

**Report of the
Comptroller and Auditor General of India**

**Performance Audit of
Acquisition & Development of land
and
Allotment of Sites/Houses/Flats
by Karnataka Housing Board
for the year ended 31 March 2013**

Government of Karnataka

Report No.6 of the year 2014

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Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2013 has been prepared for submission to the Governor of Karnataka under Article 151 of the Constitution.

The Report of the Comptroller and Auditor General of India contains the results of Performance Audit of “Acquisition & Development of land and Allotment of Sites/Houses/ Flats by Karnataka Housing Board” covering the period of 2008-2013.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from the Housing Department at each stage of the audit process.

Executive Summery

1. Background

In order to bring the entire State under the purview of uniform law Government enacted Karnataka Housing Board Act, 1962.

The primary objective of the Karnataka Housing Board (KHB) is ‘to make such schemes and to carry out such works as were necessary for the purpose of dealing with and satisfying the need of housing accommodation’.

The Performance Audit was conducted during February to July 2013 covering the period 2008-13. Entry and exit conferences were held with the Principal Secretary, Department of Housing. The responses of various officers of the KHB to the audit observations have been taken into consideration and incorporated in this report. While the main findings are summarised in the following paragraphs, the details are available in the specific chapters.

2. Planning

- KHB selected the locations and the extent of land arbitrarily without conducting any demand survey or ascertaining availability of land. This resulted in non-execution of projects in approved places or projects being shifted to subsequently identified locations.
- In three test-checked projects, KHB acquired land for housing projects without verifying the land use patterns prescribed in the Master Plan of respective Planning Authorities.

(Chapter-1)

3. Acquisition of land

- KHB resorted to purchase of land in fragments, followed by acquisition under LA Act, 1894 to form a compact block. This led to delay in completion of acquisition process. Also, the direct purchase facilitated middlemen in purchasing identified land from the farmers at throwaway prices and offering the same to KHB at exorbitant rates reaping huge profit in the bargain.
- The District Purchase Committee (DPC) was bound to adhere to the guidelines issued by the Government during November 2001. However, contrary to guidelines, rates fixed for compensation in six test-checked cases were found to be fixed without transparency and proper justification.
- KHB did not have a defined policy for grant of incentive sites/ developed land in lieu of land compensation. It decided the compensation on a case to case basis driven by the demand of land owners.

- Special Land Acquisition Officer (SLAO) failed to obtain all documents necessary for processing claims before payment of compensation. Hence, ₹ 8.52 crore was paid as compensation without availability of necessary documents and therefore audit could not derive assurance that payments were made to rightful owners.

(Chapter-2)

4. Execution and costing

- KHB did not follow the procedures prescribed under the Karnataka Transparency in Public Procurement Act, 1999 while inviting or processing the tenders.
- KHB adopted manual excavation instead of mechanical means for 9,28,465.50 cum of earth in 18 out of 32 works incurring an avoidable expenditure of ₹ 9.16 crore.
- KHB used water bound macadam as base course for majority of the roads in 19 works instead of wet mixed macadam resulting in extra expenditure of ₹ 5.26 crore.
- KHB had not drawn up a costing manual prescribing the guidelines for fixation of allotment rate. Fixation of allotment rate before actual completion of the project resulted in a loss of ₹ 146.26 crore in three projects.

(Chapter-3)

5. Allotment

- In the absence of specific rules and regulations for allotment of Discretionary Quota (DQ), stray and Civic Amenity (CA) sites, there existed inconsistencies in their allotment. KHB made allotments on request and at rates lower than the rates fixed in its resolutions.
- 239 houses in Suryanagar Phase III, Bangalore and 54 houses in Kalagnoor- Kushnoor, Gulbarga were allotted directly without issuing public notification.
- CA sites were not relinquished as required to the local development authorities and also there was no transparency in their allotment. There existed inefficiency in management of CA sites as many CA sites had been used for unauthorised purposes while many others remained unutilised.
- Many CA sites as well as many properties of KHB remained encroached upon and KHB did not take any effective action to evict the encroachers and restore its properties.

(Chapter-4)

6. Conclusion

KHB's functioning, especially in regard to selection of locations for housing projects, was not effective as acquisition of land for housing projects was not driven by demand. Instead, direct purchase of land in bits and pieces from those volunteering to sell the land by mutual consent was the determining factor for selection of locations for the housing projects. The residual land required for the housing projects was acquired under the LA Act, 1894 by paying the compensation determined for direct purchase. Lack of policy or rules for direct purchase of land facilitated arbitrary purchase of land directly from volunteers at inordinately high rates.

There was no prior consultation by KHB with the other jurisdictional Planning Authorities to ensure that land earmarked for parks and roads in the Master Plan of the Local Authority were not notified for housing purpose.

KHB violated prescribed procedures while inviting tenders and managed the contracts inefficiently resulting in excess payment/undue benefit to the contractors. The adoption of prior costing method in determining selling price for the sites/houses developed in various projects resulted in financial loss as KHB could not recover the entire expenses made in acquiring and developing the land/houses.

The allotment of various categories of sites by KHB was not consistent with the rules. CA sites had been allotted directly without notifying these to public and unjustifiable concession in price had been extended to several allottees. Management of CA sites by KHB was ineffective as many CA sites had been used for unauthorised purposes while many others remained unutilised. Many properties of KHB remained encroached upon and no serious efforts were made by KHB to clear the encroachments and restore the properties to its fold.

(Chapter-5)

7. Recommendations

- In order to ensure systematic and orderly development of housing projects in the State, the Government needs to ensure that the KHB acquires land on the basis of demand and also after prior consultation with the jurisdictional Planning Authorities.
- The Government needs to address the issue of fixation of cost of land acquired on the basis of market value by framing guidelines prescribing the procedure for fixation of cost of land. This is essential to guard against high price being paid, based on demand of the land owner or middle men.

- KHB needs to revise its Rules for allotment of different categories of sites. It also needs to frame appropriate guidelines to ensure that there is transparency in allotment of CA sites.

(Chapter-5)



INTRODUCTION

1. Introduction

The primary objective of the Karnataka Housing Board (KHB) is 'to make such schemes and to carry out such works as were necessary for the purpose of dealing with and satisfying the need of housing accommodation'. In order to bring the entire State under the purview of uniform law, Government enacted Karnataka Housing Board Act, 1962.

2. Organisational arrangement

KHB functions under the overall control of the Principal Secretary, Department of Housing. It is headed by a Chairman, assisted by a Commissioner, and eight official and five non-official members. The Commissioner is the Chief Executive and Administrative Officer of KHB and also a member of KHB. The Commissioner is assisted by four Special Land Acquisition Officers (SLAO) in matters relating to acquisition of land, a Joint Director Town Planning responsible for matters relating to town planning and a Chief Engineer entrusted with the responsibility of the development of the land acquired. While the Deputy General Manager is responsible for allotment of sites/houses developed, a Deputy Commissioner is responsible for recovery. The Controller of Finance assisted by Accounts Officer is responsible for advising KHB on matters relating to Finance. The Secretary, assisted by Revenue officers is entrusted with public relation, general administration, systems and legal matters.

KHB consists of two tier administrative structure comprising of a Head Office and Executive Engineer Offices being first level and Project Offices situated at all districts being the second level. There are 10 offices of the Executive Engineers and 27 Project Offices in different districts.

3. Programme Management

The Housing Schemes implemented by KHB during 2008-13, their financial and physical progress are as detailed below.

3.1 100 Housing Scheme

The scheme was formulated with the primary objective of providing 13,500 houses affordable to various income groups and 15,000 developed sites of various dimensions at affordable prices, at 100 locations covering all districts in the State. Out of 100 Housing Schemes taken up during 2002-03, 91 schemes have been completed, seven schemes are under progress and two schemes are under formulation.

3.2 Suvarna Karnataka Housing Scheme

Suvarna Karnataka Housing Scheme was approved during 2007 to be taken up in 50 places identified. Out of 50 housing projects, 21 projects have been

completed, 22 projects are under progress and seven projects are under formulation.

3.3 225 Housing Scheme

In order to provide affordable 1,31,051 houses and 3,05,786 sites at various Taluks and District Headquarters, 225 Housing Scheme was taken up in May 2010. Out of 225 Housing Schemes, two Schemes have been completed and 35 Schemes are under progress.

The physical and financial progress of all the three schemes is detailed in **Table-1**.

Table-1: Details of Housing Schemes

Name of the Scheme	Completed				Under progress				Under formulation		
	Sites	Houses	Apart-ments	Cost (₹ in crore)	Sites	Houses	Apart-ments	Cost (₹ in crore)	Sites	Houses	Estimated cost (₹ in crore)
	(in numbers)				(in numbers)				(in numbers)		
100 Housing	24,212	4,158	Nil	950.49	2,376	139	Nil	59.56	1,203	120	40.25
Suvarna Karnataka Housing Programme	6,634	562	40	228.85	14,495	703	1,183	1,221.30	7,050	790	416.10
225 Housing Scheme	449	80	Nil	28.71	2,946	384	Nil	3,377.26	--	--	--
Total	31,295	4,800	40	1,208.05	19,817	1,226	1,183	4,658.12	8,253	910	456.35

(Source: Information furnished by KHB)

3.4 53 Housing Scheme

The Government in its order (September 2012) accorded approval for implementation of a composite housing scheme at 53 locations in the State.

4. Audit objectives

Audit was taken up with the objectives of ascertaining whether:

- the acquisition/direct purchase of land for implementation of various housing schemes was consistent with provisions in the Acts and Rules;
- the development works were executed as per Karnataka Transparency in Public Procurement (KTTP) Act and Rules resulting in efficient contract management facilitating completion of projects as per schedule plan and time;
- the allotments of sites under different categories were compliant with the rules framed for the purpose; and
- KHB had inventoried its assets to have an effective tool for managing them, besides guarding against encroachments.

5. Audit Scope and Methodology

- The Performance Audit was conducted during February to July 2013 covering the period 2008-13. An entry conference was held on 7 May 2013 with the Principal Secretary, Department of Housing, wherein the audit methodology and scope was discussed. The audit covered the records of Secretariat, Land Acquisition Section, Engineering Section, Town planning and Allotment Section of KHB.
- The audit sample based on simple random sampling method covered 50 *per cent* of the land purchased directly and 33.33 *per cent* of land through compulsory acquisition under the provisions of the Land Acquisition Act (LA Act), 1894. Audit sample for execution and allotment covered 40 *per cent* of completed as well as ongoing projects and 35 *per cent* of allotments in sites/houses/Civic Amenity (CA) sites respectively. The audit comprised of joint inspections apart from scrutiny of records and discussions with KHB's Officers/Officials.
- The report has taken into account the replies furnished by various officers of KHB to the observations communicated by audit. The audit findings were discussed with the Principal Secretary, Department of Housing in the exit conference held on 5 August 2014.

6. Audit Criteria

The audit criteria were derived from the following sources:

- The Karnataka Housing Board Act, 1962 (KHB Act);
- The Karnataka Housing Board Rules, 1964 (KHB Rules);
- The Karnataka Housing Board Regulations, 1983;
- The Land Acquisition Act, 1894 (LA Act) as amended by the Land Acquisition (Karnataka Extension and Amendment) Act, 1961;
- The Karnataka Land (Restriction on Transfer) Act, 1991;
- Karnataka Town and Country Planning Act, 1961 (KTCP Act);
- Karnataka Urban Development Act, 1985;
- Zoning of Land Use and Regulations and Zoning Regulations of Town Planning Authorities of respective districts including Bangalore Metropolitan Region Development Authority;
- Relevant Government Orders, instructions and circulars.

7. Acknowledgement

We place on record our appreciation for the cooperation extended by the Karnataka Housing Board in conducting the Performance Audit.



CHAPTER - 1

PLANNING

CHAPTER 1

PLANNING

1.1 Planning for housing projects

1.1.1 Programme formulation

Under section 19 of the KHB Act, 1962, KHB is mandated to prepare and submit to the Government, the annual housing programme and land development programme before the first day of December in each year.

KHB was required to assess the appropriate number of projects that could be implemented in part/whole during the ensuing financial year.

Audit, however, observed that the locations and the extent of land had been selected on an arbitrary basis, as there was nothing on record to show that KHB had conducted a proper demand survey before finalising the location as well as determining the extent of land required. Further, Audit observed that KHB had neither identified nor ascertained the availability of land at these locations. This resulted in

- Non-execution of projects in the approved places due to non-availability of land;
- Execution of projects shifted to locations other than identified;
- Modifications in execution of project due to variation in extent of land, and fragmented purchase of land.

Instances of audit observations in this regard are discussed in subsequent paragraphs:

(a) Arbitrariness in the selection of locations for the implementation of housing projects under Suvarna Karnataka Housing Scheme

A Cabinet Sub-committee, which was constituted under the Chairmanship of the Minister for Medical Education, conducted a meeting on 9 December 2003, wherein it was decided that as part of the Suvarna Karnataka celebrations all the departments should formulate the appropriate programmes, on a priority basis. The Commissioner, KHB (Commissioner) in letter dated 17 November 2004 submitted that KHB would undertake 50 Model Housing Schemes at 50 locations across the State to commemorate this event and that the detailed proposals would be submitted along with Board resolution, in due course.

The Board approved (December 2004) the proposal and in order to finalise the appropriate locations for the implementation of the 50 Model Housing scheme, the Commissioner directed (January 2005, March 2005 and May 2006) all the Executive Engineers of the divisional offices of KHB to identify

suitable land and to send proposals, for which there was absolutely no response. After having failed to receive feedback from the divisional offices, the Commissioner submitted (May 2007) proposal to the Government.

After forwarding the proposal, KHB in its Board meeting (July 2007) resolved that in case land was not available at the places approved by the Government, the projects would be undertaken at other such locations wherever land were acquired /purchased henceforth and would be included in the demand under Suvarna Karnataka Housing scheme. This indicated that the location proposed was selected randomly without any demand survey or ascertaining availability of land.

The Government¹ accorded sanction (July 2007) to the programme after obtaining approval from the Cabinet.

Though the scheme was formulated in February 2004, KHB, even after taking 3½ years, ended up framing only a tentative plan for the housing schemes under the Suvarna Karnataka Housing scheme.

(b) Alteration in the location of approved housing projects

Test-check of three approved housing projects revealed arbitrariness in selection of location resulting in alteration in their location as detailed below:

• ***Suvarna Karnataka Housing Scheme***

In accordance with the provisions contained in Rule 20 (1) (a) and 21 of the Karnataka Government (Transaction of Business) Rules, 1977, framed in exercise of powers conferred by clauses (2) and (3) of Article 166 of the Constitution of India, all cases which require modification, alteration or reversion of decisions already taken by the Cabinet should be brought before the Cabinet, after submission to the Minister-in-charge of the Department.

Out of 21 projects so far completed under the Suvarna Karnataka Housing Scheme, only eight were formed at the approved locations, while remaining 13 had been executed at places which had not been approved by the Government. The reason for change in location was attributed to non-availability of land and also less demand from the public.

Relaxation/revision of any of the conditions already approved by the Cabinet would necessarily require consent of the Cabinet, in terms of Rule 20 (1) (a) and 21. However, there was nothing on record to show that the revised locations had been duly approved by the Cabinet.

¹ Housing Department, Government of Karnataka is referred to as Government in the Report

- **225 Housing Scheme**

The Government in its order (May 2010) accorded approval for the implementation of the new project, namely “225 Housing Scheme” for the year 2010-11 across 225 locations in the State.

Six works (one completed and five under progress) detailed in **Table-2** had been executed, which had not been included in the said order:

Table-2: Details of works executed which were not in the Government Order

Location/Particulars	District	Extent (Acres-Guntas) ²	Project cost (₹ in crore)	Remarks
Basavanakudachi Phase II	Belgaum	22-00	17.70	Completed
Construction of high rise LIG apartments at Suryanagar Phase I	Bangalore Urban	5-00	34.00	Ongoing
Construction of high rise MIG apartments at Suryanagar Phase I	Bangalore Urban	5-00	58.00	
Construction of 10 MIG and 10 LIG houses at Idenahally, Tiptur Taluk	Tumkur	Not mentioned	2.90	
Composite Housing Scheme at Itagihal	Bijapur	4-20	4.81	
Composite Housing Scheme at Gulur	Tumkur	63-00	36.64	

(Source: Information furnished by KHB)

- **53 Housing Scheme**

KHB was unable to implement all the projects at the locations approved by the Government due to non-availability of land and certain other considerations. KHB, therefore, submitted revised proposals to government which underwent several changes before final approval. The chronology of developments is tabulated below:

Period	Developments
May 2010	Government approved the housing project for the year 2010-11, which included 225 housing projects at different locations
May 2011	KHB resolved to seek approval of the Government for change of location in respect of 12 projects out of 225 projects due to non-availability of land and other considerations
June 2011	KHB submitted proposal requesting change of location for the 12 out of 225 projects KHB also submitted housing plan for the year 2011-12 requesting sanction for 32 projects at different locations
August 2011	Government rejected both the proposals as the Finance Department directed to treat them as fresh proposals and also to examine the feasibility of the projects
September 2011	KHB submitted revised proposal indicating 50 projects seeking approval for the year 2011-12

² Forty guntas make one acre. While the numerical before the hyphen indicates the extent of land in acres, the numerical after the hyphen represents the extent of land in guntas – This has been uniformly adopted in the Report.

Period	Developments
December 2011	Finance Department disapproved the proposal on the ground that it was premature to seek informal decision from the Cabinet for projects estimated at ₹ 14,443 crore without preparing detailed project reports, without specifying time schedule for completion and without assessment of financial and administrative capacity of KHB to execute the projects
May 2012	KHB submitted revised proposal for 61 projects, informing that the projects would be implemented in a phased manner
June 2012	KHB again reduced the number of projects to 53 locations
September 2012	Government approved 53 projects for the year 2011-12, indicating the remarks of the Finance Department that old projects were lingering and not even 50 <i>per cent</i> of the earlier approvals had started

Thus, the process of seeking approval which commenced with the submission of the first proposal during June 2011 was revised time and again in terms of number of projects, their location, extent as well as the estimated cost. This resulted in protracted correspondence between KHB, Housing Department and Finance Department taking more than 14 months for the clearance of the proposal. The programme was finally approved by the Government during September 2012, after the completion of the financial year 2011-12, to which the programme related.

It was also observed that despite the Finance Department insisting upon a time schedule for the completion of projects, neither KHB nor the Government fixed up a time frame.

