



**STALLED REDEVELOPMENT PROJECTS :**

**CAUSES AND SOLUTIONS**

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1. The **Real Estate Industry** was at its **peak** 8 to 10 years ago. **Many affluent individuals** who had no knowledge about the industry **turned to be developers**. Their lavish lifestyle, expensive cars, extravagant offices spaces, fancy project brochures influenced land owners, tenants of chawls and co-operative society members. Many developers who had many projects were loaded with even more and their project inventory went out of control.



2. The concept of **doubling investment** in a period of 4- 5 years or so attracted many investors into Real estate Business. Many **developers** used to complete the **projects in time and give the right returns** to the investors. The cash flow of the projects was handled properly and they earned name and fame by fulfilling their commitment. At the same time many developers used the incoming revenue to acquire land, gave token amounts to land owners and invested in big projects without any prior financial planning. They began **acquiring adjoining lands** in order to build big projects. This caused delay in the projects and the investments went beyond managing capacity. All the **income does not translate into profit** for the project. Thus error in investment, **lead to collapse of financial calculations** and the developer fall short of fulfilling the commitments. Political interference is also one of the reasons for a **project to be stalled**.



3. Due to this mismanagement, the **cash flow calculation** was **disturbed** and the developers faced **financial liquidity crunch**. After the demonetization of 2016, the developers who did not follow financial discipline in past had to face tough times. They **borrowed money at a higher interest** rate to solve temporary problems and in turn just delayed the larger troubles.
4. The **implementation of GST** caused a slowdown in sale of unsold ready to occupy inventory and because of this, **overall revenue decreased and construction got delayed**. Some developers took loans from banks, NBFC and tried to revive the project but due to financial indiscipline the loan account also became NPA in no time.



5. Even in such situation, some developers with **immoral attitude** sold single flat or shop to two buyers and collected double money. This was a desperate attempt in re starting the project. Such **mal-practices** not only **increased the problems** for the project but also for the **developers losing their credibility**. By giving various new new reasons and concepts, many developer just tried to buy more time.
6. Along with these financial difficulties, the **differences between owner, tenants, members of co –operative housing society** escalated. Developers got tired of many problems like lucrative offer given by competitor developers, difference of opinions within society groups, demands by society for monetary packages due to various reasons, local political interference and **left the project on hold** with a messy future.

7. During this period, the State Government **streamlined many rules & regulations. RERA Act was applicable** as well as Mumbai DCPR 2034 was also finalized. This caused delay in approvals of many projects in Mumbai. The monthly rent of already shifted members to alternate accommodation was **a big burden for developers**. Also revised rules and regulations, re-negotiations, discussions caused further 4 to 5 years of delay in projects. The **Market recession rendered** many projects financially not viable. Hence some developers ascertained possible loss and decided to quit the projects or demanded huge compensation for leaving the project.
8. Massive burden of loan and stalled projects caused a lot of **frustration and mental stress** to the developers and they repeatedly took wrong decisions finding themselves in a labyrinth or *chakraview*. Many **redevelopment projects came to a complete standstill** and caused huge mental, physical and financial distress to everybody involved.

9. The society members had to **face the burnt of these wrong decisions** and deeds on many levels. **Delays in monthly rent and corpus fund**, change of accommodation after every two years caused senior citizens to face lot of problems. Members had to shift to a place far or in a smaller size than they lived in to save in monthly rent, causing stress in their day to day life. Paying **installments of home loan became increasingly difficult**. Many senior members are living in anticipation of seeing hope of their new home, unfortunately, while some have handed over this dream to their next generation. This negative environment looms over redevelopment projects but all seem helpless.



1. If redevelopment projects are having difficulties due to **short fall of investment**, then engaging a joint venture partner would be the best solution. The joint venture partner should be given complete idea of the required funds in future. All the expenses incurred till date, future expenses, expected revenue all figures should be presented in a transparent manner. If the project is feasible then many J.V. partners would be willing to come together. In such case, if the **project gets a trusted & reliable joint venture partner with a strong financial background**, it's an advantage to stalled project.
2. If the project is feasible and profitable, then **some banks or NBFC may grant loan** for successful completion of the project. If the feasibility calculations are presented in the right manner, then they may grant loan amounts to developer in proportion to completion of construction work.





3. A project can also be **resurrected by a barter agreement** with the contractor. Some Office space, or shops or flats can be offered in exchange for agreement of completion for the construction work. This can be helpful in completion of project without any obstacle. In such case, the sale of inventory offered to contractor is his responsibility and revenue. Thus, he has security against the cost of completed construction work. He can **also invest in the construction** and also control the quality of construction. The contractor can sell completed flats later at higher rate and reap maximum benefit out of it. The developer or the **contractor may also enter a barter contract with the material suppliers**. Due to this, the material supply such as cement, Steel, electrical, plumbing etc. will continue and the construction can be successfully completed.



