New Innovation – Funding Urban Transport Projects through an Urban Transport Fund

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Pimpri Chinchwad Municipal Corporation,
Pimpri,Pune.
CONTENTS

1. Introduction & background of city
2. Situation of city transportation
3. Introduction of UTF concept
4. Initiative by PCMC to achieve objectives
Pimpri Chinchwad at a Glance

- Located towards North of Pune
- Population: 1.7 million (approx)
- PCMC received “BEST CITY “ award From GOI for its best performance in JnNURM
- Area of 177 sq. km.
- Area under Green Cover: 27%
- Credit Rating: AA+ (SO) by CRISIL Rating
Pimpri Chinchwad at a Glance

• Pimpri – Chinchwad Municipal Corporation (PCMC) constituted in the year 1982

• The body constitutes of
  – Elected wing headed by – Mayor
  – Administrative wing headed by – Municipal Commissioner

• We manage about 177 sq.km.area through 4 Ward Offices

• We have over 40 departments with a workforce of about 7500 employees
Vibrant city in the state of Maharashtra, India

- Strong industrial base
  - Small & medium industrial units of about 6,000
  - Large industrial units of about 50
Presence of International IT Firms

Software Technology Park at Talawade, Pune

Microsoft

KPIIT Cummins Infosystems Limited

VERITAS

IBM

TATA Consultancy Services

Tech Mahindra

Infosys

Sungard

Oracle

Patni
Who benefits from Urban Transport Infrastructure?

Direct Beneficiaries

• Citizens / Passengers of a public transport system
• Vehicles using roads & flyover
• Businesses based on the infrastructure- advertisers on the system, vendors

Indirect Beneficiaries

• Property owners near the developed transport corridors- gaining from higher potential value of property
• Business around the transport system- gaining from better connectivity
• Local Government- gaining higher property taxes in the region due to escalation in property prices
Traditionally Bus Operating Company Capture Value from Direct Beneficiaries

- Traditional revenues of BRTS are
  - Fare box revenues
  - Sale of monthly passes
  - Advertising revenues
  - Vendor licensing

- Value capture from indirect beneficiaries is limited

- Viability of BRTS development can be enhanced if value from indirect beneficiaries can be captured
Unlocking Value from Indirect Beneficiaries in Pimpri-Chinchwad

- Pimpri Chinchwad Municipal Corporation (PCMC) is developing 130 km of Bus Rapid Transit Corridors
- PCMC has set up an Urban Transport Fund (UTF) to fund the project
- The UTF to be managed by a SPV wholly owned by PCMC
- A zone of 100 m on either side of the corridor designated as BRT influence zone
Implementing the Concept at Pimpri Chinchwad
Rs. 750 Cores of Projects under Implementation

- Rail road.shp
- Centerline.shp
- 1 - 12
- 12 - 24
- 24 - 60
- Water_body.shp
- River.shp
- Pcmcboundry.shp
Overall Mobility Network to be Serviced by BRT
<table>
<thead>
<tr>
<th>Title</th>
<th>Rs Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Project cost</strong></td>
<td>1500</td>
</tr>
<tr>
<td>Funding model</td>
<td></td>
</tr>
<tr>
<td>JNNURM (GoI and GoM)</td>
<td>475</td>
</tr>
<tr>
<td>PCMC internal sources</td>
<td>100</td>
</tr>
<tr>
<td>Debt from DFI, Multi laterals, Banks</td>
<td>650</td>
</tr>
<tr>
<td>Internal accruals and exploitation of land</td>
<td>275</td>
</tr>
<tr>
<td><strong>Total sources</strong></td>
<td>1500</td>
</tr>
</tbody>
</table>
Capturing Indirect Benefits for Debt Syndication