(c) Poor planning and assessment leading to shelving of approved land acquisition plan

The Executive Engineer, coordinating Unit of Bangalore Urban District submitted (October 2009) a proposal for acquisition of 1,135-09 acres of land in two villages of Bangalore South Taluk for the formation of a composite housing scheme. Though demand survey had not been conducted, it was opined that there would be huge demand for the sites/houses, as the proposed land was situated at a distance of 25 kms from Bangalore City, KHB approved (January 2011) the proposal.

Though approval had been accorded, Audit observed that the housing scheme was ultimately not implemented due to non-acquisition of land. Chronology of activities leading for shelving of the project is tabulated below:

Period	Developments
October 2009	Executive Engineer submitted proposal for acquisition of 1,135-09 acres of land in two villages.
January 2011	KHB approved the proposal
January 2011	After approval, Executive Engineer submitted revised proposal for acquisition of only 310-15 acres of land in one village.
March 2011	Preliminary notification under Sec 4(1) of the LA Act, 1894 for acquisition of 312-18 acres of land issued.
April 2011 to August 2012	KHB deleted 96-16 acres out of 312-18 acres included in the preliminary notification for several reasons.

Period	Developments
August 2012	KHB sent draft notification under Sec 6(1) of the LA Act, 1894 to the Government for acquisition of 232-35 acres.
August 2012	KHB resolved to delete 13-19 acres as per the directions of the Housing Minister.
September 2012	Final notification issued included only 219-16 acres
October 2012	KHB resolved to denotify the entire land as per the directions of the Housing Minister.
November 2012	Proposal sent to the Government with the request to denotify the land.

Thus, the extent of 1,135 acres of land originally proposed during October 2009 for the residential layout was reduced to 312-18 by the time preliminary notification was issued. This was further down sized to 219-16 acres in the final notification and ultimately, the scheme was dropped. The proposal for denotification was pending with the Government.

1.1.2 Delay/non-submission of annual housing programmes

During the period covered under review (2008-13), KHB did not prepare annual programme for two financial years (2008-09 and 2012-13), while the programme related to remaining three years had been submitted with a delay ranging from 2½ to 8½ months as detailed in **Table-3**:

Table-3: Details of delay in submission of housing programmes

Year to which programme related	Date of forwarding	Delay involved	Date of approval
2008-09	Programme not drawn	-	-
2009-10	14.8.2009	8½ months	Not approved
2010-11	15.2.2010	2½ months	18.5.2010
2011-12	29.6.2012	7 months	4.9.2012
2012-13	Programme not drawn	-	-

(Source: Information furnished by KHB)

Delay in submitting the yearly programmes by KHB resulted in consequential delay in approval of the same by the Government which in turn resulted in reduction of actual available time for implementation of the yearly programmes.

1.2 Developmental plans

1.2.1 Activities of KHB for preparation and execution of development plans

In the absence of powers as Town Planners in the Karnataka Town and Country Planning (KTCP) Act, 1961 as well as in KHB Act, 1962 and KHB Rules, 1964, KHB had to co-ordinate with various departments for obtaining approval for formation of layout, construction of houses and land development scheme under joint venture policy. Major activities and the concerned Department/Authority to co-ordinate with for obtaining necessary approval are detailed in **Table-4**.

Table-4: Details of major activities of KHB and concerned Departments

Sl. No.	Activity	Department
1	Land acquisition	Revenue
2	Change of land use	Urban Development
3	Approval of scheme and layout plans	Town Planning/ Urban Development Planning Authority
4	Approval as per provisions of Zoning Regulations	
5	Certificate with regard to impact of the project on the environment	Karnataka State Pollution Control Board/ Ministry of Environment and Forest
6	Clearance certificate with respect to Multi Dwelling Apartments	Fire Force
7	Handing over of developed layouts	Local Bodies

(Source: Information furnished by KHB)

Observations in respect of major activities are brought out in succeeding paragraphs.

(a) Land acquisition without consultation of Comprehensive Development Plan/Master Plan

Various provisions under KTCP Act, 1961 regarding preparation of Master Plan and land acquisition which KHB is required to follow while fixing the compensation are:

Section 12(1) of the KTCP Act, 1961 stipulates the contents of Master Plan prepared in accordance with Section 9 of the same Act. It further states that these plans shall include proposals for zoning of land use, street pattern including national highways, areas reserved for parks, playgrounds and other recreational uses, public open spaces *etc.*

Further Section 69(1) of the said Act also stipulates that, the Planning Authority may acquire these land or for any public purpose under LA Act, 1894 and for determining the compensation, Section 72 of this Act will apply.

Also Section 72 of KTCP Act, 1961 stipulates determination of compensation when any land is compulsorily acquired for the purposes of a Town planning scheme or a development plan under this Act,

Instances of not adhering to the provisions of KTCP Act, 1961 while acquiring land are discussed below:

- ***Housing project at Bidadi, Ramanagara***

KHB acquired land measuring 499-21 acres during June 2008 for housing project at Kakaramanahalli, Borehalli and M Kwerenahalli in Bidadi Hobli, Ramanagara. While general award³ (May 2006) was passed for 28-13 acres at ₹ 1.02 lakh per acre, consent award⁴ (June 2008) was passed for ₹ 26 lakh per

³General award: passed for giving compensation under LA Act.

⁴Consent award: mutually agreed compensation during land purchase.

acre for 471-08 acres of land. These 499-21 acres of land included 31-09 acres of land reserved for the proposed ring road of the Bangalore Metropolitan Region Development Authority (BMRDA) as per the approved Master Plan. KHB had acquired the said land in violation of Section 69(1) of KTCP Act, 1961 both through general award (3-26 acres) and consent award (27-23 acres). Hence, KHB incurred extra expenditure of ₹ 6.89 crore⁵ for purchase of 27-23 acres of land through consent award.

Further, scrutiny showed that the land compensation was paid in respect of only 293-14 acres and KHB was yet to take possession of land acquired. The land was also not transferred in favour of KHB (April 2013). However, KHB had commenced the work without ensuring the availability of land which indicated absence of control mechanism.

- ***Housing project at Kundawad, Davanagere***

For housing project at Kundawad, Davanagere, KHB acquired land measuring 275-15½ acres which included land measuring 9-08 acres and 10-05 acres reserved for highway and park respectively as per the Master Plan. Scrutiny of the records showed the following:

- Initially, consent award for ₹ 2.72 lakh per acre was passed for acquisition of land for the said project. However, after intervention of the Government, the land was purchased directly at a consent price of ₹ five lakh per acre.
- KHB had issued (October 2007) final notification under Section 6(1) of LA Act, 1894 for the land measuring 77-20½ acres belonging to those who had refused to sell in the first instance. Meanwhile, land owners of 24-11½ acres agreed for compensation in the form of developed land in the ratio of 60:40. According to this arrangement, KHB had to allot 9,600 square feet (sft) of developed land in lieu of one acre acquired. The Government approved the proposal in April 2011. The allotment rate was fixed at ₹ 380 per sft for sites.
- Out of 24-11½ acres of land acquired, land measuring 10-05 acres had been earmarked as park in the Master Plan of Davanagere-Harihara Urban Development Authority. KHB requested (September 2010) the Urban Development Authority to convert the above said land as commercial and public and semi-public. However, the Authority conveyed its inability to do so (September 2011) as it was vested with no powers for the conversion of land earmarked as park.
- Thus, KHB by not ascertaining the land use pattern in the Master Plan incurred extra expenditure as detailed below:

⁵ Excess award = consent award – general award
 ₹ 26 lakh – ₹ 1.02 lakh = ₹ 24.98 lakh per acre
 Extra expenditure = ₹ 24.98 lakh * 27-23 acres = ₹ 688.82 lakh

- By not limiting the compensation to the initial award of ₹ 2.72 lakh per acre for 9-08 acre reserved for highway KHB incurred extra expenditure of ₹ 20.98 lakh⁶.
- The compensation in the ratio of 60:40 for land earmarked as park worked out to ₹ 29.38 lakh⁷ per acre, while the compensation through consent award was ₹ 7.10 lakh (including solatium at 30 per cent and additional market value at 12 per cent). Thus, the excess compensation for 10-05 acres worked out to ₹ 297.47 lakh.
- **Housing project at Kalagnoor/Kushnoor Phase-I, Gulbarga**

KHB acquired 97-12 acres of land for the housing project at Kalagnoor/Kushnoor, Gulbarga at a cost of ₹ 8.90 lakh per acre. Of these, 12-23 acres for future road connectivity, 8-15½ acres for construction of ring road and 9-12 acres were reserved for park in the Master Plan. The guidance value was ₹ 1.80 lakh per acre. KHB had violated Section 69(1) of KTCP Act, 1961 while acquiring the said land and also had violated Section 72 of KTCP Act, 1961 while paying compensation. Hence, KHB incurred avoidable expenditure of ₹ 214.78 lakh⁸ for land measuring 30-10 acres.

In the exit conference (August 2014), the Commissioner accepted the observations and stated that a joint meeting was being proposed with the local authorities for settlement of issues.

(b) Change of land use

Section 14(2) of the KTCP Act, 1961 envisages that no change in land use or development shall be made except with the written permission of the Planning Authority. Further as per Section 14(A), after the date on which the Master Plan for an area comes into operation, the Planning Authority may, with the previous approval of the State Government, allow such changes in the land use or development from the Master Plan as may be necessary. Further, Section 70 of the Karnataka Urban Development Authorities (KUDA) Act, 1987 states that, KHB shall not undertake any housing scheme in any area within the urban area, except in conformity with the layout plan of the Urban Development Authority.

Out of 60 cases test-checked, KHB had obtained orders for conversion to residential use in respect of only six cases⁹. Further, in respect of three

⁶ Consent price – initial consent price = extra expenditure
₹ 5 lakh – ₹ 2.72 lakh = ₹ 2.28 lakh

Extra expenditure = ₹ 2.28 lakh * 9-08 acre = ₹ 20.98 lakh

⁷ Compensation through land (60:40) = 9600 sft x ₹ 380 per sft = ₹ 36.48 lakh. The general award was passed at ₹ 7.10 lakh per acre. Therefore, difference is ₹ 29.38 lakh per acre

⁸ Avoidable expenditure = Purchase rate – guidance value
₹ 8.90 lakh – ₹ 1.80 lakh = ₹ 7.10 lakh per acre

For 30-10 acre, avoidable expenditure = ₹ 7.10 lakh * 30-10 acre = ₹ 214.78 lakh

⁹ Koppal, Chitta-Bidar, Biddapur-Gulbarga, Chamanahalli –Maddur, Somanakoppa-Shimoga, Amargol-Hubli

projects¹⁰, KHB acquired/purchased and developed land in violation of Section 70 of the KUDA Act, 1987 as the land had been reserved for industrial use as per the master plan. Land as per the master plan had been reserved for industrial/open space and park/public use. Though Section 76 FF of the KTCP Act, 1961 permits regularisation of certain development and change of land use, it prohibits regularisation of land reserved for parks, play grounds, open spaces and for providing civic amenities.

(c) Approval of schemes and layout plans

Section 32 of KUDA Act, 1987 states that no person shall form or attempt to form any extension or layout for the purpose of constructing building thereon without the express sanction in writing of the authority and where any such extension or layout lies within the local limits of a Local Authority, the authority shall not sanction the formation of such extension or layout without the concurrence of the local authority. Further, no modifications to the approved layout plans shall be made as per Section 33 of KUDA Act, 1987.

Out of 65 test-checked projects, KHB had executed 38 development schemes without the approval of layout plans by the concerned Local Authority or Urban Development Authority. In Hassan, Hassan Urban Development Authority had not sanctioned the layout plans in respect of two projects at Sathyamangala and Channapatna Tank bed. Hence, the Local Authority refused to issue khata¹¹ to the allottees. Further, of the 27 projects approved by the Local Authority, in five projects¹² subsequent modifications were made during execution without approval of the Local Authority.

(d) Zoning Regulations

The Master Plan prepared by local planning authority consists of a series of maps and documents indicating the manner in which the development and improvement of the entire planning area within the jurisdiction of the Planning Authority are to be carried out and regulated. Such plan shall include proposals for zoning of land use for residential, commercial, industrial, agricultural, educational and other purposes, areas reserved for parks, playgrounds and other recreational uses, public open spaces *etc.* The zoning regulations prescribed by various development authorities are shown in the **Table-5** below:

Table-5: Zoning regulations

Extent of reservation towards	Percentage
Parks/open spaces	10-15
Civic amenity	5-10
Commercial space	2-3

(Source: Information furnished by KHB)

¹⁰ Halladakeri-Bidar, Kundawad-Davanagere, Channapatna-Hassan

¹¹ Khata is an account of the assessment of a property that records the details of a property such as size, location and its built up area

¹² Chittapur-Gulbarga, Ramadurga-Belgaum, Chamarajanagar Stadium land- Chamaraja nagar, Lakkamanahalli Phase II – Dharwad, Nalawad-Bijapur

Scrutiny of 65 project records showed the following deviations and violations:

- In nine projects, the percentage of area reserved for parks and play grounds was less than the norms fixed by the respective urban development authority. The shortfall ranged from 0.3 to 6.71 *per cent*.
- In five schemes, the area reserved for civic amenity was less than the statutory requirement of the concerned zoning regulation. The shortfall ranged between 0.13 and 6.86 *per cent* as compared to norms.
- Commercial space provided in 12 projects was in excess of the norm prescribed by the respective zoning regulation and the excess was between 0.05 *per cent* and 8.16 *per cent* in relation to norms.

(e) Clearance certificate with respect to Multi Dwelling Apartments

KHB is further required to obtain clearance from the Fire and Emergency Department for high rise buildings. During 2008-13, KHB had undertaken seven¹³ high-rise projects and it was not evident from the records whether the clearance had been obtained from the Fire and Emergency Department.

1.2.2 Reservation of land for Information Technology Park

KHB is required to acquire/purchase land under provisions of KHB Act, 1962 for any housing scheme or development scheme. Section 33 of the said Act envisages that KHB may enter into an agreement with any person for the acquisition of any land for purpose of a housing scheme or land development scheme with the previous approval of State Government. Further Section 2(h) and 2(i-1) define 'housing scheme' and 'land development scheme' as housing scheme under this Act and scheme framed under this Act for the purpose of providing house/sites in any area respectively.

However, scrutiny of development plan of Suryanagar Phase III showed that in contravention of the above provision, KHB had earmarked 19 acres of land for IT Park. Further, KHB Act, 1962 provides for measures to be taken to deal with and satisfy the need of housing accommodation and does not provide any provisions for allotment and development of industrial sites.

1.2.3 Housing project in defence firing range

KHB acquired (January 2006) land measuring 72-50 acres in Survey Number (Sy.No.) 83, 97, 98 and 99 at Benakanahalli, Belgaum for a housing scheme. During June 2005, Defence Estate Officer, Karnataka and Goa Circle requested Station Headquarters, Belgaum to convey their decision regarding issue of 'No objection certificate' for the housing scheme in Sy.No.83. The Station Headquarters during February 2006 informed KHB that the Sy.No.83

¹³ Bangalore – Bandematt, Suryanagar, Valgerehalli, Vijayanagar, Yelahanka
Belgaum-Jakkerehonda, Mangalore -Kotekar

was within the danger zone as it was adjacent to the firing range of the military area.

Disregarding the above, KHB undertook the project in the said survey number and allotted the sites to the unsuspecting applicants.

1.2.4 Non-inclusion of Economically Weaker Section (EWS) category in the housing projects

The proposed State Housing Policy–Karnataka Housing and Habitat Policy, 2009 tackles the core issue of ‘adequate and affordable housing’ with special emphasis on urban poor by reserving 10 *per cent* of the land developed for EWS.

Scrutiny of 112 housing projects undertaken and allotments made during 2008-13, showed that KHB had undertaken sites/houses for EWS category only in 37 projects, thus defeating the basic objective of providing housing for all.



CHAPTER - 2
ACQUISITION OF LAND

CHAPTER 2

ACQUISITION OF LAND

2. KHB is empowered under Section 33 (1) of the KHB Act, 1962 to enter into an agreement with any person for the acquisition from him by purchase, lease or exchange, of any land which is needed for the purposes of a housing scheme or land development scheme or any interest in such land or for compensating the owners of any such right in respect of any deprivation thereof or interference therewith. After identifying the land required for the housing projects, KHB sends proposal to the Deputy Commissioner (DC) of the respective districts to fix land compensation. While fixing land compensation, the District Purchase Committee¹⁴ (DPC) is bound to adhere to the guidelines issued by the Government.

Deficiencies observed in acquisition of land, determination of compensation and its disbursements are discussed in the subsequent paragraphs:

2.1 Non-framing of rules for purchase of land

For the purpose of implementing the provisions of Section 33 (1) of the KHB Act, 1962, KHB is to frame rules prescribing the circumstances under which purchase of land can be resorted to and the procedure thereof. The rules should have the approval of the State Legislature. It was, however, seen that KHB had not framed any rules for implementing the provisions under Section 33(1) of the KHB Act, 1962. There was arbitrariness in the procedure followed by KHB in respect of fixation of rates, grant of incentive sites/developed land in lieu of land compensation *etc.*, due to absence of well-defined approved rules and regulations.

2.2 Non-compliance with Government guidelines in purchase of land

Government through its order dated 2 November 2001 had issued guidelines prescribing the following procedure for purchase of land for the housing projects implemented by the KHB.

- In cases where KHB, after demand survey, desired to take up housing schemes and land was required for public purpose, Board should notify in the district level newspapers, their intention to take up such schemes, and invite offers from owners of the land, suitable for the scheme, in terms of factors like proximity to the existing town, accessibility, topography *etc.* The offers should be scrutinised and the land suitable for the proposed project shortlisted by KHB; and

¹⁴ Is headed by the Deputy Commissioner of the respective districts where the land is purchased by KHB. The other members of DPC are Sub-Registrar, Tahsildar, Executive Engineer of KHB and representatives of land owners.

- Where the price recommended by the Deputy Commissioner (DC) did not exceed the applicable guidance value by 20 *per cent*, KHB might accept the price and proceed to purchase the land under Section 33(1) of the KHB Act, 1962; otherwise, proceedings should be initiated for acquisition of land under the Land Acquisition Act, 1894 if the land was considered suitable and the cost of land was likely to be reasonable from the point of feasibility of the scheme.

Audit, however, observed that KHB did not publish advertisements in newspapers seeking offers from the owners of the identified land, nor did it scrutinise and evaluate offers. The purchase of land thus, lacked transparency. Further, though the price recommended by the DC exceeded 20 *per cent* of the guidance value of the land, the Government overlooked its own guidelines and approved purchase of land at higher rates. Direct purchase of land also necessitated additional expenditure towards stamp duty and registration charges paid at the rate of nine to 10 *per cent* which would not have arisen had land been purchased under the LA Act, 1894. During 2008-13, KHB purchased 744-15 acres of land in eight districts at a total cost of ₹ 111.04 crore for various housing schemes. The stamp duty and registration charges paid for registering the land in favour of KHB aggregated ₹ 11.10 crore approximately.

