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SMART ABODES

Self Redevelopment
vs
Builder Redevelopment

What is Self Redevelopment

- Self redevelopment in Mumbai has many advantages and is fast gaining recognition among housing societies in Mumbai. In opting for Self redevelopment in Mumbai, societies can avail financial loans for the development and can then appoint architects, consultants and contractors to carry out the work as per their requirements. This effectively cuts out the builder from the process. It ensures that the process is transparent and safer with more control in the society's hands to oversee construction for better quality outcome.

What is Redevelopment?

- Redevelopment in Mumbai is a process of demolishing existing old society building and reconstructing it by appointing a good builder who can construct and handover new flats to the existing society members free of cost with additional benefits as corpus, rent etc and make profit by utilising balance plot FSI by constructing and selling additional flats and/or shops/offices as permissible by MCGM

Advantages of Self Redevelopment

1. Complete Control in the hands of the Society Members

- In a self redevelopment project, the society members have control over the project where they can decide on plans, designs and also setting development standards. Thus the society members can even decide upon the quality of construction.
- No third - party rights are created. Since no Development Agreement is executed and registered there is no issue of arbitration / court matter in case of default by the Developer
- The society members can also decide the amenities they want to have in the self redeveloped society like parking spaces, play area for children etc.
- Plus, building plans cannot be changed without the consent of members.

Advantages of Self Redevelopment

2. Availability of Funding

- Mumbai District Co-operative Bank is given the entire cost of the project which includes construction cost, FSI costs, TDR cost, MCGM charges, Miscellaneous Charges, Administrative and other charges, Marketing Charges, Rent, Monthly fixed expenses, etc. In short, all the costs related to completing the project are submitted to the Bank for approval. The Bank provides about 95% of the funding of the entire cost. The balance 5% can be raised by the society by selling some of the saleable portion internally or to an investor at a discounted rate. This will also help reduce the interest burden in the longer run.
- The funding disbursements are directly provided by the bank into the societies escrow account through which the concerned parties as per milestone completion are paid.
- There is more corpus and additional carpet area for members vis a vis regular re-development as the profit of the Developer is eliminated. The cost of funds by Mumbai District Co-operative Bank is at 12.5% whereas the Developer will raise the funds at 15% to 18%. In view of the debacle of ILFS / DHFL / PMC Bank, the liquidity issue for the Developers is a big risk which most of the Banks / NBFC is not willing to take

Advantages of Self Redevelopment

3. Extra Amenities in new buildings

- Members may use their discretion to develop their residential buildings into residential cum commercial buildings, which has its own advantages, in terms of cash flows
- Complete Transparency- All approvals are in the name of the society. The society is aware of each and every step of the self – development process thereby ensuring complete transparency throughout the process of self – development
- With the advent of latest directions by the authorities, the members may use their discretion to install Solar Systems, Club House, STP and other facilities and amenities, which translates into more in-house amenities.

Advantages of Self Redevelopment

- Selling of extra area / flats is within the control of the society. The society can decide how much to sell, when to sell and at what rate to sell. Any increase in the selling price is directly passed on to the members of the society.
- Society can also take financial decision to sell some flats at a lower rate with maximum payment from the buyer thus saving on the interest costs.

Advantages of Self Redevelopment

4. Retaining Ownership of the land and easy Handover at the end of the project

- The most important advantage of self redevelopment is that during this entire process the property rights are with the society and all the documentation and plans are in society's name.
- Availing the “Occupancy Certificate” is not a problem, since the members tend to develop the buildings, ONLY as per approved plans.

Advantages of Self Redevelopment

- Selling of extra area / flats is within the control of the society. The society can decide how much to sell, when to sell and at what rate to sell. Any increase in the selling price is directly passed on to the members of the society.
- Due to heavy premiums, indexation of TDR, increase in Ready Reckoner rates the BMC/Govt takes a huge chunk i.e more than 65% of the total costs of the project. As a result of this Redevelopment have become unviable for Developers and due to wafer thin margins there are often disputes arising between the Developer and the society.
- In Self Development Model we eliminate that difference and work towards a better future where both the parties can survive and thrive in complete harmony.

Advantages of Self Redevelopment

5 Reduce risk

- Selling of common spaces and other under-hand dealings are avoided.
- Any issues of parking spaces can be resolved internally.
- Buildings can be completed before schedule, thus saving Rent for members.

