

Realty regulation Bill gets go-ahead

The Union Cabinet on Tuesday cleared the Real Estate (Regulation and Development) Bill, aimed at organising and monitoring the sector. Once enacted, it is aimed to protect buyers from scheming developers and usher transparency in the sector, unregulated till now.

Many in the sector oppose the Bill in its current form. It has proposed stringent penalties and even a jail term for a maximum of three years for developers convicted of malpractice. In the making for about five years, the Bill seeks to make it mandatory for developers to launch projects only after acquiring all the statutory clearances from the relevant authorities.

Within a year of the Act coming into place, Real Estate Regulatory Authorities will have to be constituted by the government of each state and Union Territory. More than one authority in a state is permissible. At the central level, a Real Estate Appellate Tribunal has been proposed.

There are provisions to deter builders from issuing misleading advertisements on projects. A first-time breach would attract a penalty which could be up to 10 per cent of the project cost. A repeat offence could land the developer in jail for up to three years.

It also aims to make it mandatory for a developer to set aside half the money collected from buyers to a separate bank account for every project, to ensure money raised for a particular task is not diverted. It provides for a clear definition of 'carpet area' and would prohibit private developers from selling houses or flats on the basis of the ambiguous 'super area'.

The draft has been revised several times since 2009. However, the sector disagrees with much in it even now. Says Kumar Sharma, president of the National Capital Region chapter of the Confederation of Real Estate Developers Associations in India, "We welcome the thought in bringing the Bill but are not willing to accept it in its current form. We are disappointed with the way the government is going ahead without addressing our concerns. According to us, the said Bill is neither benefiting consumers or other stake holders."

Anshuman Magazine, chairman and managing director, CB Richard Ellis South Asia, said: "The Bill should have been more balanced, taking a view of challenges faced by developers and of consumer grievances. While consumers need protection, for real estate development to happen more efficiently, and in a transparent manner, administrative reforms are required urgently."

Getamber Anand, chairman, ATS Infrastructure, said the realty industry is not against a regulator in principle but any such Bill should not be anti-development and retrograde in nature.

"With unilateral provisions, it might be misused by people in power to unnecessarily further delay real estate projects," he said.

The Bill will make housing units expensive, according to Vimal Shah, managing director of Hubtown and president, Maharashtra Chamber of Housing & Industry. "In its zeal to put curbs on a small section of developers, the government is punishing the whole industry. If industry does not prosper,

how can customers benefit? If construction stops, it will make housing costly. How will it be made affordable?" he said.

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