In reply, KHB stated (September 2013) that while purchasing land; care had been taken to follow the procedure laid down in Government order dated 2 November 2001. However, as brought out in succeeding paragraphs, KHB violated the directions in the purchase of land.

2.3 Purchase of land in fragments followed by acquisition under LA Act, 1894

Scrutiny of land purchased directly for housing projects showed that the purchases had not followed any plan and had been done on *ad hoc* basis without ensuring that they were contiguous and forming a compact block. As a result the purchases were sporadic and scattered. After purchasing land in bits and pieces, KHB initiated acquisition of the adjacent land under the LA Act, 1894 to form a compact block. Such instances noticed by Audit are detailed in **Table-6** below:

Table-6: Details of land purchased in fragments & land acquired under LA Act, 1894 to form a compact block

District	Location	Extent of land (Acres-guntas)				Remarks
		Direct Purchase	Period of direct purchase	Acquired under LA Act, 1894	Period of acquisition	
Mysore	Ilawala	81-04	December 2008 to July 2009	374-33 ¾	Ongoing	Notification under 4(1) of LA Act, 1894 was issued in respect of 157-26 acres
Dharwad	Amargol	85-28	2005-06	32-33	January 2009 to October 2012	
	Hiremalligewada	206-06	2006-07	95-19	March 2009 to December 2012	
Bijapur	Kasaba	521-32	January 2007	25-28	Ongoing	Award to be passed

(Source: Information furnished by KHB)

The audit observations in this regard are discussed below:

- Direct purchase of land, at above 20 *per cent* of the guidance value was resorted to in the first instance without going for compulsory acquisition under the LA Act, 1894 flouting the Government guidelines in this regard. This also had a direct impact on the compensation fixed for land subsequently acquired under the LA Act, 1894 due to shooting up of the prices.
- Direct purchase did not help the cause of the project as more land still had to be acquired under the LA Act, 1894 which delayed the completion of the acquisition process as indicated in the table above.
- Direct purchases facilitated middlemen in purchasing the identified land from the farmers at throwaway prices and offer the same to KHB at exorbitant rates reaping huge profit in the bargain. This resulted in the denial of actual benefit to the deserving land owners as detailed in paragraphs 2.4 and 2.5.

KHB stated (September 2013) that as more time was required to acquire land under the LA Act, 1894, it resorted to direct purchase of land. However, as observed, time involved in acquisition was more than three years in all cases as KHB had purchased land in scattered bits, necessitating initiation of acquisition proceedings under the LA Act, 1894 for forming a compact block.

2.4 Failure to notify the land led to purchase of proposed land by middlemen

Based on the proposal sent by KHB in February/March 2010, the Government accorded approval to various housing schemes during May 2010. KHB initiated purchase of 39-26 acres of land in several survey numbers of Mudigere village of Chickmagalur district. The DPC while fixing (January 2011) the land compensation at ₹ 6 lakh per acre, opined that the Board could consider purchasing the land up to ₹ 7 lakh/acre. The Board resolved to pay a compensation of ₹ 7 lakh/acre and the Government accorded approval for the same in March 2012.

It was seen that 10-04 acres of land in six survey numbers of Mudigere village had been purchased for ₹ 21.95 lakh by three persons during April to June 2010, immediately after project proposals had been sent to the Government in March 2010. The said persons resold the same land to KHB for ₹ 70.71 lakh and reaped a profit of ₹ 48.76 lakh within a period of less than three years.

It is evident from the above that the price recommended by DPC was much higher than the market value. Though KHB had the option to reconsider the rate fixed by DPC, it paid even higher compensation than that fixed by DPC.

2.5 Acquisition of land from GPA holders

KHB had purchased 81-04 acres of land at the rate of ₹ 36.50 lakh/acre during the period December 2008 to July 2009 in several survey numbers of three villages of Ilawala Taluk, Mysore district. It was seen that in four cases, detailed in **Table-7** below, KHB had disbursed compensation of ₹ 401.50 lakh for 11 acres of land in favour of General Power of Attorney (GPA) holders:

Table-7: Disbursement of compensation to GPA holders

Sy.No. & village	Extent (Acres-Gunta)	Owners Sri/Smt	GPA holder Sri/Smt	Date of registration of GPA	Date of execution of Sale Deed by KHB	Guidance value as on date of registration GPA (₹ in lakh)	Amt paid by KHB (₹ in lakh)
35/9 Gungral Chatra	1-20	Jayamma & 3 others	Shivashankar H.Pulase	03.01.09	05.01.09	13.50	54.75
54/21 Kallur Naganahalli	3-00	Putta Naik & 5 others	-do-	02.01.09	05.01.09	26.40	109.50
54/P-P5 Kallur Naganahalli	2-00	Venkataramane Gowda & 5 others	-do-	03.01.09	05.01.09	23.00	73.00
95 Kallur Naganahalli	4-20	Lakke Gowda & 9 others	Prakash Mahendrakar	03.01.09	05.01.09	49.50	164.25
Total	11-00					112.40	401.50

(Source: Information furnished by KHB)

The land owners of the above mentioned survey numbers had registered GPA deeds on 2 and 3 January 2009. Immediately thereafter (5 January 2009), the GPA holders, on behalf of the land owners executed sale deeds with KHB for the said land, and KHB disbursed land compensation to the GPA holders. The sale consideration for 11 acres of land as per the GPA deeds aggregated to ₹ 1.12 crore, as against which, the GPA holders received a land compensation of ₹ 4.02 crore from KHB for the same land, which accounted for an increase of 359 *per cent* within a gap of 2-3 days.

It is evident that the GPA holders purchased the land from the land owners, being aware of the proposed housing project of the KHB. Thus, while the actual owners of the land received less, the GPA holders benefitted by the higher rate of compensation. These are again instances of KHB fixing land value much higher than the guidance value /market value evidently to favour a few persons who were buying land only for the purpose of reaping profits at the expense of the Government.

2.6 Irregular sanction of the housing project by the Government

During 2010-12, KHB had initiated process for acquisition of land at two places of Mysore Taluk for two projects (Project-A and Project-B¹⁵) and submitted the same to the Government for approval. However, Audit observed that the approach taken by the Government in these two projects while according approval was inconsistent which is discussed below:

¹⁵ Project A refers to Udburu and Kalalavadi villages and Project B refers to Daripura and Danagalli villages

- **Project A**

The Executive Engineer, upon the request of the land owners, submitted a proposal (March 2011) providing for acquisition of 204-12 acres in two villages of Mysore taluk under the LA Act, 1894 and seeking approval of KHB to issue the preliminary notification. But as per the oral orders of the Chairman, it was decided to procure land through direct purchase.

DPC fixed (July 2011) a price of ₹ 36.50 lakh per acre, for land whose guidance value was ₹ 5.50 lakh to ₹ 12 lakh per acre in these villages. KHB approved (February 2012) the same and sent (April 2012) the proposal to the Government which observed (June 2012) that the purchase rates approved by KHB were very high as compared to the existing market value and directed KHB to purchase alternative land at less price. However, based on the clarification by KHB that they would realise a net income of ₹ 8.43 lakh per acre, the Government approved the proposal (November 2012) for acquisition of 204-12 acres of land.

Audit observed that subsequently, the Commissioner of KHB had issued oral orders (February 2013) to stop the purchase process for the Project. However, KHB had already purchased 1-32 acres.

- **Project-B**

The Project B comprised of 212-32 acres of land in two other villages of the same Mysore Taluk. The DPC fixed (July 2011) compensation of ₹ 37.50 lakh per acre which was approved by KHB (February 2012). The proposal was sent to the Housing Department, Government of Karnataka in April 2012 for approval.

The Housing Department did not approve the proposal due to the fact that the Finance Department had rejected the project proposal on the following grounds:

- KHB did not follow the instructions issued by the Government in November 2001 (Para 2.2) and compromised on transparency;
- Against the average market/sale rate of ₹ 5.72 lakh/acre, the rate was fixed at ₹ 37.50 lakh/acre; and
- KHB did not draw a formal policy of granting developed land to the farmers while fixing land compensation. It also did not follow a consistent approach in this regard. Without the existence of a policy and consistent approach, adhocism and inconsistency of KHB would be legally questionable.

It is thus seen that the sanction accorded to the housing Project-A during November 2012 was neither justifiable nor consistent as Finance Department

had rejected Project-B (as discussed above) in the same district and the same hobli¹⁶ citing reasons that are applicable to both projects.

2.7 Compensation in the form of developed land

Audit noticed that KHB was inconsistent in its approach towards payment of land compensation in the form of developed land to the farmers as discussed below:

Final Notification under Sec 6(1) of the LA Act, 1894 was issued (January 2009) notifying 499-21 acres of land in Kakaramanahalli, Borehalli and Muddapurakarenahalli villages of Ramanagara district.

DPC had fixed (November 2008) land compensation at ₹ 24 lakh/acre, after adding 20 *per cent* to the prevailing guidance value of ₹ 20 lakh/acre.

However, KHB resolved (February 2009) to purchase the land at ₹ 32 lakh per acre in view of the fact that earlier it had purchased land in four villages of Anekal Taluk, Bangalore Urban district at the rate of ₹ 32 lakh/acre. KHB submitted (May 2009) the proposal to the Government for approval.

The Government directed (July 2009) KHB to re-examine the issue as prior permission of the Government was not obtained before initiating the acquisition proceedings and also criticised KHB's move to purchase the land at an exorbitant rate of ₹ 32 lakh, ignoring land compensation of ₹ 24 lakh/acre recommended by DPC.

During January 2010, a meeting was held under the Chairmanship of Housing Minister to enhance the land compensation to ₹ 26 lakh/acre, in place of ₹ 24 lakh/acre determined earlier by the DC during November 2008. The Government approved (August 2010) the award. Post-facto approval of KHB was obtained on 16 August 2010.

KHB further resolved (29 May 2012) to grant incentive sites in the following proportion to the land losers at a concessional rate of 25 *per cent* of the allotment rate:

Extent of land(Acres-Guntas)	Site dimension (in feet)
0-10 acres	Nil
0-10 to 0-20	6 x 9
0-20 to 1-00	9 x 12
1-00 to 1-20	9 x 12 & 6 x 9
1-20 to 2-00	Two sites of 9 x 12

(Source: Information furnished by KHB)

Orders of the Government approving the above resolution were not available on file.

¹⁶ A *hobli* is defined as a cluster of adjoining villages administered together for tax and land tenure purposes in the state of Karnataka.

Thus, although the DC had fixed land compensation of ₹ 24 lakh/acre during November 2008, KHB arbitrarily enhanced the same to ₹ 32 lakh during February 2009 and again revised the rate to ₹ 26 lakh during January 2010, which was still higher by ₹ 2 lakh/acre, as compared to the rates determined by the DPC. The subsequent enhancement of land compensation by ₹ 2 lakh/acre was not justified as the DPC had already taken into consideration various factors, before determining the land compensation and also complied with the directions contained in Government Order dated 2 November 2001.

Grant of incentive sites for land directly purchased at mutually agreed rates was irregular as the KHB had not devised a uniform policy with the approval of the Government.

2.8 Other flaws in determination of land compensation

In addition to the observations on determination of land compensation discussed above, audit noticed other flaws. Though the DPC is bound to adhere to the guidelines of November 2001 issued by the Government while fixing land compensation, it was observed that the rates fixed by DPC and subsequently by KHB and also approved by the Government were higher than the prevailing guidance value. Observations on determination of land compensation are brought out in the succeeding paragraphs:

2.8.1 Mysore district

The Government had accorded (November 2008 and March 2009) approval for purchase of 352-34 acres of land in various villages of Ilawala hobli of Mysore district at the rate of ₹ 36.50 lakh per acre. However, the guidance value at that time ranged from ₹ 1 lakh to ₹ 3.50 lakh per acre. Thus, the rates fixed by KHB were higher than the guidance value.

It was further seen that a few persons entered into registered sale agreements or obtained GPA from the land owners for huge tracts of land in the proposed project area just a few months before the project took the final shape. The sale consideration mentioned in the registered sale agreements ranged from ₹ 0.62 lakh to ₹ 11.50 lakh per acre against the compensation of ₹ 36.50 lakh per acre fixed by KHB. These persons, apparently were aware of the housing project being formulated by KHB in the area, obtained land on GPA/registered sale agreements only for benefit from the higher compensation fixed by KHB.

It would be pertinent to note that the Government had approved (March 2007) compensation of ₹ 32 lakh per acre for 1,090 acres purchased in Anekal Taluk of Bangalore Urban District for the formation of a composite housing scheme called "Suryanagar". The compensation was through mutual consent. When KHB was able to secure land at Bangalore at ₹ 32 lakh per acre during 2008-09, the land situated at a distance of 22 km from Mysore city could not have commanded a price of ₹ 36.50 lakh per acre during the same period.

In reply, KHB stated (September 2013) that, based on the discussions in the Legislative Assembly, it was decided to follow the procedures for acquisition of land under the LA Act, 1894. In the exit conference, it was also stated that the irregularities were being investigated by Lokayukta.

2.8.2 Dharwad district

Land measuring 32-33 acres was acquired at Amargol village through final notification (January 2009) under the LA Act, 1894 for forming a compact block. Of this, the Government had denotified (March 2010 and June 2010) 8-39 acres.

Though award (February 2010) had been passed by the DC for the remaining 23-34 acres, possession of only 11-21 acres was taken over by KHB (September 2011) as the remaining land were under litigation. In order to resolve the issue, the Housing Minister conducted a spot inspection and a meeting (March 2012) with the land owners and directed KHB to allot developed land in the ratio of 60:40 in lieu of compensation.

Accordingly, KHB resolved (July and October 2012) to allot to the land owners 40 *per cent* of the developed land in the form of sites (9,583 sq ft of developed land per acre). Following this, the land owners withdrew the writ petition.

The allotment rate fixed for the sites developed by KHB at Amaragol Housing Project was ₹ 430 per sq ft. Thus, the land compensation paid for land acquired under the LA Act, 1894 worked out to ₹ 41.21 lakh per acre against the compensation of ₹ 9.12 lakh per acre fixed by the DC.

The KHB had deposited (July 2007 and December 2008) ₹ 30.07 crore with the Divisional Commissioner, Dharwad towards cost of land acquired under LA Act, 1894. Particulars of refund of this amount in view of grant of developed land in lieu of land compensation were not found on file.

KHB in its reply stated (September 2013) that as there was possibility of delay in implementation of the project, the Commissioner had issued orders for granting developed land in lieu of compensation as per the provisions of Government order dated 20 October 2012. The reply was not acceptable as the land was acquired during January 2009 and the provisions of the Government order were silent on its applicability retrospectively.

2.8.3 Bijapur district

Several land owners in their representation (August 2006) to the Housing Minister had volunteered to sell their land measuring 298-12 acres in Sy.Nos 36 to 75 of Bijapur taluk to KHB at appropriate and reasonable rates determined by KHB and the Housing Minister instructed KHB to purchase the said land.

The Deputy Commissioner, with the consent of the farmers, fixed (September 2006) a compensation of ₹ 7 lakh per acre, considering that the land were abutting National Highway (NH) 13 and were located at a distance of two kms from Bijapur bus station. KHB approved (December 2006) purchase of 298 acres of land at the rate fixed by the DC and the Government accorded (January 2007) approval for the same. The Commissioner issued specific instructions to purchase only those land which were close to NH at the rates approved by DPC.

However, KHB was unable to purchase the land that had been actually identified. Therefore, in the meeting conducted during March 2007, the Housing Minister directed to purchase other land, irrespective of whether they were abutting the NH or otherwise. He also issued directions to acquire land in specific survey numbers and also to limit the purchase to 298 acres.

Following this direction KHB, did not take steps to identify the survey numbers in which the approved extent of 298 acres was to be acquired. Instead, it purchased 521-32 acres of land in various survey numbers at a cost of ₹ 37.95 crore as against 298 acres approved by the Government.

Purchase of 223-32 acres at an excessive cost of ₹ 15.67 crore was unauthorised. Further, the DC had fixed land compensation at ₹ 7 lakh/acre, mainly for the reason that the identified land were just adjacent to NH 13 but the land compensation was paid at the same rate for remote land without ascertaining reasonableness.

2.8.4 Chickmagalur district

The DPC, while fixing (January 2011) the land compensation at the rate ₹ 6 lakh per acre for 39-26 acres of land in several survey numbers of Mudigere village of Chickmagalur district, opined that KHB could consider purchasing the land up to ₹ 7 lakh/acre. KHB resolved to pay a compensation of ₹ 7 lakh /acre, and the Government accorded approval for the same in March 2012.

It was seen from the proceedings of the DPC meeting of January 2011 that the guidance value of the land purchased by KHB was ₹ 0.77 lakh/acre. The adjacent land had been registered for amounts ranging from ₹ 2.06 lakh per acre to ₹ 4.50 lakh per acre during April 2010 to October 2010. Therefore the compensation paid by KHB was much higher than even the prevailing market value.

In reply KHB stated (May 2013) that land owners were ready to sell land subject to payment of compensation of ₹ 7 lakh/acre. Further, it was stated that the market value of the land was ₹ 10 lakh /acre. The reply was not acceptable as the guidance value was ₹ 0.77 lakh/acre and 20 *per cent* in excess of the guidance value which was the compensation value as per Government Order dated 2.11.2001 worked out to only ₹ 0.92 lakh per acre.

2.8.5 Gulbarga District

• *Chincholi Project*

Sri Chandrakanth M Biradar in his representation (May 2010) to the Minister for Housing had stated that he owned 17 acres of land in Sy No.155/1 of Chincholi Village, Gulbarga district and was willing to sell them to KHB at the rate of ₹ 14 lakh/acre. The Minister forwarded this letter to the Commissioner with directions to examine the feasibility and submit a report within 15 days.

The DPC fixed (January 2011) a compensation of ₹ 9 lakh per acre and also a site measuring 30' x 40' at the prevailing allotment rate which was also approved by KHB in February 2011. KHB submitted a proposal (May 2011) to the Government to this effect.

In the meantime, Chairman of Mysore Sales International Limited (a local political leader) requested the Chairman of KHB to allot the incentive sites to the land owners free of cost, besides land compensation of ₹ 9 lakh/acre. KHB submitted (July 2011) yet again a revised proposal to the Government which was approved by it in August 2011.

