

# INVOLVEMENT OF PRIVATE SECTOR IN THE FINANCING OF NCR HOUSING & COMMERCIAL PROJECTS

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October-December 1992  
Delhi Vikas Varta – DDA; Page No. 4 to 10  
Vol. 3, No.4

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## 1. National Capital Region (NCR) Plan and its Dimensions:

**Status of the Plan:** The concept of a National Capital Region (NCR) took shape in the early sixties. The Master Plan of Delhi, 1962 recommended that a statutory NCR Planning Board be set up for ensuring balanced and harmonized development of the entire area under NCR.

'The National Capital Region Planning Board Act' came into enforcement in 1985 and the plan of the 'Region' became a Statutory Document sometime in 1989. NCR covers a total area of 30,242 sq.km. and had a population of 19.2 million in 1981 which has been estimated to grow to 42.5 million by 2001 A.D. In the first ring of National Capital Region, there are 10 settlements namely- Meerut, Hapur, Bulandshahr-Khurja, Panipat, Rohtak, Rewari - Daruhera-Bhiwadi, Palwal and Alwar, and in the second ring are 9 – Bahadurgarh, Faridabad- Ballabhgarh, Ghaziabad, Loni, Gurgaon, Kundli, NOIDA, and greater NOIDA. In total there are 98 urban settlements and 6677 rural settlements in the entire NCR.

**The plan advocated the following aims:**

- i) To relieve the capital city – Delhi from additional pressures of human and vehicular population, as well as from pollution.
- ii) To avoid putting new pressures on the capital city of Delhi, by checking migration of people and inflow of economic activity.
- iii) To remodel the pattern of settlements in the National Capital Region to enable them to play their assigned role.

## Dimensions of NCR

- i) **Physical setting:** The NCR spread over an area of 30,242sq.km includes the Union Territory of Delhi and parts of the states of Haryana, Rajasthan and

Uttar Pradesh. The physiography of the region is the presence of Ganga river touching it at the eastern boundary, the Yamuna traversing it north-south forming the boundary between Uttar Pradesh and Haryana, sand dunes and barren low hills of the Aravali Chain and its out crops in the west, flat topped prominent and precipitous hills of the Aravali range enclosing fertile valleys and high table lands in the south-west, and the rolling plains dominated by rain fed torrents in the south. The rest of the region is plain with a general slope of north east to south and south west.

**ii) Constituents of NCR**

- a) Union Territory of Delhi (1483 sq.km)
- b) Haryana sub region comprising Faridabad, Gurgaon, Rohtak and Sonapat districts, Rewari and Bewal tehsils of Mahendragarh district and Panipat tehsil of Karnal district. This is in 13,413 sq.km. of the area of the state.
- c) Rajasthan sub-region comprising six tehsils of Alwar district namely Alwar, Ramgarh, Behror, Mandawar, Tijara and Kishangarh. The area is 4,493 sq.km.
- d) Uttar Pradesh sub-region comprises three districts namely- Meerut, Ghaziabad and Bulandshahr, covering about 10,853 sq.km of the area.

**iii) Population projection:** The population of the region is expected to grow at a decadal rate of 34.73% during 1981-2001 to reach a figure of 42.5 million by 2001.

## **2. Broad functions of NCR**

Broadly speaking, present functions of NCR Planning Board are:-

- Preparation of Sub-Regional Plans of three States and U.T. of Delhi;
- Master Plan of urban settlements in NCR; and
- Monitoring of urban development projects, funded with NCR funds.

