

'Realty Bill to hit projects, buyers'

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Even as the real estate sector has welcomed the proposed Model Real Estate (Regulation of Development) Bill, developers feel some of the provisions in the Bill, such as the five-per-cent bank guarantee on project cost, several new advances and reserve funds, will not only block the capital of the developers but also limit the project size.

They also claim multiplicity of procedures in the Bill will further delay the project timing up to six months.

"One of the prime objectives of the Bill is to remove malpractices and fly-by-night developers. However, there are certain provisions proposed which may defeat the very purpose for which the Act has been proposed," Rohtash Goel, chairman and managing director, Omaxe Ltd, told MAIL TODAY . On Friday, the Confederation of Real Estate Developers' Associations of India (Credai) had said the Bill in its current form would make homes costly for buyers by Rs 300 per sq. ft.

"The proposed model real estate regulation is a welcome step on the part of government. However, there are many provisions in the bill which will add to the housing cost," Kumar Gera, president, Credai, the apex body of realty developers in India, said.

According to Goel, "The proposed act in its present form will add costs and delays to the lifecycle of the project. In our opinion simplifying the approval procedures, facilitation, regulation, control and growth of real estate development and safeguarding interest of all stakeholders should be its objectives."

Credai has suggested that there should be collaboration and proper accountability of all concerned authorities so that the complete transaction is efficient and transparent. Apart from that, the Bill has no provisions to control errant buyers and it does not speak about the accountability of local authorities that causes unnecessary delays, said the apex body of realty developers.

"Ultimately, it is the end- users who would be affected as we will pass on the cost escalation to the buyers," Gera said.

"The government has already burdened the buyers with the service tax and increase in the circle rate and on the top of that this new Bill is set to make housing unaffordable for the end-users. Also the affordable housing segment will be the worst hit," he added.

The Bill provides strict monitoring of timelines during the execution of the projects putting various penal implications on the promoters. But developers feel that it has nowhere taken into account the time taken by the government agencies in clearing the projects.

According to Ashwani Prakash, executive director, Paramount Group, "This regulatory Bill provides validity for three years for the licence to be issued by the regulator, whereas the government agencies as mentioned earlier take 18 to 24 months in clearing various approvals. More so when different states have different criteria for clearing projects and granting licensees, such type of sections within the Bill are to be diluted." Developers have already submitted its paper to the ministry for housing and urban poverty alleviation on cost impact of major provisions in the proposed Bill. It has also requested the ministry to modify certain portions of the Bill, which will help buyers and developers.