Audit observed that:

- Before purchasing the land, no demand survey had been undertaken and no public offers had been invited by KHB but land was purchased at the request of an individual, who volunteered to sell his land.
- The ceiling fixed by the Government in November 2001 on the compensation had also not been adhered to. The guidance value of the land during 2010-11 ranged from ₹ 0.57 lakh to ₹ 0.77 lakh against the compensation of ₹ 9 lakh per acre fixed by KHB during January 2011 plus a free site of 30' x 40' dimension. The allotment rate of the site, as worked out by KHB was ₹ 1.51 lakh per site. Thus, the actual compensation paid by KHB amounted to ₹ 10.51 lakh/acre.
- Photocopies of sale deeds available on files showed that Shri Chandrakanth M Biradar and others had purchased 20-20 acres of land in Sy No.155/1 on 31st October 2008 at ₹ 0.98 lakh per acre. After purchasing these land, they volunteered to sell the same land to KHB, at an exorbitant price of ₹ 14 lakh per acre, which was later brought down to ₹ 9 lakh per acre after negotiation along with a free site.

KHB in its reply (August 2013) confirmed the facts.

• *Kalagnoor/ Kushnoor project*

The DPC had recommended (December 2006) a price of ₹ 9.5 lakh per acre for 210 acres of land in Kalagnoor/Kushnoor villages of Gulbarga. However, KHB reduced the rate to ₹ 8.90 lakh per acre by negotiating with the farmers.

The Government accorded (March 2007) approval to purchase the land at the negotiated rate of ₹ 8.90 lakh.

Acting on the directions of the Minister for Housing and Muzrai (May 2009), KHB issued a notification (January 2011) in a local newspaper informing its intention of purchasing another 132-18 acres in the said village at the rate of ₹ 8.90 lakh per acre.

In response to a representation (February 2011) on behalf of the farmers received by the Commissioner requesting for revision of the rate to ₹ 12 lakh per acre on the ground that the rates had been fixed way back during 2006-07, a fresh DPC meeting was conducted wherein it was decided to pay a rate of ₹ 13 lakh to ₹ 13.25 lakh per acre, inclusive of tax deducted at source.

Meanwhile, Chairman of the Implementation Committee of Dr.Nanjundappa Committee Report requested (May 2009) KHB to acquire land in certain survey numbers of Kushnoor village, informing that the farmers/land owners were willing to sell their land to KHB for the housing project and that the land were situated adjacent to those already purchased by KHB.

The matter related to purchase of land was once again placed before the Board (June 2011) and it was decided to purchase additional 672 acres (385 acres in Kalagnoor village and 287 acres in Kushnoor village) at ₹ 13 lakh per acre and to submit the proposal to the Government for approval. The land proposed to be purchased also included the land recommended by the Chairman mentioned above. However, the Government accorded (November 2011) approval only for purchase of 287 acres of land in Kushnoor village at ₹ 13 lakh per acre.

It was seen that:

- The market value of the land in that area was ₹ 0.36 lakh to 0.67 lakh as per the sales statistics.
- Despite getting necessary approval from the Government in March 2007 for purchase of 210 acres, KHB purchased only 97-12 acres of land (46 *per cent*) in several survey numbers of Kalagnoor village during December 2008 to July 2009.
- Following the approval accorded by the Government in November 2011 on the second occasion, KHB had purchased 218-36 acres out of 287 acres of land in Kushnoor village during January to May 2012 at the rate of ₹ 13 lakh per acre.
- Though KHB had identified 210 acres of land in two villages for purchase and also finalised the rate of ₹ 8.90 lakh/acre during March 2007 itself, laxity in purchasing the identified land resulted in purchasing 112-28 acres of land at the enhanced rate of ₹ 13 lakh per acre. As a consequence, the project cost escalated by ₹ 4.51 crore.

- An additional expenditure of ₹ 2.18 crore was also incurred on 218-36 acres of land purchased till date due to fixing the value of land at ₹ 13 lakh per acre instead of ₹ 12 lakh per acre as demanded by the farmers.
- The basis on which the Board of KHB resolved (June 2011) to purchase additional 672 acres of land at ₹ 13 lakh per acre, as compared to 210 acres originally proposed to be purchased was not on record which reflected absence of an appropriate planning system for housing projects.
- Demand survey had also not been done when KHB initially proposed to acquire 210 acres during 2006-07, or for the purchase of additional 672 acres approved during June 2011.

2.9 Payment of Compensation

Deficiencies/irregularities noticed in the test-checked cases in the disbursement of land compensation are brought out in the succeeding paragraphs:

2.9.1 Compensation for land classified under “B” Kharab

The Government in Revenue Department had clarified (June 2003 and May 2004) that land, which are not suitable /unfit for cultivation, have been classified under “A” and “B” kharab land under sub-section (2) of Rule 21 of the Karnataka Land Revenue Rules (KLR), 1966. If Kharab land classified under “A” has been granted by the competent authority under the provisions of the Karnataka Land Grant (KLG) Rules, 1969 in such circumstances, the grantee becomes the owner of the land, provided such land has been granted before the date of issue of preliminary notification and, in such cases, the grantee would become eligible for land compensation. As regards land categorised under “B”, the question of payment of compensation does not arise.

Final notification (October 2011) under the LA Act, 1894 was issued by KHB for acquisition of 271-07 acres of land in three villages of Mysore district. Out of this, 208-02 acres had been classified as “B” Kharab as per revenue records as confirmed (June 2012) by Tahsildar, Mysore.

Audit, however, observed that KHB had paid land compensation of ₹ 47.53 crore at the rate of ₹ 36.50 lakh per acre for 130-09 acres of “B” Kharab land to several persons in Sy.Nos.54 and 99 of two villages.

KHB replied (April 2013) that the land in question had been granted by the Government to the said persons and also issued RTC in their favour and that after obtaining necessary documents payment had been made.

2.9.2 Discrepancies in disbursement of land compensation

In seven cases listed in **Table-8** below, compensation amounting to ₹ 852.28 lakh was awarded to persons other than khatedar by the SLAO without sufficient verification of vital records:

Table-8: Discrepancies in the disbursement of land compensation

Land owner	Extent of land (Acres-Guntas)/ SyNo.	Compensation paid			Relationship with the land owner	Documents not verified by SLAO	Audit observation
		Extent of land (Acres-Guntas)	Amount (₹ in lakh) /Period	To			
(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)
Ningamma	3-00 54/P-P8	2-00	73.00/ May 2012	Guruboraiah	Eldest Grandson	<ul style="list-style-type: none"> Death certificate of other two sons. Mutation entries in the Revenue records Succession certificate 	Acceptance of family tree issued by non-competent authority with specific condition (sale of land) and in the absence of records at Column (8), the payment to the rightful owner was doubtful
Rajamma	1-30 /54 Part	1-30	63.88/ June 2012	Rajamma	Self		Khatedar had entered into sale agreement on 7.11.2007 for ₹ 37.87 lakh and received an advance of ₹ 3.88 lakh. NOC from the agreement holder was not obtained.
Rache Gowda	4-00 54/15	4-00	146.00/ June 2012	Savitamma	Wife	<ul style="list-style-type: none"> Death certificate of Khatedar not obtained 	Rachegowda had filed application for no due certificate from Primary Land Development Bank, Mysore on 29.12.2011 which indicated that he was alive.
Papegowda	3-00 54/3	2-00	73.00/ Feb 2012	Jayanna	Son	<ul style="list-style-type: none"> Death certificate of khatedar, wife and daughter Succession certificate Mutation entries in revenue records 	Acceptance of family tree issued by non-competent authority with specific condition (sale of land) and in the absence of records at Column (8), the payment to the rightful owner was doubtful
		1-00	36.50/ Feb 2012	Shivanna	Grandson		
Sanne Gowda	2-24 55	2-24	94.90/ May 2012	Ashok	Son		Revenue mutation was in the name of Khatedar and the Khatedar was alive. Hence payment was not in order.
Laksh-mamma	3-00 54/23	1-20	54.75/ June 12	Swamy Naika	Son	<ul style="list-style-type: none"> Death certificate of khatedar Succession certificate Mutation entries in revenue records 	<ul style="list-style-type: none"> Whether the husband of the khatedar was alive was not confirmed. No records to prove that the payees were the sons of the khatedar. NOC from the daughter was not obtained. Cross verification of records (notice under Sec 4(1), encumbrance certificate and nil tenancy certificate) showed that the khatedar was alive.
		1-20	54.75/ June 12	Govinda Naika	Son		

Land owner	Extent of land (Acres-Guntas)/ SyNo.	Compensation paid			Relationship with the land owner	Documents not verified by SLAO	Audit observation
		Extent of land (Acres-Guntas)	Amount (₹ in lakh) /Period	To			
(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)
Putta Nayaka	4-00 54/P 11	4-00	146.00/ June 09	Putta Nayaka	Self	• Grant certificate	In the absence of land grant certificate, it could not be verified whether PuttaNayaka had been granted 7 acres of Government land in Sy.Nos. mentioned at Col (2)
	3-00 54/21	3-00	109.50/ Jan 09	Shiva Shankar H Pulse.	GPA Holder	• Grant certificate • Mutation entries in revenue records	
Total			852.28				

(Source: Information furnished by KHB)

Thus, ₹ 8.52 crore was paid as compensation without availability of necessary documents and therefore audit could not derive assurance that payments were made to rightful owners.

2.10 Denotification of land in contravention of the provisions of LA Act, 1894

Under Section 48 (1) of the LA Act, 1894 the Government is at liberty to withdraw from acquisition of any land of which possession has not been taken. Thus, if possession of land has been taken following the due procedure under the LA Act, 1894 the Government has no power to withdraw from acquisition proceedings. This position has been upheld by the Supreme Court and the High Court of Karnataka in many cases.

During the period 2008-13, the Government denotified, under the provisions contained in Section 48(1) of the LA Act, 1894 an extent of 637-32³/₄ acres of land in seven cases.

Observations of audit with regard to two out of seven cases are brought out in the following paragraphs.

2.10.1 Bangalore district

The Government had denotified (September 2010) an extent of 36-10 acres in Allalasdandra village of Bangalore North Taluk which had earlier been acquired for the formation of a housing project during April 1991. The above 36-10 acres of notified land was purchased by Dharmasthala Manjunatheshwara Educational Society during the period from 15 February 1993 to 9 May 2001.

The events that had occurred from the date of acquisition to the date of denotification are tabulated below in chronological order:

Month & year	Event
April 1991	Final Notification u/s 6(1) of the LA Act, 1894 issued notifying 106-01 acres
February 1993 to May 2001	Purchase of 36-10 acres of land notified by the Society

Month & year	Event
July 2002 and May 2003	Possession of entire notified land by the KHB
September 2002	Society filed Writ Petition before High Court of Karnataka challenging the acquisition and status quo orders obtained
March 2004	Government decided to denotify the land
September 2010	Denotified 36-10 acres of land in favour of the Society
April 2011	Writ Petition withdrawn by the Society

From the above, it could be seen that a Society had purchased notified land in contravention of Sec 3 of Karnataka Land (Restriction on Transfer) Act, (KLRT Act), 1991 which prohibits the transfer of land notified under the LA Act, 1894 for a public purpose. Further, the possession of the land had also been taken over by KHB and therefore, it was not permissible under the LA Act, 1894 to denotify the land at this stage.

However, the Government overlooked the provisions of the said Acts and denotified the land in favour of the Society for the reason that KHB did not develop the acquired land and development at that stage would involve huge expenditure.

In reply, KHB stated (April 2013) that the Revenue Department had been requested during July 2011 to cancel the denotification order and the matter was pending before the Government. The Commissioner also stated in the exit conference (August 2014) that monitoring mechanism has been strengthened to track the developments after publication of notification for acquisition of land.

2.10.2 Hassan district

In response to a demand survey conducted during 2002-03, KHB decided (May 2007) to acquire 527-13 acres of land in three villages of Hassan district.

The developments that took place after May 2007 are tabulated below in chronological order:

Month & year	Event
June 2007	Preliminary Notification u/s 4(1) of the LA Act, 1894 notifying 598-07 acres
January 2010	Final Notification u/s 6(1) of the LA Act, 1894 notifying 587-31 acres
December 2008 and December 2009	Representations by land owners seeking denotification of land and pressure through politicians
June 2010	Government conveyed approval of the Chief Minister and issued directions to forward draft Notification for denotification with the condition that the land should not be alienated for five years
February 2011	587-31 acres denotified without insertion of alienation clause

Though final notification for acquisition of 587-31 acres of land was issued during January 2010, the Government denotified (February 2011) the entire land owing to pressure from the land owners and politicians. Therefore, denotification of land acquired for a public purpose despite demand for sites was neither justified nor legal.

2.11 Failure to pass award within stipulated time

Under the LA Act, 1894, the acquisition process should be completed within three years. KHB had initiated proceedings for acquisition of 434-22 acres of land in two villages of Bangalore North taluk during March 2007. However, the land acquisition process was completed only during October 2011 involving the following stages in a chronological order:

Month & year	Event
March 2007	Preliminary Notification u/s 4(1) of the LA Act, 1894 notifying 434-22 acres
June 2009	Final Notification u/s 6(1) of the LA Act, 1894 notifying 420-05 acres
May 2011	DPC determined compensation of ₹ 75 lakh per acre and allotment of a free site measuring 1200 sft.
July 2011	KHB resolved to pay compensation of ₹ 60 lakh per acre and a free site.
October 2011	KHB forwarded the proposal to the Revenue Department for approval of award.
March 2012	Revenue Department rejected the proposal on the ground that award was not made within two years from the date of final notification.

Audit observed that the Government had approved (August 2005) the purchase of 537-31 acres of land at the rate of ₹ 11.25 lakh per acre. Against this, KHB was able to purchase only 4-00 acres of land as response from the land owners had not been encouraging. Therefore, KHB decided to acquire the identified land under Section 33(2) of the KHB Act, 1962, by invoking the provisions of the LA Act, 1894. The acquisition proceedings initiated under the LA Act, 1894 were also not fruitful as KHB did not adhere to the timeframe prescribed under the Act. As a result, the entire housing project was shelved. KHB failed in its endeavor to acquire land either through direct purchase or through compulsory acquisition under the LA Act, 1894.

KHB also incurred a loss of ₹ 2.24 lakh on advertisement charges besides the investment of ₹ 49.50 lakh on purchase of 4 acres of land. KHB had not taken any action to fix responsibility for failure to pass the award within the stipulated period.

It was seen that laxity on the part of KHB to get the award passed within the stipulated period paved the way for numerous private developers and builders to purchase the notified land and reap attractive benefits. Several persons had purchased the notified land in violation of KLRT Act, 1991 and also got those land converted for residential use, even before rejection of award proposal by the Revenue Department.

It was, therefore, evident that KHB did not exercise appropriate vigilance over the notified land, which led to illegal sale of the notified land in contravention of the KLRT Act, 1991.

In exit conference (August 2014), the Commissioner admitted the facts pointed out by Audit.

2.12 Betterment Charges

Sections 34 to 37 of the KHB Act, 1962 deal with the assessment of betterment charges, levy and mode of collection and recovery of betterment charges. Betterment charges are leviable by KHB in all cases where the land value increases owing to the execution of a housing scheme or development scheme by KHB.

Under Sec 34(1) of the KHB Act, 1962, KHB is required to identify/assess the areas, which are so likely to be affected by the implementation of the scheme, while framing the scheme itself, showing the details of land, which attract betterment charges. KHB is also required to publish a declaration that betterment charges shall be payable by the land owners or any person having an interest therein in respect of the increase in value of the land from the execution of the scheme.

It is therefore imperative that while publishing Notification u/s 4(1) of the LA Act, 1894 KHB should also simultaneously publish Notification u/s 34(1) of the KHB Act, 1962, indicating the details of land and land owners, liable for payment of betterment tax, to be assessed at a later date.

Section 34(2) of the Act lays down the procedure for the assessment of betterment charges. It is stipulated that the difference between the value of land on completion of the scheme and its value prior to the execution of the scheme should be arrived at and the betterment charges should be computed at 50 *per cent* of such difference.

KHB is empowered to levy the betterment charges for the identified land, provided those land are either used or converted for non-agricultural purposes as per Section 34(4) of the KHB Act, 1962.

It was seen that KHB had so far not invoked any of the provisions laid down in Sections 34 to 37 of the KHB Act, 1962 and no betterment charges had been assessed or recovered from the land owners. During the exit conference (August 2014) the Commissioner expressed inability for levy of betterment charges stating that he was not an Administrator. The reply is not tenable as no efforts have been made by KHB to sort out the issue with the help of local town planning authorities.

2.13 Court Deposits

Under Section 31 of the LA Act, 1894 on making an award under Section 11, compensation awarded needs to be paid to the persons interested/entitled thereto according to the award, unless prevented by someone. The Act also stipulates deposit of the amount of the compensation in the Court to which a reference under Section 18 would be submitted, in all cases where, the land owners/interested persons shall not consent to receive it, or if there be no person competent to alienate the land, or if there be any dispute as to the title to receive the compensation or as to the apportionment of it.

In the above context, review of files related to compulsory acquisition of land [u/s 33(2) of the KHB Act, 1962] under the provisions of the LA Act, 1894 disclosed the following lacunae:

- Project-wise compensation payment register was not closed periodically to ascertain the progressive extent of land, to which compensation had been paid and the balance extent, in respect of which compensation was yet to be disbursed, as compared to the total land notified u/s 6(1) of the LA Act, 1894. Therefore, the extent and also the quantum of land compensation remaining unpaid to the land owners under different housing projects as on a given date could not be ascertained.
- On passing the award u/s 11(1) or 11(2) of the LA Act, 1894, as the case may be, award notice u/s 12(2) had been served on the land owners of the notified land, directing them to hand over the documents mentioned in the award notice within 15 days from the receipt of notice and to collect the land compensation. After the expiry of this period, KHB was required to deposit the unclaimed land compensation with the court as required u/s 31 of the LA Act, 1894. However, KHB had not deposited such amounts with the jurisdictional Court.
- It was also mentioned in the award notices issued by KHB that after the expiry of the stipulated period, the amount of land compensation would be held in a deposit account with Board and that no interest would be admissible on such deposits. KHB had not maintained a separate deposit account and hence outstanding land compensation was not verifiable. The system followed by KHB was not in tune with the provisions laid down in the LA Act, 1894.
- In three test-checked projects alone, the undisbursed land compensation amounted to ₹ 143.77 crore as shown in **Table-9** below :

Table-9: Details of undisbursed land compensation

Name of the District	Location	Extent for which compensation is payable (Acres-Guntas)	Amount of undisbursed land compensation (in ₹)	Remarks
Dharwad	Gamanagatti, Suthagatti	63-07½	85,03,818	General award @ ₹ 1.35 lakh/acre
Mysore	Kallur-Naganahallikaval, Gungralchatra, Yalachahalli	153-29	55,34,46,250	Consent award @ ₹ 36.50 lakh/acre

Name of the District	Location	Extent for which compensation is payable (Acres-Guntas)	Amount of undisbursed land compensation (in ₹)	Remarks
Ramanagara	Borehalli, Muddapura-Karenahalli, Kakaramanahalli	336-32½	87,57,12,500	Consent award @ ₹ 26 lakh/acre
Total			143,76,62,568	

(Source: Information furnished by KHB)

- KHB had deposited the land compensation in the court only in cases where there were disputes related to the notified land. However, the Land Acquisition wing had not maintained a court deposit register, showing the amounts deposited from time to time and their disbursement to the land owners through the court. Due to non-maintenance of court deposit register, total deposits remaining with the court, pending disbursement to the land owners were not ascertainable.
- Audit also noticed that there was no system in place to periodically verify, with reference to the court records, the actual disbursement of the land compensation to the land owners. In the absence of such reconciliation, Audit could not ascertain whether the amount deposited with the court had actually been disbursed to the land owners, after disposal of the respective court case.



