

VALUE CAPTURE FINANCING
vis-a-vis
TRANSIT ORIENTED DEVELOPMENT
Case of Nagpur and Hyderabad Metro

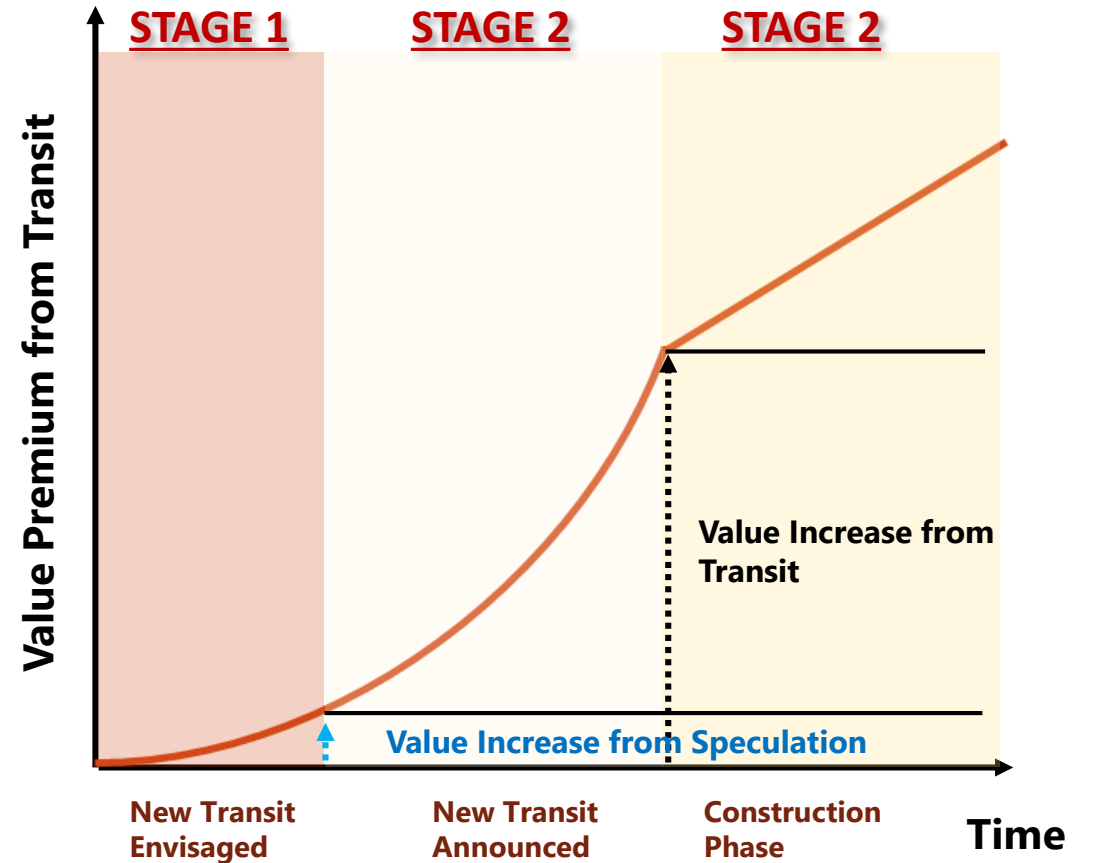
Value Capture

DIRECT VALUE CAPTURE

- o Disposal of Land
- o Convert Land into Income Generating Asset (Self or JV)

INDIRECT VALUE CAPTURE

- o Improved Carrying Capacity (Additional FSI)
- o Improved Quality (Land Value Tax,, Betterment Levy, Impact Fee, Tax Incremental Financing, etc.)





NAGPUR METRO

INDIAN CASE OF VCF IMPLEMENTATION

CASE OF NAGPUR METRO



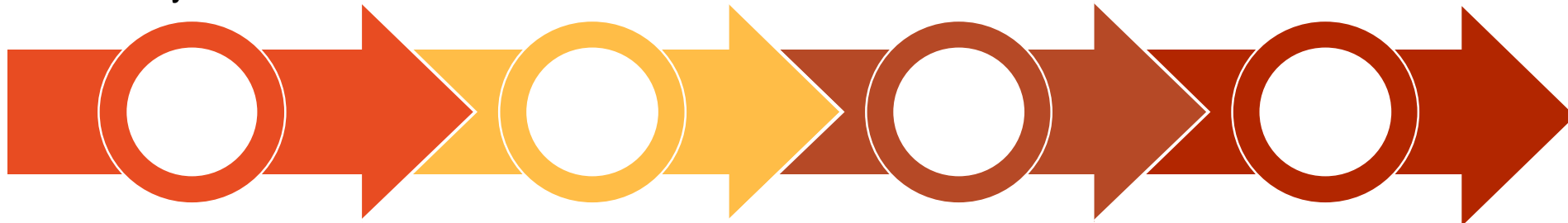
Length: 38.2 km
Stations: 34
Commencement:
May 2019



Capital cost:
INR 8680 Crores
(Phase 1)



