by a group of dedicated employees of Pfizer. The finance was arranged through loan from Maharashtra Co-op Housing Finance Society, Marine Lines, Mumbai (the said institution is closed and no more in operation) and some loan from Pfizer management. It is a shining example of self-development project during 1965-70. It was inaugurated by Mr. P.G.Kher, Minister for Urban Development, Govt. of Maharashtra on 22.2.1970

Most of the original occupants of the society are now senior citizens and find difficulty in climbing the stairs. Buildings are more than 50 years old and repairing of the same is not a solution and urgently redevelopment of all buildings with lifts and modern amenities is need of the hour.

II. Some key facts about Blossom

Blossom is situated in 6.3 Acres plot of land where ground coverage is just 15% and circulation is 17% and open space 68%. Some important information about area is as under.

Site Area	25658.30 Square meter (sqm) [As per Property Register Cards]
Total Buildings	11 (Bldg. No.1, 2, 3, 4 low lying area and during monsoon there is flooding, the outside road is above. The water logging problem is continuous during rainy season.

Total flats	284 (Building No. 1 to 9 are ground plus 4 and there is no lift.) and building No. 10, 11 are ground plus six floors and have lift.
Range of flat carpet area	42.27-83.24 Sqm
Total carpet area	16517 Sqm
Consumed F.S.I.	0.64

External Road Network: The current access to the site is from the Military Road, which is 18.3 Meters (mts) wide. The site has the potential to provide additional access from the eastern DP Road, which is 6 mts wide.

Green Pockets & Trees: There are around 360 trees on site creating an ambient microclimate throughout the year. Trees height matches the building height making it more connected to nature.

Height Restrictions: The site is in the blue zone, which has a permissible top elevation of 57.13 Mts AMSL (Restricted). However, Vasant Oasis, a residential complex, has a top elevation of 95 Mts approx. in height AMSL as per aeronautical study, lies in the red zone and in close proximity to Blossom Society.

The total Reserved Green (RG) area is 2501.18 sqm [Dp Zone 1:- 1488.8 Sqm + DP Zone 2: 1012.38 Sqm]

III. Present conditions of Blossom buildings

All the buildings of Blossom are more than 50 years old and the condition of buildings are in a very bad state and incidents of falling of plaster of ceiling, major cracks in the columns, leakages, seepages and weakening of balcony or chajjas etc. are visible. The society in the past has taken steps to tackle these issues by undertaking minor/major repairs from time to time.

IV. Blossom's earlier attempts towards redevelopment

The first attempt was in the year 2004; it did not take off well. The second one was after a decade. During the year 2014 a decision was taken that carrying repairs is not a solution and only alternate solution is redevelopment of blossom buildings. After working hard on this issue and with co-operation of all members, decision to go ahead with redevelopment was taken in the year 2014 and a PMC was appointed to prepare a feasibility report. Thereafter in December, 2017 a developer was also appointed to redevelop blossom buildings. The offer given at the time of selection was alluring but after the notification of DCPR34, the selected developer developed cold feet and suggested downward revision in the offer which members vehemently declined and he (developer) was terminated in February, 2020. Thus all the efforts done in respect of redevelopment came to an end and time is now ripe for taking a fresh decision. Taking into consideration, the various sops given by Govt. of Maharashtra and the kind of inclination prevailing in Mumbai, most of the housing societies are showing preference for redevelopment of societies through self-redevelopment route.

V. Era of development of housing society buildings by builders/developers:

The Self Redevelopment process calls for coordinated efforts of all members of society and hence depends upon the integrity and unity of all members. There were lack of agencies that were providing various services and there were no service providers like Project Management Consultant (PMC) then. So slowly after 1980 onwards, option of engaging builders for developing property emerged. It initially started when technically qualified next generation of land owners undertook to construct on their ancestral properties. Those land owners who did not have qualified kith and kin requested those experienced to undertake construction to partner and build jointly with them. This led to the new business opportunities for those who called themselves builders who took initiative in constructing complexes and after sale of flats to prospective owners, a cooperative society was formed and the affairs of society were handed over to newly incorporated housing society. The builder then used to exit from the project. Thus the flat owners were getting ready made flats without any efforts other than to pay cost of the flat and that too out of housing loan which was available at generous terms and tenure from number of banks, housing finance companies and NBFCs.

VI. History of Self-development of housing projects

Self-Redevelopment is a type of redevelopment where the entire process and all decisions are controlled by the members of the society instead of giving it to a Builder or developer.