CHAPTER - 3

EXECUTION AND COSTING

CHAPTER 3

EXECUTION AND COSTING

3.1 Project execution

3.1.1 Execution of works

Subsequent to acquisition of land and obtaining necessary approval for formation of layout from the required authorities, KHB forms layouts. The major works in formations of layout involves the following:

- Levelling of the land and marking the layout plan.
- Formation of culverts and drains.
- Formation of roads and providing lighting.
- Providing electrification.
- Providing drinking water supply.
- Tendering the construction of houses / apartments.

The schemes on hand with KHB during the period of audit were as detailed in **Table-10**. Review of 32 projects showed major deviations which are detailed in subsequent paragraphs.

Table-10: Schemes on hand with KHB

Sl. No.	Name of the Scheme	Extent of Land (Acre – Guntas)	No. of sites	No. of houses	Project cost (₹ in crore)	Tendered Amount (₹ in crore)
1	100 Housing Scheme	295 – 18	3,742	435	1,515.75	103.78
2	Suvarna Karnataka Housing Project	1,592 – 13	17,848	4,002	1,345.41	738.48
3	225 Housing Scheme	2,012 – 16	21,412	2,917	1,783.68	848.75
4	Other KHB Schemes	34 – 23	375	70	18.70	15.83

(Source: Information furnished by KHB)

3.1.2 Violation of tender procedures

The Karnataka Transparency in Public Procurement Act, 1999 (KTPP Act) and the Rules framed thereunder prescribes the procedures to be followed while inviting tenders. It was seen in test-checked cases that KHB violated the prescribed procedures while inviting or processing tenders. The violations are shown in **Table-11** below:

Table-11: Violations of tender procedure

Sl. No.	Procedure prescribed by the Government	Procedure followed by KHB
1.	Tender documents should be made available from the date of notification inviting tenders to one day prior to the date fixed for submission	Tender documents were made available to the intending bidders only on a fixed date
2.	Period of 60 days was to be allowed for submission of tenders from the date of issue of tender document	Period of about only one week from the date of issue of tender documents was allowed for submission of tenders.
3.	Negotiations should not be resorted to only for the purpose of obtaining lower prices as such practices would encourage corruption. If quoted price is substantially above the estimated rates first choice is to reject all tenders and re invite fresh tenders	Negotiations were resorted to in almost all the cases in a routine manner to obtain lower prices, stating that quoted price was substantially high. The 1 st choice of rejecting the tender suggested by the Government was never resorted to.

Sl. No.	Procedure prescribed by the Government	Procedure followed by KHB
4.	Approval of the Tender Accepting Authority should be obtained by the Tender Scrutiny Committee after detailing the reasons and points on which negotiations are proposed to be conducted. The Tender Accepting Authority after careful examination of proposals approve the points (including the change in scope, specification, packaging etc) on which negotiations are to be held and appoint a Negotiating Committee consisting of tender inviting authority, a representative of Tender Scrutiny Committee and Tender Accepting Authority. The committee shall conduct negotiations on the approved points and make a record of the proceedings of the negotiations. The proceedings are then submitted to the Tender Accepting Authority for acceptance.	The reasons and points on which negotiations are to be conducted are never put forth to the Tender Accepting Authority and prior approval was also not obtained for conducting negotiations. No Negotiation Committee was appointed. The negotiations were being held by the Tender Scrutiny Committee itself without firming up the reasons and points on which negotiations are to be held and they were aimed at only obtaining lower prices and its decisions were routinely endorsed by the Tender Accepting Authority.

(Source: Information furnished by KHB)

3.1.3 Arbitrary design of pavement for roads

According to Indian Road Congress (IRC) Code 37, pavement thickness is dependent on two factors viz., California Bearing Ratio (CBR) value of the weakest soil type proposed to be used for sub grade construction or encountered extensively at sub grade level over a given section of the road as revealed by the soil surveys and the Million Standard Axles (MSA) expected to ply over the road during the design period. Based on these two factors, IRC 37 prescribes design charts for the guidance of road designer. All the roads should be designed based on these charts. However, it was seen that KHB never conducted any soil survey to arrive at the CBR value and calculated design traffic. The provisions made in the estimates for pavement thicknesses were arbitrarily reckoned. This arbitrary provision of pavement thicknesses either caused extra expenditure or deficient roads as discussed below:

In the work of Sites and Services Scheme at Devanahalli taken up by KHB during May 2010 at a contract price of ₹ 23.58 crore, the pavement composition provided for the roads of varying widths (9 metre, 12 metre and 18 metre roads) consisted of 300 mm Granular Sub-Base (GSB), 225 mm Sub Base Wet Mix Macadam (WMM), 50 mm Bituminous Macadam (BM) and 25 mm Semi-Dense Bituminous Concrete (SDBC). This composition did not exactly match any of the compositions given in the design charts. However, the design charts recommended 225 mm WMM and 50 mm BM for the traffic range of 2 MSA on the sub grades of CBR value ranging from 2 per cent to 10 per cent. The provision of 225 mm WMM and 50 mm BM for this work showed that the expected traffic on the roads of the projects was 2 MSA. For 2 MSA, the wearing course prescribed by design chart was 20 mm Open Graded Premix Surfacing. However, 25 mm SDBC was provided which caused extra expenditure of ₹ 18.06 lakh.

The thickness of the GSB for 2 MSA varied from 440 mm for 2 per cent CBR to 150 mm for 10 per cent CBR. Thus, there was arbitrary provision of 300 mm GSB without calculating CBR value of the sub grade which had the potential of extra expenditure of ₹ 41.45 lakh (assuming CBR value as 8 to 10 per cent as generally observed in Karnataka).

3.1.4 Excess payment due to excavation by manual means

The estimates prepared by KHB had been based on Public Works Department's Schedule of Rates (PWD SR). The PWD SR provides for separate rates for excavation by manual means and mechanical means. The rates for manual excavation were higher compared to the rates for mechanical excavation.

The works executed by the KHB were mainly related to development of layouts on huge tracts of acquired land with the purpose of forming sites and constructing houses and apartments. These development works of KHB, *inter alia*, require large scale excavations. Such large scale excavations are usually tackled by deploying machineries such as hydraulic excavators, dozers, tippers *etc.* Manual excavation is adopted where quantity of excavation to be done is little or when machineries cannot be used due to restricted space at the work site.

It was seen in 18 of the 32 works that KHB adopted manual excavation in their estimates and these works had been tendered with the same specification. Evidently, the contractors' quoted rates were for manual excavation although the conditions were conducive for the use of machinery in view of the huge area involved. It was further seen from the photographs available in the files of two works, that the contractors had excavated using machinery. The Chief Engineer stated that excavation had been done only by manual means by the contractors and the manual excavation had been carried out to provide employment opportunities to the local labourers. However, the objective of these housing schemes was to provide housing at affordable prices to the public and not to create employment opportunities to the local labourers. As a result of payment for excavation by manual means, instead of mechanical means, KHB incurred an avoidable expenditure of ₹ 9.16 crore on excavation of 9,28,465.505 cum of earth.

3.1.5 Avoidable expenditure due to use of water bound macadam instead of wet mix macadam

Scrutiny of estimates/Detailed Project Reports (DPRs) and the contract documents for development works showed that the pavement composition for most of the internal roads constructed in the layouts formed by KHB across the State consisted of 20mm thick Water Bound Macadam(WBM), Tack Coat, Surface Dressing and Close graded Premix Surfacing. These pavement layers were laid on prepared sub grade. The pavement composition of few other roads in Suryanagar Block I to IV consisted of 10 mm thick GSB, 20 mm thick WMM, Primer Coat, 50 mm thick BM and 25 mm thick SDBC.

Both WBM and WMM are base courses. As per IRC specifications, WMM is a superior variety of base course. The cost of WMM is also cheaper than WBM due to machinery use in laying. However, KHB used WBM as base course for majority of the roads which led to extra expenditure of ₹ 5.26 crore in respect of 19 works. Agreeing that WMM was cheaper than WBM because of less labour, the Chief Engineer defended the decision to provide for WBM on the ground that WMM could not be used when the top bituminous layer recommended was chip carpet with seal coat. The reply was not acceptable as the IRC 37 recommended use of WMM even where the top bituminous layer consisted of chip carpet. The fact that WMM had been used with chip carpet for the road works in Suryanagar also would confirm that WMM could very well be used as a base course.

3.1.6 Excess payment to the contractor due to inclusion of additional item of plastering in respect of concrete works

The estimates for the works executed by KHB were prepared on the basis of PWD SR of the concerned circle and year. The PWD SR for the years 2008-09 and 2009-10 contained a note under the Concrete chapter which prescribed that the rates sanctioned for reinforced cement concrete (RCC) for chajja¹⁷ were exclusive of the cost of plastering. For other concrete items in the same chapter, the sanctioned rates were inclusive of plastering.

KHB had prepared several estimates using PWD SR of the years 2008-09 and 2009-10. Laying concrete for the RCC roadside drains, RCC works for Under Ground Water Tank, Over Head Tank, and Roof Ceilings *etc.*, were some of the items of concrete work and the specifications included the cost of plastering. However, it was seen that KHB provided for plastering for these items separately in the estimates again though the rate for concrete already included such cost. The provision of additional plastering to concrete surfaces in respect of 1,81,680 sq.metres led to excess payments to the contractors in respect of 11 works totaling to ₹ 1.80 crore. The Chief Engineer stated that plastering to concrete surface had been recommended and approved by the technical committee. Though plastering to the concrete surfaces was a necessity, there was no justification for including a separate item for plastering when the rate for concrete included the cost of plastering.

3.1.7 Excess payment due to double provision of loading and unloading charges for transportation of excavated earth to the dumping site or embankment site

The work of Construction and Commissioning of all works for the Composite Housing Scheme at Rambapura Road, Bijapur Block-I & II involved formation and commissioning of layout, construction of bridges, roads, culverts, RCC Road side drains, Size Stone Masonry Surface Drain, External Water Supply, External Electrification, *etc.*, besides construction of 13

¹⁷ Chajja means a sloping or horizontal structural overhang, usually provided for protection from sun and rain or for architectural considerations at lintel level

houses. On a review of Bills of Quantity (BOQ) it was seen that in respect of earth excavation works an additional item of loading and unloading of excavated soils had been provided although loading and unloading had already been included in the rate for excavation item. Thus, action of KHB in providing loading and unloading charges again as an additional item resulted in excess payment and undue benefit to the contractor aggregating ₹ 5.34 crore. The Chief Engineer stated that the extent of area covered was 100 acres which needed to plan to execute all activities of the project in phases. It was further stated that excavation was carried out at different places and excavated material was rearranged and refilled as it was not possible to excavate the entire quantity and dispose of the same outside because of practical conditions at site. The reply was not acceptable as the additional loading and unloading had been included while preparing the DPR itself and had not been introduced due to practical conditions at site. Further, it was the contractor's responsibility to load and unload the excavated material as he had quoted his rate after observing the site conditions. By including an additional item in the DPR itself for the second loading and unloading operation, the contractor received an excess payment of ₹ 5.34 crore for 7,73,735 cum of earth.

3.1.8 Undue benefit due to adoption of higher rate for disposal of excavated earth

In the case of composite housing schemes at Gadag and Bagalkot, it was seen that the BOQ prepared by KHB included a higher rate for carting away the excavated material as compared to the rate as per PWD SR 2009-10. In the case of the housing scheme at Gadag, while the BOQ contained a rate of ₹ 60 per cum for carting to a distance of 2 km, the corresponding rate as per PWD SR was only ₹ 5.24 per cum. Similarly, in the case of the scheme at Bagalkot, the respective rates were ₹ 60 per cum and ₹ 8 per cum. As the contractors' offers were based on these rates, they received an undue benefit of ₹ 72.22 lakh for 1,23,187 cum of carted earth.

3.1.9 Excess payment to contractors due to use of fly ash bricks instead of burnt clay bricks

The contract for Group Housing Schemes at Biddapur, Gulbarga District required the contractor to construct houses by using Burnt Clay Bricks with the strength of 35 kg/cum. Based on the request of the contractors that burnt bricks were not available in sufficient quantity and the quality of the available bricks was poor, KHB granted (February 2007) approval for the use of Fly Ash Bricks. The number of bricks that were to be used in the work of construction of Houses, Pump House as per the BOQ of Biddapur scheme was worked out by audit at 52,18,694 as per specifications of SR. However, the number of fly ash bricks used in the work was only 43,00,000 because of its larger size. Further scrutiny of the SR for the year 2007-08 showed that the cost of each brick of burnt 35 modular bricks was ₹ 2.70. At the same time, the cost of Fly Ash Bricks as per CPWD SR was ₹ 1.79 per brick.

Hence, the contractor saved ₹ 63.93 lakh due to difference in price. Clause 26.8 of the contract agreement specified that variations, if any, had to be compensated or recovered as the case may be. However, the contractor had not passed on the savings to KHB. KHB also did not initiate any action to recover the same from the contractor.

The Chief Engineer stated that the construction was carried out with better quality bricks and there was no change in the BOQ quantity and the executed quantity of work. The reply was not acceptable as unauthorised benefit had accrued to the contractor on account of change in specification of brick and KHB did not take action to insist on recovery of the saving before approving the change in specification.

3.2 Costing and pricing

Costing as per financial terms is defined as classification, recording and appropriate allocation of expenditure for the determination of the costs of every order, job, contract, process, service or unit as may be appropriate, for the presentation of suitably arranged data for purposes of control and guidance of management. Further, the main objective of costing is to ascertain the actual cost and determination of selling price.

The KHB Allotment Regulations, 1983 under Rule 2(I) defines 'Price of Site' as the value of the site including all incidental charges incurred for acquisition of such site and 'Price of the house' means the value of the house together with the price of the site on which it is built which in turn also includes all incidental charges that were incurred for construction of the said house. Further, it also includes administrative and service charges that may be incurred by KHB.

Test-check of 10¹⁸ costing files pertaining to projects allotted during the period of performance audit showed the following:

- The costing section had not devised specimen costing sheet for the projects taken up by KHB to obtain details of expenditure incurred from all the related sections viz., land acquisition section, town planning section and technical section. In the absence of participation of all the related sections, data adopted for costing was unreliable.
- KHB had neither adopted post costing method¹⁹ nor continuous costing method²⁰ for arriving at the final project cost. Instead, it was seen that KHB had adopted detailed project cost and the tendered premium for

¹⁸ Basavanabagewadi, Bijapur, Airport land-Gulbarga, Muddebihal, Bagalkot, Gangavati, Dharwad, Belgaum and Kundavad Phase I & II – Davanagere, Ganeshnagar-Koppal, Channapatna-Hassan,

¹⁹ Post costing: Analysis of actual information as recorded in the financial books where price is determined finally on the basis of actual cost.

²⁰ Continuous costing: Collects information about cost as and when activity takes place. On completion of project, cost of project should be arrived at.

arriving at the final project cost. Hence, the rates adopted for costing prior to completion of project was inaccurate.

- The system of costing adopted by KHB reflected lumpsum expenditure on cost of land without indicating the breakup of compensation for land, advertisement charges, legal charges, documentation fee, registration charges and other incidental charges. Hence, the data was not verifiable.
- Interest on the cost of the project (as per DPR) for periods ranging from 12 to 24 months was charged while fixing the allotment prices, instead of the actual period taken for completion of the project. This resulted in undervaluation of project cost.
- In some of the projects, KHB had resolved to grant 40 *per cent* of the developed land in lieu of land compensation or incentive sites either free of cost or on subsidised rate, besides land compensation to the land owners. In the present system of costing and also in absence of data with respect to such projects, it was not ascertainable whether such factor had been considered for determining the allotment prices of sites and houses.
- In the absence of any pricing policies and procedures, there was inconsistency in determination of sale price of plots for allotment of sites/houses in each project. In 10 test-checked cases it was observed that percentage of leverage added over and above the actual cost of house and site varied from 0.77 *per cent* to 75.44 *per cent* and 9.96 *per cent* to 183.33 *per cent* respectively (**Appendix-1**).
- In addition, KHB loaded 10 *per cent* as Administrative and Service Charges on project cost arrived merely from the tendered amount for determining the rate for allotment of sites and houses. However, it would have been prudent had KHB charged the Administrative and Service charges after including expenses on project management cost, deposit with other departments, taxes *etc.*, excluding interest. Non-adoption of such computation resulted in under valuation of cost of site/houses and, thus, loss of revenue to the tune of ₹ 16.34 crore (**Appendix-2**).

Detailed scrutiny of costing of three out of 10 test-checked projects showed inconsistencies as brought out below:

3.2.1 Hassan District – Channapatna project

The project at Channapatna was commenced in December 2006 and was completed in May 2010. The expenditure incurred on implementation of the project was ₹ 86.59 crore. However, costing was carried out during August 2008 itself taking into account the cost as per the DPR, tender premium and interest on tendered amount/cost of land for a period of two years at the rate of 13 *per cent* per annum. Total revenue realisation predicted was ₹ 182.44 crore. On recasting, based on the actual expenditure at the end of the project, interest on actual expenditure and period of interest for cost of land worked out for the complete project period (3½ years) the total revenue realisation worked out to ₹ 191.65 crore. Thus, the loss incurred by KHB was ₹ 9.21 crore.

3.2.2 Gulbarga District – Airport land project

The project at Airport land, Gulbarga was taken up in December 2006 and was completed in June 2010. The detailed project cost of ₹ 21.51 crore at the time of costing (July 2008) had escalated to ₹ 44.49 crore at the end of the project period. However, KHB allotted sites at the rate of ₹ 300 per sft and houses at the rate of ₹ 225 per sft determined during July 2008.