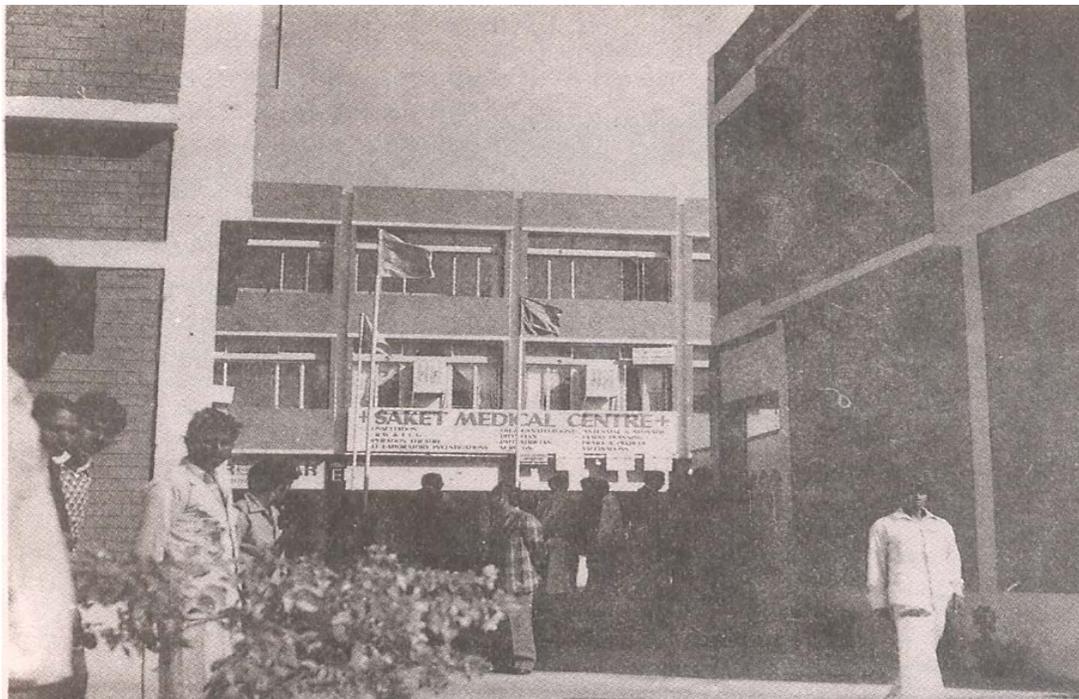
For the first two functions, proper guidance is provided by NCR Planning Board to various Planning Departments of the relevant parts of U.P., Haryana, Rajasthan located in NCR boundary. For the third function, only a few schemes are monitored as the total allocation per year was at an average of Rs. 10-12 crores during the 7<sup>th</sup> Five Year Plan. This amount is so meager that no impact can be created on planning, development and construction of urban spaces in urban centers of NCR.

The prime objective of the Regional Plan is to contain Delhi's population within manageable limits, at least by the turn of the century. In order to save Delhi from population explosion, various alternatives of development were analyzed and finally it has been agreed that it is necessary to moderate the growth in the areas around it. At the same time, it is recognized that any additional population in Delhi or in Delhi metropolitan area towns, will not moderate or reduce the problems to any extent of it as the interdependence of these towns is intensive and necessarily mutual. The studies of NCR clearly revealed that large economic activities with large scale employment should necessarily be located outside the Delhi Metropolitan Area, preferably at a distance which discourages daily interaction with Delhi.

### 3. Housing

#### i) Housing demand by 2000 A.D. (details have been given in Appendix 1)

Considering that the housing occupancy rate in NCR shall be five persons per residential unit, the 1971-81 trend of growth shall continue & 10% allowance is given to compensate non-liveable or vacant or non-residential housing units. The total demand for housing by 2001 A.D., except doe Delhi U.T. is estimated at 4.26 million residential units in the NCR; of these 2.48 million units (58.22%) will be in urban areas and the balance 1.78 million units in rural areas. Out of the total, the UP sub region will have 2.42 million units (56.81%), followed by the Haryana sub region with 1.56 million units (36.62%) and the Rajasthan sub region with 0.28 million units (6.57%). In 1987, the net inhabitable residential houses were estimated at 2.09 million units with a break up of 1.14 million in U.P. Sub region, 0.78 million in the Haryana sub region. Thus, the additional demand in these three regions (including the existing backlog) between 1988-2001 will be  $4.26 - 2.09 = 2.17$  million units. Of these, 1.82 million units (83.69%) will be required in the urban sector and 0.35 million units (16.31%) in the rural sector. This implies a demand of 181, 880 housing units in urban areas per year.



