

**Urban Governance and Development Management (UGDM)**  
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**Lecture – 33**  
**Real Estate Regulation and Development**

Welcome to lecture 33, in this lecture we will discuss very important aspect of the built environment development that is the real estate development and its regulation, in last few lectures, we have been discussing about various aspects of the land housing and the how we can develop or built environment in a proper way, now on that aspect, we have told you that the housing development or the bill development is followed after the master planning or the development planning exercise.

And in a development plan, in a master plan, we identify the major chunks of the land in a city estimating the future population and the future land and on a housing strategy or the infrastructure strategy, we identify in a detailed manner that how those areas will be developed. Now, the question is that if a city is projected to be increased of another 1 lakh or 2 lakh or more than that population.

And how to accommodate those population on those chunk of land and who will develop definitely, you can understand that the public authority, the state government or the local government they do not have that much of land to develop all the lands to and to create the buildings for all the lands, then definitely there comes the importance of the private developers and the real estate developers.

Now, the question is how to maintain a systematic and the sustainable real estate development in your city that will be the subject matter for the; for this in this lecture.

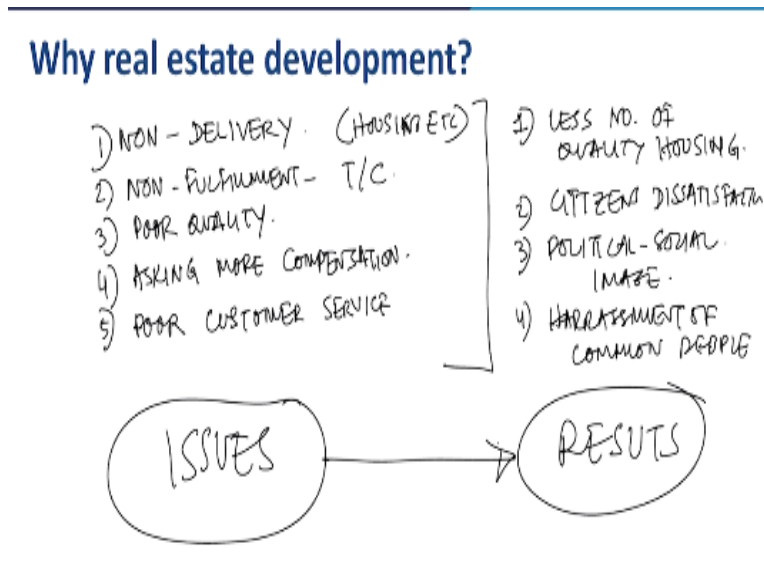
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# Contents

- ❖ Why real estate development?
- ❖ Who are the players in Real estate?
- ❖ Legal Provisions ✓
- ❖ Your role .

So, today we will discuss that why a real estate development is required in our cities, who are the players in the real estate development, what are the legal provisions in the real estate development and what is your goal for the real estate development and control.

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Now, why real estate development is required, the main reason what if you follow that in our country, the real estates are not organised and properly regulated and as a results there are undesired practices in real estate development, there are practices and problems and issues, what are the issues; for example, you might have seen that in newspaper that many projects are halted or people are the buyers or the end users, maybe they have paid money, they are not getting the housing at the end of the stipulated time period.

And maybe the developers and the builders, they have cheated or they are not providing them the housing, so this is one set of problems, another problem is that maybe developer has provided the housing but the housing is not a good quality as per the contract and the terms and condition, then maybe the developer has provided the housing but they have charged additional money, additional compensation or maybe they have changed the design.

Because of the; because they did not get the permission from the local authorities and from the government authorities, so there are various problems related to the real estate development, whereas the real estate development could be very much sustainable and green, so the problems are like this, one is related to non-delivery that is non-delivery of the housing etc., second is non-fulfilment of the terms and condition.

Third is poor quality and fourth is asking more compensation and fifth is poor service, so these are the common issues related to the real estate development and the results are multifarious results are like less number of quality housing, citizens, dissatisfaction and political and social images disturb, so these are the and harassment of common people, so these are the results, so and these are the issues, right.

So, in the left hand side, we have seen the common issues and the results are multifarious as the results are disastrous and I hope that all of you have seen the examples at the national level, at city limit even in your hometown that how if the real estate developers, if it is not properly done what kind of undesired results could come in our cities, so for this but it can be fantastic, it can be a nicely done, you have seen good examples of the real estate development.