However, as per actuals at the end of the project period, the sale price of sites and houses should have been ₹ 328 per sft and ₹ 266 per sft. Hence, KHB incurred an irrecoverable loss of ₹ 11.89 crore.

3.2.3 Davanagere District – Kundavad project

The project at Kundavad, Davanagere had been taken up during March 2005 at a cost of ₹ 59.27 crore. The project was still in progress and the revised detailed project cost had increased to ₹ 99 crore. The cost of the project was calculated by KHB during April 2012 on the basis of DPR cost and tender premium while the project was still in progress. Deficiencies noticed at the time of costing of the project are detailed below:

- Though there was escalation in the cost of the project, cost was not revised on the basis of the revised cost of the project.
- The land cost was taken at ₹ 13.25 crore against actual expenditure of ₹ 16.84 crore.
- The interest on land was computed for a period of 5 years while it was to be computed for 7 years (March 2005 to March 2012).
- KHB was liable to grant 2,43,239.86 sft of developed land as per the policy of granting 40 *per cent* of the developed land in lieu of land compensation to the land owners where land were acquired by KHB under the provisions of Sec. 33(2) of LA Act, 1894. However, the said area was not deducted from the total saleable area while arriving at site price.
- KHB resolved to grant incentive sites at 25 *per cent* of the allotment rate to the land owners, whose land were purchased directly. KHB purchased 216-28 acres of land through direct purchase against which the area of land to be reserved for incentive sites was approximately 2,68,800 sft. KHB had failed to consider this aspect at the time of costing for the purpose of determination of allotment rate.

Thus, by not revising the sale price, KHB would incur a tentative loss of ₹ 125.16 crore on the said project.



CHAPTER - 4
ALLOTMENT

CHAPTER 4

ALLOTMENT

4.1 Status of allotment of sites and houses

Allotment of houses and sites developed by KHB under various categories (LIG, MIG and HIG) is done as per KHB Allotment Regulations, 1983. During 2008-13, KHB had allotted 4,751 houses and 41,273 sites under various categories.

4.1.1 Non allotment of houses/flats/sites

As of July 2013, there were 23,433 houses/flats/sites remaining unallotted which included 10,246 corner sites and 691 stray houses/flats/sites, analysis of which showed the following:

- **Old Housing Project (HP)**

One hundred and forty six houses/flats including 40 stray houses/flats and 514 sites including 221 corner sites constructed/developed under various categories had not been allotted as of March 2013 as shown in **Table-13** below even though the projects were completed between 1982-83 and 2006-07. All the houses/sites were vacant for more than 10 years.

Table-13: Vacant houses/sites under Old HP

Category	Sites (in Nos.)					Houses/Flats (in Nos.)			
	Public ²¹	Stray ²²	DQ ²³	Corner ²⁴	Total	Public	Stray	DQ	Total
EWS	65	1	0	22	88	49	2	0	51
LIG	143	14	1	93	251	47	18	0	65
MIG	54	5	2	84	145	10	20	0	30
HIG	2	6	0	22	30	0	0	0	0
Total	264	26	3	221	514	106	40	0	146

(Source: Information furnished by KHB)

In Maskam, KGF, out of 44 houses remaining unallotted, 35 houses were under Economically Weaker Section category. However, the circular issued by the Commissioner during December 2012 to dispose of old properties did not include the unallotted houses in Maskam.

- **100 Housing Scheme/225 Housing Scheme/Suvarna Karnataka Housing Scheme**

Nine hundred and eight houses/flats which included 140 stray houses/flats and 19070 sites including 10,025 corner sites under various categories as shown in **Table-14** were yet to be allotted. Out of these, 1,963 sites and 61 houses remained unallotted for more than 10 years.

²¹ Unallotted houses in general quota

²² Cancelled after allotment

²³ Discretionary quota

²⁴ Allotment through auction only

Table-14: Vacant houses/sites under 100 Housing Project

Category	Sites (in Nos.)					Houses/Flats (in Nos.)			
	Public	Stray	DQ	Corner	Total	Public	Stray	DQ	Total
EWS	1453	10	73	906	2442	2	4	0	6
LIG	3137	216	179	3771	7303	434	61	4	499
MIG	2568	173	172	3474	6387	278	65	4	347
HIG	914	86	64	1874	2938	44	10	2	56
Total	8072	485	488	10025	19070	758	140	10	908

(Source: Information furnished by KHB)

In 15 projects completed during 2009-12, the percentage of houses not allotted ranged between 43 and 100 *per cent* (**Appendix-3**). In three²⁵ out of said 15 projects, all the houses remained unallotted (100 *per cent*) as of March 2013.

In the exit conference (August 2014), the Commissioner stated that considerable number of unallotted properties would be disposed of through a special drive.

4.1.2 General allotment

Eligibility for allotment as per KHB Allotment Regulations, 1983 specifies that

- No person shall be eligible for allotment (Rule 8).
 - who is not continuously residing within the limits of the City/Town or other place in which the sites are formed or houses are constructed for a period of 10 years immediately prior to the date of application
 - who or whose husband/wife, has been allotted a site/house by KHB or any other authority in the State of Karnataka
 - who or whose husband/wife/minor children own a house or site in any urban area Municipality in the State of Karnataka.
- Due publicity shall be given in respect of sites/houses for allotment specifying their location, number, amount payable and such other particulars as KHB may consider necessary [Rule 3(2)] and
- Allotments are to be made by drawal of lots (Rule 9).

Irregularities noticed in the allotment of sites/houses are discussed below.

4.1.2.1 Direct allotment of properties

KHB constructed 660 houses and 140 houses of different categories in Suryanagar Phase III, Bangalore and Kalagnoor/Kushnoor, Gulbarga respectively under 225 Housing Scheme. Scrutiny of property register showed the following:

²⁵ Yaragatti-Belgaum; Tiptur-Edenahalli, Tumkur; Sogane- Shimoga

- While notification calling for applications for allotment for the housing scheme at Suryanagar Phase III, Bangalore was issued by KHB in newspapers during September/October 2013, KHB had allotted 239 houses of varied dimensions in March/April 2013 itself.
- Similarly, in respect of housing scheme at Kalagnoor/Kushnoor, Gulbarga, 54 houses of varied dimensions were allotted without issuing any public notification.
- Provisional allotment letter issued by the Commissioner to the allottees of both Suryanagar Phase III and Kalagnoor/Kushnoor requested the allottees to obtain the application form and submit it along with the first installment due.

In reply, KHB stated the following:

- Unsuccessful applicants of Suryanagar Phase II project were considered for the Suryanagar Phase III, as assured by the then Housing Minister during the allotment of sites / houses of Suryanagar Phase II through lots.
- Initially, 39 applicants who had not obtained refund of initial deposit were allotted in Suryanagar Phase III.
- In the demand survey conducted for the 140 houses constructed in Kalagnoor/Kushnoor, Gulbarga, only 15 applications were received.
- Further, in order to expedite the disposal of unsold sites and houses in less demand projects, KHB in its 445th Board meeting held during January 2013 authorised the Housing Commissioner to allot the houses / sites to applicants who approached seeking allotment.
- Based on the above resolution, 237 houses in Suryanagar Phase III and 120 houses in Kalagnoor/Kushnoor, Gulbarga were allotted to the applicants by the Housing Commissioner.
- Notification for the remaining 372 houses in Suryanagar Phase III was issued in August 2013 and allotment to the 364 applicants in response to the notification was made in January 2014.

The allotment made on the basis of resolution of 445th meeting lacked transparency and left room for manipulation due to the following reasons:

- Decision of KHB in categorising the Suryanagar Phase III project under less demand was taken without issuing notification.
- The housing project in Kalagnoor/Kushnoor, Gulbarga was taken up without adequate demand.
- Non-allotment and non-refund of initial deposit in respect of earlier projects does not confer right in future allotments.
- Provisions under KHB Allotment Regulations, 1983 do not confer any powers on the Housing Commissioner for allotment of houses/sites directly and the Board of KHB also does not have any power to authorise the Housing Commissioner to do so.

In the exit conference (August 2014), the Commissioner stated that cancellation orders had already been issued with respect to 84 cases and action was initiated in the remaining cases.

4.1.2.2 Allotment of sites in multiple numbers

Scrutiny of property register in respect of 100 HP in Chickmagalur V Phase showed that out of 602 sites allotted, 58 applicants were allotted more than one site which was of the same category or combination of categories. Totally 138 sites were allotted to these 58 applicants.

Further scrutiny of data with respect to these 58 applicants showed the following:

- Eight applicants were allotted three to seven sites (**Appendix-4**).
- In 41 cases, adjacent sites were allotted.
- Multiple sites were allotted on a single application in 35 cases. While four sites were allotted on a single application in two cases, five sites were allotted in one case and six sites were also allotted on a single application in one case.

All these clearly violated Rule 8 and 9 of KHB Allotment Regulations, 1983.

In reply, KHB stated that in order to recoup the capital invested in the housing schemes, it had issued circular (February 2004) to dispose of all the vacant plots. The reply is not acceptable as the allotments had been made in disregard of KHB Allotment Regulations, 1983.

4.1.3 Loss of revenue on account of reduction in allotment rate

KHB cancelled the allotment of three acres of land at Bandematt, Kengeri to Nirmithi Kendra in March 2010 as the allottee had sublet the land to two organisations viz., Rajiv Gandhi Rural Housing Corporation and ASCENT. As per the directions of the Government, under the same resolution, the said land was allotted to Rajiv Gandhi Rural Housing Corporation for construction of its office and establishment of National Academy of Construction at ₹ 2 crore per acre. However, the allotment rate for the HIG II category sites in the said housing scheme in 2007 was ₹ 700 per sft. On this basis, the allotment rate should have been ₹ 3.05 crore per acre in 2007 itself. By allotting the land at a lower cost, KHB lost revenue of ₹ 3.15 crore²⁶ on the basis of rate prevalent in 2007.

²⁶ Cost for 1 acre = 43560*700=3,04,92,000 ie ₹ 3.05 crore
Cost of 3 acres = 3.05 x 3 = ₹ 9.15 crore
Loss = ₹ 9.15 crore minus ₹ 6 crore = ₹ 3.15 crore

4.2 Allotment under Discretionary quota

Rule 4 of the KHB Allotment Regulations, 1983 envisages that KHB may, on their own or under directions from the Government, reserve sites/houses in any area for allotment to any specified class of persons and such class of persons may consist of employees in any office or establishment in the City, Town or other places in which the sites were formed/houses were constructed. There shall be reserved in each area where houses/sites were notified, a discretionary quota (DQ) up to 10 *per cent* in each category of house/sites, subject to a maximum of which may be disposed by KHB at its discretion, with the prior approval of the Government.

It was seen that other than the office employees, the class or classes of persons eligible for allotment of a DQ site had not been prescribed either by Government or KHB. The procedure for allotment of DQ site had also not been prescribed anywhere.

Scrutiny of the allotment under discretionary quota showed the following.

4.2.1 Allotments made contrary to rules

During 2008-13, KHB had allotted 1089 properties under DQ, on the basis of Government orders ratified later by KHB. Of the 767 test-checked allotments, 631 allotments were made based on recommendations of Minister (495), KHB officers (85) and others (51). In the absence of clarity on class or classes of persons eligible for DQ site, allotment of DQ sites was not transparent.

4.2.2 Allotments at a lower rate – loss to the tune of ₹ 2.12 crore

In accordance with the KHB's resolution No.438 (January 2012), the DQ houses/flats/sites were to be allotted at 25 *per cent* above the prevailing current rate of allotment except EWS category, which was to be fixed at 10 *per cent* above the allotment rate (prior to 2012, the allotment rate was at 10 *per cent*).

On scrutiny of the allotments made during 2008-2012, in five projects, it was seen that the rates fixed were lower than the rates that KHB should have worked out. This resulted in loss of revenue of ₹ 2.12 crore to KHB. The details are shown in **Table-15**.

Table-15: Loss to KHB due to allotment at lower rate

Project name	No. of cases	Loss to KHB (₹ in crore)
Suryanagar Phase I	74	1.13
Basavanna Kudachi, Belgaum	13	0.53
Channapatna, Bangalore Phase II	06	0.05
Suryanagar Phase II	25	0.29
Kengeri Bandematt	08	0.12
Total	126	2.12

(Source: Information furnished by KHB)

4.3 Allotment of Stray properties

KHB Allotment Regulations, 1983 define "Stray site/house" as a site/house which was once allotted but subsequently the allotment was cancelled by KHB or surrendered by the allottee. This also includes a site/house which has been formed/ constructed on account of readjustment in the plan subsequent to the issue of notification inviting applications for allotment of sites/houses.

The allotment of the stray properties should be made as per the provisions detailed in **Table-16** for different categories of persons.

Table-16: Reservation of sites under various categories

Category	Description	Percentage
9 A	By public auction	40
9 B(i)	Eminent persons from Karnataka including Non-resident Indians whose service have been recognised at the International, National or State level	30
(ii)	Persons who have special recognition in the field of Arts, Science, Education and Medicine at National and International levels.	
(iii)	Ex-servicemen and service personnel of the armed forces residing in Karnataka	
(iv)	Freedom fighters residing in the State for not less than 10 years.	
(v)	Dependants of the State Government Employees who expire while in service	
9 C	Allotment at the discretion of the Government	30

(Source: Information furnished by KHB)

KHB in its 438th resolution (January 2012) revised the cost of the houses/ flats/sites under stray category to be at 25 *per cent* above the prevailing current rate of allotment except EWS category, which was to be fixed at 10 *per cent* above the allotment rate.

Major deviations seen in audit are brought out in the succeeding paragraphs:

4.3.1 Allotments not made in accordance with rules

On scrutiny of allotment of 1,018 properties categorised under stray sites / houses during 2008-13, it was seen that no data was maintained with respect to allotment under each category. Further, no auction under stray category was conducted during the period of review. In reply, KHB stated (August 2013) that stray property in the first instance, had been allotted to unsuccessful applicants and the remaining un-allotted stray sites, if any, were allotted as per Rule 9(A), (B) and (C). The reply was not acceptable as the Rule specified how stray properties were to be allotted and it did not provide for allotment of stray sites to unsuccessful previous applicants.

4.3.2 Allotment of sites/houses on request

Scrutiny of allotment of flats in 3,500 tenements at V Phase, Yelahanka Upanagar and Yelahanka IV Phase, showed that the allotments detailed in the **Table-17** below were made under Rule 9 based on the decision of the 445th Board meeting and Hon'ble High Court order. It was seen that allotment was made out of turn on the basis of request received instead of identifying the persons eligible under category 9(B). Further, the allotment was made at

reduced rates without recording any reasons, indicating that there was no transparency in allotment.

Table-17: Details of allotment of sites on request

Sl. No.	Type of property at Yelahanka	Number and measurement	Date of allotment	Allotted Rate per sft (in ₹)
1	Site at Sector B II Phase	1,711/C measuring 711.11 sft	May 2013	1,500
2	Site at 407 SFS, IV Phase	73/E measuring 724 sft	May 2013	2,000
3	Site at Sector A, Phase III	990/17 measuring 1,056 sft	May 2013	3,500
4	Site at Sector A, Phase III	990/19 measuring 710 sft	May 2013	3,500
5	Site at Sector A, Phase III	990/18 measuring 905 sft	May 2013	3,500
6	Site at Sector B	1967/A measuring 2100 sft	Feb 2013	990
7	Site at Sector A	226/A measuring 1,706.28 sft	Dec 2012	1,800
8	Site at 407/SFS	73/B measuring 1,200 sft	June 2012	1,800
9	Site at Sector A, Phase III	990/16 measuring 1,151 sft	Jun 2012	1,900
10	Flat at 3500 tenements	LIG/651/1/N measuring 283.64 sft	July 2013	387.82
11		LIG 279/24 measuring 484.85 sft	June 2013	226.88

(Source: Information furnished by KHB)

4.3.3 Loss of ₹1.70 crore due to allotment at lower rate

In 26 cases of allotment of houses/sites in Suryanagar old HP and 24 cases in Suryanagar Phase II during 2012, the allotment rate was not reworked on the basis of prevailing current rate. It was much lower than the prescribed rate of 25 per cent above the current allotment rate. This resulted in loss to KHB to the tune of ₹ 1.70 crore.

4.3.4 Allotment of flats at Yelahanka V Phase 3500 tenements scheme

The 3500 tenements scheme was completed by KHB during 1989-90 and there were eight vacant flats under stray category. On request, KHB allotted all the eight stray flats along with two other general category flats detailed in **Table-18** during 2012-13. However, there was huge variation in the rates fixed by KHB for each allotment and no reasons were recorded for these variations, which clearly indicated that there was no transparency in allotment as well as fixation of rate.

Table-18: Details of allotment of stray flats

Sl. No.	Number and measurement	Measurement (in sft)	Allotment date	Allotted Rate per sft (in ₹)
1	LIG 651/1/N	283.64	23.7.2013	387.82
2	LIG 279/24	484.85	24.6.2013	226.88
3	MIG B 362/23	484.85	30.5.2013	774.78
4	MIG 708/F7	1218.90	12.3.2013	3240.21
5	270/17 TF	1218.90	22.2.2013	774.78
6	MIG B 675/5 GF	1218.90	22.2.2013	774.78

Sl. No.	Number and measurement	Measurement (in sft)	Allotment date	Allotted Rate per sft (in ₹)
7	LIG 38/4	269.00	21.12.2012	408.93
8	MIG B 6/1	484.20	21.12.2012	775.82
9	LIG 57/5	269.00	21.12.2012	408.93
10	LIG 247/21	269.00	21.12.2012	408.93

(Source: Information furnished by KHB)

4.3.5 Allotment of flat No. 17/2

Higher Income Group 'D' Ground Floor Flat No. 17/2 at Yelahanka New Town, V Phase measuring 1080.28 sft was allotted during August 2012 for ₹ 10.15 lakh as against the market rate of ₹ 25 lakh and guidance value of ₹ 21.60 lakh fixed for registration purposes. The reason for reduction in the allotment rate was not placed on record. Further, the category under which the allotment was made was also not on record.

4.4 Allotment of corner and commercial sites

Karnataka Urban Development Authorities (KUDA) Act, 1987 defines 'commercial site' as any site formed in any extension or layout earmarked for locating a cinema theatre, a hotel or restaurant, a shopping centre, a shop, a market area and includes sites for locating any business or commercial enterprises or undertaking but does not include any site earmarked for the location of any factory or any industry or any site earmarked for dwelling purpose. On the other hand 'corner site' is defined as a site at the junction of two roads having more than one side of the site facing the roads.

