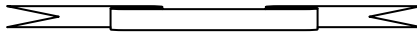


LIST OF BUSINESS U/S 15(2) OF PROCEDURE AND CONDUCT OF BUSINESS REGULATIONS, 1997.

ITEM NO.	SUBJECT	PAGE	ANNEXURE
1. (W-8)	Project for Re-development of Yashwant Place Cinema Complex.	2 – 9	10 – 12



ITEM NO. 01 (W-8)**1. Name of the subject/Project**

Project for Re-development of Yashwant Place Cinema Complex

2. Name of the Department

Projects department.

3. Brief History of the subject/project:

The Cinema Building was constructed in the 1960s and it was licensed out to M/s Agarwal & Modi Enterprises Pvt. Ltd. from 1.10.1970. The licence was extended by one block of ten years i.e till 1990 however, M/s Agarwal & Modi Enterprises Pvt Ltd continued to be in possession beyond the stipulated license period. The occupier filed a number of court cases and after prolonged litigation the division bench of the High Court of Delhi in its order dated 30/8/2005, in LPA No. 596/2003, dismissed the appeal filed by M/s Aggarwal & Modi Enterprises (Cinema Projects) Pvt Ltd, being devoid of any merit. The appellants were directed by the court to hand over the premises to NDMC and pay all arrears of the licence fee being paid by them at present within three months from the date of the order. The court clarified that its order was without any prejudice to the rights of NDMC for mesne profits. Thereafter, a Special Leave Petition (No 21183 of 2005) was filed by M/s Aggarwal & Modi Enterprises (Cinema Projects) Pvt Ltd and in its order dated 28/11/2005, the Hon'ble Supreme Court continued the interim protection given by the High Court. The last hearing took place on 21/3/2007.

During the pendency of various court cases the Council resolved that an expression of interest should be invited from interested parties for their offers and suggestions regarding redevelopment of chanakya cinema complex as a

- i. Commercial Complex or
- ii. Cinema –cum-Commercial Complex or
- iii. Cinema –cum Multiplex and
- iv. whether it should be developed by NDMC or
- v. it should be given to other institutions for redevelopment

(Resolution No. 15(Q-5) dated 26.8.2004.)

It was further resolved that based on a feasibility report so received, the matter would be put-up to the council for a final decision in the matter.

The expression of interest was, however, kept pending as the legal opinion was against inviting expression of Interest before possession of the property is recovered because it was felt that only then would any serious offers or proposals were expected to come.

During the course of the proceedings before the Hon'ble Supreme Court, NDMC filed an affidavit stating that *"NDMC has proposed to build a multiplex complex which shall be one of the most modern complexes all over the world. During the 2010 Commonwealth Games, in order to attract the best of tourism and in order to cater to all the diplomats and officials of Commonwealth countries, the said multiplex-cum-commercial complex has been proposed and contemplated. The NDMC had earlier proposed modern multiplex complex. In the process of revising the same to update it and put up an international standard multiplex-cum-commercial complex, the NDMC now proposes to float a global tender of expression of interest so as to have the proposed multiplex/commercial complex of international standards. In rough estimate NDMC is proposing to have 80,000 sq. feet plus basement of built-up area in the said multiplex complex. At a rough estimate of ongoing market rates of approximately Rs.150 sq.ft. NDMC is likely to fetch a yearly revenue of above Rs.14.40 crore. Looking form any angle, one cannot find any fault with the proposals of the NDMC to act in public interest and fetch maximum possible revenue out of its resources"*

The Hon'ble Supreme Court vide order dated 23/1/2006 directed that the outline of a consultants scheme in any be filed before it. Accordingly, it was decided to invite Expressions of Interest in order to engage consultants for this purpose. Accordingly M/s Infrastructure Development Finance Company Ltd was selected through a competitive bid process. The scope of work outlined was:-

1. To advise on suitable product mix for the development of complex with maximum revenue to NDMC and better facility to public.
2. Preparation of conceptual drawings and details for redevelopment.
3. To advise for possible model, marketing & maintenance of the development, may be on BOT basis, keeping it as high revenue earning & state of the art project.
4. Preparation of Bid documents & Bid process management.

The report prepared by ILFS in consultation with NDMC was submitted to the Hon'ble Supreme Court of India in sealed cover and came up for hearing on 21/3/2007.

4. Detailed proposal on the subject/project

4.1 In its report, the consultant has evaluated several options for the product mix for redevelopment of the cinema complex. The analysis has been made primarily on the basis of the demand for a particular development and the revenues likely to accrue to NDMC as a result. To sum up, the following options were initially proposed:

- (a) Mall-cum-multiplex with high end retail.
- (b) Multiplex, leisure, entertainment and related office tower.
- (c) Boutique/Five Star Hotel.
- (d) Aquarium.
- (e) Opera.

