

Risks and Challenges in Self-Redevelopment Projects

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Abstract - In most of the cities, the old buildings are undergoing redevelopment in faster pace. Fear of collapsing, demand for additional space, amenities, maintenance issue, or a combination of these things, are all reasons for this. However, the procedure is not without its hassles. Residents are facing issues because of delayed deliveries of the re-developed projects. There have been numerous incidents where established developers abandon or delay the projects or stall the construction midway due to financial indiscipline. **Self-Redevelopment** is a type of redevelopment in which the owners of the location themselves redevelop their existing building without appointing any Developer and earn profits from the sale of new additional flats with assistance and guidance from Self Redevelopment Management Consultants. Self-redevelopment has many advantages like extra space, the members will get profit from sale flats, extra amenities, etc.

It takes lot of attempts and time to manage the project. If the planning of the process is not done properly, the project can fail. There is a need to identify risks and challenges involved in the process of self-redevelopment projects. The aim of this study is to find out various risks and challenges associated with self-redevelopment projects through literature review and by interacting with stakeholders and to provide guidelines that will help the society and PMC consultant to decrease the delays in the project and to make the project successful.

Index Terms - Self-redevelopment, Redevelopment, Procedure, Risks, Benefits

I. INTRODUCTION

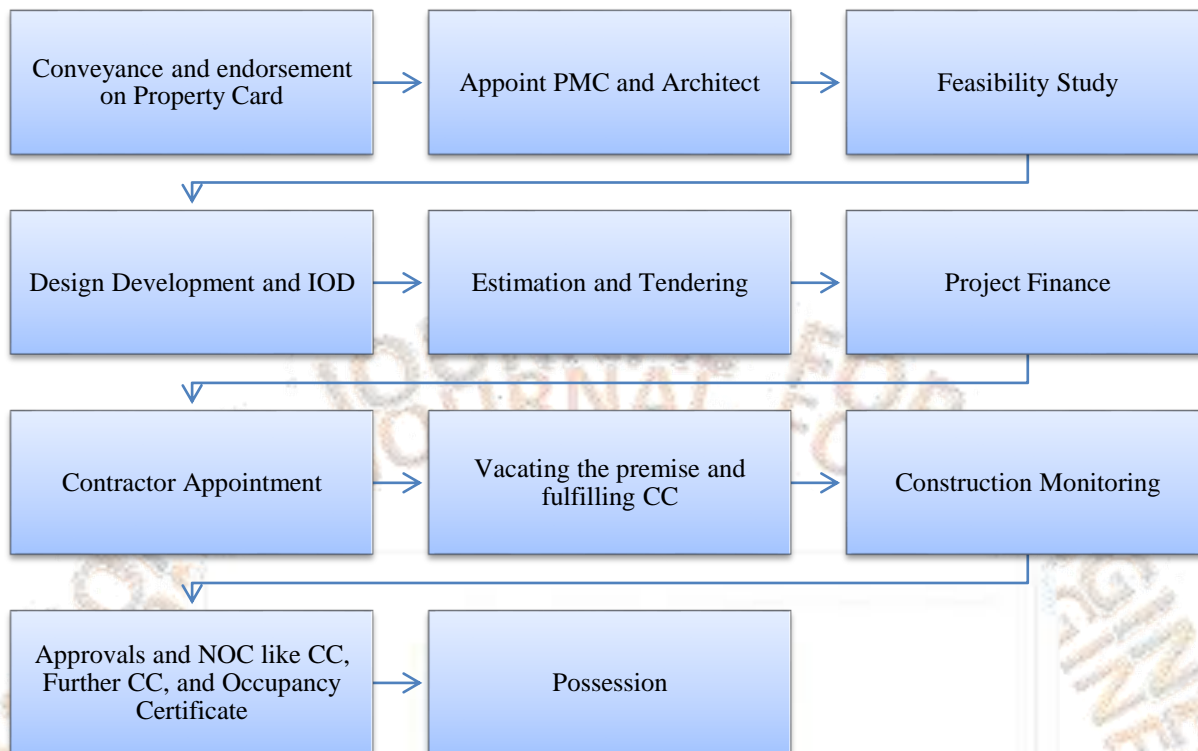
Today many housing societies which are 30 to 40 years old are in need of extensive structural repairs. However, they find it very difficult to arrange funds required to carry out the same. There are many reasons why buildings go for redevelopment which include lack of security, parking space, lack of modern facilities and amenities, need of extra space and many more. Redevelopment is the process of demolishing existing old society building and reconstructing it by appointing a builder who can construct and handover new flats to the society members free of cost with some additional benefits and make profit by utilizing the balancing plot potential by constructing additional flats and shops as per approval from the respective municipal corporation.