#### (ii) Informal sector housing

About 33% of the urban population lives in slums. Most of these slums inhabitants are engaged in informal sector economic activities. Hence the informal sector has to be viewed as an integral part of the process of spatial planning. During 1988-2001, the economically weaker section of the society, constituting mainly the informal

sector workers, would require about 0.8 million dwelling units (44% of 1.82 million additional units) in the urban centers of the NCR excluding 'Delhi Urban Area.' This implies a rate of 80,000 housing units per unit.

Hence, the dwelling units required as explained are as under:

**a) In Delhi**

(i)	EWS	=	75,000
(ii)	LIG, MIG, & HIG	=	90,000

**b) In NCR other than Delhi**

(i)	EWS	=	80,000
(ii)	LIG, MIG & HIG	=	1, 01,880

**c) Total**

(i)	EWS	=	1, 55,000
(ii)	LIG, MIG & HIG	=	1, 91,880
	Total	=	3, 46,880

Adequate land, lab our and capital has to be arranged and managed for 3,46,880 housing units per year in public, private and cooperative sector.

**(iii) Issues**

- a) In order to meet the heavy demand of housing in NCR (including Delhi), immediate planning, development, construction and management measures need to be identified for land, lab our and capital resources.
- b) Affordable shelter for the informal sector in priority towns in the Ist and IInd rings of the Regions must be properly programmed through making available developed land and easy access of institutional finances.
- c) In order to have harmonious development and to make NCR a unified entity, the standards and norms of physical and social infrastructure in the rest of NCR should be almost comparable to that of Delhi.

**(iv) Housing Finance Institutions**

The Govt. of India has created the National Housing Bank (NHB) which is to develop base level and intermediate level housing finance to extend financial assistance to different income groups including economically weaker sections. Besides this, two other bodies at the national level, viz, HUDCO and HDFC provide housing finance. Other agencies such as, Housing Development Boards, Development Authorities, Urban Improvement Trusts are also contributing to the housing finance system at the state level. But these agencies are not meant to treat the National Capital Region as a special area for development.

The NCR Planning Act also empowers the NCR Board to receive funds from various sources to be identified by the Central Govt. in consultation with the participating states, and to credit such funds to the NCR Planning Board Fund. This provision makes the NCR Planning Board an ideal institution to facilitate availability of requisite finances for housing construction and improvement programme for the target groups. But so far the progress has been far from satisfactory. This solution perhaps lies in involving the 'Private Sector', in a controlled way. This system has been explained in the next paragraphs.

#### **4. Involvement of private sector in the planning and development of urban spaces**

##### **4.1 Objectives of the proposal**

- i) To speed up planning, development and construction of residential and commercial urban spaces to make supply and demand equal.
- ii) To involve and channelize private sector and resources for proper development of urban spaces, meaning thereby to control and stop sub-standard areas, namely, jhuggi clusters, unauthorized colonies, slum areas etc.
- iii) To make proposals attractive for NRI funds to earn foreign exchange.

##### **4.2 Inferences from non-conventional models**

11 models namely, new Bombay, Lucknow, Gurgaon, Jaipur, Agra, Ghaziabad, models forwarded by private builders, presented in international conference, HUDCO, NHB, Slum Wing and DDA have been studied and following conclusions are drawn.

- i) Role of govt. authority, organization, department should be of facilitator, coordinator and controller of different activities and not of actual executor/implementer.
- ii) Before starting development and construction of any project, comprehensive physical and financial planning in terms of detailed physical surveys, soil surveys, layout plans at various levels, plans of services namely, water, sewerage, drainage, power, tele-communication, roads etc., landscape plans, detailed architectural control drawings of urban form, detailed drawing of individual buildings (if required), estimates, structure drawings etc. should be completed.
- iii) Planning, development and construction of the project should be with modern techniques i.e. computer systems, micro filming, colored copier, visual presentation slides, project management report, CPM & PERT etc.
- iv) Component of EWS which should be between 30-40% of the total number of housing units which have to be subsidized by the developers/builders. Its cost

of subsidization has to be compensated from the surpluses/profits from HIG/commercial spaces with the developers/builders. Cost, specification and details of EWS would be decided by the government authority.

