

Development Fee/ Impact Fee

Case Study: Hyderabad, Telangana





Development charges, also known as **impact fees or cost levies**, refer to the fees levied by local authorities or municipal corporations on real estate developers or property owners for the **purpose of financing infrastructure development** and public amenities in the area.

Development Fee/ Impact Fee - The case of Hyderabad, Telangana

Overview

These charges are levied on new constructions in an area where a **large new public investment** has been announced. Such investments could include major roads and highways, metro rail, industrial corridors, ports, airports, and any other public infrastructure facility. They are levied to recover at least a **share of the investment made**.

The impact fee generally varies depending on **location, land usage, and height of the new construction**. It is collected when the land owner applies for new construction permission. Impact fees are calculated based on the total cost of the project investment proposed and the development potential within the influence area.

Case 1: Impact fee along the outer ring road

Overview

The Outer Ring Road (ORR) is a **road-cum-area development project**, conceptualised with the aim of providing well-planned and well-connected urban settlements around the Hyderabad metropolitan area. ORR is managed by a special purpose vehicle (SPV) called the —"**Hyderabad Growth Corridor Limited**" (HGCL). It has been developed as an expressway of **8 lanes** divided with access control, and has a total of 19 access points and a length of 162 km. Envisaging that development of ORR will trigger large scale development along the corridor, a comprehensive development plan and special development regulations have been prepared for areas falling under a **1 km belt on either side of the ORR** so as to promote planned development and curb haphazard and ribbon development. Radial roads have been taken up around the city for better connectivity to the ORR from the Inner Ring Road. The road development plans were prepared for road widening, construction of footpaths, and central median with lighting and beautification works.

Legal Basis

Special development regulations have been formulated by a special purpose vehicle (SPV) called the —"**Hyderabad Growth Corridor Limited**" (HGCL) for the **Hyderabad Outer Ring Road Growth Corridor (ORRGC)**, a 1 km belt on either side of the ORR. With a view to ensuring development of ORR and related facilities special impact fees are levied on buildings in the **Outer Ring Road Growth Corridor (ORRGC)**.

Who levies the charges?

The amount levied and collected under the above rule is credited and maintained in a **separate escrow account by the competent authority** and is utilised only towards ORR capital infrastructure requirements. For that, an infrastructure plan and action plan is prepared.

Applicable Rates

The impact fees are higher for that part of the corridor within the ORR and for commercial uses, and increases with building height. Within HMDA limits, the impact fee starts from **INR 300 per sq.m, while it is 1.5 times more on the ORR growth corridor.**

The regulations specify the rates of the special impact fee as follows:

Rate (in INR/ sq.m of built-up area) for building heights up to 15m							
Use	Building height	Zone-A		Zone-B		Zone-C	
		SDZ1	SDZ2	SDZ1	SZ2	SDZ1	SDZ2
Residential and all other non-commercial uses	Up to 10 m	75	50	50	40	40	30
	Above 10 m and up to 15 m	100	75	75	50	50	40
Commercial, ITES	Up to 10 m	150	100	100	75	75	50
	Above 10 m and up to 15 m	200	150	150	100	100	75

Table- Impact fees for building upto 15m

Collection from Impact fee

HMDA is planning to collect the impact fee from owners and developers taking up projects on nine radial roads to get nearly **INR 180 crore**. Due to the high rate of impact fee, the state government had subsequently reduced the fee to **50% in the extended HMDA area and 30% in the GHMC** area with an option to pay the impact fee and building fee in instalments to get revenue from the builders.

Case 2: Impact fee along designated commercial corridors in Hyderabad

Overview

Many notified commercial roads in Hyderabad had become shopping streets with higher order commercial activities being conducted, irrespective of location or the width of the roads, with no hierarchy or level of activity/service being maintained, posing severe parking and traffic congestion problems in the city. Therefore, the **GoAP has permitted the MCH** to levy a separate impact fee meant to address city-wide problems emanating from **high-density commercial development**. The amount so collected shall be utilised for a capital improvement and decongestion plan, i.e., for works such as road widening, link roads, slip roads, parallel roads, junction improvements including traffic signals, flyovers, rail overbridges, rail under-bridges, modern lighting on major roads, development of major storm water drains, river-front and parks, and for geographic information system (GIS) applications.

Legal basis for Impact fee

Reference Section of the Act

Under sub-section (2) of section 12 of the **Andhra Pradesh Urban Areas (Development) Act, 1975 (Act-I of 1975)**, the government has categorised the notified commercial Roads into categories A, B and C in **Greater Hyderabad Municipal Corporation (GHMC) area**. Category A allows multiplexes, shopping malls, theatres, wholesale trade activities. Category B allows all retail shopping activities, service establishments, hotels, hospitals, etc. Category C allows offices, ITES, restaurants, etc. At junctions of roads with different categories, the higher category commercial activities and impact fee rates apply.

Who levies the charges?

Taxes for commercial activities are levied and collected by the **Commissioner, GHMC**, while granting development /building permissions along the notified commercial roads. These impact fees are over and above the city-level infrastructure impact fees listed in the **Hyderabad Revised Building Rules, 2006**, which are levied and maintained separately.

Applicable Rates

Category of impact fees	
Category	Impact fee per sq ft for ground and first floors (for 2nd floor and upper floors the rate is 50% of the rates given here under)
Category A	INR 400/- per Sq ft on total built-up area
Category B	INR 300/- per sq ft on total built-up area
Category C	INR 400/- per sq ft on total built-up area

Table- Category of impact fees

For owners proposing commercial development activity under category B, on roads notified under category C, the impact fee is **3 times** the category C rate. For owners proposing commercial development activity under category A, on roads notified under category B, the impact fee is **3 times** the category B rate. Commercial activities permitted under category A are not permitted on roads notified under category C viz., change from category C to category A is not permissible.

Apart from the above categorization of commercial areas, commercial uses are considered only as category –C on a **case-by-case basis** as regular change of land use case, subject to site abutting a minimum road width of 18 m (60 ft) and levy of impact fee of three times the rate given in Category C of above table.