Further, the authority may, subject to the general or special orders of the Government dispose of any or all the corner sites or commercial sites in such extension or layout by auction. Due publicity shall be given in respect of the corner sites or commercial sites to be auctioned, specifying their location, number, dimension and the percentage of the highest bid amount to be deposited and such other particulars as the Commissioner may consider necessary.

The KHB adopted KUDA Act, 1987 and Rules framed thereunder for allotment of CA sites. Audit scrutiny of allotment of corner/commercial sites showed the following:

4.4.1 Allotment of corner sites without auction – loss to the tune of ₹ 1.29 crore

Scrutiny of property register of the housing project at T.Narasipur, Mysore showed that 29 corner sites were allotted during July 2009 with allotment rate ranging between ₹ 32/sft and ₹ 57/sft. However, in July 2002 and April 2009 itself, public sites and corner sites had been allotted at ₹ 120/sft and ₹ 371.75/sft, respectively. Allotment of corner sites at such low rates and also without auction resulted in loss of ₹ 1.29 crore on the basis of rates of 2009.

4.4.2 *Non-fixation of minimum bid price—loss to the tune of ₹12.02 crore*

Review of property auctioned during 2008-13 showed that 299 properties in 22 projects were auctioned at prices lower than the highest bid received in the previous auction. Further, it was observed that the notification issued for auction of corner properties in the newspaper, though indicated the location and dimension of the properties for auction, did not mention the minimum bid amount. Acceptance of bid price lower than that of the previously accepted bid amount, as detailed in **Appendix-5**, resulted in loss of revenue to the tune of ₹ 12.02 crore. While accepting (August 2013) the fact that they were not indicating the minimum bid amount, KHB stated that while announcing the minimum bid amount in the auction, the amount arrived at was after taking into account the prevailing market rate and Sub-Registrar's rate. The reply is not acceptable as KHB had not considered its own allotment rate while arriving at the market value.

4.5 Allotment of civic amenity sites

In the absence of any regulations and policies in KHB with respect to allotment of Civic Amenity (CA) sites, KHB adopted the KUDA Act, 1987. The KUDA (Allotment of Civic Amenity Sites) Rules, 1991 defines CA site as a site earmarked for civic amenity in a private layout approved by the authority and relinquished to it.

4.5.1 *Non-relinquishment of CA sites*

When any open space for purposes of ventilation or recreation has been provided by KHB while executing any housing scheme, it is to be transferred to the local authority concerned on completion, by a resolution of the Board, and shall thereupon vest in, and be maintained at the expense of, the local authority. However, it was observed that the Board till date had not relinquished any of the CA sites to the local authorities, but had been allotting these without mandate for the same.

On development of residential sites at Hanchanagudanhalli, Arasikere, Hassan, the layout was handed over by KHB to the local authority during November, 2004. Further, during July 2011, KHB allotted CA site No.2 measuring 6975 sft to a Society for construction of nursery school. The allotment rate was ₹ 10.46 lakh and lease cum sale deed was issued during February 2012. Meanwhile, the local municipality allotted the said CA site to another organisation and a public notification in this regard was issued during March 2011. The local municipality, while communicating (August 2012) the developments to KHB stated that CA sites belonged to it as the layout had been handed over to them by KHB.

In the exit conference (August 2014), the Commissioner stated that a proposal had been sent to the Government to sort out the issues relating to relinquishment of CA sites.

4.5.2 Allotment of CA site not transparent

A review of the reports submitted to the sub-committee for allotment of CA sites showed that recommendations made for the allotment of CA sites lacked duly recorded justifications. Where more than one application was received for allotment of a CA site, there was no recorded reason for selection of that particular applicant over the others. Hence, there was no transparency in allotment of CA sites. KHB stated that new guidelines on the issue had been prepared and submitted to the Government and were awaiting its approval.

In the exit conference (August 2014), the Commissioner stated that in compliance to the High Court directions, action has been taken to record reasons for acceptance/rejection of the applications.

4.5.3 Allotment of CA site on sale basis/auction


Contrary to the Rule 4 of KUDA (Allotment of Civic Amenity Sites) Rules, 1991, KHB allotted the CA sites on outright sale basis instead of on lease for 30 years. During 2008-14, out of 34 CA sites allotted, three sites were auctioned. By issuing absolute sale deed for CA sites, KHB relinquished its right over the CA sites and hence could neither monitor nor ensure the utilisation of CA sites for the intended purpose. Outcome of allotment through sale/auction is brought out in the succeeding paragraphs.

4.5.3.1 CA sites used for unauthorised purposes

KHB entered into a conditional sale deed with the allottees of CA sites. The provision in the conditional sale deed prescribed that the allottee should utilise the CA site only for the purpose it was allotted.

Scrutiny showed that the CA sites were used unauthorisedly for residential/commercial purposes. However, KHB had not initiated any action against the allottees. **Table-19** below details cases of CA sites being used for purposes other than those for which they had been allotted.

Table-19: Details of CA sites used for unauthorised purposes

Sl. No.	CA site allotted	Date of allotment	Purpose for which allotted	Name of the allottee and amount paid	Deviation noticed
1	No.4, Hoskote measuring 861.12 sft	September 2005	Health Centre	Deepthi Medical Trust ₹ 40,903	Constructed dwelling unit. KHB issued notice in January 2008. Allottee explained that as there were a few residents, it was used as dwelling unit. KHB accepted the explanation and issued endorsement regarding Khatha in December 2010. KHB stated (August 2013) that the dwelling unit was an ancillary to the health centre and was for the use of the Doctor running the unit. This reply contradicted the explanation of the Allottee.
					

Sl. No.	CA site allotted	Date of allotment	Purpose for which allotted	Name of the allottee and amount paid	Deviation noticed
2	No.10, Yelahanka V Phase measuring 8476.86 sft	November 2000	School	Satellite Muslim Education Trust ₹ 6,93,930	Conditional sale deed executed in January 2003 stated that the allottee was to construct an educational building. Joint inspection in April 2013 showed that a mosque, a mobile tower and commercial establishment had been constructed.
3	No.21, Yelahanka V Phase measuring 46043.06 sft	December 2004	Nursing Home and College building	Ideal Education Society ₹ 39,13,565	Conditional sale deed executed on August 2005. Allottee had constructed commercial building which was within the knowledge of KHB.
4	No.32, Yelahanka V Phase measuring 5489.77 sft	November 2003	Tele-communication and public service	Universal Telecommunication ₹ 8,51,895	Joint inspection in April 2013 showed that apart from Universal Telecommunication, a school run by M/s. G K Naidu group existed. This indicated that the allottee had sublet the CA site for the school.
5	No.9/D, Sector A Yelahanka measuring 9946.18 sft	November 1988	Lions Club activities	Lions Club ₹ 1,51,575	The lease-cum-sale deed was issued during August 1991. At the time of joint inspection of the CA site, it was observed that the allottee had sublet the site for a commercial establishment.

(Source: Information furnished by KHB)

KHB stated (August 2013) that it had no role to play once absolute sale deed was issued. The reply was not acceptable as outright sale of CA sites was contrary to the provisions of KUDA Rules, 1991.

4.5.3.2 Issue of absolute sale deed for vacant CA sites

Conditional sale deed issued by KHB clearly states that the allottee is required to utilise the CA site for the purpose for which it was allotted within two years and KHB would issue absolute sale deed after completion of five years. However, it was seen in three cases that the absolute sale deed was issued by KHB without proper inspection, clearly indicating lack of monitoring controls in KHB. Details of the cases are indicated in the **Table-20**:

Table-20: Sale deed issued without inspection by KHB

Sl. No.	CA site allotted	When	Purpose for which allotted	Whom and amount paid	Audit observation
1	17/A 2 Sector C, Yelahanka New Town measuring 20184.07 sft	April 2005	Nursery and ancillary institution	Navachethana Education Society ₹ 33,55,892	Absolute sale deed issued in December 2011. Joint inspection in April 2013 showed that the construction was still in progress as on the date of inspection.

Sl. No.	CA site allotted	When	Purpose for which allotted	Whom and amount paid	Audit observation
2	No.9, Sector A, Yelahanka New Town measuring 10360.60 sft	December 2001	Not available	Dr. Tarannum Talath Hayath and Ziayaurahman ₹ 8,80,630	Purpose for which the allotment was made was not mentioned both in the allotment letter as well as absolute sale deed. Joint inspection in April 2013 showed that the site was vacant even on the date of inspection.
3	No.4, Alur, Hassan measuring 1259.42 sft	July 2003	School	Sachidananda Education Society	Conditional sale deed was executed during September 2005 and possession of the CA site was handed over in March 2006. The allottee did not utilise the land. Meanwhile, in August 2010, the allottee stated that the Town Panchayat had fenced both the CA sites for the purpose of development of park.

(Source: Information furnished by KHB)

KHB did not take any action against the allottee for violating the conditions of allotment.

4.5.3.3 Non-utilisation of CA sites

In cases detailed in **Appendix-6**, the CA sites remained un-utilised for more than four years after allotment, thus defeating the purpose for which it was allotted. While KHB failed to take action in eight cases, it issued notices in 10 cases and did not take further action.

4.5.3.4 Alienation/sub-letting of CA sites

Rule 10 of KUDA (Allotment of Civic Amenity sites) Rules, 1991 states that the lessee (allottee) shall not sub-divide or sub-lease or alienate or create any charge on the CA site. On scrutiny it was observed that in the cases detailed in the **Table-21**, the allottee had alienated the allotted land. KHB in violation of the above said rule, also had approved sub-division of the CA site.

Table-21: Details of alienation of allotted land

Sl. No.	Site No.	Whom	When	Purpose	Deviation
1	No.22/B, Sector B, Yelahanka measuring 26,324.65 sft @ ₹150/sft	Sai Ram Educational Social and Cultural Trust	December 2003	Education	Cost of the site was fixed at ₹ 40,80,222 at the rate of ₹ 150 per sft. The allottee requested KHB to approve transfer of 16,000 sft of CA site to its associate Trust. KHB approved it in June 2006 with a transfer charge of ₹ 10/sft. Thus, the CA site which was sub-divided was allotted at a reduced rate instead of the prevailing rate.

Sl. No.	Site No.	Whom	When	Purpose	Deviation
2	CA 3, Hoskote, Bangalore – Rural measuring 5166 sft @ ₹ 48/sft	Kishan Education Trust	February 2005	Construction of school	Sale deed was issued during November 2010, based on the report of Asst Executive Engineer of concerned division that the allottee had constructed building and had been running a school. However, correction sale deed was issued in March 2011 in favour of Smt. HD Lokeshwari Bai. On scrutiny, it was seen that the allottee had sold the CA site to the latter and the sale deed indicated the property as vacant site. This contradicted the report of Asst. Executive Engineer. KHB stated that (August 2013) on issue of absolute sale deed, it did not have any role to play.
3	CA 1, Swarnasandra, Mandya measuring 32,389.7 sft @ ₹ 43/sft	Arekeshwara Educational Trust	August 2001	Educational purpose	A complaint supported by photograph indicated that the site was sublet for commercial establishments. However, KHB did not initiate any action in the matter.
4	CA 1, KHB colony, Sirsi measuring 5,812.56 sft @ ₹ 31.50 sft	Sri. Rajarajeshwari Vidhya Samsthe	July 2004	Construction of School building	The allottee requested in March 2012 for issue of absolute sale deed. Asst. Executive Engineer recommended for issue of absolute sale deed confirming the functioning of school. On scrutiny, it was seen that the allottee had entered into a sale agreement with Malenadu Shikshana and Grameena Abhivridi Samsthe in April 2007 which was confirmed in the joint inspection conducted during April 2013. KHB stated (August 2013) that they would examine the issue.

(Source: Information furnished by KHB)

4.5.3.5 CA sites yet to be allotted

As on July 2013, KHB had 400 CA sites for allotment. Of these, while notification of allotment for 329 CA sites was issued covering 42,872.52 sq mtr, notification of 71 CA sites was yet to be issued. These 71 sites were either under litigation or their intended purposes were not firmed up. Details of sites yet to be notified were not produced to audit. District-wise availability of CA sites is detailed in **Appendix-7**.

4.5.3.6 Encroachment/unauthorised construction/litigation in CA sites

Scrutiny showed that in three cases CA sites had been encroached upon. KHB had not taken any effective action to evict the encroachers and restore its properties. Also, KHB allotted a CA site under litigation which resulted in the property not being put to use for the purpose for which it was allotted. The details are given in **Table-22**.

Table-22: Encroachment/unauthorised construction/litigation of CA sites

Sl. No.	Site No.	Whom	When	Purpose	Remarks
1	CA 1, Naubad, Bidar Measuring 4381.05 sft	Shivalinga Vidhyavardhak Education Society	August 2012	Primary school	New KHB Colony which had also applied for the allotment of CA site had encroached the CA site by constructing a temple on land measuring 419.81 sft. Further, encroachment was brought to the notice of KHB by the encroacher himself.
2	CA 3, Kengeri III Phase Measuring 12511 sft	Bangalore Metropolitan Transport Corporation (BMTC)	January 2006	Bus station	Bangalore Metropolitan Transport Corporation (BMTC) requested for alternative site as the allotted CA site was under litigation and the landlords had encroached upon and constructed buildings on the allotted site. KHB stated that action would be taken based on the decision of the Court.
3	CA 4, Sathyamangala, Hassan Measuring 12432.72 sft	Not allotted	--	Nursery School	Encroached upon by Sri. Lakshminarayana Devasthanana Kshemabhivruddi Trust for constructing a temple. No action had been initiated by KHB.
4	CA 1, Hoskote, Bangalore rural measuring 27582 sft	Sri. Lakshmi Venkateswara Trust	March 2004	School building which was later modified as charitable hospital	Till date, the CA site had not been utilised. KHB stated that the CA site was under litigation and action would be taken based on the decision of the Court.

(Source: Information furnished by KHB)

4.5.3.7 Regularisation of encroachment

The housing project at Swarnasandra, Mandya was developed in 1952-53 for the My Sugar employees. After completion of the project the layout was handed over to the local authority. However, KHB noticed that land opposite to site No.766 and 767 had been encroached upon by Sri. Swarna Nadeeshwara Temple Seva Charitable Trust and as per the master plan of Mandya Urban Development Authority, the said land was reserved for residential purpose. Based on the request of the Trust, KHB allotted the land measuring 968.76 sft to the Trust during May 2012 as CA site No. 3 with an allotment rate of ₹ 375 sft, thereby regularising the encroachment. However, the Trust is yet to make the payment.

4.5.3.8 Loss of revenue on account of reduction in allotment rate of CA site

KHB in its 438th meeting (January 2012) approved the following rates at which the CA sites were to be allotted.

Sl.No.	Category	Rate approved	Previous rate
1	General including PSUs	75 per cent of the prevailing rate	50 per cent of the prevailing rate
2	SC/ST Organisations	50 per cent of the prevailing rate	33 1/3 per cent of the prevailing rate

In the cases detailed in the **Appendix-8**, KHB allotted the CA sites at reduced rates resulting in loss of revenue amounting to ₹ 3.12 crore.

4.5.3.9 Cancellation of allotment

KHB resorted to cancellation of CA sites in the following cases.

- In case of failure to pay the final cost as indicated in the allotment letter within the specified date, allotment was liable to be cancelled automatically, without further notice.
- CA site is to be utilised for the purpose for which it is allotted. The allotment was liable to be cancelled in case of non-compliance.

Further, no provisions exist for re-allotment/ revocation of CA site in the KHB Allotment Regulations, 1983. In practice KHB, on cancellation of CA sites issues a fresh notification and allots the CA site at the prevailing rate. However, it was seen that KHB had selectively resorted to cancelling the allotted CA sites on grounds of non – payment/delay in payment. While, KHB re-allotted CA sites to the first allottee in some cases, it revoked its cancellation orders in other cases. Some of the test-checked cases are discussed below.

• Cancellation and revocation

In the three cases mentioned in the **Table-23**, KHB resorted to revocation of allotment of cancelled CA site to the same allottee with a revocation charge of ₹ 30,000 without revision of rates. In reply, KHB agreed that there existed no provision for re-allotment or revocation of cancelled CA sites.

Table-23: Details of revocation of cancelled CA sites

Sl. No.	Site No.	Whom and when	When cancelled	When revoked	Remarks
1	CA 9/D, Sector A, Yelahanka measuring 9946.2 sft	M/s. Lions Club Nov 1988 for its activities	September 2005	April 2007	The allotment was cancelled after a lapse of 14 years for non -payment of dues. It was revoked after a lapse of 1½ years on payment of dues.
2	CA 8, Sector A, Yelahanka measuring 16956.08 sft	Dr. Vimala Aravind September 1988 for clinic/nursing home	September 1998	December 2006	Since the allottee had failed to utilise the site for 10 years, the allotment was cancelled and, based on the explanation of the allottee, the allotment was revoked after eight years of cancellation without any change in the cost of site fixed earlier. Once again KHB issued final notice in November 2010 as the allottee was yet to utilise the site.
3	CA 20, Sector A, Yelahanka measuring 21786.90 sft	Mangala Sikhshana Samithi August 1989 for educational purpose	September 2005	November 2010	The CA site was cancelled after a lapse of 16 years for non-payment of cost of site. After issue of cancellation orders, KHB accepted part payment of cost of site in November 2008 and continued to send reminders for payment of annual installments.

(Source: Information furnished by KHB)

- **Cancellation and reallocation**

CA site No. 6A, 6B and 8 at Chikamagalur Phase III measuring 29,998.80 sft was allotted to M/s AVS Education Trust, Shimoga during August 2004 for construction of school building. The price was fixed at ₹ 11,99,953. KHB cancelled the allotment in March 2006 for non-payment of cost of the land. During January 2007, Sri.Anjaneya Vidhya Samsthe, Vijayapura, Chickmagalur was allotted the said CA site on request for construction of school and hostel at the earlier rate of 2004. The conditional sale deed was issued in October 2007. However, till date the CA site was not utilised. Though seven years had elapsed since allotment, no action had been taken by KHB for its cancellation.

- **Delay in payment/non-payment of cost of site**

In three cases listed in **Table-24** below, KHB allowed the allottees to retain the CA site even though there was delay in payment of cost of the site.

Table-24: Details of delay in payment of cost of site

Sl. No.	CA Site at	Measurement (in sft)	To whom allotted	When allotted	Remarks
1.	Kengeri III stage	3196.9	Sri.Sathya Ganapathi Devasthanana Seva Trust	April 2001	The cost of the site was fixed at ₹ 2,74,131. The allottee paid the amount in two installments, one in February 2004 and the second in July 2011. Though KHB was yet to execute the conditional sale deed as the interest of ₹ 3,60,059 for delayed payment was due from the allottee, it allowed the Trust to retain its allotment even when the cost of the site was not paid for more than 10 years.
2.	AM Palya, Tumkur	11550	M/s. HMS Education Society	December 1995	The cost of the site was fixed at ₹ 2,14,614. M/s. HMS Education had paid only ₹ 1,13,400 as payment till July 2000. However, KHB had not taken any action even after a lapse of 13 years.
3.	DN Koppa II phase, Dharwad	23681	M/s. Gangambika Vidhyavardhaka Sangha	January 2005	The cost of the site was fixed at ₹ 15,39,265. No action was taken by KHB against M/s. Gangambika Vidhyavardhaka Sangha, though the allottee failed to pay the cost of the site for the past eight years.