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I am just showing one picture, just have a look of this picture, it is very hard to believe that it is also a real estate development and built by a developer, this is part of green initiative of some international agencies, green balcony initiative where their advocacy is to create green at all level at the horizontal level and also vertical level, so there are various examples and instances that were a developer can be accountable where a developer or builder could be responsive, who could be sensitive about the people's need.

And who is visionary also, who creates the quality housing, futuristic housing as a product for the population, so those kind of better examples are also there, so the question is that to ensure those kind of or to have the; those kind of better practice and to eliminate and the mitigate the undesired practice and to address the issues related to the malpractices of the real estate development are what we discussed earlier slides.

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## Why real estate development?

- ❖ Fast growth → Housing / Commercial
- ❖ Mobilizing private finance →
- ❖ Better quality →
- ❖ More supply of housing →
- ❖ Taking market advantages →

That is why we need to real estate regulation and a proper development, now the thing is just have a look that the points what I discussed basically listed here, so real estate development ensured the fast growth in terms of the housing or commercial development, it ensures the private finance, it ensures better quality a properly done and more supply of housing and it can take the market advantage.

So, if a real estate development is done properly with a regulated manner, these are the advantage which can come, so in the beginning we discuss the issues and the results of the issues and if you can mitigate those issues or control the real estate development, these are the results like first growth, the private finance and its mobilisation, better quality, more housing stock and you can take the benefit of the market in terms of the land or the value appreciation.

So that is why real estate development and regulation is a very important part in our in urban governments now, the fact is in India till 2013, 14, there was not much real estate concept of regulations, some piecemeal approach or some decentralised or localised approach was taken by few municipalities, till 2014, 15 were at the national level, there was lot of deliberations and then the real estate regulations and development act came.

So, I will discussed that act, before that act, let me also discuss that who are the main players in these whole business, who are the key components in this whole real estate development.

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Now, in this development, if you put government at the apex level because we are talking about the urban governance here, the moment we talk about the government, it is the central, state and local and there are developers and builders or promoters, they are very important stakeholders in this business, now I just take one minute that to clarify the difference between a developer and a builder or a promoter.

A developer is an organisation which is involved in all stages of the development of a project starting from the land assembly, land development, building construction and the disposal of the building and the infrastructure to the end user whereas a builder is involved only in construction of the building and hand over the building to the end user, a promoter is also involved in part of the whole development process.

So, therefore the developer is involved in the comprehensive all stages of the process whereas builders and promoters, they are involved only part or the some amount of the development process. Now, the interaction with the developer and the government is many fold, for example from the government, they need basically various kinds of approvals which they get, I think the arrows will be reverse like this, yes.

And at the return, on the return they provide fees required for that approval, so some approvals are at the local government level, some approvals are at the state government level but that is the transaction between the developers and the central and the state or the local government. There are investors, so the relation between the investors and the developer is that from the investor, they get fund and in return, they share the benefit.

There could be lending agencies, so relation with the lending agencies is that they also get fund but lending agency enjoys only the premium or the interest or so you can find that investors, they do not get only the interest, they share the benefit or even loss and there are professionals who are also involved, now professionals gives the technical service and in return, they get fees, now the professionals in this business we mean that there are architects, engineers, market research specialist, the marketing organisation and also other; legal experts, those are involved in the real estate development.

And apart from that there are end users or the buyers, so end users they provide price and they get house, so this is the in short the overall the picture now, under the developer, there could be some smaller organisation who are also working under developer that is sub organisation could be there to take identified outsource work, so and the lending agencies and the investors they are also controlled by the government like this.

So, time to time government controls with rules and regulations and in return, they get fees, so you can understand that in this whole diagram, the developer, government, lending agency, investors, end users, professional, sub organisations, they are working in this activities, so this model is called as real estate model, now if you see properly that there are few elements where our role as a urban governance specialist is there.

First of all, this is our role; one role in terms of giving approval and fees, so this is A, not only that here is also another role as a government agency controlling the investor and controlling the lending agency, so these are the key role involved in dealing with the developer or the builders or the promoters.

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## Who are the players?

- ❖ Government (central, state, local) ✓ →
  - ❖ Funding/lending authority ✓
  - ❖ Investors ✓
  - ❖ Buyers ✓
  - ❖ Professionals ✓
  - ❖ Builders and developers ✓
- CONTROL  
MONITOR  
LEGAL TOOLS  
ASSESS RESULTS  
CHECK/BALANCE

And so in short, these are the players you can have a look, we have discussed the activity model, so government, funding and lending authority, investors, buyers, professionals, builders and developers, so our job mostly will be to control, monitor, legal; framing legal tools, assess results, check and balance, right so, this is a conceptual discussion on the real estate activities model.

