

Value Capture Financing The experience of MMRDA & CIDCO

Workshop on TOD & VCF
By NCRTC and NIUA
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Value Capture Finance

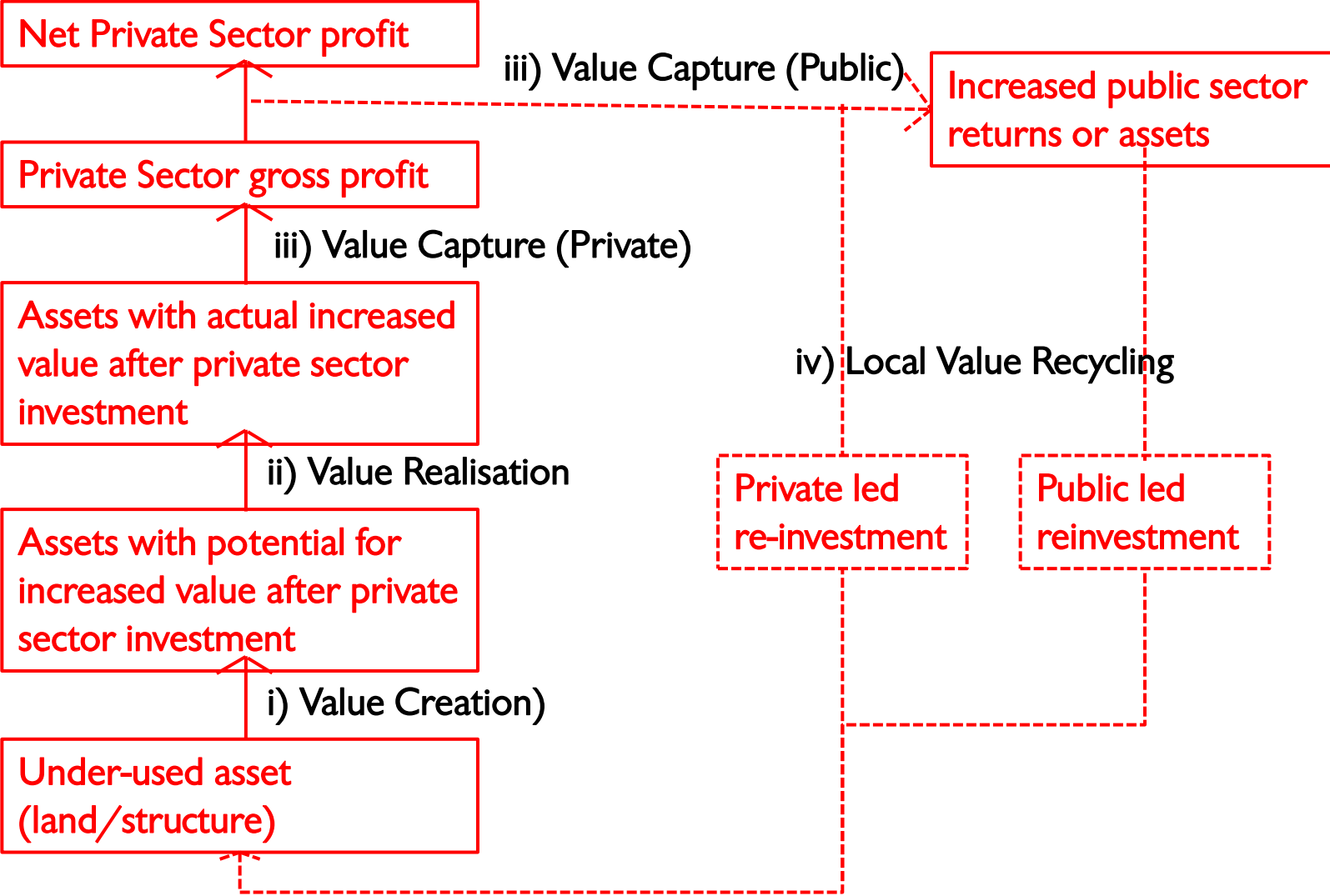
Joe Huxley, ULI Publication

The VCF positive feedback loop

VCF mechanisms have a common denominator - financial positive feedback loop with four components:

