

ERGO

Analysing developments impacting business

AMNESTY SCHEME TO THE RESCUE OF STALLED SRA PROJECTS IN MAHARASHTRA

31 May 2022

In a bid to breathe life back into the stalled Slum Rehabilitation projects (SRA Projects) in the state of Maharashtra, the state government recently passed a resolution to frame a policy for effective implementation and completion of these projects in the state, several of which seem to have lost steam in the past years.

SRA Projects: The road so far

Vacant land is a scarce commodity in a densely populated city like Mumbai, primarily due to various large land parcels being encroached by slum dwellers over past several decades.

To provide for improvement and clearance of these areas, Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 was enacted for implementing slum rehabilitation scheme on such slum affected lands (the SR Scheme) across the State.

Till date, several SR Schemes have been implemented by developers, however, only a handful of such projects have been successfully completed. These failures in completion of SRA Projects can be attributed to various factors such as economic slowdown, financial constraints, change in political scenarios and more recently, because of demonetisation and the COVID-19 pandemic. Due to this concoction of unfavourable factors, many SRA Projects have either not taken off or are stuck at various stages of development, which leaves the slum dwellers with no options, but to continue to stay in the unhygienic conditions of such slums or transit camps.

The Revival Attempt

With a view to attract lenders and new developers to invest in SRA Projects, which is the only avenue available for creating affordable housing specially in the city of Mumbai, the state government has, in last three years, proposed the following policies and schemes to boost stalled SRA Projects:

- *Increase in FSI*

In late 2019, we saw an increase in the floor space index (FSI) for SRA Projects from FSI of 3 to FSI of 4 in Mumbai and very recently, the same benefit has been extended to other parts of the State as well.

- *Extension of time for payment of premium*

During the outbreak of COVID-19 pandemic, time limit for payment of premium by developers for undertaking SRA Projects were periodically deferred.

- *Change in Developers*

After witnessing the plight of several stalled SRA Projects, which remained unattended by the appointed developers for several years, as a first step, the Housing Ministry, through the Slum Rehabilitation Authority (SRA), issued a public notice on 20 April 2022 calling upon the slum societies of about 517 SRA Projects across Mumbai (proposals whereof were approved between 2002 and 2014 but redevelopment for which was not completed), to appoint new developers and submit fresh proposals in a bid to kick start their projects.

- *Amnesty Scheme - Takeover of stalled SRA Projects*

The state government via its recent resolution dated 25 May 2022 (i) authorised SRA to float tenders to appoint new developers for stalled SRA Projects (*developers who offer maximum number of units from their sale component to the SRA under affordable housing, would be picked through the tender process*), and (ii) permitting financial institutions who have invested in stalled SRA Projects and are affiliated with Reserve Bank of India, Security and Exchange Board of India and National Housing Board, to step in and complete such stalled SRA Projects as "co-promoters".

The following concessions are offered to such new developers / financial institutions while taking over the projects:

- Exemption from seeking consent of slum dwellers and approval of the general body of slum societies.
- Payment of 5% transfer premium will not be applicable to financial institutions taking over such stalled SRA projects. *The resolution is silent on whether such waiver is also applicable for new developers taking over projects through tender process. It will have to be seen if such waiver would even be provided to new developers. The government of Maharashtra should provide further clarity in this regard.*

The resolution also provides for imposition of penalties upon the new developer / financial institutions taking over the stalled project to ensure timely completion of rehab buildings within 3 years (*additional time may be provided by CEO, SRA for large slum projects*). Penalties prescribed are as under:

- If 33% of rehab building is not completed in one year, then developer will have to pay 1% of land cost of sale plot;
- If 66% of rehab building is not completed in two years, then developer will have to pay 2% of land cost of sale plot;
- If total rehab building is not completed within three years, then developer will still have to pay 2% of land cost of sale plot.

Financial institutions do not possess expertise to undertake work of re-development of slums and will have to nominate a new developer to take over such development. We observe that the resolution is silent on whether the financial institutions, who are permitted to step in for the defaulting developers as 'co-promoter', will have powers to unilaterally nominate a new developer to undertake and resume implementation of the concerned stalled project. Clarifications in this regard, should be provided by the state government.

Comment

This resolution will very well go in the direction to spell out the intention of the government to create a revolutionary revival plan for stalled slum projects thereby furthering the objective to make Maharashtra 'Slum-free' State and provide better standard of living and hygiene for slum dwellers and generate more affordable housing.

- *Abhiraj Gandhi (Partner), Amit H Wadhvani (Counsel), Nirali Shah (Associate) & Ketan Jikar (Associate)*

For any queries please contact: editors@khaitanco.com

We have updated our [Privacy Policy](#), which provides details of how we process your personal data and apply security measures. We will continue to communicate with you based on the information available with us. You may choose to unsubscribe from our communications at any time by clicking [here](#).