However, the redevelopment of old building has undergone many changes in the last 25 years. Many buildings that went for redevelopment have been abandoned by the developer midway. The developer led projects have many disadvantages and stalled due to various reasons like mismanagement of funds, political issues, lack of trust among developers, delayed project deliveries, proper planning is not done, changing in designs without consent of the members, stop paying rent to members after some months and many more.

Self-redevelopment is a type of redevelopment in which the redevelopment work is undertaken by the society itself, with the supervision of its members and PMC. The overall process of self-redevelopment is planned, executed and managed by cooperative housing society members and PMC consultants. In self-redevelopment, profit earned from sale flats becomes revenue of the society which they can use as corpus funds.

Self-redevelopment offer many benefits, such as society members will have full control on project execution, they get extra space without paying additional cost, they can decide the floor plans, etc. However, there are many pitfalls pertaining to self-redevelopment. The major risks are related to finance, lack of trust, political issues, legal issues, etc. The society needs to identify the risks they are going to face in the process of self-redevelopment. Every risks can have different impact on the project and the stakeholders. By identifying and analyzing the risks at the earlier stage can minimize the negative impact on the project and the project can be successful.

II. SELF-REDEVELOPMENT PROCEDURE



III. ADVANTAGES OF SELF-REDEVELOPMENT

- The members of the society will have control on the project from start to end
- The residents can expect increase in the carpet area at no additional cost
- Resident will not have to depend on the developer
- All the plans and documents are in the name of society
- The profit earned by sale flats will be shared with each member
- The society members can finalize the plans and amenities
- The society members can decide to go for sustainable projects

IV. DOCUMENTS REQUIRED FOR SELF-REDEVELOPMENT

Society and member related documents

1. Society Registration Certificate with a copy of updated byelaws of the society
2. Land ownership proof – Conveyance Deed or Index II or Sale Deed in the favor of the society or Land purchase agreement in the name of the society
3. Original Building Plan, 6/12 extract, 7/12 extract and Property Card
4. N. A. Order
5. CTS Plan with CTS number
6. Audited financial statements for last 3 financial years
7. List of members and their current carpet areas as per plans
8. List of managing committee
9. Members share certificates and agreements
10. Setback area details
11. Physical plot area measurements

V. METHODOLOGY

- The data for the study has been collected by taking interviews of the stakeholders involved in the process of self-redevelopment and from the secondary sources like published research paper, newspaper articles and various websites.
- The primary source of information was collected from interviewing stakeholders which include developers, project managers, architects, licensing officer, and members of the society.
- These interviews helped to understand the difference between normal redevelopment and self-redevelopment, need of self-redevelopment, benefits and process of self-redevelopment, risks in self-redevelopment projects and their impact on different stakeholders.

VI. LITERATURE SURVEY

Several research paper and news articles were referred to understand the self-redevelopment scheme in deep and the risks associated with redevelopment and self-redevelopment projects.