Advantages of Self Redevelopment

6) Extra Space, Surplus and Amenities for the Society Members

- In the case of self redevelopment of a housing society, the members get higher extra space as compared to builder led redevelopment.
- The extra flats or sale flats that will be created in the new building, can be purchased by the existing members on cost basis or can be sold to people outside of the society as well.
- The surplus or profit created by selling off such extra flats comes back to the society members

Advantages of Self Redevelopment

- There is no stamp duty to be paid as there is no execution of the Development Agreement. Along with that, even the applicable GST on the re-development portion is eliminated thus saving a lot of money which is indirectly the profit of the society.
- Interest costs for Developer often range from 18-24% which in current times are unviable and absurd.
- Any increase in FSI / reduction in charges / increase in sale rates, etc is directly passed on to the society and there is no need to discuss / negotiate / share any of the gains with the Developer.

Drawbacks of Self Development

- Construction is a very tedious activity and not at all easy
- Competence. Having know-how of the entire process, the nitty gritty about construction and norms is a critical requirement for the project.
- Decision Making. ...
- Ability to Sell. ...
- Management Capability. ...
- Availing Finance.
- Under the table charges, Liaisoning and obtaining permissions

Our Role

- Facilitators in completing the entire project ensuring smooth implementation at all times
- Complete management by a single entity against hiring different agencies
- Bringing all our in house teams and years experience to ease the process of planning, construction, Liasoning, finance, sales etc
- Complete responsibility of the project
- Wont take any revenue or profits until the society is given possession

Our Role

- Developer has real time experience of handling projects vis a vis PMC who always act as consultants and have never executed a live project by taking ownership of the project.
- Developer has real time knowledge of the execution / approvals / site related issues and handles them independently vis a vis PMC who have to rely on other professionals
- Developer has the necessary office set up and trained personnel to handle execution of real estate projects from inception to completion
- Developer is equipped with necessary government requirements like RERA registration, GST registration, etc

Our Role

- Developer has marketing team and is aware about the market conditions / requirements since they have dealt with such situation directly for their previous projects
- Developer has experience in working with Revenue Department, Property Tax Department, etc. The rapport built over number of years in these departments always come in handy for future projects

Scope of Work

- We shall recommend the team of professionals required to complete the project such as Architect, RCC Designer, Fire Consultant, Traffic Consultant, Legal Advocate for registrar purpose, Rain Water Harvesting Consultant, Bank Loan approval consultant, Marketing Agency, etc.
- We shall aid the society in the process of Bank loan approval for self – development in consultation with finance consultant.
- We shall get the plans prepared from the concerned planning architect as per MCGM rules and regulations and also in tune with the market requirement. The society requirements will be kept in mind while preparing the plans. We shall provide adequate car parking spaces, service ducts, lift lobbies, underground and overhead tanks, fire tanks, space for sub - station, etc.
- We shall get the building designed from the RCC Consultant at optimum design keeping in mind the allowance for various services and utilities.

Scope of Work

- We shall confirm with the society all the amenities to be provided in the building and suggest them various options / brands / features /etc. We shall ensure that during the construction of the project, the specifications / amenities are provided as per the agreed terms.
- We shall engage with liasoning architect and comply with all the Government requirements to obtain various approvals and keep a track of the time lines as decided. All the approvals will be obtained in the name of the society.
- We shall suggest good contractors to society and help them compare the quotations for execution work. We shall also supervise the work and keep a track on quality and timelines.

Scope of Work

- We shall aid the society in RERA registration process and compliance of periodic reports as per their requirement
- We shall suggest good legal team to aid the society in various matters like sale agreement / resolutions / various processes to be followed as required
- We shall aid the society in preparing marketing plans for the sale portion and execute the sales plan with the understanding of the society.

Scope of Work

- We shall ensure all the periodic compliances to MDCC, site reports, quality reports, etc are completed on time. We will suggest and implement regular reporting / updates about the Self-redevelopment project to all the society members
- We shall suggest a team of tax consultants / Chartered Accountant to comply with the regulatory filings / requirements of the system

Different Scenarios of
Redevelopment (R)

vs

Self Redevelopment with
us (DM SR)

Extra Space and Corpus

- The Developer will offer extra space and corpus after deducting his profits and it will be lesser than in case of self redevelopment as the profits will also belong to the society in self redevelopment
- With our DM model we will still achieve higher profits than redevelopment model as our fees are marginal and with our expertise and branding we can create more profits by timely completion and selling

