

# Case Study:

## Public Private Partnership in Affordable Housing under JNNURM (2008-09)



## ABOUT PUNE METROPOLITAN REGION AND PCNTDA

The Pune Metropolitan Region (PMR), comprising Pune and Pimpri Chinchwad cities, is one of the fastest growing urban agglomerations in India. A major automobile and auto-ancillary hub and a well-known international education destination, it also ranks among the top IT destinations of India. Besides, the region has many industrial clusters housing industries like FMCG, engineering, agro and bio-technology.

The Pimpri Chinchwad New Township Development Authority (PCNTDA), a key development authority of the Pune Metropolitan Region, is responsible for the development of its peri-urban areas, especially in its north. In line with the phenomenal growth of the region and its strident aspirations, PCNTDA has envisioned the development of an **integrated township at Sector 12 spanning 53 hectares**. Given the success of the Public Private Partnership (PPP) model in involving private participation for development based project, PCNTDA proposed to develop the integrated township on PPP basis.

With this objective, PCNTDA appointed the consortium of **CRISIL Risk and Infrastructure Solutions Limited, Omkar Associates and Creations as project development consultants** for the development of an eco-friendly affordable township at Bhosari, Sector 12. CRISIL's role was to undertake a detailed market demand assessment, financial feasibility, project structuring and management of the bid process.

## THE CONCEPT

Keeping in mind PCNTDA's vision, CRISIL designed the integrated township such that it comprises housing units for the poor, affordable housing units for the general public, a primary health care centre, a hospital and a school.

As per the transaction structure, the **Developer shall construct 5,040 housing units under Basic Services for Urban Poor (BSUP) scheme of JNNURM**. PCNTDA shall transfer the amount of grant sanctioned for developing these units under the JNNURM scheme to the Developer. The remaining project cost of BSUP units shall be financed by the Developer.

In addition to this, the Developer shall also construct affordable housing units as per pre-specified specifications and handover to PCNTDA free of cost. The Developer shall also construct the physical and social infrastructure of the integrated township, thereby ensuring good roads, adequate water supply, an efficient sewerage system as well as schools and hospitals. The project shall be developed in a manner that it has minimum possible impact on the surrounding environment and is in harmony with nature. To this end, the Developer shall undertake eco-

friendly initiatives including rain water harvesting, use of solar power, environment-friendly materials and vermi-composting.

As per the Development Control Regulations, the allowable Floor Space Index (FSI) applicable on the project site is 1. But, recognizing the uniqueness and innovation of the project concept, **the Government of Maharashtra has granted a total special FSI of 2.5 for the project**. The total FSI available to the Developer to build affordable housing units totals 7,95,480 square meters.

## THE PROJECT

The Developer has to complete the BSUP units within 2 years and hand over to PCNTDA. For the remaining portion of the land, PCNTDA shall execute a lease deed for 99 years with the Developer. The lease rights shall be granted to the Developer in phases, upon completion of milestones as defined in the project agreement. The main scope of work for the developer shall include:

- Master planning for the entire 53 hectares of land and construction of common physical and social infrastructure for the entire area.
- Development, construction and marketing of 7.95 lakh square meters of integrated real estate space.
- Construction and handing over of 5,040 housing units under the BSUP scheme of JNNURM on a separate layout carved out of the said land. PCNTDA will provide the Developer the grant sanctioned by the Government of India for these housing units.

## SUCCESSFUL SELECTION OF PRIVATE DEVELOPER

With the objective of undertaking this project on a PPP basis in a transparent and objective manner, PCNTDA launched a three-cover Request for Proposal in June 2009. The bidding parameter for the project was the constructed "Carpet Area" in "square meters" of affordable housing units that the bidder shall construct and hand over free of cost to PCNTDA. The specifications of the affordable housing units to be handed over to PCNTDA was specified in the bid documents

The **tender received a good response from four interested bidders**. Of the four bidders, two bidders were judged as technically and financially capable and short-listed for the final stage. The bidder with the highest constructed "Carpet Area" offered to PCNTDA was selected as the Successful Bidder. The Successful Bidder quoted a constructed Carpet Area of 1,30,599 square meters of affordable housing units.

Thereby, **PCNTDA derived a value of 7,369 housing units (including 5,040 BSUP housing units), a school and a hospital for the BSUP units; a school and a hospital for the general public; and development of public amenities**.

