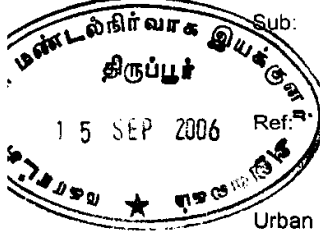


OFFICE OF THE COMMISSIONER OF MUNICIPAL ADMINISTRATION,  
Chepauk, CHENNAI- 600 005.

Roc.No: 5377/2002/P3

Dated: 02-09.2006

**CIRCULAR**



Sub: Urban Local Bodies – Remunerative Projects – Shopping complexes – Bus stands in other places – leasing out of shops to be constructed in the bus stand Pre-auction sales of the shops – orders requested.

- Ref: 1 This office letter Roc.No: 3507/2004/P3 dated: 9.9.2005  
2 This office circular No.43339/2006/P3 Dt.1.8.2006

Urban local bodies are availing loans from various Financial Institutions for the construction of remunerative enterprises like shopping complexes, markets, bus stands, theaters, truck terminals, kalyanamandapams etc. For these, detailed project reports are being prepared indicating financial viability of the project and forecasting the income that would be derived from the projects. Based on viability of the project loans are sanctioned by the Financial Institutions. After completion of the project, it is found that many municipalities are not in a position to get sufficient income from the projects and ultimately not in a position to repay the loan as well as interest amount to financial institutions. Financial institutions then approach Government and Commissioner of Municipal Administration with request to deduct this amount from the devolution grants or Finance Commission Grants. If this request would be agreed then U.L.Bs would face severe financial crunch.

Considering all these issues, instructions have been issued to all Municipal Commissioners / Executive Officers to conduct pre-auction of remunerative assets like shops, stalls etc. before the commencement of the construction, so as to avoid any delay in letting out the shops and also to ensure anticipated income by way of rent at the time of completion of construction. In G.O(Ms) No: 6, Municipal Administration and Water Supply (MA-IV) Department dated: 9.1.2006 while according administrative sanction for the construction of shopping complex at daily vegetable market at Mohammed Ali Club Road, Dharmapuri at an estimated cost of Rs. 175.00 lakhs. Government have ordered that the Municipality shall ensure 75% of occupancy of the shopping complex before taking up the construction of shopping complex. In G.O(Ms.)No: 19, Municipal Administration and Water Supply Department dated: 7.2.2006 while issuing Administrative Sanction for the construction of Bus stand to Tindivanam Municipality, it was ordered that pre-auction should be conducted before leasing out the revenue yielding structures e.g. shops, pay and use toilets to be constructed in the Bus stand. In G.O(Ms.)No: 25, Municipal Administration and Water Supply (MA-IV) Department dated: 01.3.2006 while according administrative sanction for the construction of additional bus stand in Pollachi municipality at an estimated cost of Rs.175.00 lakhs the Government have ordered that the work should commence only after pre-auction of 75% of the proposed shops in the bus stand.

Some of the Municipalities have successfully conducted pre-auctioning of markets and shops and got deposit in advance and have reduced loan burden for the project. Sirkazhi Municipality and Aranthangi Municipality have recently done this type of pre-auctioning.

In Sirkazhi Municipality out of 58 Shops to be constructed under IDSMT Scheme 39 Shops were auctioned out on first / second call itself.

During the review meetings, many Municipal Commissioners have raised clarifications, doubts in implementing the pre- auction method.

In this connection the following instructions are issued.

- 1 The Executive Authorities are instructed to put up a name board incorporating the details of the Number of shops to be constructed, its size, total area and amenities to be provided in the proposed shops along with the necessary drawings.
- 2 Wide publicity should be given through Newspapers, Cable TV, Bit notices informing the public about the details of shops to be leased out, monthly rent, deposit amount to be expected.
- 3 The Executive Authorities are ensure that monthly rent is fixed based on the market rent in the nearby areas as well as keeping in view viability of the project.
- 4 According to the prevailing situation of the Town the Executive Authority may collect the deposit in instalments. At the time of pre auction who ever is paying full deposit amount they may be given some incentive (e.g. 5% reduction in deposit amount etc). During course of construction some installments may be collected. After completion of work and at the time of handing over higher amount may be fixed as deposit. This will attract more competition at the time of Pre auction.
- 5 It is instructed that there should not be any loss to the Municipalities income realized from the shops so that there will not be any problem in the repayment of loan and interest due to the Financial Institutions
- 6 Other instructions issued in the above mentioned circulars should be followed in its letter and sprit.

The above instructions are to adhere strictly, any lapses in this regard will be viewed seriously.

The receipt of this circular should be acknowledged by return of post

Sd/- Dr.Niranjan Mardi  
Commissioner of  
Municipal Administration

To  
All Commissioners of Corporation All  
Commissioners / Executive officers of  
Municipalities

Copy to  
All Regional Director of Municipal Administration  
JCMA / ADMA SE/JD (TGM) table  
The CMD, TUFIDCO, Chennai-35 for information  
The CEO, TNUIFSL, Chennai-17 for information  
Copy to : RWS section for information  
Stock File  
Spare-4

//Forwarded by order//

  
SUPERINTENDENT

  
12/9/06

12-9-06