

## Analytical note – Ranchi Housing project of PPP

### 1. Project background:

Government of Jharkhand (Urban Development and Housing Dept.) has issued RFQ cum RFP document for construction of 40000 Dwelling Units for EWS on Hybrid Annuity Model on PPP basis under PMAY scheme. Estimated Project Cost is Rs. 2,200 crore.

### 2. Project features:

- a. Develop Housing Colonies on land parcels owned by ULBs (41 locations in Towns/Cities of Jharkhand).
- b. Developer responsible for Designing, Engineering, Financing, Procurement, Construction and Transfer over a period of 10 years.
- c. Approx. 40,000 Dwelling Units, with carpet area of 27 – 30 sqm each, G + 4, using new emerging technologies in housing.
- d. The successful Bidder shall demonstrate a project of 2 blocks comprising of minimum 32 dwelling units at his own cost within four months of the signing of the Development Agreement.
- e. Govt to provide land for housing and factory.
- f. All basic External infrastructure for the housing projects will be developed separately by the State govt. Basic external infrastructure includes Boundary Wall, Gate, Road, Drain, Sewerage, Water Supply Pipeline, External Electrification, Street Light, Rain Water Harvesting, Solid/ Liquid Waste Management, Sewerage Treatment, Waste Water recycling, Community Hall, Society Office etc. related other basic infrastructure facilities. For construction of External Infrastructure, a separate tender shall be released and the Developer shall have the 'Right of First Refusal' in this tender.
- g. Single stage, two Envelope bidding system (a. Qualification bid & b. Financial bid).
- h. Bid security : 1% of Estimated Project Cost.
- i. Bid Evaluation: Three stages (a) Responsiveness check for technical capacity and experience (b) Presentation on Technology, experience, team leading to Qualified bidders (c) Financial Bid.

j. Financial Eligibility: (i) Minimum Net worth (the “Financial Capacity”) of Rs. 250 Cr at the close of the preceding FY; and (ii) Average Annual Turnover of Rs. 600 Cr in the last 3 FY(s).

k. Payment terms to the Developer:

- The Bidders are required to quote Rupees Per Square Feet Cost of the dwelling unit (“Construction Rate”) and rate of interest (maximum rate of interest can be Base Rate of State Bank of India as on the Bid Due Date) on the amount to be paid on the unpaid amounts by State Government to the Developer.
- The payment terms to the Developer per dwelling unit shall be as follows:

On Handover of completed Project	Cost of one dwelling unit less the Government of India and Government of Jharkhand Share amounting to Rs. 3.00 lakhs (Rupees Three Lakhs Only) by the beneficiary (i.e. to whom the dwelling unit would be allotted)
Subsequent to the Project Completion	An amount of 3 lakhs (The Government of Jharkhand share of Rs. 1,50,000 +Government of India share 1,50,000) plus the interest (based on the interest rate quoted by the Selected Bidder) shall be payable in 8 (eight) equated half yearly instalments (“Instalment Amount”) payable in May and October every year, starting 3 months after the completion of any project.

l. Bid Parameter: The Bidders for the Project shall quote the Rupees Per Square Feet cost of the dwelling units (“Unit Cost”) and rate of interest on the amount to be paid on the unpaid amounts by the DMA to the developer.

The Bids of the Bidders shall then be evaluated on the Present Value (“PV of Dwelling Unit Cost”). The PV of Dwelling Unit Cost shall be evaluated as follows:

*PV of Dwelling Unit Cost = (Unit Cost x 306<sup>#</sup> – Rs. 300,000) + Present Value of 8 instalments of Instalment amount discounted at the rate of 12% per annum*

- m. The quote of the Bidders having the Lowest PV of Dwelling Unit Cost shall be ranked as L1.
  - n. The Selected Bidder shall have to form an appropriate Special Purpose Company, incorporated under the Indian Companies Act, 2013 (the “SPC”), to execute the Development Agreement and implement the Project.
3. **Discussion with Govt of Jharkhand officials:** The State Govt has had two pre bid conferences with good participation (15 companies). Some changes have been proposed in the second Pre bid meeting, which are yet to be approved by the State cabinet. Post approval of the State Cabinet, the Project may undergo the following modifications: -
- a. **Change in the number of locations from 41 to 03:** Instead of developing housing at 41 locations the project is now restricted to Dhanbad, Ranchi and Jamshedpur, though the number of Housing remains the same.
  - b. **Change in the Payment mode to Developer:** Initially all payments were being made at the completion of the project. Now, the State Govt intends to make 50% payment during construction by creating an Affordable Housing Fund.
  - c. **Change in the Bid Parameter:** Earlier the Bid Parameter had two constituents; (a) Unit Cost – Rupees per square feet cost and (b) Interest rate – on the amount paid on the unpaid amounts by DMA. It is now proposed to keep only the lowest Unit Cost for construction as the Bid Parameter.

#### **4. Current Status:**

Last Date and Time for submission of online bid (Bid Due date) has been extended from 16<sup>th</sup> September, 2017 to 16<sup>th</sup> October, 2017.

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<sup>#</sup> 306 is approximate area of dwelling unit in square feet.