Option (c) was not evaluated because of the presence of Akbar Bhawan which can be developed as a star hotel after it is vacated by MEA. Furthermore, the option was not as per the mandate to projects department to explore development of a Multiplex and leisure destination.

The Technical and financial analysis of the option (d) and (e) carried out is summarized below:

Evaluation of Technical Feasibility of Aquarium and Opera:

Evaluation Criteria	Aquarium		Opera	
	Issues	Evaluation	Issues	Evaluation
Location	<ul style="list-style-type: none"> i) Delhi being land locked, is not ideal for locating an aquarium ii) Issues with transporting salty water/animals, recycling waste water etc. 	Not suitable	<ul style="list-style-type: none"> i) Delhi is a culturally active city with high demand for space for art display/performance ii) Suitable surroundings with high end clientele 	Suitable
Area of site	i) Available BUA not sufficient for large world class aquarium	Not suitable	i) Technically suitable for opera aquarium	Suitable
Rival facilities	<ul style="list-style-type: none"> i) Proposed Rs.500 crore world class marine aquarium at Calcutta ii) Proposed 2.2 crore aquarium in Gurgaon 	Not suitable	i) Popular options like Siri Fort, Kamani and other indoor/outdoor performing auditoria at lower prices	Not Suitable

Evaluation of Financial Feasibility of Aquarium and Opera:

Based on secondary literature key assumptions with regards to construction, design and revenue returns were made for both Aquarium and Opera. On the basis of this it was seen that-

- (i) An aquarium would be constructed at the cost of Rs.132.3 crores. Assuming a concession period of 30 years, the project will give low returns with an IRR of 0.03%.
- (ii) An opera on the other hand would be constructed at a cost of Rs.97.5 crores. Assuming a concession period of 30 years, the project will have a negative IRR.

Hence, it is seen that an Aquarium is both technically and financially infeasible as a development option. An opera on the other hand is technically feasible but will fail to give financial returns. Hence, both these development options may be a part of the entertainment facility, not viable on standalone basis and may be developed as themes for which the flexibility may be provided to the developer.

Of the Mall-cum-Multiplex and Multiplex-cum-tower options, both development options have been found to be technically feasible and having market demand. From the primary surveys, it emerges that a mall-cum-multiplex development would be a profitable real estate venture for developers. A preferred product mix would include Multiplex, high and retail, entertainment facilities such as gaming multi-specialty dining areas. Given good market potential and high rental returns as perceived by developers, a retail-cum-leisure facility would be the preferred development option.

The other option that seemed to have emerged is a mix of entertainment cum support A grade office tower as a profitable option. The office tower could primarily be a support to entertainment business such as the multiplex, etc.

Conceptual drawings of the **options (a) and (b)** have been given with detailed financial analysis over a thirty year period keeping in view two methods of development:

(a) Build Operate Transfer (BOT) model by a private developer

In the BOT option the developer may be given by NDMC through a concession/authorization agreement the right and responsibility of conceptualizing, obtaining approvals, funding, constructing, marketing, letting out the built up space to end-users and realizing revenues in return,

operating the common areas and infrastructure utilities for the concession period. The developer will finally hand over vacant possession of the property to NDMC at nil value at the end of the concession. For the rights given to him, the developer will be expected to make various payments to the concession grantor and lessor NDMC. These could be structured as a combination of:-

- Upfront payments,
- recurring (monthly/quarterly) lease rentals and
- percentage of gross revenue receipts of the developer.

(b) **NDMC funded model**

In the NDMC funded option, the Council would develop the entire project and lease/license out the built-up spaces to individual customers, and retain the entire income itself, as it is doing in many commercial buildings today. NDMC may hire a specialized facility management agency to take care of the day-to-day operations, estate management functions on its behalf so that the property is maintained as a landmark/premium destination.

The basic assumptions relating to cost and revenues are the same in both the NDMC as well as the NDMC funded model. However, the consultants suggest that the income should be discounted by about 30% in case of an NDMC funded model because of differences in efficiencies in operations and market perception of the developer. Also, the construction period is anticipated to be shorter in a BOT Model as there is an inherent incentive to complete the project early in a BOT scheme. This is eventually reflected in the financial returns from the project. The summary of the financial analysis is given below:

Case	Options	Estimated project landed Cost (Rs in crores)	Expected lease rental per sq.ft. of FSI.	Upfront Premium (in Rs. crores)	Likely revenue in crores over the project life
Option (a) Mall-cum-multiplex with high end retail.	1. BOT	75.19	43	50	159.09
	2. NDMC	20.72	0	0	138.08
Option (b) Multiplex, leisure, entertainment and related office tower	1. BOT	55.77	43	33	132.27
	2. NDMC	20.06	0	0	96.71

- 4.2 NDMC has been consistently pressing for possession of the property and payment of outstanding arrears before the courts. The arguments before the court have been that the development of the project has been delayed due to non-eviction of the petitioner. In the last hearing held on 21/3/07, the Hon'ble Supreme Court was of the opinion that NDMC should consider the proposals outlined in the report at appropriate level and take a decision and place it before the court before the next date of hearing.

