

Government Takes Pound Of Realty Flesh

It's a progressive budget, claims FM

Forty-six-year-old state finance minister Jayant Patil speaks to **Shubhangi Khapre** after presenting his milestone 10th budget for Maharashtra. Excerpts:

How do you describe the budget?

It is very progressive, addressing both the rural and urban sectors. Apart from extending the package to loan defaulter farmers, we have extended soft loans at 2% and 4% as rewards to farmers who have regularly repaid loans.

Has Mumbai's transformation into an international financial hub been put on hold?

Not at all. The central govt is working on issues related to foreign exchange. Our job is to provide better infrastructure, which we are pursuing aggressively.

Don't you think the decision to raise FSI will further congest the city?

The extra FSI will benefit the middle and lower middle classes as prices are bound to decline. Simultaneously, we have plans to provide alternative routes through mega-projects like MUTP-II to decongest

FSI raised to 1.33 in Mumbai's suburbs too but it comes at a premium

In a decision calculated to milk the real estate market to augment the state treasury, finance minister

Jayant Patil announced on Wednesday the government's decision to increase the floor space index (FSI) in the suburbs from 1 to 1.33.

The announcement was made by Patil in the state legislative assembly while presenting his tenth budgetary proposals. This brings the suburbs on a par with the island city and means that on a plot of 1,000 square feet you can now have a built-up area of 1,330 sq ft anywhere in the BMC limits. But it may take a while before this decision results in increased availability of housing stock. That is because the increase in FSI comes with some riders.

For one, developers will have to pay a premium on the basis of market value as per the ready reckoner on the additional FSI of 0.33. "The increase in housing stock would depend on what is the premium fixed by the government," said GL Raheja of K Raheja Constructions. "For example, if the market rate for the additional FSI in a prime area like Bandra is, say, Rs10,000 per sq ft and that for TDR is much lower, why would developers buy FSI from the government?"

Secondly, the government has not increased the overall FSI cap of 2 prevailing in the suburbs. When the base FSI was 1, developers could load Transfer of Development Rights (TDR) or floating FSI of 1 and develop 2,000 sq ft on a plot of 1,000 sq ft. Now, with the base FSI increased to 1.33, developers will need to load only 0.67 TDR FSI.

"The increase in base FSI will push more residential societies to go in for redevelopment," said Mukesh Patel of the Neelkanth Group. "It will further stabilise the high TDR rates in some property markets." Slum TDR is currently being traded at Rs4,200 per sq ft, its highest level since the concept of TDR was introduced in 1991. This is the price at which Conwood sold some 2,00,000 sq ft to a developer at Goregaon. But urban planner VK Phatak believes the increase in base FSI may cause problems. "I do not believe it will make a difference in the housing stock," he said, "but the hike will create localised infrastructure problems. Developers will construct additional area in favoured locations and though the flats may be small, people may buy space in certain localities for the convenience of rairailway stations, malls, etc."

Farmers' special

Jayant Patil just took a leaf out of Chidambaram's book, doling out sops to farmers of Vidarbha and Maharashtra in the budget, which includes an attractive crop loan package for farmers at 6% per annum

Farmers availing of loans up to Rs25,000 from cooperative credit societies and repaying them on time will receive an interest subsidy of 4% —2% for loans of Rs 25,000 to Rs 3 lakh.

SOURCE: - Economic Times, 20TH MARCH 2008.