- v) Entire internal development/infrastructure would be laid by developer/builder with their own funds, but share of EWS based on predetermined cost would be paid by the authority to them.
- vi) Peripheral development/infrastructure would be laid by the authority with proportionate cost to be shared by developer/builder.
- vii) Trunk development/infrastructure would be laid by concerned 'service departments' of Govt. as in Delhi, Delhi Administration/MCD, DWS & SDU and DESU with proportionate cost to be shared by developer/builder.
- viii) Development and construction of urban spaces can be speedier and with better quality with the help of "Planning Consultant" (for entire paper planning) and "Construction Management Consultant" (for execution of the project).
- ix) One of the best mix of different income groups can be 30% EWS (to be subsidized), 30% LIG (at no profit no loss) and the balance for MIG and HIG to be disposed at market price.
- x) Some of the buildings of social infrastructure concerning to education, health, recreation, distributive services should be constructed by the developer/builder at their own cost to avoid initial living problems.
- xi) There should be rational distribution of prices between various land uses and sub-land uses. To solve it in a integrated project, activities should be divided into three parts – (i) subsidized sector; (EWS, LIG, some sites for social infrastructure etc); (ii) No profit no loss sector; (i.e. MIG, some sites of social infrastructure) and (iii) profitable sector; (i.e. HIG and commercial). Subsidies to first sector should be paid out of profits to be earned from the third sector.
- xii) Out of various models available, the Slum Wing, DDA's model is the best one and has also been interacted with developers and builders. Applications for pre-qualification in this regard with common denominations were invited and complied, no further action was taken.
- xiii) Selected developer/builders should have 'Technical Services Professionals' i.e. architects, engineers, planners etc.



#### **4.3 Recommendations on the subject of involvement of private sector**

The following recommendations are made and divided into four categories given here under:-

1. Administrative nature
2. Financial nature
3. Land matters
4. Technical matters

##### **1. Administrative nature:**

- i) Constitution of two Committees: High level committee at the policy level, to take policy decisions and at Second level committee for technical scrutiny of the project.
- ii) Criteria to qualify developers and builders: Name with addresses; type, constitution and other details of the firm, details of technical personnel's, details of tools and equipments; important projects dealt with so far; details of criteria which may disqualify a developer/builder; financial analysis of the last three years in terms of the net worth, capital employed, current ratio, acid test ratio, debt equity ratio, inventory turn over, net profit margin, return on investment, income tax clearance and maximum financial limits up to which the firm can handle a project; details of bankers.

- iii) System of acceptance of offers in prescribed proforma from builders/developers should be based on sealed tenders system.
- iv) Type of penalties to be levied on developers, builders, in case development or construction is not in time. Penalty may be a high percentage of the cost of the project so that delays are avoided to the great extent.
- v) Deficiency charges in development of physical infrastructure (if any) would be paid by developers/builders to the local body.

**2. Financial nature:**

- i) Financial bindings with the developers and builders. Earnest money should be between 2-5% of the project, but performance bank guarantee a high percentage of the cost of the project, so that executed project's performance is in time and of good quality.
- ii) Whether there should be an impact of increase in cost of built up spaces in case cost of basic building materials, labour or land is increased. This point did not find a favour on the basis that once an agreement is made then no liability of increase in cost of builtup spaces should be put on the party; otherwise there is no use of such an agreement.
- iii) Percentage of EWS & LIG along with design, specifications and cost should be decided by the govt. authority. Subsidies in these types of houses would be paid by the developers/builders out of the surpluses to be gained from HIG and commercial sector.

**3. Land matters:**

- i) Extent of application of the scheme of private sector or of joint venture. Joint venture should be encouraged in a large way, specially in three types of projects (a) commercial centers (b) group housing pockets; (c) integrated large projects. Besides projects in Joint Venture as stated above, the following types of projects should also be dealt with in cooperative and private sector:
  - a) Allotment of group housing pockets to Cooperative Group Housing Societies on priority basis but on market price.
  - b) Auction of group housing pockets.
  - c) One large project on lands to be assembled by private sector.
- ii) System of sharing of built up residential and commercial spaces should be vertical sharing in case of commercial spaces and horizontal sharing (in blocks) in residential spaces.
- iii) Selling of urban spaces should be permitted prior to starting development and construction of the project by developers/builders, but after sharing and completion and approval of the entire paper planning.

iv) Execution of lease deed.

