Conversion conditions – Implications & Way forward

In the letter from TSIIC - Para (3) reads:

"You should initiate development of IT Space first and seek approval for Non Processing Area (Commercial or Residential) not exceeding the built up area under IT Space developed at any given time. The approval for Non Processing Area will be granted after development of IT Space is completed and ascertained by the Government."

Under **Guidelines for Land Use Conversion and Development** of GO No. 12 Dated

Para (c) reads

"The Occupancy Certificate (OC) for the non-processing (non-IT) will be issued only upon obtaining an OC for at least an equivalent amount of space for IT/ ITES use.

Para (g) (iv) & (g) (v) read

(g) (iv) "The Developer after obtaining an approval from the ITE&C Department for the DPR can apply with the corresponding authorities (GHMC/HMDA) for the approval of the plan as per the DPR. The Developer is required to mention in the Proforma regarding the total built up space for the IT /ITES and the non-IT taken up thus far in the current IT Park, and the proposed IT/ITES and the non-IT built up space taken up in the current phase. In the same Proforma, the Developer also has to specify the stage at which the various phases (applied for plan approval/under construction/OC accorded/ Operational) are taken up by the Developer."

(g) (v) "While according the Occupancy Certificate (OC), the corresponding authority (GHMC/HMDA/TSIIC) will ensure that the amount of non-IT space for which the OC is accorded will not exceed the amount of IT/ITES space for which the OC is accorded at any point of time. The Proforma submitted in the Building Plan regarding the total built up space for IT/ITES and non-IT will be verified and ensured that the OC given for total non-IT use at any point will not exceed the total IT usage in cumulative terms."

Conclusion: It is evident that the letter from TSIIC has to clarify the Word **"Approval".**

TSIIC: The word Approval indicates Building Permission from GHMC/HMDA. If so it means that Building Permission for Non IT Spaces will be provided only after completion of the development of the IT Spaces and verification by Government.

GO No. 12: Clearly differentiates between Building/Design Approval and Occupancy Certificate. As per the GO, one get approval for both spaces as per the DPR from GHMC/HMDA. The only condition is that the OC for Non IT Spaces will be allowed after obtaining OC for IT Spaces.

However, assuming that TSIIC Agrees to amend the para and incorporate the GO terms of approval and OC, there is still one major challenge:

TSIIC, while giving building approval for both spaces may incorporate a clause in the approval for non IT Spaces – ***"Subject to obtaining OC for non IT Spaces as per DPR"***.

This condition will be a non-starter for any Developer to take up development of non IT Spaces since Buyers and Banks may not come forward as their transaction will be subjective.

The Developer is no position to take up development of any of the spaces because:

1. IT Spaces: A vibrant demand for IT Spaces in Nacharam is not immediately visible and Developer has to seek a potential/confirmed buyer before he can get started.
2. Non IT Spaces: It will be challenge to attract buyer or even obtain project approvals from banks with a OC being subjective.
3. As such, it is unthinkable for any Developer to consider any investment under the existing GO Guidelines.

Suggested Way Forward:

Based on DPR submitted, the Government may:

1. Approve the DPR as the basis for subdivision of the Land Parcel into IT and non IT usage.
2. Allow approval for non IT Spaces under an affidavit from Developer/Land Owner that
    a. the subdivided Land Parcel for IT Space will be utilised as categorised (Land Usage)
    b. At any given time, approval for IT Space BUA will not be less that the OC provided for Non IT Space. This will allow Developer to proceed carefully balancing his investments between the two while seeking a market for IT Spaces.
3. Any other conditions to make the above a win-win situation for Government and Developer.

Advantages of above amendment

1. The Government purpose of earmarking areas for IT Development is achieved.
2. The Land Owner/Developer will be able to proceed with development of non IT Spaces which in turn will have further advantages:
    a. Create cash flows and liquidity for Developer to possibly invest in IT Spaces and then attract clients
    b. Use the non IT Space development appropriately to create appropriate support infrastructure/facilities/conveniences which add to the environment while attracting the potential IT Clients.
    c. Since developments will come up, the Government will also earn revenues from Taxes which can supplement and strengthen their plan for development of Infrastructure in the designated Industrial Areas.

Other Amendments sought

1. 15 Days, time for Payment of fees to be possible only after terms are acceptable.
2. Reduce the Fees for conversion from 30% since:
    a. These properties were purchased from TSIIC after having paid the costs almost 30 years ago.
    b. Some of the owners have run the course for the purpose for which these lands were handed over – Industries. In effect they have paid their debt to the society
    c. The Government is considering the conversion
        i. To move industries away from the city centres to outskirts to reduce pollution and traffic hazards.

ii. To attract IT sector to the City which is the main economy driving sector.

One suggestion: That factories which have been operational and still operational can be considered as a special category as against factories that were non-starters or closed down and lying idle. Such Factories still in operation may be given special consideration in the fee structure.

3. Allow Payment of the Fees in easy instalments over the project execution starting with a 25% down payment.
4. Timeline for implementation of DPR to be reviewed.
5. Any other issues.

to