Self- development is an old and most beneficial approach of redevelopment that is making a comeback due to the distrust and delays involved with builders. The Self-development of housing society is not a new concept but rather many of the society's projects during the era of 1960 to 1980 were implemented by this mode only. Even some such efforts were made in 1910 onwards. Blossom society housing project is also an outcome of Self Redevelopment efforts of few individuals who were employees of Pfizer. Self-Redevelopment is the best option for these housing societies as per industry experts.

VII. Redevelopment of old buildings through builders /developers

When the buildings became old and dilapidated, and the government increased the FSI to encourage redevelopment, the housing societies chose the easy way out and undertook redevelopment through builder /developer. Builder was offering five things to existing members (i) additional carpet area (ii) corpus (iii) rent for alternate accommodation (iv)shifting allowance (v) brokerage for arranging rental premises. The builders did not have to pay the land cost and could resell flats even before the plans were approved and hence the scheme became most attractive to them. Soon the builders developed clout with their newly acquired wealth which they used to dictate terms and their aim was always the maximisation of profits. The society has to give irrevocable consents, and power of attorney to develop the property and possession of the land belonging to society was also handed over to them. With their power the builders managed to corner all redevelopment projects and with a view to maximise benefits from the eligibility to get FDI, they artificially increased the selling prices. The genuine buyer found the prices unaffordable and the sales slowed down and stopped. Since the entire game was fielded by speculation, the deserting by buyers and also investors led to builders abandoning projects after siphoning off the money to safe havens. The builder/developer used to give rent to flat owners/members after vacating their existing flats, for initial periods and then suddenly stops paying rent. Each flat owner, whose flat is now demolished and residing in rented premises, finds the situation very critical and unbearable. As per expert's estimates, there are around 412 projects in Andheri east alone where builders have abandoned the project half way and vanished. Even after filing suits the dispossessed flat owners are left in lurch and stay in pathetic conditions without solution. Even after waiting for 10 years they do not get either house or any justice. State Government also cannot help in such situation as the agreement is between developer and society and the affair is totally private. Even after RERA came into being, it does not help existing members of cooperative society. RERA is applicable only to new purchasers of flat in redeveloped buildings. As per estimates there are around 800000 people who are homeless and are on street. This anomaly gave the birth to the concept of redevelopment of old buildings by societies themselves i.e. self-redevelopment

VIII. Myths of self-redevelopment

1. There is a myth in the minds of each member and that needs to be demolished by understanding the underlying factors.
    a) Myth number one: Builders build building. It is wrong. Builders never build building but it is the contractor who builds. He builds as per the contract signed between the builder and him. So in case of self-redevelopment also contractors will build the building and contract will be between society, contractor and PMC will supervise the work. On the contrary the buildings under self-redevelopment are more strong and durable as society has choice

to appoint good contractors like L&T, Shapoorjee and even some foreign firms like Samsung.

b) Myth number two: Builders put their money in the project. It is wrong. No builder puts his money; rather they borrow from various sources and raise money for the project. Some of the sources resorted are venture capital funds, NBFC, Housing finance companies, HNIs, IPO, FDI etc. So in case of self-redevelopment, society can seek resources from these channels as well as by resorting to selling of the flats to existing members, their kith and kin and their relatives and offer some of the unsold flats to underwriters. Thus once the scheme is ready and various approvals are in place, the availability of fund is possible and project goes further progressively. So for self-development finance is available and lot of banks, NBFC, HFCs are funding projects. Even for good projects FDI is a source and Blossom project has bright chances of getting foreign funding. Even some of the banks like SBI are looking for such projects where they book tenements in bulk for accommodating their key officers.

c) Myth number three: Planning of buildings is good if we go to builder. However, the truth is that the designs of the builder are not up to the standard and after five years the building needs repairing. Only one prominent thing is noticed in the building planned by builder is outward designs, façade made attractive but the total design and plan being inferior. If the planning and design is done in self-redevelopment model, it is always solid and buildings are robust and withstand for long time. In case of self-redevelopment even global tenders can be floated and reputed firm of architects are appointed and it is an experience that the work done by them of international standards. Lot of foreign firms are interested working in India and if society decides this source is also available.

d) Myth number four: Builder/developer brings various approvals/ permissions. It is wrong. The various approvals are brought by various specialised agencies such as liaising architect etc. All these agencies can also be appointed by society and it can obtain all such approvals and sometimes for cooperative societies the expenses are less than what is incurred by developer.

e) Myth number five: Builder/developer works faster and complete the project in time. This is totally wrong. Almost 99.99% of projects undertaken by developer are delayed and never completed as per schedule.