Sr. No.	Author		Content
1.		Dilip Shah Senior Counsellor and Analyst for Redevelopment of Housing Society	<p>“The author explained the need of redevelopment projects and described about categories of redevelopment projects which includes normal redevelopment and self-redevelopment.</p> <p>The author has explained the process of self-redevelopment, guidelines to be followed by society members and stakeholders. The list of documents needed from the society members is given. The author has concluded that there is a need of proper management for self-redevelopment projects in India and the project manager plays important role in this.”</p>
	Source	www.redevelopmentofhousingociety.com	
2.	Name	Advocate Shreepasad Parab (2022)	<p>He is Expert Director at State Cooperative Housing Federation Limited said “Redevelopment through the Developer is the common option chosen by the Housing Societies nowadays. In the process of Redevelopment majority of the benefits are shared by the Developer and the Society members due to ignorance of law, ego issues, lack of expertise etc. fall trap of unconscionable bargain and in major cases one sided Development Agreement. Thousands of Redevelopment Projects are now in litigation in the Court of Law due to the lack of involvement of the Society Members in the Redevelopment Process.”</p>
	Source	Mumbai News Article	
3.	Name	CA Ramesh Prabhu, founder chairman, MahaSEWA (2022)	<p>Prabhu said “People should understand the challenges of self-redevelopment. Which are-</p> <ol style="list-style-type: none"> 1) Most of the members do not give their consent for self-development, 2) The committee members are not experienced to handle the entire process of redevelopment, 3) The banks and Non-Banking Financial Company (NBFC) do not fund to the society for the self-Redevelopment. 4) Mumbai District central cooperative bank who had started self-Redevelopment funding have been restrained by RBI, considering such funding as commercial real estate funding which district central banks are not permitted to do. 5) Even selling additional areas in the market becomes difficult. Considering the above challenges of self-Redevelopment, a new option of redevelopment through development manager arrangement (DMA) concept is emerging in the society redevelopment.”
	Source	Mumbai News Article	
4.	Name	Solicitor Stuti Galiya (2022)	<p>She said self-redevelopment offers benefits such as society has complete charge in the process, they get extra are and benefits compared to builder led projects but they should understand all the nuances they might face. They should insure that the project completes on time with unnecessary costs. People who take initiative in self-redevelopment should have enough time and competence. This is because the managing committee will be required to engage in extensive coordination with various experts who need to be appointed for the purpose of completing the project. They will need to ensure that all the requisite permissions/approvals are in place, documentation is clear and not onerous for the society members and regularly monitor the project from time to time.</p>
	Source	Mumbai News Article	
5.	Name	Nisha Nambiar (2020)	<p>In this article Nisha has talked about funds hurdle for society eying self-redevelopment across Maharashtra. The state had in September 2019 announced the self-redevelopment scheme for the registered co-operative</p>

	Source	The Times of India	housing societies with an aim at empowering the residents to take control of the redevelopment process -- right from commissioning a suitable architectural or contracting firm and managing construction to selling the additional real estate constructed and sharing the final profits. "Many societies are willing to go ahead with the scheme. But the lack of clarity on funding has forced many of these societies to postpone their plans," a member in the federation said." Lead district manager, Pune, Shrikant Karegaonkar, told TOI that "If a society wants to take loans for redevelopment, then the repayment aspect will be a driving factor on the loan proposals. If it is fulfilled, there should not be any issue for sanctioning the loan," he said.
6.	Name	Harshad Shah, Chartered Accountant at Independent Practice (2022)	Mr. Harshad had explained about different types of redevelopment such as self-redevelopment, redevelopment through builders, slum redevelopment, and cluster redevelopment. He provided reasons for redevelopment and self-redevelopment and the issues in the process. Such as Arranging funds for expenses on approvals, premium on higher FSI & TDR & construction cost is difficult. Construction demands technical expertise in terms of supervision, care, alertness & vigilance etc. for 2 -3 years, and who all amongst the members would take responsibility? There are always needle of suspicion towards these active members as regards some benefits from Contractors, monetary and special attention for their units. He discussed about the points to keep in mind like structural audit of the building, established the market value of property, drafting the tender and agreement is must.
	Source	LinkedIn	
7.	Name	Aditi Nair (2019)	The article shows a concise version of the case studies analyzed for studying affordable housing solutions in Mumbai. They studied buildings built under PMAY, MIG housing by private developer like Godrej and Rehabilitation and Resettlement colony by MHADA. The concise case studies share a coherence in the development model, where cooperatives are formed for land acquisition and thus housing is built by the co-operative along with saleable units.
	Source	Research Paper	
8.	Name	Raj Vachheta (2022)	"The author has investigated the issues looked previously, during and after redevelopment. The advantages and disadvantages of redevelopment is given. The author studied that the risk in the redevelopment projects are associated with the management risk, planning risk, execution risk, political risk, environmental risk, and most important the legal risk which is associated with the legal documentation of the process including tendering also. He evaluated that in redevelopment projects the various risks associated are on both the stakeholder on the developer side as well as on the society member side. However the risk associated with the society member is more than the developer side. This Redevelopment projects have many criteria and sub-criteria the ranking of these projects which have multi criteria is solve only by Multi Criteria Decision Making (MCDM) methods. Ranking the risk are very important for successful completion of the redevelopment projects."
	Source	UGC Care Journal	
9.	Name	IOSR-JMCE (2022)	The author has studied the concept of self-redevelopment and the reasons why it is not used by the society which are lack of information and unawareness, fear of not completing the project, risk taking ability, dealing with "n" number of agencies & government authorities. The author has done comparison of normal redevelopment and self-development projects from which he has observed that self-redevelopment has positive results. Self-Redevelopment gets project finance at lesser rate which is saving of 5% interest per year & almost 200% of more valuation of the property.
	Source	www.iosrjournals.org	
10.	Name	Vaishali Anagal (2022)	The author has focused on the resident perspective on decision of redevelopment of multifamily housing and attempts to identify the reasons of redevelopment from resident's perspective. She has analyzed that the building obsolescence in terms of physical, functional and economic obsolescence gives trigger to residential redevelopment for the owners of apartments and cooperative housing societies.
	Source	Research Gate	