## VALUE ADDITION TO PCNTDA

Involving private partnership for developing the proposed integrated township added immense value to PCNTDA. In commercial terms, PCNTDA saved (i) Rs. 190 crores as the gap amount required to fund the BSUP scheme, (ii) Rs. 210 crores of construction cost for affordable housing units, and (iii) Rs. 100 crores on the development of physical and social infrastructure. In addition to this, PCNTDA shall receive an upfront payment of Rs. 50 crores from the Successful Bidder. The project structure also protects PCNTDA of the cost escalation risks, variation risks and engineering risks.

PCNTDA intends to allot the affordable housing units to the general public as per Government of Maharashtra's guidelines. The affordable housing units will be priced lower than the market price and will be provided to economically weaker sections and lower middle income groups of the society.

The combined value realized by PCNTDA through this PPP transaction is far higher than the prevailing market price of land in that area. Thus, the unique structuring of the project has facilitated the development authority to meet its objective of creating housing stock with supporting physical and social infrastructure and has provided a higher than market value realization for the project.



## FEEDBACK RECEIVED ON THE PROJECT



**Mr. Dilip Band, Divisional Commissioner, Pune Division says:**

“... This project has elicited valuable private sector participation and will be instrumental in providing affordable housing and access to social infrastructure like schools, hospitals, etc. to the urban poor and economically weaker sections of the society”.

**Mr. Suhas Diwase, Chief Executive Officer, PCNTDA says:**

“....Public Private Partnership entails value addition. In the case of this project, we contribute the land and the selected private developer brings in sector expertise and professionalism. Through this project, PCNTDA will also help to stabilize real estate prices”.



**Mr. Rajendra Chourse, Senior Vice- President (Projects), D B Group says:**

“... Being one of the bidders, we can say that the PCNTDA tender was well-researched, planned and structured. The process of PCNTDA tendering from offer to finalization was well-coordinated, efficiently executed and above all transparent”.

**Ms. Anita Arjundas, Managing Director & CEO, Mahindra Lifespaces says:**

“... The project concept was interesting. While PCNTDA's specifications aimed to ensure that high quality houses are built, higher FSI entitlement aimed to reduce costs, enabling developers to offer quality affordable housing options to people. The low amount of upfront payment also helped in view of the current real estate market. CRISIL managed the bid process efficiently. They were highly responsive to our queries which helped us in putting our bid together in record time”.

### About CRISIL Risk and Infrastructure Solutions Limited, a 100% subsidiary of CRISIL Limited:

CRISIL Risk and Infrastructure Solutions Limited is a 100% subsidiary of CRISIL Limited. It is engaged in the areas of infrastructure policy and transaction advisory services; integrated risk management services and consulting to banks and corporates, through its divisions CRISIL Infrastructure Advisory and CRISIL Risk Solutions.

### CRISIL Infrastructure Advisory:

CRISIL Infrastructure Advisory is India's premier advisor on policy, infrastructure and energy. The business focuses on policy issues, as well as commercial and contractual issues in the areas of energy, urban infrastructure, and public-private partnership. We also provide support to international firms planning investments in India. Over a period of time, CRISIL Infrastructure Advisory has built a unique position for itself in these domains, and is often considered the preferred consultant of governments and private sector clients. Our operations extend beyond India to other emerging markets in Africa, Middle East and Asia.

#### For further details contact:

Suhas Diwase  
Chief Executive Officer  
Pimpri Chinchwad New Town Development Authority  
Mumbai-Pune Road, Nigdi, Pune - 411 044  
Phone: 91-020-27657645  
Fax: 91-020-27653670  
Email : ceopcntda@pcntda.org.in

Nitin Zamre  
Director, Consulting  
CRISIL Risk and Infrastructure Solutions Limited  
G-1, 1st Floor, Plot no. 1&2, Iswar Nagar,  
Near Okhla Crossing, New Delhi -110065  
Phone: 91-11-42505188, 42505100  
Mobile: 91-99712 07779  
Fax: 91-11-26842213  
Email: nzamre@crisil.com

Rakesh Bangera  
Head, Analytical Team  
CRISIL Risk and Infrastructure Solutions Limited  
961-962, Solitaire Corporate Park, Andheri-Ghatkopar  
Link Road, Andheri (East), Mumbai-400093  
Phone: 91-22-6644 1801-09  
Mobile: 91-98190 64788  
Fax: 91-22- 66441810 / 66441830  
Email: rbangera@crisil.com

[www.crisil.com/advisory](http://www.crisil.com/advisory)