Control of the Project

- R: Total control with Developer
- DMSR: Total control with society however we will be guiding them at all levels. All Planning of flats, design, amenities, quality, specifications will be controlled by society with our suggestions

Fund Management

- R: Developer will be managing all funds and society will have absolute no idea about the same
- DMSR: Society will control all the funds at it will be directly deposited in their account by Mumbai Bank, but with our suggestions and guidance at all stages of construction

Implementation of the Project

- R: Developer will entirely manage and complete the project
- DMSR: Developer will manage with control of the society thus ensuring the best of all scenarios

Dealing with Municipal Authorities

- R: Developers expertise
- DMSR: Developer will bring his expertise to the table and help society with his vast experience

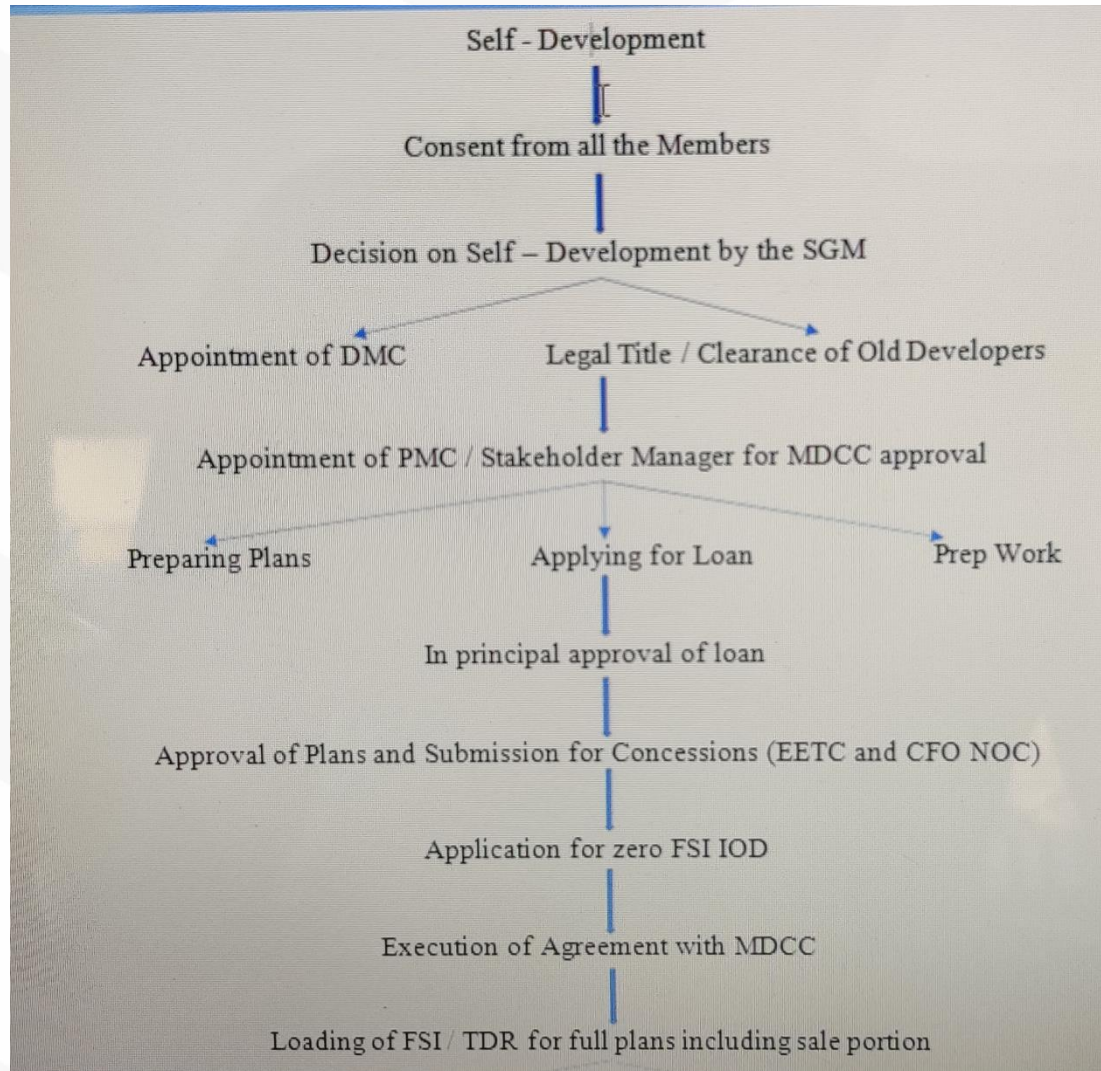
Profits from the project

- R: Developers will take the profit after giving a defined area and corpus to the society
- DMSR: Society will take the profit after paying us for our service for smooth implementation. It will be the maximum in this case