IX. Eligibility criteria for self-redevelopment

Only registered cooperative housing societies of Maharashtra are eligible to avail of the benefits of such self-redevelopment offered by Govt. of Maharashtra. This benefit is available only for buildings which have completed 30 years

X. Sops for self –redevelopment schemes by Govt. of Maharashtra:

In order to encourage self-redevelopment of housing societies, the government has given certain concessions/incentives; the same is briefly given below.

i. Single-window system for all approvals

Redevelopment of any property requires approval from many departments and government authorities, which can be very time-consuming. Some of the approvals are interlinked. There are almost 55-60 clearances required for such projects, including NOCs from coastal regulation zone, traffic, fire, defence, aviation and other authorities. In order to avoid delays, arising as a result of the various departments handling, a concept of a single-window system for making applications and granting of approvals is introduced. . This will help reduce the time and cost for the redevelopment.

ii. Time limit for approval for self- redevelopment by authorities and its execution

In order to avoid delays in granting of approvals for self-redevelopment, it is stipulated that the approvals should be granted within six months from the date of submission of the application. E.g. If application for granting approval is filed by Blossom society with BMC (single window clearance authority) on 1.7.2021, the BMC should grant approval by 31.12.2021.

iii. **Time limit for completion of the self- redevelopment by societies.**

The redevelopment of the building has to be completed by the society within three years from the date of the approval. If the approval is granted on 31.12.2021 to Blossom society, then the re-development project of Blossom has to be completed by 31.12.2024. This is possible because of modern technology the construction can be started and completed within a period of 24 months and then internal work and other work can be completed by 30.9.2024 and last three months can be utilised for completing formalities of handing over possession of new houses to members by 31.12.2024.

iv. **Stamp duty concession for self-redevelopment**

For the existing flat owners of the housing society, there will be no stamp duty liability, with respect to the flats allotted to them in the new building. So all 284 flat owners of Blossom, no stamp duty is payable by them while entering new houses. With respect to the additional flats that are sold at open market price to outsiders, the stamp duty will have to be paid as per the stamp duty reckoner rates.

v. **Benefit of extra FSI, concession on premium and rebate on TDR**

In case the redevelopment is undertaken by the housing society, the society shall be entitled to an extra FSI of 10%, over and above what it is entitled to under the development regulations of the area. Even for Transfer of Development rights (TDR), the charges would be 50% of the normal charges payable by the society. The society shall also be entitled to a discount, in the payment of various premiums for availing of the extra FSI.

XI. **Precautions while opting for self-redevelopment**

1. integrity and unity of all members
2. As redevelopment of a building involves dealing with large sums of money and awarding contracts to various people, it is important for the members of the housing society to choose persons of integrity to be members of managing committee

XII. **Self-Redevelopment and applicability of GST**

a. GST Registration

As society is going to sell flats to outsiders as well and that would be more than Rs.20 Lakhs, GST registration in case construction services is compulsory.

b. GST Rate

GST rate will be 1% if it is covered under affordable housing scheme or else 5% GST rate will be applicable. Further society has to purchase at least 80% of the value of input and input services, from registered suppliers. If value of supplies from registered dealer is less than 80% then Society has to pay GST @18% on reverse charge (RCM) basis on all such inward supplies for the shortfall amount. Tax rate on Cement purchased from unregistered Person would thus be 28%.

c. Is availability of input Tax Credit (ITC) paid on purchase of material?

No, as per new scheme no ITC allowed as concessional GST rate of 1% /5% are offered.

d. GST implication in case of existing Members of Society:

Issue of GST is settled. GST kicks in when a service is given to a third party. Here the owners are the members and they give themselves a bigger house. This bigger house is in lieu of the house earlier occupied by the member. Hence no service is given. No question of GST.

e. GST Implication of New Member before receiving OC:

In case of new member society has to collect GST @ 1% / 5 % from new members on total consideration received and same has to be paid to the GST department. Further NO input tax credit is allowed.

f. If flats remain unsold as on date of receiving OC:

In that case society has to pay GST @ 1% / 5 % on unsold flats as on the date of receiving OC. Value will be taken on the basis of flats sold earlier.

g. GST on contribution received from existing member of Society for redevelopment:

It will be treated at par with maintenance and it is taxable @ 18%, so it is advisable to take loan for such redevelopment work and same can be paid off by selling surplus flats to new members.

XIII. **Benefits of Self Redevelopment**

There are various benefits of self-redevelopment as against opting for builder-led redevelopment.

- In a self-redevelopment project, the society members have control over the project where they can decide on plans, designs and also setting development criterions. The society members can also decide the amenities they want to have in the self-redeveloped society like parking spaces, play area for children, gym, meeting hall etc.
- In the case of self-redevelopment of a housing society, the members also get higher extra space as compared to builder led redevelopment. From the preliminary Feasibility study done so far each member of Blossom can get minimum additional 50% area.