4. The developer also has an option of **initially selling some flats** at 'No loss No profit' basis to overcome the financial difficulty. This will facilitate inflow of large revenue and rolling of finances. The profit may be less in such cases but developer's survival in the industry is definite. The developer may face no profit in one project, but he will definitely gain confidence of people and positive reviews for other projects as well.
5. Some in hand projects can **be sold to other developers**, which can help in raising funds to some extent. **Revoking the token given for land acquisition** in other projects would also help in releasing the trapped finances. Such measures will help in completing other projects under construction at priority.



6. The developer can discuss and **negotiate with owners, tenants, society members** for **some concessions based on the financial difficulties** faced. If there is a possibility of the construction work being completed in 4 to 6 months, then some deferment in the rent or corpus or other discounts, facilities can be given to the developer as a relief. But again, all these concessions are related to the performance towards completion of the project. If the developer is not showing any positive progress then all these special considerations may be revoked.



7. A year back, The Central Government has announced a **Real Estate Stress Fund** in which The Central Government has invested Rupees Thousand Crores and other Public sector institutes such as **State Bank of India, LIC has invested almost Rupees Fifteen Thousand Crores**. Other companies can also invest in this fund. SBI cap is the fund manager of this stress fund and they will be lending loans for completion of stuck up real estate projects. Real Estate Developers who have become NPA or are in the process of filing for insolvency can also **get loan from this fund however fraudulent developers are excluded from such eligibility**.



To be **eligible** for loan, the project should **be registered with RERA**, financially positive and feasible. The project should have **housing for LIG and MIG** groups. The flat cost in or around Mumbai City should be below Rupees Two Crores. If a project is **50 to 60% completed and all the above conditions are fulfilled**, then it may be granted a loan by the stress fund. The **interest rate** for such loan is bit on a **higher side at 15%**. Such loan will boost confidence of developers.



8. State Bank of India has also announced **an Emergency Fund on the background of Covid-19** in the last month. Developers and Businessman can avail a short term advances on the basis of their cash credit facility and revive their projects.
9. If the **developer is not adopting** any of the above project reviving measures and causing a hindrance in completion of the project, it is best to conclude and **terminate the developer from the project** with mutual agreement. If such termination is not possible, then it can be done legally and the project can be completed by **introducing a new developer or by self redevelopment**. If the project is RERA registered, then a **complaint can be filed with RERA** and all the conditions that have been violated or breached by the developer should be informed to the authority.



10. As per RERA Act clause number 7, application can be made to cancel the RERA registration of the stalled project of developer and as per clause number 8 the developer's development rights on the project will be ceased and the said developer is removed from the said stalled project. Thus, the Owner Co-operative hsg society or Association of Allottees will get their development rights back. On receipt of such a complaint, the **RERA authority** will ask the **developer to justify** his events, stand and present a new **positive line of action for revival** of the project if any. The Reconciling Committee will also guide the developer to take proper steps and also **give a strict timeline** for completion of the project. Even after such steps, if the developer has not shown any progress then **RERA will cancel the registration** of the project and **Developer's rights will be ceased.**

11. The **developer can appeal** in the **Hon. RERA Appellate Court** or in Hon. High Court subsequently. It is immensely creditable that **RERA gives an immediate decision** in the said stalled project complaint against developer but if the matter is resolved by mutual agreement then a lot time can be saved.
12. Many a times, it is seen that developer gets initial payments by selling flat but the agreement is not registered and such money is used for other projects. **The rules of RERA ACT are not followed accurately and hence the projects are facing difficulties.**





1. **Minimum investment by the developer, investing in many projects simultaneously, large unsold Inventory of flats, recession in the real estate industry, reduction in sale prices of flats, increased time duration for completion of projects, increased expenses of project, reduced profit, higher interest amount on loan, indiscipline in financial matters, improper cash flow, too many projects in hand at a time, wrong investment in projects etc.** are some of the many reasons for redevelopment projects being stalled. The reasons are complicated and the answers are difficult. Senior citizens in the society favor co-operation and mutual agreement while the developer presents new ideas and new reasons everyday.



2. It becomes increasingly complicated to arrive at a conclusion in this situation, while frustration, stress and disappointment soar.
3. Even after full co-operation, if the project is **not showing any positive progress** then there is no option than to **appeal in RERA**, who has penalized fraudulent developers and have reverted development rights to Owner society. This has given a sigh of relief and a Ray of hope.
4. We believe, it would be **best If the problem is solved mutually**, or else RERA authority is there to give us justice.



**BEST OF LUCK**

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