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Legal provisions REAL ESTATE (REGULATION & DEVELOPMENT) ACT 2016

Now, let us see that what are the legal provisions, earlier we discussed that real estate regulation and development act, this act came in 2016, I am showing you the salient provision of regulation. Now, this legal provision, this act is a first of its kind act which came after the post; after the



independence, the main objective of this act is to regulate the development and the developers in terms of the real estate, in every state, every city.

Now, it has many dimension, the one dimension is that it says that a real estate regulatory authority will be created at the state level, its job will be to register the projects and the real estate agency who are qualified to develop the real estate development and to regulate time to time makes rules and regulation under that regulation authority. So, every state government is liable or is mandated to form the real estate authority, number 1.

Number 2; it says that the duties and the responsibilities of a promoter or developer, it says that a duty of the promoter is to take all due permissions and approval of any project related to land, building, pollution, environment, everything, civil aviation and then only they can go for advertisement of the project and once they do the advertisement of the project, they can then sell the projects.

And once they are committed for the project, they cannot diverge the funding for the; the accumulated fund for different purpose, so they have to use that fund for that particular project and after this stipulated time frame whatever they have committed, they will deliver those project, if they cannot deliver, some penalty provisions are there, it also says that what are the roles and responsibilities of allottees.

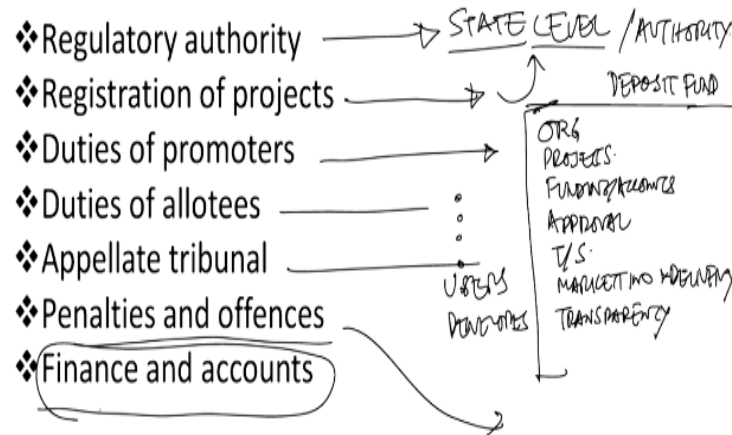
If what are the duties of a allottees and then it also says that what are the penalties and the terms and condition which will be there in between the allottees and the real estate developer for example, nowadays in India, various cities, the developers they practice a concept of super built up areas, so super built-up area is a area which is calculated based on the carpet area, built up area that is the common area of the lift and the the staircase and the wall area.

And then they add the proportionate area of the common facilities like commodity hall, swimming pool, the guest house, so many things are there, as a result the end users or the end bars, they do not get the idea that what exactly the area will be, therefore this act says that the

area has to be expressed in terms of a carpet area, so these are the many provisions which ensures the right of the end users, end users and a proper real estate development.

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### Real Estate (Regulation and Development) Act 2016



So, let us see one by one, so first is a regulation authority at the state level what we have just now told you, registration of the project; every project has to be registered under the state level authority, then duties of the promoter in terms of their organisation, projects, funding, accounts, approval, terms and condition, marketing and delivery and also transparency, so under this they have to deposit some amount of fund under the state level authority for that particular project.

It says the duties of the allottee, what are the duties of the allottees, mostly it is as per the terms and conditions to pay the promoter and the developer time to time or if they failed to pay incurred the cost of interest and the penalty and then comply all other actions which is there as per the terms and conditions, there is a provision of the Appellate tribunal; Appellate tribunal will be applicable if there is any dispute or any differences in terms of the end users or developers that time, the Appellate tribunal will be a be working.

There is a provisions of penalties and offences, if is; if any offences done by the developers or the promoters, what are the penalties and offences and how they are liable to maintain their finance and account that is also mentioned under this regulation and development act.

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इस भाग में बिना पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।  
Separate paging is given to this Part in order that it may be filed as a separate compilation.

**MINISTRY OF LAW AND JUSTICE**

(Legislative Department)

New Delhi, the 26th March, 2016/Chaitra 6, 1938 (Saka)

The following Act of Parliament received the assent of the President on the 25th March, 2016, and is hereby published for general information:—

**THE REAL ESTATE (REGULATION AND DEVELOPMENT) ACT, 2016**

No. 16 of 2016

[25th March, 2016.]