- Created an Urban Transport Fund (UTF); is managed by PCMC Infrastructure Company
- Designated 100 mtr on either side of BRT corridor as BRT Corridor Zone
- Revenue sources accorded to the UTF from BRT Corridor Zone
  - Ceiling FSI raised to 1.80 from existing 1.0
  - Allowed Transfer of Development Rights (TDR) from other zones to BRT corridor on payment of premium
  - Other incomes like advertisement, incremental property tax
- Land resources have been identified on the corridors for using land as a resource
- UTF is currently operational
  - General Body has approved the modification to DC rules
  - Currently income earned is tagged so as to transfer the funds to the SPV company
PCMC Infrastructure Company

• Prepared the Business Plan
  – Construct operate and maintain the BRT corridors
  – Manage the UTF; collect and deploy revenues
  – Vehicle for debt funding

• World Bank has funded the flyover component of the two BRTS corridor for Rs 169.77 Cr.
Strengths of the Implementation Model
Rationale for SPV

• The SPV is 100% owned and controlled by PCMC

• Will help PCMC to raise long term loans (12 yrs +) from multilateral agencies WB, ADB

• SPV ensures focused and timely implementation, necessary for projects with borrowing

• SPV can focus on generating the revenues for the projects

• Existing employees can be deputed to the SPV, and can be given more focused role in SPV for timely implementation.

• Strengthens the transit corridor densification approach for project sustainability
Design of the fund

• Notified 100 m on either side of BRT route as BRT corridor zone
  - Increased ceiling FSI from 1 to 1.80
  - 0.80 loading is through TDR with payment of a premium

• Advantages
  - Does not release additional FSI in the city; only realigns the FSI from other zones to BRT Corridor
  - Will protect the value of TDR and make it more attractive hence encourage implementation of Development Plan (DP)
  - PCMC can plan higher order infrastructure in BRT corridor and facilitate focused service provision by densification
  - Ensures the attractiveness of mass transit and protection to environment

• How is this different from FSI bank?
  - FSI bank releases additional FSI in the market; impacts real estate prices
  - TDR becomes unattractive and implementation of DP suffers
Common questions

• Why increase by only 0.80 and not more?
  – Follow approved practice and not attract litigation by going for more.
  – Keep the infrastructure provisioning within manageable limits and improve it by focused provisions
  – Maintain equilibrium between generation and absorption of TDR

• Why change the philosophy of spreading away from main roads?
  – Densification supports use of mass transit and increase its attractiveness
  – Can sustain development by increasing earnings (premium) from direct beneficiaries
### How does the Model Operate?

<table>
<thead>
<tr>
<th>No.</th>
<th>Roads</th>
<th>Area in lakh sqmtr</th>
<th>Gross area in BRT corridor</th>
<th>Vacant area (A)</th>
<th>Developed area (B)</th>
<th>Current Built up <em>(B x 0.80)</em></th>
<th>Scope for future devp <strong>(A x 0.80)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aundh Ravet</td>
<td>28.80</td>
<td>13.90</td>
<td>14.90</td>
<td>11.92</td>
<td>11.12</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Old NH-4</td>
<td>25.40</td>
<td>2.54</td>
<td>22.86</td>
<td>18.29</td>
<td>2.03</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Nashik Phata to Wakad</td>
<td>15.58</td>
<td>4.00</td>
<td>11.58</td>
<td>9.26</td>
<td>3.20</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Kalewadi to Dehu-Alandi (via KSB Chowk)</td>
<td>22.40</td>
<td>11.00</td>
<td>11.40</td>
<td>9.12</td>
<td>8.80</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Dehu Alandi Road</td>
<td>29.54</td>
<td>19.10</td>
<td>10.44</td>
<td>8.35</td>
<td>15.28</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Pune Alandi Road</td>
<td>18.94</td>
<td>9.60</td>
<td>9.34</td>
<td>7.47</td>
<td>7.68</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Nashik Phata to Moshi</td>
<td>20.72</td>
<td>6.00</td>
<td>14.72</td>
<td>11.78</td>
<td>4.60</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Kiwale - Bhakti Shakti</td>
<td>10.60</td>
<td>5.50</td>
<td>5.10</td>
<td>4.08</td>
<td>4.40</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>171.98</strong></td>
<td><strong>71.64</strong></td>
<td><strong>100.34</strong></td>
<td><strong>80.27</strong></td>
<td><strong>57.31</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Assumed 1 FSI and netting out 20% for open spaces and reservations