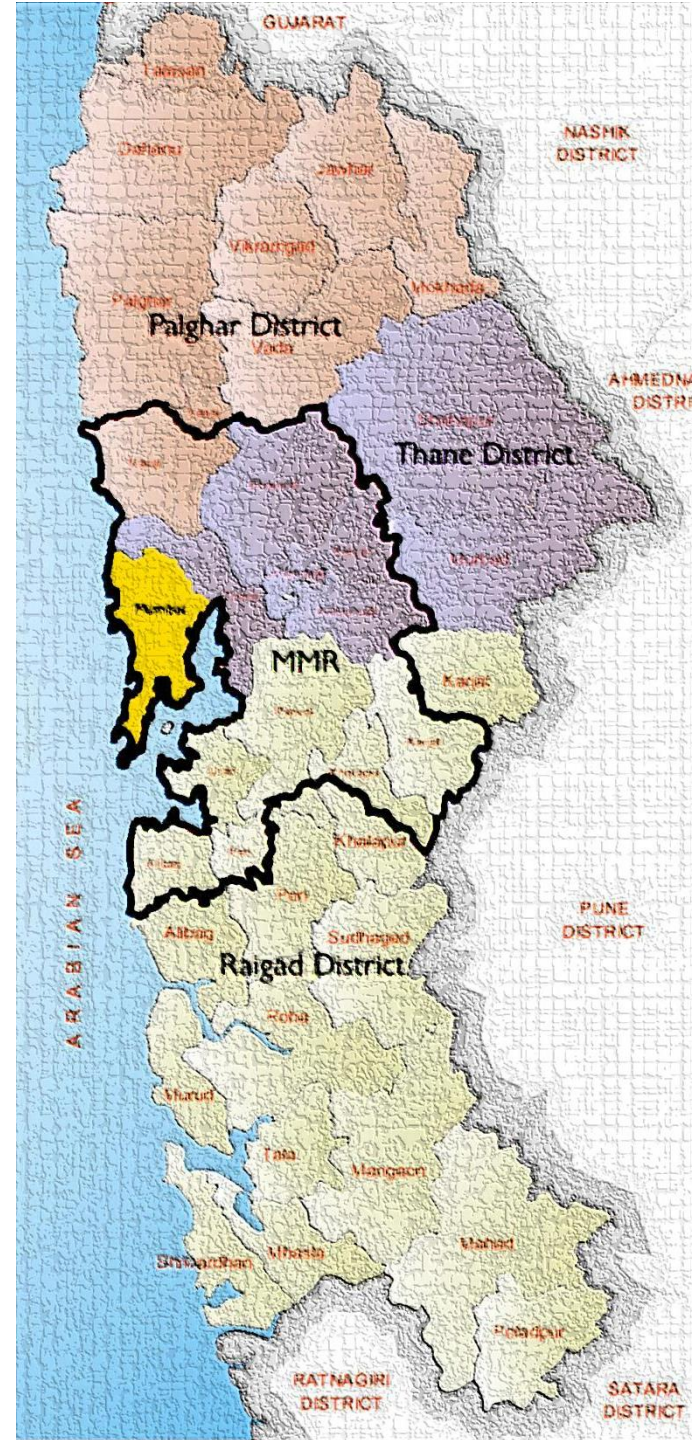
- i) **‘Value creation’** Unlocking of and increase in potential value of under-used assets (land and/or structures) as a result of a public sector intervention to stimulate demand from private sector.
- ii) **‘Value realisation’** Subsequent investment and dev. from private sector which ensures that potential asset value increase is realised.
- iii) **‘Value capture’** Arrangements by pub. sector for acquisition of a proportion of private sector returns for local reinvestment. Monetary or in-kind contributions from the private to public actors.
- iv) **‘Local value recycling’** The re-investment of acquired contributions within same dev. site or scheme. Can pay for initial public intervention and/or fund further interventions.