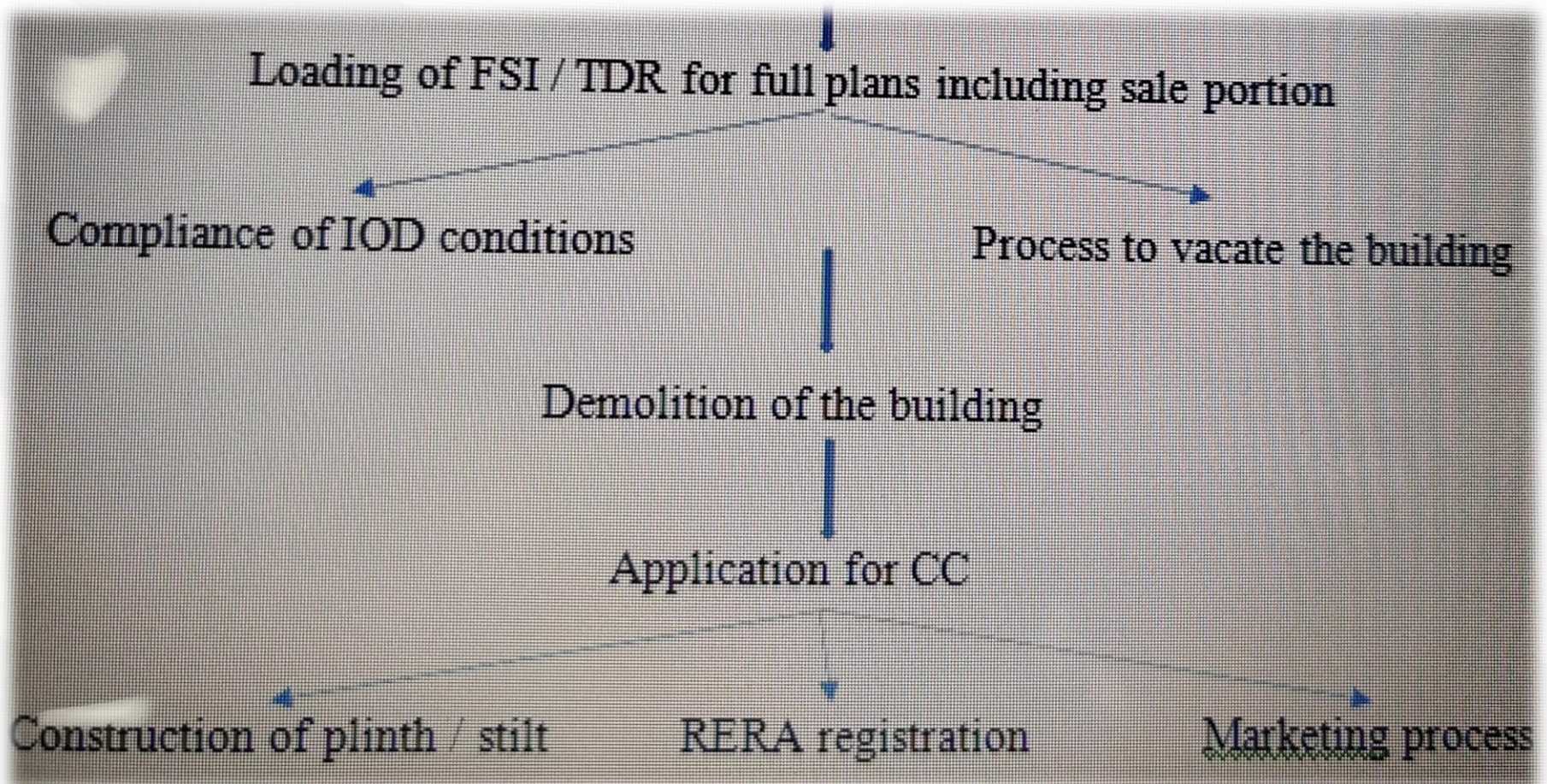
Risk and Bank Guarantee

- R: Developers will provide bank guarantee only for the society area, however there is no way to check and make sure that the developer has the funds to complete the project and he won't utilise it elsewhere. In the current scenario of covid19 it is very risky to implement a redevelopment project
- SR: Mumbai bank will give the finances. There's no need for a Bank guarantee however there's a little risk as society is going to rely on different individuals and due to lack of expertise, it may lead to delay in the project thereby increasing interest cost. Also it may be possible that sales might only happen after completion as common man don't trust a society doing themselves at the construction stage as opposed to a builders brand selling
- DMSR: Mumbai Bank will give finances which is controlled by society and absolute no risk involved as we will use all our expertise to ensure timely completion and sales