** After assuming 1 FSI on vacant area and netting out area for open spaces and reservations
### Scale of Development Assumed

<table>
<thead>
<tr>
<th>Corridors / Period</th>
<th>2010 - 2014</th>
<th>2015 - 2019</th>
<th>2020 - 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aundh Ravet</td>
<td>50%</td>
<td>25%</td>
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<td>35%</td>
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<td>25%</td>
</tr>
<tr>
<td>Kiwale - Bhakti Shakti</td>
<td>40%</td>
<td>35%</td>
<td>25%</td>
</tr>
</tbody>
</table>

- 57.31 Lakh sq. m. of vacant land development will demand 14.90 Lakh sq. m. TDR
- 40% of existing properties will get redeveloped – 32.10 Lakh sq. m. of redevelopment; demand for TDR – 8.34 Lakh sq. m.
Estimated Premium on TDR in BRT corridor; income Rs. 1745 Crore
• Development charges potential – Rs 780 Crores

• Other incomes
  – Advertisement & Incremental property tax – Rs. 315 Crores
Total income potential of BRT corridors – Rs. 2945 Crs

- TDR Premium; Rs. 1745 Crs; 61%
- Advertisement; Rs. 205 Crs; 7%
- Devp Charges; Rs. 780 Crs; 28%
- Incremental Property Tax; Rs. 110 Crs; 4%
## Total income Unlocked (UTF) on BRT corridors – Rs. 92 Cr

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Revenue Generated (FY 2009-10)</th>
<th>Revenue Generated (FY 2010-11)</th>
<th>Revenue Generated (FY 2011-12)</th>
<th>Revenue Generated (FY 2012-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Permission</td>
<td>4.78</td>
<td>11.12</td>
<td>20.13</td>
<td>20.39</td>
</tr>
<tr>
<td>Town Planning</td>
<td>0.43</td>
<td>6.12</td>
<td>13.50</td>
<td>8.37</td>
</tr>
<tr>
<td>Advertisement Licenses</td>
<td>0.30</td>
<td>0.51</td>
<td>0.54</td>
<td>0.40</td>
</tr>
<tr>
<td>Engg Fee (Excavation &amp; Repair)</td>
<td>2.25</td>
<td>0.23</td>
<td>0.82</td>
<td>0.59</td>
</tr>
<tr>
<td>Other (Penalties)</td>
<td>0.12</td>
<td>0.26</td>
<td>0.57</td>
<td>0.52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.88</strong></td>
<td><strong>18.24</strong></td>
<td><strong>35.56</strong></td>
<td><strong>30.27</strong></td>
</tr>
</tbody>
</table>
Deployment of UTF on BRT corridors – Rs. 60 Crs

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Revenue Utilised (FY 2009-10)</th>
<th>Revenue Utilised (FY 2010-11)</th>
<th>Revenue Utilised (FY 2011-12)</th>
<th>Revenue Utilised (FY 2012-13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRTS Road Infrastructure under JnNURM &amp; World Bank</td>
<td>3.92</td>
<td>15</td>
<td>37.50</td>
<td>2.91</td>
</tr>
</tbody>
</table>

Closing balance in UTF account as on 31st March 2013 is Rs. 32 Cr
Before implementation of Mumbai Pune – BRT corridor

CHINCHWAD - NH4

KASARWADI - NH4

DAPODI - NH4
Mumbai Pune – BRT corridor after implementation
Mumbai Pune – BRT corridor after implementation
Construction of Flyover & ROB at Nashik Junction on old Mumbai Pune NH-4 including Bridge on River Pawana