CHAPTER VI

Land Management

6.1 Mandate for property development

The sanction (September 1996) of the Union Cabinet provided for transfer of land to the company on 99 years lease at the inter-departmental transfer rate for meeting the requirement for the Project. According to the sanction, a portion of the project cost (estimated at six *per cent*[♣] of the revised project cost at April 1996 prices) over and above the equity and debt finance, was to be raised by the company through Property Development (PD). Accordingly, the company initiated activities for generating revenue from PD by way of leasing of shops and restaurants within station buildings and by leasing land for residential and commercial uses to private developers.

6.2 Land acquisition

6.2.1 Land for the Project was requisitioned by the company from land owning agencies, *viz.*, Land & Development Office (L&DO), DDA, the GNCTD, Municipal Corporation of Delhi (MCD) and other State and Central government departments, without indicating the areas of land required for the Project and for the PD. The allotment letters issued by the L&DO and the DDA laid down restrictive condition that land allotted could be used for the purpose of project construction only, violation of which would lead to cancellation of allotment of land. The management stated (April 2008) that PD was one of its authorised activities and non-appreciation of this concept by the land owning agencies had led to the allotment letters being issued in routine manner with usual terms and conditions. However, had the areas for the Project and the PD been delineated clearly while requisitioning the land, the company would have been better placed in getting the restrictive condition withdrawn from the allotment letters.

6.2.2 The company has acquired 32.38 lakh square metres (sqm) of land for Phase I of the Project but has not maintained location/station wise data of land used for the Project and the PD. In nine locations it was observed ***(Annexure XIII)*** that total land acquired was 6.42 lakh sqm, which was in excess of the Project requirement by 14 to 354 *per cent*. Further, out of 4.44 lakh sqm of land identified for the PD in 22 locations, the PD on 3.28 lakh sqm land had been completed up to March 2007**.** The management stated (April 2008) that the assessment of land was based on survey and planning while preparing the DPR and some extra land had to be acquired depending on local conditions, and also to meet the needs of future growth of traffic. They added that it was not always feasible to segregate land portion, because the PD was generally carried out in addition to operations on most of the lands acquired for the Project. The reply did not indicate the calculations for the extra land required. The company needs to maintain location wise data of land used for the Project and the PD.

6.3 Poor market response

6.3.1 In seven locations the company invited bids for the PD. It was observed that the company finalised the lease/concession for the PD at four locations[♥] on the basis of one

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[♣] ***worked out to Rs. 300 crore.***

[♥] ***Shahdara, Seelampur, Pratap Nagar and Inderlok*** qualified bid received in each case and the amount realised was only 0 to 3 *per cent* over the reserve price ***(Annexure XIV).*** Apart from the restrictive clause for land use in the allotment letters, the poor response was because of stringent technical criteria fixed for the bid process. This is evident from the fact that in Seelampur where turnover and net worth criteria were fixed at Rs. 60 crore and Rs. 25 crore respectively, only one qualified bid was received and the amount realised was just three *per cent* over the reserve price; and when the turnover and net worth criteria were relaxed to Rs. 35 crore and Rs. 15 crore respectively for Khyala and Welcome locations, the amount realised was 32 and 36 *per cent*, respectively over the reserve prices.

6.3.2 The management stated (April 2008) that a committee consisting of Commissioner (LD, DDA) along with the L&DO and the Chief Urban Planner of the company concluded that revenues generated through the PD efforts were comparable and were in keeping with market trends. They added that the market response was governed by many factors such as market buoyancy, size and location of the plot, land bank available with the bidders, *etc*. The fact, however, remains that the company had obtained better response by scaling down the stringent technical criteria.

6.4 Accounting and utilisation of revenue from property development

The Ministry of Finance of the GOI allowed (October 2005) the company to retain Rs. 300 crore from the revenue generated from the PD as per the approved financing pattern. Revenue realised beyond this limit was to be transferred to the Consolidated Fund of India or alternatively the corresponding amounts were to be reduced from the budgetary support earlier approved as equity of the Project. The Empowered Group of Secretaries, in their meeting held in October 2005, constituted a committee[♦] to decide about the mechanism for utilisation of the balance amount. A meeting of this committee was held in September 2006 wherein representative of Planning Commission was of the view that the surplus funds should flow back to the Consolidated Fund of India and the company could get need based budget support. During the meeting with Finance Secretary in January 2007, the MD informed that the company had generated about Rs. 311 crore through the PD and after discussion it was decided that it was premature to decide utilisation of surplus funds when there were no surpluses. However, as the company has realised revenue of Rs. 631.71 crore up to 31 March 2008 from property development for Phase I, the surplus revenue should flow back to the Consolidated Fund of India.

Recommendation No. 15

(i) ***While requisitioning land, the company should clearly indicate the land needed for the project as well as the area demarcated for property developments at each location. Surplus land that cannot be used for the intended purpose, should be surrendered.***

(ii) ***Surplus revenue from the property development activities of Phase I should flow back to the Consolidated Fund of India.***

[♦] ***comprising the Secretary the MoUD, the MD, the Secretary the Department of Expenditure, representative from the Planning Commission and the Chief Secretary the GNCTD***