VII. LITERATURE SUMMARY

Different types of risks have been identified from the above literature review.

Category	Risks
Owner	<ul style="list-style-type: none"> • Old documents cannot be tracked • Change in owners expectations • Lack of experience about self-redevelopment • Delays in vacating flats in old building • Increase in Ready Reckoner Rate • Increase in Premium charges • Changing TDR rates • When necessary, owners obscenity • Members don't hire legal experts to analyze the contract
Demolition	<ul style="list-style-type: none"> • Buildings around demands silence • Damage to nearby properties • Part demolition as tenant did not shift • Neighbors issues less work per day • No proper access for vehicle till site which will increase manpower cost • Improper management of demolition
Contractor	<ul style="list-style-type: none"> • Inadequate contractor's work & experience • Ignorance and inadequate risk management • Poor supervision lack of training staff
Consultant	<ul style="list-style-type: none"> • Lack of details and lack of response on doubts on drawings • Delays in site inspection • Lack of knowledge of redevelopment rules and guidelines • Lack of presentation skills • Lack of management • Delay in the approval of general designs and significant revision to the work • Incorrect tendering procedure
Construction	<ul style="list-style-type: none"> • Delay in material delivery • Low skilled labours • Accidents on site during construction • Lack of labours and equipment • Abandons a project in the middle • Shortage of materials • Buildings around demands silence • Overruns in construction cost • Delay in finishing the project • Poor quality construction
Legal & Political Risk	<ul style="list-style-type: none"> • Government agency corruption • Byelaws violations • Delays in government clearances and approvals • Unstable government • Illegal construction • Dispute between members • No legal requirement were observed by owner
Planning	<ul style="list-style-type: none"> • Allowable FSI changes as a result of evolving DC regulations and policies • Inability to sell newly constructed house • Select incorrect type of development • Cost of construction fluctuations

	<ul style="list-style-type: none"> • Raise in rent • Risk of incorrect valuation • Incapability of PMC hired
External	<ul style="list-style-type: none"> • Lack of communication between owners and consultants • Improper management of project document • Height restrictions, No conveyance • Lack of organization ,coordination and unity
Financial	<ul style="list-style-type: none"> • Delay in payment • Delay in finishing the project can cause increase in construction cost • Under the table charges • Cost of construction fluctuations • Raise in rent • Real estate market downturn • Loan not approved by bank • Owner caused to stop work by lack of funds

VIII. CONCLUSIONS

The concept of Self-redevelopment is new but housing societies have not yet adopted it broadly because of ignorance and lack of knowledge, risk taking capabilities, worry the project won't be completed, and working with several agencies and government bodies. This process is very complicated so it is essential to manage it. There are various risks involved in self-redevelopment projects in each stage like planning, financial risks, construction risks, etc. It is necessary to evaluate the projects risks in early stage. This type of risks can be avoided by awarding the project to a qualified contractor who has extensive experience in the particular project type and the contractors who are well-versed in handling pressured situations by implementing efficient risk management techniques.

The main cause of each of these risks is a lack of cooperation, communication and commitment among the project stakeholders. The stakeholder's dedication to the project has a significant impact on its quality and progress. All the stakeholders, owner and contractor should efficiently plan and schedule the project in advance by taking into account all potential risk factors with respect to the cultural and natural environment of the location. To prevent needless delays and expenses overruns, involvement from top to bottom levels of management is more necessary. All factors (safety, material, quality and equipment) should constantly be reviewed and corrected by consultants. Owner should be fully aware of how delays in progress payments and order changes during construction affect the projects ability to be completed on schedule.

Better services and congestion relief can both be achieved through planned self-redevelopment.

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