



Penalty norms for delayed projects relaxed in Greater Noida

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The GNIDA has changed how it calculates money owed by developers, allowing them to pay penalties for delayed construction later. With this, cash-strapped builders can now seek funds from financial institutions or seek bailout packages.

"We will give permission to developers to seek mortgage from financial institutions as soon as they settle our core dues. Penalty on delayed construction will be charged later on. However, at the time of giving occupancy certificate, a committee will check if all the dues, including applicable construction penalty, had been settled," said Narendra Bhooshan, the Chief Executive Officer of GNIDA who approved the policy on January 17.

Premium for plot allotment and rent arrears make up the largest part of the dues. The Authority had started allotting plots in 2003. It has been revising its time extension policy, which covers penal provisions for delayed construction, from time to time. The Authority had charged 10% of the premium upfront and the remaining money was to be paid in instalments.

If a builder failed to finish a project in seven years, a monthly interest rate of 1-2% would be applicable. Since plots are given out on 90-year leases, the Authority also demanded rent. It had issued notices to developers who had not completed projects within deadline and had to pay their dues along with interest.

"This logjam led to a vicious cycle. It did not allow construction work over pending dues. Developers were not able to pay off the dues since projects got stuck and they received no money from buyers. The actual amount due from developers is much less than what is being claimed by the Authority. We raised this problem before the Authority and are glad that a positive decision has been taken," said Manoj Gaur, President of CREDAI (NCR).

Several regulatory bodies sided with the developers because the construction delay, in many cases, took place as the Authority was unable to acquire the land and hand it over to the developers on time.

The state government had passed an order in December last year extending benefits to such builders, like zero-period, and asked the authority to re-calculate the penal amount for construction delay accordingly.

Bhooshan said that during an assessment, it was found that 35,000 to 40,000 units could be completed if some builders could secure last-mile funding.

Close to 1.25 lakh of the planned 2.5 lakh units in Greater Noida are yet to be delivered. About 42,000 flats of these were planned by the Amrapali group.