This would be between the govt. agency and the purchaser with a tripartite agreement between the authority, developers/builders and the party (purchaser).

v) Preference in allocation/allotment /auction of land should be for NRI funds to earn foreign exchange.

vi) For integrated project, to acquire large chunks of lands by the govt. and to resolve financial crisis for speedier acquisition, initial money can also be taken from perspective developers/builders.

**4. Technical matters:**

i) System of comprehensive paper planning along with its sanction from the component authorities. Comprehensive Planning paper should be done by the government authority, in case of commercial projects, with the help of private consultants of different disciplines i.e. architecture, urban planning, engineering, landscape architecture etc. Cost of this entire paper planning should be added in the cost of the project; but by private developers/builders in case of residential complexes.

ii) Paper planning includes physical and financial planning in terms of layout plans at various levels, plans of services (water, sewerage, drainage, power, fire fighting, telephones, roads), landscape plans, details of street furniture, architecture controls, details of street furniture, architectural controls, details of buildings to be constructed, structure details, specifications, PERT chart, CPM analysis, Project Management Report etc. Financial planning includes ABC analysis, input and output of financial resources, flow of funds every year.

iii) Maintenance and management of the complex with regard to **a)** External façade of buildings; **b)** common areas of parking, circulation, street furniture and landscaping and **c)** maintenance of physical infrastructure. These should be tackled as under:

- External Facades with the help of “Apartment Ownership Act”.
- Physical infrastructure by local body as is being done at present.
- Common open spaces, landscape features, street furniture by an appointed Estate Officer of govt. authority or by awarding the work to private management agencies.

iv) Role of developers/builders after the project is complete and defects in structures in case appear within a period of 1-2 years, this responsibility should be taken by builders/ developers.

**Housing requirements in the priority and  
Delhi Metropolitan Area (DMA) towns by 2001:**

<b>Town</b>	<b>No. of housing units needed by 2001</b>	<b>Net inhabitable housing units in 1987 (actual)</b>	<b>Additionally required during 1988- 2001</b>
<b><u>Priority towns</u></b>			
1. Meerut	3,10,000	1,17,703	1,92,297
2. Hapur	90,000	16,988	73,012
3. Bulandshahr	1,00,000	17,891	82,109
4. Khurja	60,000	10,416	49,584
5. Panipat	1,00,000	26,157	73,584
6. Rohtak	1,00,000	28,926	71,074
7. Palwal	60,000	7,545	52,455
8. Rewari	22,000	8,222	13,723
9. Dharuhera	15,000	-	15,000
10. Bhiwadi	23,000	-	23,000
11. Alwar	1,00,000	26,680	73,320
<b>Sub Total</b>	<b>980,000</b>	<b>2,60,583</b>	<b>7,19,417</b>
<b><u>DMA Towns</u></b>			
1. Bahadurgarh	40,000	7,017	32,983
2. Faridabad Complex	2,00,000	79,001	1,20,999
3. Ghaziabad	2,20,000	64,722	1,55,278
4. Gurgaon	1,40,000	9,315	1,20,685
5. Kundli	30,000	-	30,000
6. NOIDA	1,10,000	-	1,10,000
<b>Sub Total</b>	<b>7,40,000</b>	<b>1,70,055</b>	<b>5,69,945</b>
<b>Urban Centers in NCR</b>	<b>7,60,000</b>	<b>2,30,609</b>	<b>5,29,391</b>
<b>Total Urban NCR excluding Delhi</b>	<b>2,480,000</b>	<b>6,61,247</b>	<b>18,18,753</b>

**Phased housing requirement 1988-2001**

<b>Category</b>	<b>1988-90</b>	<b>1990-95</b>	<b>1995-2000</b>	<b>2000-2001</b>	<b>Total</b>
1. EWS					
a. Slum upgradation	22,000	70,000	85,000	0.22	1.99
b. Site & services	70,000	2,15,000	2,70,000	0.44	5.99
2. L.I.G	32,000	1,00,000	1.20	0.265	2.785
3. M.I.G.	6,000	20,000	0.25	0.07	0.58