Value Capture Financing



MMR : Basic Facts

- 4312 sq. km., 5 Districts
- 22.8 M people in 2011, 94% urban
- 62% area has detailed plans
- 30% ULBs, 32% SPAs
- 17 Municipalities (30% area, 91% popln.)
- 35 Census towns (5% area, 3% popln.)
- 994 Villages (65% area, 6% popln.)
- Gr. Mumbai
- 4 M+ cities in 2011
- 4 more M+ cities emerging
- 16% region built up
- 19% area under forests



MMRDA Experience

Value Capture attempted in following projects :

- Development of Bandra Kurla Complex – IFBC
 - Development of Kalyan Growth Centre – a new CBD
 - Development of Public Parking – CR2 at Nariman Point
 - Construction of Skywalks – dispersal of rail commuters
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- Mumbai Metro-1 : PPP mode by Reliance
 - Mumbai Metro-3 : U/G by MMRCL
 - Mumbai Metro-2 to 15 : Direct execution by MMRDA
 - Mumbai Monorail : Operation taken over by MMRDA

Mumbai Metropolitan Region Rail Map
Operational and Under-Construction Services | Schematic - Not to Scale



Mumbai Metro Rail Lines

1. Total corridors : 15
2. Total Length : 300 km
3. Total Stations : 240
4. Total estd cost : Rs. 1,50,000 Cr.



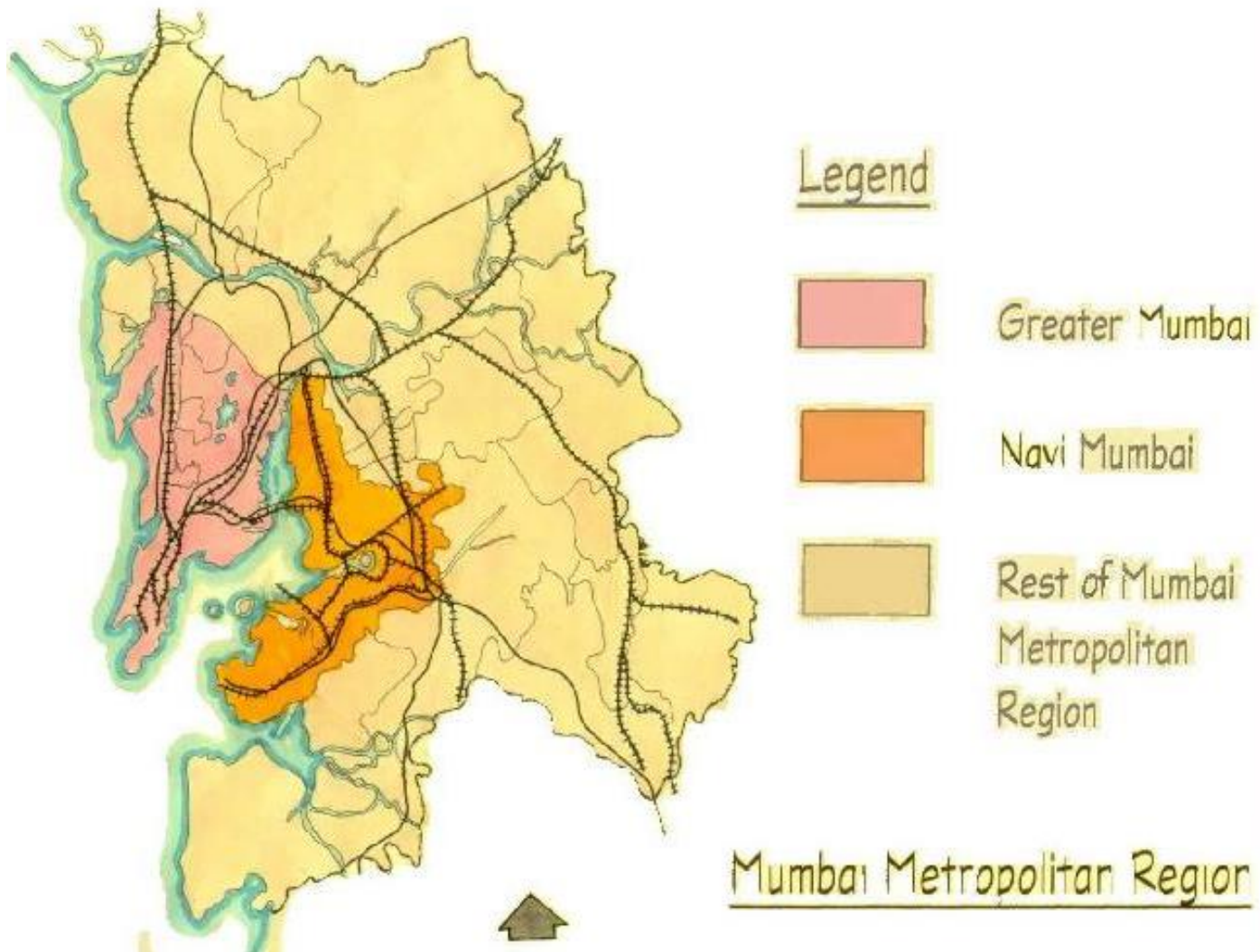
Mumbai Sub-urban Rail Lines



1. Total Length : 400 km
2. Total Stations : 136
3. Total Commuters : 75 lakhs



Mumbai and Navi Mumbai



CIDCO – Navi Mumbai Project

- CIDCO built Navi Mumbai Newtown
- Nearly equal in size to Mumbai, 20 lakh people in 2011
- Total land in CIDCO ownership

- Building a Newtown had all the four components of VCF :
 - Value creation
 - Value Realisation
 - Value Capture
 - Value re-investment

- Value addition to the entire new city
- Finance for projects raised from various sources
- Value capture through increased land/property values

CIDCO – Navi Mumbai Project

Main Characteristics

- Land banking
- Poly-centric
- Leapfrogged, phased development
- Mass transportation lead development
- Integrated development – land dev, housing, physical and social infra, rehab of villagers

Ongoing big projects

- Belapur – Taloja metro rail line
- Navi Mumbai International Airport
- NAINA new city without land bank

Models

- Railway Stations : Encountered difficulties, reconciled