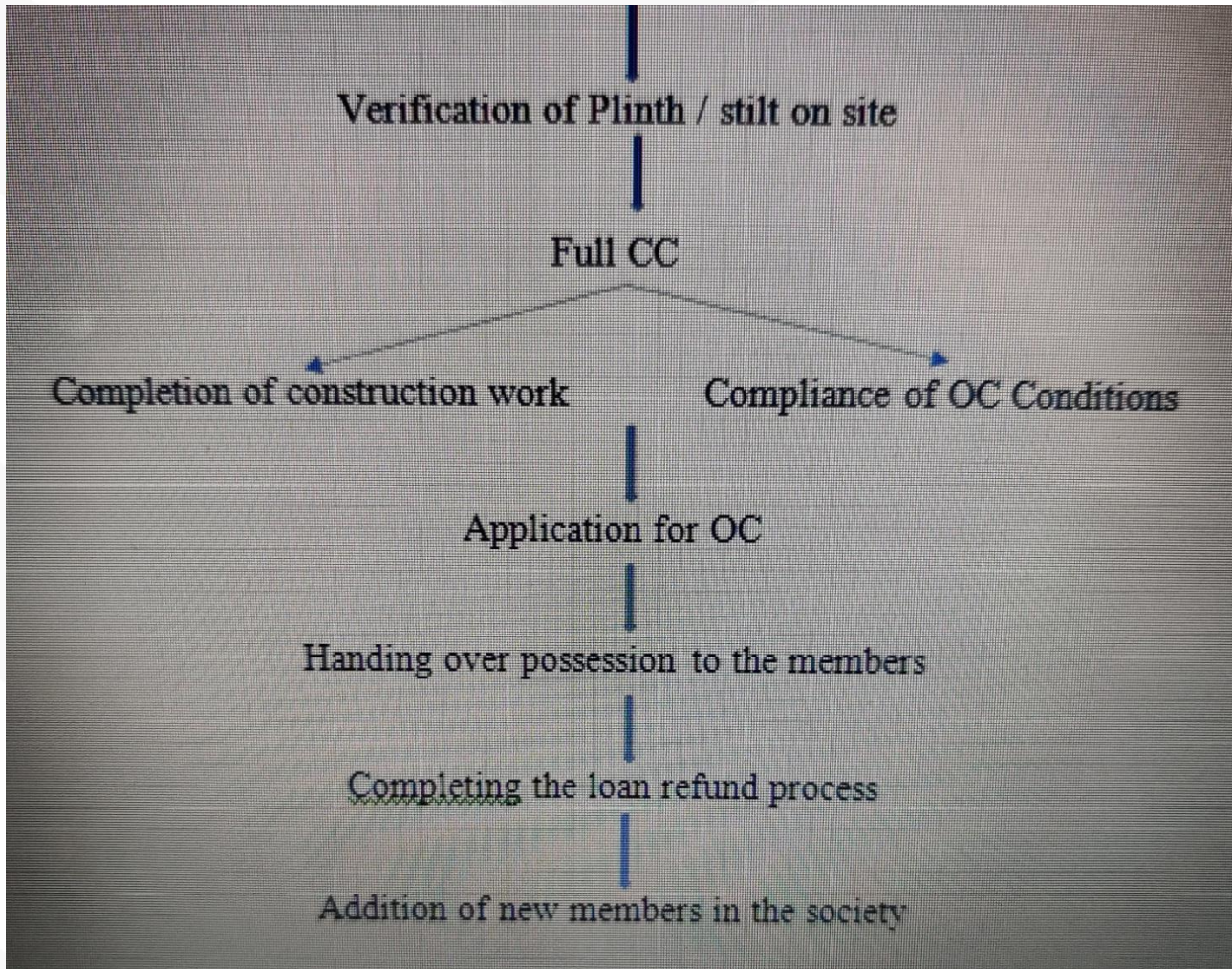
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