**Estimated
Ridership** 3.83 lakh
by 2021



Non-farebox
revenue estimated
at **50% of total
revenue** by 2020

Tools like
**Additional Stamp
Duty (Betterment
Levy), Property
Development and
Sellable FSI**

Additional 1%
Stamp Duty
Notification August
2015

TOD regulation
notified in June
2017

SURCHARGE ON STAMP DUTY (BETTERMENT LEVY)

- State government has increased stamp duty from 6.5% to 7.5% (**additional 1% surcharge – betterment levy**) in the Metro Corridor (500 metre on both sides)
- Revenue **equally shared** between Nagpur Metro Rail Corporation Limited and Nagpur Municipal Corporation
- Estimated revenue per year is INR 60 crore
- Revenue generated between September 2015 and March 2019 is **INR 150 crores**



TRANSIT ORIENTED DEVELOPMENT

- TOD corridor is 500 m on either side from center of metro
- Urban Development Department of GoM has permitted additional FSI along the Nagpur Metro Rail Corridor

Plot Area (SQM)	Minimum Road Width	Maximum FSI
Below 1000	9 meters	2
1000 to 2000	9 meters	3
2000 or above	9 meters	3
2000 or above	12 meters	3.5
2000 or above	15 meters	4

- Rate of additional FSI is 40% of reckoner rate
- Revenue from additional FSI would be shared equally between Nagpur Metro and Nagpur Municipal Corporation
- INR 11.5 crores earned from FSI between July 2017 to March 2019



PROPERTY DEVELOPMENT

- Maha-Metro (MMRCL) is “**Special Planning Authority**” for the metro corridor.
- Property development spaces (land and airspace rights) have been identified and are planned to **be leased for period of 50 years.**
- Key Features include:
 - Capex by developer
 - Lease revenue (with annual escalation) to be received by Maha Metro
 - TOD benefit to be considered for developers
- Key Projects
 - **Iconic building** on zero mile metro station (land area 3 acre; BUA: 4.2 lakh sqft; 2 basements + 20 floors; FSI: 4; lease period 60 years)
 - **Commercial development** at Sitaburdi (land area 5 acre; BUA: 8.5 lakh sqft; FSI: 4; lease period 60 years)



Zero Mile Station



Sitaburdi Station

KEY PROJECTS PROPOSED

Project Name	Proposed Area (sqm)	Available FSI	Proposed Sector
NMC Land at Sitaburdi	6189	4	Commercial (Retail + Offices)
MTDC Kasturchand Park	7220	4	Commercial
Krazy Castle Land, Ambazari	26193	3	Amusement Park + Commercial (Part)
Airport Metro Station	2899	3.5	Commercial (Institutional)
Gaddigodaam	3644	4	Commercial
Prajapati Nagar	1876	3	Commercial
Metro City, MIHAN	80937	4	Residential
Residential Housing, Hingna	44601	2*	Residential (* AAI Height Restriction)
Total	206277		

KEY THOUGHTS

- Soundness of original estimates
- Carrying capacity of area for sustaining additional FSI
- Market appetite to absorb additional FSI
- Charge rate for FSI
- Phased release of FSI
- Positioning of monetizable assets
- Mapping of corridor before planning



HYDERABAD METRO

INDIAN CASE OF VCF IMPLEMENTATION

CASE OF HYDERABAD METRO



Length: 71.16 km
(three phases)

Stations: 66

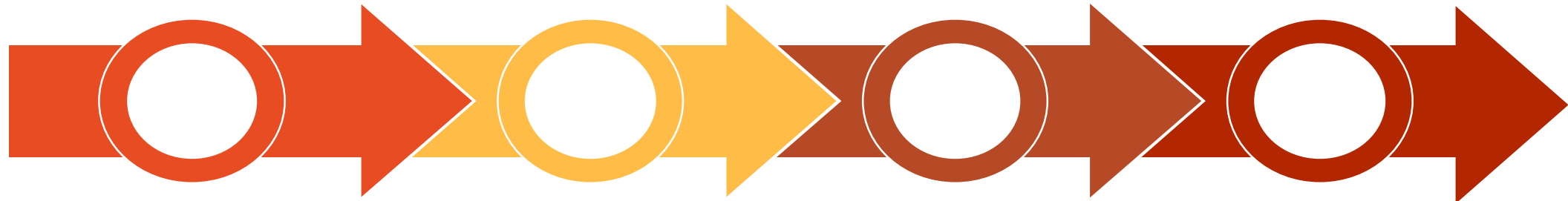
Commencement:
November 2017



Concession Period: 35 years
(including 5 yr construction time)
Concession extendable by 25 years
Concessionaire Appointed : July 2012



Ridership: 2.65 lakh
per day in April 2019



Capital development cost estimates **INR 14132 Crores**. INR 1458 crore gap funding by GoI & balance by concessionaire

Non-farebox revenue estimated at **50% of total revenue**

Tools like **Property Development, TOD and Advertisement Tax** deployed

Ceiling development potential 18.5 million sqft. 6.0 mn sqft for PD and 12.5 mn sqft for TOD