- The surplus created by selling off extra flats is also higher as no part of it has to be shared with the builder.
- The most important advantage of self-redevelopment is that during this entire process, all the documentation and plans are in society's name, i.e. the property rights are with the society.

XIV. Drawbacks of Self Redevelopment

Self-Redevelopment has its own set of challenges that need to be considered before making the final decision.

- Time, competence and inclination within the society members to manage a big self-redevelopment project.
- Getting consensus amongst members at the beginning and then at various stages of the project.
- Managing documentation through Government authorities.
- Arranging for the society's part of the finance and making funds available for the entire project through bank finance.
- Managing multiple experts at various intervals of time and the required coordination within them.
- Keeping a tab of the project development as per Government norms and better standards.
- Ability to sell the saleable flats for recovering the project cost.
- Managing the invoicing, taxation and cost accounting of the project.

XV. Project Management Consultant (PMC) and his role

PMC or Development Manager or Program Manager is appointed to help society reach the successful completion of the project. They not only certify the work done by different agencies, but also manage the different professionals involved, initiate the arrangement of finances, maintain the quality standards, ensure meeting of the Government norms and handle the legalities involved and last but not the least handle marketing and selling aspects of saleable flats.

Traditionally PMCs were Architect or Engineering firms working for the Societies to measure their development potential based on the prevalent Government norms. They took one step ahead and started supporting societies in getting developers on board to fulfil their development needs. The Architect is important for project. He will carry out Feasibility study (FS) and submits the report. Even before selection of Architect, all aspirants can be asked to give Feasibility Study Report and after evaluation final selection of best Architect can be made.

But now, when it comes to Self-Redevelopment, the requirement is far broader and complex than what used to be in traditional re-development.

What Societies need in self-redevelopment is a "Management Team" that not only certifies the work done by different agencies, but also someone who can manage the different professionals involved, the finance arrangement aspects, the quality standards, the government norms, the legalities involved and the sales management. Societies also want the "Management Team" while keeping track of all the above aspects to be capable of providing those insights, supporting them in making critical decisions and anticipating the possible risks and providing mitigating options.

The expectations of the societies from PMCs/ Management Teams when it comes to Redevelopment led by developers and the ones for Self-redevelopment are completely different. Since Self redevelopment is in its nascent stage, societies are still figuring out what to expect and what not to expect from the PMCs/ Management Teams. And in the confusion, they end up going with PMCs which are equipped with limited capability for this type of Redevelopment. And as time passes, the Societies realise the pitfalls and are again stuck midway. The new role is fairly complex and will get clearer with times to come.

XVI. Procedure for Self-redevelopment

Once a housing society has checked that it fulfils the requirements to start the procedure for self-redevelopment of their housing society, they can start with the self-redevelopment process:

1. The first step is to get the consent of all the society members on taking the Self-redevelopment approach for redevelopment of their premises. A resolution has to be passed by calling a Special General Body Meeting. (*Atleast 2/3 members must attend meeting and atleast 51% must give consent for self-redevelopment. In Blossom case, total members are 284, so atleast 190 members attend SGM and atleast 145 members give consent for redevelopment through self-redevelopment mode.)*
2. The society then needs to appoint a Project Management Consultant to make a self-redevelopment project report (feasibility report) which provides important details like development potential as per the latest norms, overall budget and cost break-up for the project and the possible benefits to the society members. This report lays the foundation for the entire project and is referred to a different intervals as a central guideline for making the project reach its success as envisaged.
3. After taking the decisions based on the Feasibility Study report, the society then moves ahead to appoint Architects, Contractors ,Legal Advisors, Chartered Accountants, who then guide the society at various stages of the self-redevelopment process and also assist in obtaining various approvals from various authorities.
4. Once all plans have been laid out and all documents are in place, the next step is to approach a bank for funding for the self-redevelopment project.

XVII. Ideas of marketing and selling of new tenements.

As the market is very uncertain and as the reality sector is in shambles, finding a new buyer for additional flats that may be built after using full potential of FSI is a challenging task and for this a new approach can be adopted. This new approach is selling the new flats to members, their family members, relatives etc. The problem of selling of flat can be reduced if we resort to launching various schemes for members such as

h. Members of existing flat owners for buying of new flats -at 30% discount
i. Blood relatives of existing members buying new flats- at 20% discount
j. Member's brothers, sisters buying new flats- at 15% discount
k. Members uncles, cousins buying new flats- at 10% discount
e. Each member can become an agent and he can get 2% brokerage. This is purely voluntary and no set target or any stipulations are set.