The counsels appearing for NDMC have advised NDMC to consider taking a decision on the following terms:

- "(i) In the event of eviction order passed by the Hon'ble High Court be upheld by the Supreme Court and possession of the property being handed over to the NDMC, the NDMC would develop the property in terms of the report of the consultants.*
- (ii) The NDMC may consider either of the two options suggested by the consultants in the light of their recommendations made at page-116 of the report.*
- (iii) The criteria to be adopted by the NDMC is selected either of the two options should be primarily based on (a) optimum utility of the premises (b) optimum revenue realization by the NDMC (c) large needs of the City and the locality (d) potential need of the option selected (e) capability of the NDMC, or the party so selected by the NDMC to manage the project (f) any other relevant factors.*

After taking decisions, the NDMC should inform the Court before the next date of hearing of the decision so taken by NDMC.

In the light of what transpired in the Hon'ble Court, it would be advisable to select and appropriate partner, BOT operator by an open and transparent competitive bidding. It may be made clear that the present occupant namely Aggarwal & Modi Enterprises Limited would also be allowed to bid."

(copy of the advice is placed as Annexure A, See pages 10 - 12)

- 4.3 In view of the discussion in para 4.1 and in view of the counsels advise in para 4.2, it is proposed as under

Proposal 1: Based on the discussion above, it is proposed that the recommendations of the consultants be accepted both on the product mix as well as the model of implementation i.e BOT.

Proposal 2: The developer under the BOT model be selected through a competitive bidding process. No special concession is to be allowed to M/s Aggarwal & Modi Enterprises Pvt Ltd. However, they may be allowed to participate in the bid process if they meet the eligibility requirements.

5. Financial implications of the proposed project/subject :

NDMC is likely to earn an upfront premium of Rs 50 crore with an annual return of about 4.5 crore from development of the project.

6. Implementation schedule with timeliness for each stage including internal proceeding:

The second phase of the consultants assignment is to prepare the bid documentation and conduct the bid process. A period of 24 weeks has been allowed under the consultancy contract for the process. Thereafter it will take about 2 years to complete the construction.

7. Comments of the Finance Deptt. on the subject

Not shown in finance.

8. Comments of the deptt. on comments of Finance Deptt.

NA

9. Legal implications of the subject/project

NDMC is complying with the directions of the Hon'ble Court.

10. Details of previous Council Resolutions, existing law of Parliament and Assembly on the subject

Matter was discussed in Council vide resolution No 15(Q-5) dated 26/8/2004. A status report containing a brief history of the Subject was noted for information of the council in its ordinary meeting held on 19/05/06 vide resolution no. 24(W-4) & the appointment of the Consultant was noted in the meeting held on 13/10/2006 vide Resolution no. I(W-7).

11. Comments of the Law Deptt. on the subject/project

"The agenda item is in accordance with the recommendations of the consultant and advice of advocates and Law Department approves of the agenda item and recommendations"

12. Comments of the depts. on the comments of Law Deptt.

13. Recommendation

This intimation is placed before the council for information & consideration of the option (a) Mall-cum-multiplex with high end retail on BOT basis.

COUNCIL'S DECISION

The Council deliberated in detail the report of the Consultants recommending various options for redevelopment of Chanakya Cinema Complex. The Council took note of the suggestion in the report that there is substantial demand for a multiplex as well as a commercial complex which can be a shopping complex or an office Complex and projection of substantial increase in the revenues to NDMC from such a redevelopment of the Complex as compared to the present revenues from the single screen cinema.

The Council resolved to accept the report of the Consultant and the recommendation for redevelopment of the complex into a Multiplex-Cum-Commercial Complex. The Council further resolved that as the project is a time bound project, to be completed before the Commonwealth Games, 2010, the department should now expeditiously procure, with the help of the consultant, bids from interested parties for its redevelopment as a Multiplex-Cum-Commercial Complex and place before the Council, the actual financial implications from such redevelopment.

Resolved further that in the event of its being financed by the Council, a sum of Rs. 20 crores be initially provided in the Budget Estimate for 2007-08.

Resolved further that in anticipation of the confirmation of the minutes of the meeting of the Council, the Supreme Court may be informed accordingly.

**(MANSUR ALI SAYED)
SECRETARY/CVO**

**(PARIMAL RAI)
CHAIRPERSON**