PROPERTY DEVELOPMENT

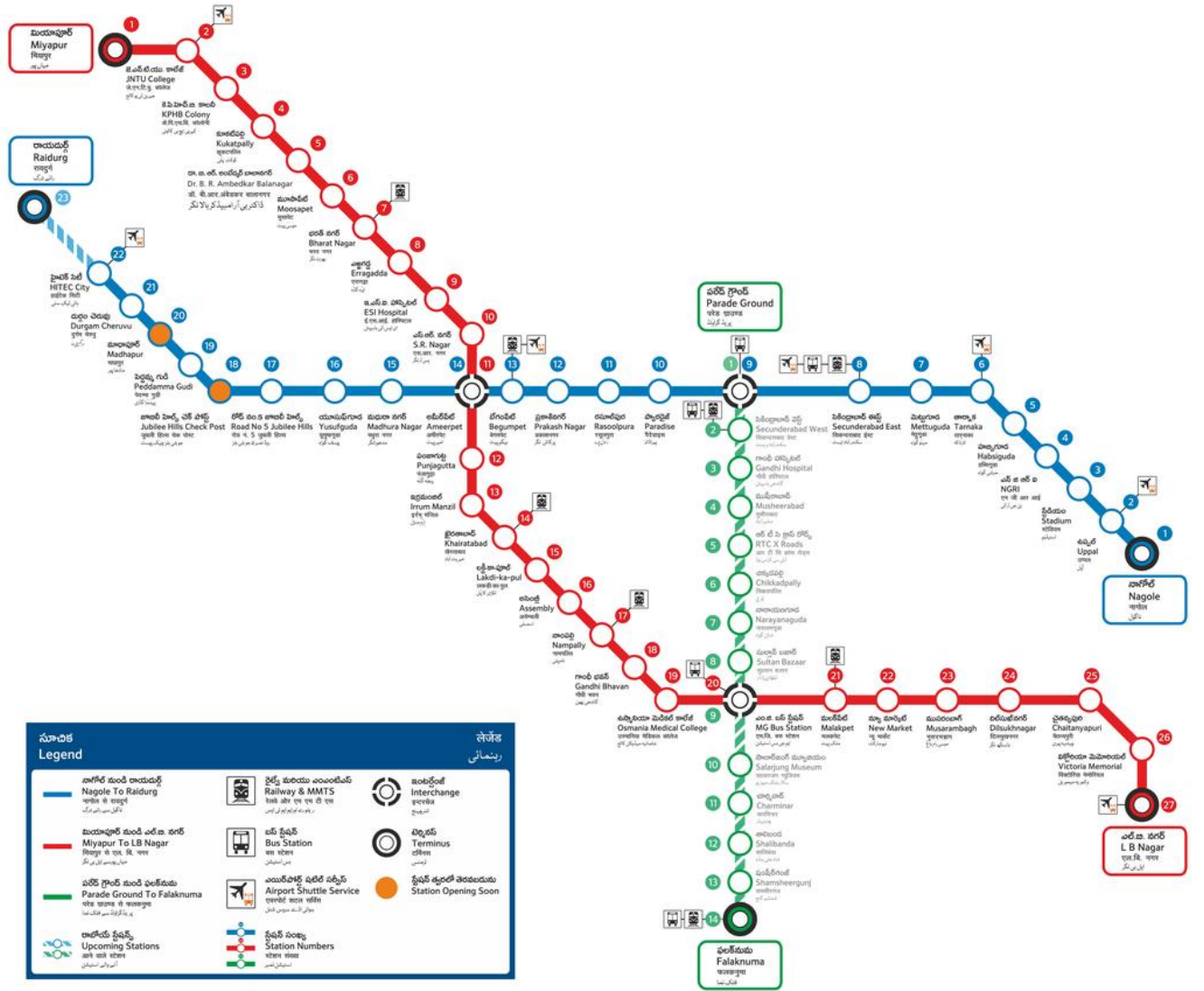
- Commercial development in parking & circulation areas at 25 stations (57 acres)
- Property can not be sold
- Upfront lease premium + recurring rental income
- Malls at Panjagutta (0.5 mn sqft); Hi-tec City (0.19 mn sqft); Erra Manzil (0.35 mn sqft); Musarambagh (0.24 mn sqft) already operational.
- 3 year sub-licence; 15% hike in 3 years
- Commercial development to be completed by 2024
- Hyderabad Metro Rail Ltd has introduced 'Park Hyderabad', an app based paid Parking facility for two / four wheelers at all the Metro Rail stations between Miyapur - Ameerpet - Nagole stretches of 30 kms.



Panjagutta Mall

TRANSIT ORIENTED DEVELOPMENT

- Hyderabad does not have TOD Policy in place. FSI is primarily governed by width of access road.
- Proposed at 2 Depots viz. Miyapur and Nagole (Total land area = 212 acres and BUA = 12.5 million sq ft.)
- Property can not be sold
- Only commercial development permissible
- Exploitation to follow operations of corridors
- Monetization of these assets not yet planned



KEY THOUGHTS

- Soundness of initial estimates
- Positioning and sizing of monetizable assets (*larger assets doesn't mean higher revenue*)
- Market appetite to absorb real estate assets

THANK YOU