The scheme suggested above is indicative and must get nod from general body. The society can implement any other scheme as agreed by members. Whatever flat remains can be sold to the underwriters. Thus there is no uncertainty about selling of flats. There is thus no need to take loan or borrowing of any kind. However, this is Mr Chandrasekhar Prabhu's suggestion, and the decision has to be taken by the members in GB.

XVIII. Anxiety of existing members

The existing member is having some doubts about certain matters

1. In case of building by builder, shifting of 100% occupants is insisted while in case self-redevelopment no shifting/ partial shifting is needed. Vacation of flat is restricted to minimum and construction is done without any major inconvenience. Since Blossom is having lot of vacant land, planning can be made in such a way that there will be no vacation and buildings can be erected without causing much inconvenience to the occupants. The technology is so modern that there will be no issue of pollution due to dust and other particles.
2. As regards mortgaging of flats of each member, it will not be mortgaged and it will remain unencumbered. However the land of the society and the saleable portion of flats will be mortgaged to financier. Further, even though there is sanction of loan amount, there is no need of availing of full disbursement in case requirement of funds is met through other sources such as selling of flats to members, relatives etc.

3. What is the time line of project? With precast slabs, the construction will be faster and could be completed in less than 24 months. However, society must move very fast and reach to IOD / approval stage by 31.12.2021. For this society must follow steps as given above by passing a suitable resolution to undertake self- redevelopment, appointment of PMC etc quickly. Society must also arrange initial funds by resorting to one of the schemes as given elsewhere in this note.
4. Can the existing member opt for two flats? Member cannot acquire two flats in the society. The existing area plus additional 50% area will be utilised to construct a flat in such a way that though entrance lobby is one, still two families can stay together but this will be treated as one flat and there will be only one member of society . So father and son can stay separately but the flat will be in the name of father but son will have independent stay
5. How the allotment of flats to existing member and new member will be done? The decision lies with GB and could be separate building for existing members and new members. All depends upon policy adopted by GB.
6. If flats have been offered to some members at discount of 30%, 20%, 15%, and 10% and if members subsequently sell such flats there is indirect enriching of them at the cost of other members. How to tackle such cases? This practice can be checked by putting condition of not selling the flats within five years by such beneficiary. If sold, then the additional benefit earned by way discount will have be refunded to society.
7. What about self-redevelopment with commercial and residential. The inclusion of commercial aspect will be helpful to reduce the number of residential flats. Even there is FSI of 5 for educational institutions such as dental college, management institute etc. So society can think of giving fixed portion to educational institution and increase its revenue. All depends upon decision of GB.

XIX Availability of Mr. Chandrashekhar Prabhu, as Advisor

Mr. Chandrasekhar Prabhu (CP) is a renowned architect and activist and is advising number of cooperative housing societies for making Self-development Project successful. He has even given presentation on self-redevelopment of our project on 19.4.2021. Around 97 members attended the lecture and opined that he may be roped in as "Advisor to Blossom project". He has agreed to assume this role. CP will be available though out the project and society can take advantage of his experience, knowledge and standing. For selection of various professionals, the advice of CP is very important and will help society to arrive at right decisions. The services of Architect/PMC, contractor, Liaoning Architect, CA, Legal team are crucial and CP's association in arriving at right decision will go long way in making the project successful. The role of CP will be advisory in nature and he will not take any remuneration of any kind.

XX. Way forward

An attempt has been made to present before you some key facts about the gamut of self-redevelopment of cooperative housing societies. During the period of 1920-1980, many housing societies were built by its members thorough the principle of co-operation. However, 1980 onwards, the emergence of builder/ developer on large scale paved the way for huge housing complexes and self-development of buildings by members relegated into background. But all the buildings which were built either through self-development mode or through builder/developer mode during the period 1950 to 2000 became old and are in dilapidated conditions. Therefore need for redevelopment of such buildings arose. As long as builders/developers were offering good schemes to existing members and each member was getting new house, the going was good. But the moment, the builder/developer started faltering on their promises and things were out of control a suspicion was developed in the minds of each occupant of old buildings. Even Govt also announced sops for projects undertaken under self-redevelopment mode. The specialised agencies like PMC and programme manager, development manager came into being who started helping cooperative housing societies in implementing their schemes. Thus we all Blossomites are also in favour of re developing our old and timeworn buildings and replace them with ultra-modern buildings with all amenities of twenty first century. The assent of all members for "self-redevelopment route is "sine-qua-non"

(This note is compiled by MC Team and is open for suggestions for additions or alterations. This note is for restricted for use by Blossom members only and not be circulated to outsiders.)

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