An Act to establish the Real Estate Regulatory Authority for regulation and promotion of the real estate sector and to ensure sale of plot, apartment or building, as the case may be, or sale of real estate project, in an efficient and transparent manner and to protect the interest of consumers in the real estate sector and to establish an adjudicating mechanism for speedy dispute redressal, and also to establish the Appellate Tribunal to hear appeals from the decisions, directions or orders of the Real Estate Regulatory Authority and the adjudicating officer and for matters connected therewith or incidental thereto.

So, I request all of you that you go through the act, this is the first page of the act, you can see, you can have a look, I just mention few of the keywords in the from the first page from the preamble, so that you get the main objective of this act, you can see that this act established the real estate regulation authority for regulation and promotion of real estate sector and ensure a safe sale of plot, apartment or building as the case may be an efficient and transparent manner, protect interest of consumers.

And adjudicating mechanism for speedy dispute disposal and directions or orders of real estate regulatory authority, so if you see this aspect, it is the; you can say that it says the basic aim of the act to ensure the interest of the common buyers to speed up the process of the adjudicating or the regulation process to ensures a transparency and accountability from the part of the developer that is the main aim.

So, go through the whole act, this salient points and also go through the state level rules and regulation because this is a central act at the state level, many of the state government they have framed so far the state level rules and regulation and they have also formed the state level real estate regulatory authority and go through the functions and the already what are the jobs they have done in short, we call it a RERA act.

So, these authority under this authority, many projects are already registered, so you can go through all these projects and come to the some of the learning from this projects and the issues, already under this regulatory authority and the act, there are some of the developers who are liable for the penalties and the offenses and government is taking particular actions under the law, so this law in short is a very important law which ensures or gives a legal framework in our country to ensure the interest of the bare in terms of real estate mechanism.

And it gives you as a urban manager, a tool to regulate the real estate development and its control, so your role could be many, multifaceted.

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## Your role

- 1) COMPLY - RERA
- 2) RULES/REGULATIONS
- 3) AWARENNESS

The first of all your role is to comply the RERA act, so if it is your working at the state level, the creation of the state level authority making the rules and regulation all are part of a urban city manager who is working at the state level or urban local level, then you can make local rules and regulation, every local government can frame their rules regulation which is local specific, local context your rules and regulation.

For example, you can have an enlistment, empanelment of the competent developers and the promoters in addition to the regulation authority at the apex level, so and then you can control them and you can bring the some amount of accountability in terms of development and not only that you make people aware about the benefit of the act, so that they are not cheated, they do not

get fooled while the development or they get their due return from the investment and from their hardened money.

So, these are your role which you can do as a city manager at the local level at the urban government level. Now, with this message, I would like to conclude these lecture, so today we discuss the essence and the importance of the real estate development, we told that if the real estate development is not properly regulated, there are adverse conditions like the harassment of the end buyers, the unscrupulous development leads to the non-transparency in the transactions.

And nonfulfillment of the terms and condition, non-delivery of the housing, non-delivery of the quality product and the infrastructure and the services and as a result people gets harassed, they do not get house in proper time and there is a loss of phase in part of the public agency or public organisations and there could be better example, there could be good practices in terms of real estate development as well.

So for that we need to have a regulatory mechanism which is given by the real estate regulation and development act 2016, in short it is called RERA act and before this RERA act, we also discuss that what are the major players in the real estate, we have seen that government agencies, developers and builders, lending agencies, investors, professionals, the end buyers, they are the players in the real estate development.

And government's role is to control and regulate the transaction between the developer and the buyers between the lending agency, investors, the approval agency all this, so that we can regulate the real estate development in our country. The RERA act gives the structure or the framework, legal framework to make regulatory authority at the state level make their own rules and regulation at the local level, at the state level.

And gives the power to the authority to get the project listed, to get the developer listed or registered with some deposit money and it gives the terms and condition, roles and responsibility of the developer, it gives the roles and responsibilities of the allottees, it provides the provision of

the appellate tribunal and the offences and penalty clause under the for all kind of defaulters, so with this, your role is to regulate and make proper planning in your cities.

So that the real estate development can make a fantastic built environment in your city and it can create a better liveable places for the common citizens.

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**Next LECTURE**

## **34. Urban Land Management**

So, with that I conclude this lecture, next lecture we will discuss another very important aspect that is the urban land management and what are the options for the urban land assembly and how we can manage in a better way to bring the real estate management in our in a better way in our cities, so with this, I express and extend my thanks once again to all of you for attending this lecture, thank you.