- NAINA without land bank : land sharing and TPS with owners
- International Airport : Increased land/property value

MMRDA – Value Capture Instruments

Metro-1 : revenue generation

- 100 sq.m commercial space/station
- Advertisements

Monorail (proposed) : revenue generation

- Co-branding of select stations
- Adv. on piers

New Metro Lines (proposed) : value capture and revenue generation

- ToD at select stations
- Co-branding of select stations
- Commercial development of car sheds
- Advertisement on piers
- Train wrappings (internal and external)

MMRDA – Value Capture Instruments

Big projects in progress

- 14 metro rail lines
- Trans Harbour Link
- Multi-Modal Corridor
- Kalyan Growth Centre
- Creek Bridges and Tunnels

Govt. approval for new Metro Lines

- Addl. FSI on payment of premium upto 500m from rail line, 50% premium to MMRDA
- 100% increase of Dev. Charges, entirely to go to MMRDA
- 1% cess on Stamp Duty on all transactions, entirely to MMRDA
- Commercial Development of Car Depots, proceeds to MMRDA
- Fee from advertisements and parking to MMRDA
- Dedicated Urban Transport Fund in MMRDA

Issues in MMR in VC

- Instruments are very market driven – risky
- If localised, delayed development comes with penalisation too – plans are guarantees of infrastructure
- Focus on increasing FSI without comprehensive area re-planning and area re-development
- Reg. changes for VC are to be carried out by several agencies – may not have the same commitment, revenues collected may not flow in
- Dev. agreements in India have to be regulatory and non-negotiable
- Advertising fee is a small and finite source – but has significant impact on how city looks
- Betterment levy kind of instruments do not take into consideration that new infra may dampen property prices at places

Thank you

Value Capture Financing

Value Capture Financing of Infrastructure and Land Development :

- Through upfront land banking – delayed start, quick returns
 - By linking real estate development – market driven, medium wait
 - By investing in property development – early investment, long wait
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- Instruments
 - Characteristics
 - Where best suited
 - Examples
 - Strategies used
 - Issues and how addressed