(Source: Information furnished by KHB)

4.6 Asset management

4.6.1 Differences in area of land acquired

As per the records of KHB, the land acquired for the project at Chitta, Bijapur was 123-20 acres. However, the land available in KHB's name as per revenue records and the area available for development as per development plan was 120-22 acres and 118-34 acres respectively. The difference between the records had not been reconciled.

In the exit conference (August 2014), the SLAO informed that fresh survey would be conducted to ascertain the actual position.

4.6.2 Encroachments on KHB properties

Section 45(i) of the KHB Act 1962, empowers KHB to evict persons from KHB premises, if the competent authority is satisfied that such person are in unauthorised occupation of any of KHB's premises. It was seen that KHB was yet to take action to get the encroachment of its properties cleared in four cases while in one case, it had regularised the encroachment. The details of the encroachments are brought out in **Table-25**.

Table-25: Details of encroachment of KHB properties

Sl. No.	Place	Extent of land	Type of encroachment
1	Gangavathi, Koppal	64 sq mtr	16 LIG sites with dimension of 4 sq mtr each had been encroached upon.
2	Sector A, Yelahanka New town	2-17 acres	Encroached upon by slum dwellers. In the KHB meeting held during May 2010, it was decided to transfer land to BBMP free of cost.
3	Sector A, Yelahanka	3-35 acres	Encroached upon by slum
4	Allalassandra, Yelahanka	1-07 acres	Land acquired by KHB during 2002. Houses were constructed prior to the acquisition.
5	Hosahalli, Manuvana	0-2 ½ acres	Construction of temple

(Source: Information furnished by KHB)

4.6.3 Non-maintenance of inventory of land acquired/purchased

KHB had not maintained any inventory of land acquired/purchased for various projects since inception. Hence, utilisation of the land acquired by KHB and land remaining unutilised could not be ascertained.



CHAPTER - 5
CONCLUSION &
RECOMMENDATIONS

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

KHB's functioning, especially with regard to selection of locations for housing projects, was not effective as acquisition of land for housing projects was not driven by demand. Instead, direct purchase of land in bits and pieces from those volunteering to sell the land by mutual consent was the determining factor for selection of locations for the housing projects. The residual land required for the housing projects was acquired under the LA Act, 1894 by paying the compensation determined for direct purchase. Lack of policy or rules for direct purchase of land facilitated arbitrary purchase of land directly from volunteers at inordinately high rates.

There was no prior consultation by KHB with the other jurisdictional Planning Authorities to ensure that land earmarked for parks and roads in the Master Plan of the Local Authority were not notified for housing purpose.

KHB violated prescribed procedures while inviting tenders and managed the contracts inefficiently resulting in excess payment/undue benefit to the contractors. The adoption of prior costing method in determining selling price for the sites / houses developed in various projects resulted in financial loss as KHB could not recover the entire expenses made in acquiring and developing the land/houses.

The allotment of various categories of sites by KHB was not consistent with the rules. CA sites had been allotted directly without notifying these to public and unjustifiable concession in price had been extended to several allottees. Management of CA sites by KHB was ineffective as many CA sites had been used for unauthorised purposes while many others remained unutilised. Many properties of KHB remained encroached upon and no serious efforts were made by KHB to clear the encroachments and restore the properties to its fold.

5.2 Recommendations

- In order to ensure orderly development of housing projects in the State, the Government needs to ensure that KHB acquires land on the basis of demand and also after prior consultation with the jurisdictional Planning Authorities.
- The Government needs to address the issue of fixation of cost of land acquired on the basis of market value, if required, by framing guidelines prescribing the procedure for fixation of cost of land. This is essential to guard against high price being paid, based on demand of the land owner or middle men.

- KHB needs to revise its Rules for allotment of different categories of sites. It also needs to frame appropriate guidelines to ensure that there is transparency in allotment of CA sites.

**BANGALORE
THE**

**(SUBHASHINI SRINIVASAN)
Principal Accountant General
(General & Social Sector Audit)**

COUNTERSIGNED

**NEW DELHI
THE**

**(SHASHI KANT SHARMA)
Comptroller and Auditor General of India**

CHAPTER - 6
APPENDICES

Appendix-1
(Reference: Para 3.2, Page 49)
Statement showing percentage increase in the allotment rates for houses & sites

Name of the project	District	Rate/sqm (in ₹)	Rate/sqm - Houses (in ₹)	Percentage increase	Rate/sqm - Sites (in ₹)	Percentage increase
Basavana Bagewadi	Bijapur	1175	1184	0.77	1292	9.96
Gulbarga Airport land	Gulbarga	1569	2422	54.37	3229	105.80
Muddebihal	Bagalkot	456	800	75.44	1292	183.33
Gamanagatti	Dharwad	3196	3229	01.03	4252	33.04
Basavanakudachi	Belgaum	1606	2153	34.06	2583	60.83
Kundawad I Phase	Davanagere	3007	3068	2.03	4090	36.02
Kundawad II Phase	Davanagere	3025	3068	1.42	4090	35.21
Koppal Ganesh Nagar	Koppal	2614	3229	23.53	4306	64.73
Hassan Channapatna	Hassan	4070	5113	25.63	5920	45.45
Chikkodi	Belgaum	675	Nil	Nil	1076	59.41

Appendix-2
(Reference: Para 3.2, Page 49)
Illustrative cases showing expenditure incurred on land acquisition/Deposits, AEF & PMC charges & non-computation of administrative charges

(₹ in lakh)

Name of the project	District	Tendered amount	A&S charges on tendered amount	Actual cost of project excluding interest	A&S charges @ 10%	Shortfall
Basavana Bagewadi	Bijapur	111.33	11.13	217.64	21.76	10.63
Gulbarga Airport land	Gulbarga	2,151.18	300.14	4,359.35	435.94	135.80
Chikkodi	Belgaum	80.94	8.09	121.98	12.20	4.11
Muddebihal	Bagalkot	246.32	25.92	312.80	31.28	5.36
Gamanagatti	Dharwad	2,679.77	267.98	7,551.95	755.20	487.22
Basavanakudachi	Belgaum	375.05	37.51	741.09	74.11	36.60
Kundawad I Phase	Davanagere	2,634.16	263.42	4,797.74	479.77	216.35
Kundawad II Phase	Davanagere	3,292.57	329.26	7,728.55	772.86	443.60
Ganesh Nagar	Koppal	524.63	52.46	1,427.38	142.74	90.28
Channapatna	Hassan	7,330.45	733.05	9,369.66	936.97	203.92
Total		19,426.40				1,633.85

Appendix-3
(Reference: Para 4.1.1, Page 54)

Percentage of vacant houses/flats under 100 HP formed during 2009-12

Sl. No.	Project Name	Total constructed (in Nos.)	Total allotted (in Nos.)	Vacant	Percentage
1	Yaragatti, Belgaum	10	0	10	100
2	Talikoti, Phase II, Bijapur	55	25	30	55
3	Panjanahally-Gundlupet, Phase II, Chamrajnagar	35	12	23	66
4	Mulki, Belliyur, Dakshina Kannada	20	11	9	45
5	Alanda, Gulbarga	20	3	17	85
6	Chittapur, Gulbarga	39	2	37	95
7	Shahabad, Gulbarga	41	1	40	98
8	Byadgi, Haveri	30	2	28	93
9	Mulbagal, Kolar	30	5	25	83
10	Gangavathi, Koppal	23	1	22	96
11	Navanagar, Koppal	25	11	14	56
12	Srirangapatna, Mandya	40	23	17	43
13	Sogane, Shimoga	20	0	20	100
14	Tiptur-Edenahalli, Tumkur	20	0	20	100
15	Shorapur, Yadgir	32	1	31	97

Appendix-4
(Reference: Para 4.1.2.2, Page 56)
List of applicants allotted more than two sites

Sl. No.	Name of applicant/s Sri/Smt	Number of sites allotted
1	Kishore Kumar Hegde K	7
2	Umeshchandra I S and Manu M P	6
3	Dr. Anuradha B	5
4	Lesli Joseph D'souza	5
5	Rajib Chowdhary	5
6	Suma Umesh	4
7	Gowhar Ayub Khan	3
8	Dharmaraj J	3

Appendix-5
(Reference: Para 4.4.2, Page 61)
Non-fixation of minimum bid price

Sl. No	Name of project	Number of cases	Previous highest bid (₹/sq.ft.)	Range of current allotment rate (₹/sq.ft.)	Loss (₹ in crore)
1	Jamakhandi, Bagalkot	26	720.27	120.04 to 705.25	1.07
2	Kanabargi, Belgaum	19	724.27	240.09 to 674.72	0.82
3	Nippani, Belgaum	04	367.78	119.99	0.53
		11	586.38	130.00 to 586.36	
4	Sankeshwar, Belgaum	05	337.50	140.78 to 223.74	0.41
		15	347.29	183.91 to 327.97	
		03	590.85	205.08 to 305.11	
5	Hindalga, Belgaum	01	1132.42	753.70	0.49
		01	866.61	287.50	
		04	1142.83	412.65 to 998.21	
6	Athani, Belgaum	16	497.80	135.05 to 344.95	0.58
7	Kampli, Bellary	18	634.52	125.05 to 150.06	0.12
8	Hagaribommanahalli, Bellary	10	519.76	234.75 to 427.51	0.31
9	Kottur, Bellary	13	248.75	120.04	0.51
		09	502.55	222.36 to 472.26	
10	Sandur, Bellary	06	535.49	216.85 to 269.34	0.21
11	Ramasamudra, Chamrajnagar	09	381.21	96.09 to 379.85	0.09
12	Hosadurga, Chitradurga	09	562.11	301.11 to 375.14	0.36
13	Kelakote III Phase, Chitradurga	08	623.02	105.48 to 583.93	0.23
14	Harappanahalli, Davanagere	08	431.12	105.90 to 298.41	0.34
15	Doddanayakanakoppa, Dharwad	15	1760.49	268.85 to 1674.14	2.25
		01	563.91	195.07	
16	Gamanaghatti, Dharwad	09	425.10	135.05 to 409.71	0.46
17	Kalaghatagi, Dharwad	06	135.96	98.04	0.03
18	Kudupu, Dakshina Kannada	03	815.19	576.1 to 799.21	0.07
		01	611.00	511.19	
19	Ranebennur, Haveri	14	536.39	329.79	0.36
20	Bankapur, Haveri	04	363.14	50.02 to 309.79	0.09
21	BAAD, Karwar	20	731.88	103.7 to 684.73	1.06
		01	198.80	112 to 165	
		02	353.41	239.52 to 240.47	
		01	390.41	313.62	
		01	198.00	32.94	
22	Gopishetty Koppa, Shimoga	17	640.93	202.07 to 350.13	1.51
		09	547.29	401.87 to 596.98	0.12
	TOTAL	299			12.02

Appendix-6
(Reference: Para 4.5.3.3, Page 64)
Details of non-utilisation of CA sites

Sl.No.	Site	Whom	When	Purpose	Reason
1	CA 22/A, Sector A, Yelahanka New Town measuring 51411.5 sft	Divya Jyothi Vidya Kendra	December 2003	Hospital	Conditional Sale deed was issued to the allottee during October 2005. KHB issued notice to the allottee during January 2010 for not utilising the CA site even after five years of allotment. Further action yet to be taken by KHB.
2	CA 5/C, Sector A, Yelahanka New Town measuring 18843.9 sft	Vijayanagara Education Trust	December 2003	Educational purpose	Conditional Sale deed was issued to the allottee during February 2004. KHB issued notice to the allottee during September 2011 for not utilising the CA site even after five years of allotment. Further action yet to be taken by KHB.
3	CA 23, Yelahanka V Phase measuring 7319.45 sft	Gyana Jyothi Education Trust	February 2003	Educational purpose	Conditional Sale deed was issued to the allottee during April 2006. KHB issued final notice to the allottee during May 2012 for not utilising the CA site even after five years of allotment. Further action yet to be taken by KHB.
4	CA 1, Kankanady, Mangalore measuring 13030.57 sft	Surya Education Trust	March 2007	Educational purpose	Conditional Sale deed was issued to the allottee during June 2007. KHB issued show cause notice to the allottee during August 2012 for not utilising the Civic Amenity site even after five years of allotment. Further action yet to be taken by KHB.
5	CA 18, Yelahanka V Phase measuring 6480 sft	Mount View Education Trust	February 2004	Construction of School	Conditional sale deed was issued to the allottee during March 2007. KHB issued final notice to the allottee in November 2010. However, at the time of joint inspection by audit in April 2013, the construction of the building was in progress.
6	CA 2, Sattur, Hubli measuring 64584 sft	Karnataka Pradesha Arya Idigara Sangha	June 2007	Community Hall	Conditional sale deed was executed during October 2008. However, no records available in KHB for its utilisation.
7	CA 1, Moodbidre, Mangalore measuring 2579.4 sft	William ET Cardoza	June 2003	Community Hall	Conditional sale deed was executed during February 2004. KHB issued show cause notice in August 2012 for not utilising the property.
8	CA 1, Ambewadi, Dandeli, Uttara Kannada measuring 7265.9 sft	MAM Religious and Charitable Educational Trust	October 2003	Nursery, Tailoring and computer school	The local residents and elected representatives expressed displeasure on the allotment made to the institution. KHB issued notice during August 2013 for non utilisation.
9	CA 17A1, Sector A, Yelahanka measuring 16963.4 sft	Sri. Ramakrishna Education Trust	April 2005	Educational purpose	Conditional Sale deed was executed in August 2005. Joint inspections were conducted by audit during April 2013, and it was observed that the CA site remained un-utilised till that date. However, no action was taken by KHB against the allottee.

Sl.No.	Site	Whom	When	Purpose	Reason
10	CA 22/C, Sector B, Yelahanka measuring 19270.7 sft	Sri. Panchavati Education Trust	December 2003	Educational purpose	Conditional sale deed was issued in April 2006. Since the allottee had violated the conditions of allotment by not constructing school building, final notice was issued by KHB during November 2010. However, even during the time of Joint inspection by audit team during April 2013 the site remained vacant.
11	CA 22/B1, Sector B, Yelahanka, measuring 38277.7 sft	Karnataka People's Education Society	December 2003	Educational purpose	Conditional sale deed was executed during March 2007. For non-utilisation of CA site, the allottee was issued show cause notice by KHB during January 2010. In response, the allottee replied that the construction of the building was under completion. However, at the time of Joint inspection during April 2013, it was observed that the site remained vacant.
12	CA 1190, Suryanagar Phase I, Bangalore measuring 4254.4 sft	Sunitha Mahila Mandali	May 2008	Not available	Allotted through auction at a cost of ₹ 29,76,400. KHB issued final notice to the allottee in July 2010 as the allottee had paid only ₹ 9,55,000 so far. KHB stated that it would take action to forfeit the amount paid and denotify the site for allotment.
13	CA 2114, Phase I, Suryanagar measuring 16566.2 sft	Sri. Gautham Institute of Medical Science	June 2008	Educational purpose	Allotted through auction and as per the terms and conditions of allotment, the allottee was required to construct within one year. However, even at the time of joint inspection in April 2013, the site remained un-utilised.
14	CA 51, V phase, Yelahanka measuring 2411.2 sft	Bangalore Rural District Co-operative Union Ltd	February 2010	Bank	During April 2013, at the time of joint inspection it was observed that CA sites remained un-utilised
15	CA 35, V phase, Yelahanka Measuring 2583.4 sft	Murthy Charitable Trust	Not available	Nursing college	
16	CA 37, V phase, Yelahanka measuring 4521 sft	Nirmala Cultural Centre	Not available	cultural centre	
17	CA 43, V phase, Yelahanka measuring 17596.9 sft	Krishna Devaraya Education Trust	March 2008	General hospital	
18	CA 2/1, Sector B, Yelahanka measuring 9687.8 sft	Department of Post	Not available	Post office	

Appendix-7
(Reference: Para 4.5.3.5, Page 65)
CA sites yet to be allotted

Sl.No.	Name of the DPO	CA sites available (in No.)	CA sites notified (in No.)
1	Suryanagar, Bangalore	53	07
2	Kengeri, Bangalore	13	02
3	Ramanagara	07	01
4	Tumkur	01	01
5	Hassan	27	27
6	Udupi	01	00
7	Chickmagalur	11	11
8	Dakshina Kannada	12	12
9	Mandya	06	06
10	Mysore	07	07
11	Chamrajnagar	09	09
12	Kodagu	05	05
13	Shimoga	06	06
14	Davanagere	29	29
15	Chitradurga	09	09
16	Bagalkot	14	14
17	Gadag	32	32
18	Dharwad	18	18
19	Haveri	10	10
20	Karwar	07	07
21	Bellary	15	15
22	Koppal	06	03
23	Raichur	03	03
24	Belgaum	47	44
25	Gulbarga	13	13
26	Yadgir	14	14
27	Bidar	25	24
	Total	400	329

Appendix-8
(Reference: Para 4.5.3.8, Page 67)
Details of civic amenity sites allotted at reduced rates

Sl. No.	Site No.	Whom	When	Amount paid (in ₹)	Audit observation	Loss (in ₹)
1	CA 2, Naubad, Bidar measuring 4843.80 sft	Department of Legal Metrology	July 2011	3,43,410	Prevailing rate as per the Asst. Executive Engineer was ₹ 500 sft. However, KHB fixed at 50 per cent of the allotment rate during 2003-04 i.e. ₹ 71 sft	8,67,040
2	CA 3, Chamalapura, Nanjangud, Mysore measuring 14800.50 sft	Nirvana Swamy Kripa Peeta	July 2011	12,58,042	KHB fixed the cost of the site at ₹ 85 sft (50 per cent of the allotment rate of 2007). However the prevailing rate as recommended by Asst. Executive Engineer was ₹ 700 sft	39,22,132
3	CA 2, Benakanahalli, Belgaum Measuring 104628.6 sft And CA 5 measuring 8396 sft	Suresh Angadi foundation	August 2012 and September 2012	2,82,56,000	KHB fixed the cost of site at ₹ 300 sft (75 per cent of prevailing rate). Based on the representation, KHB reduced the cost to ₹ 250 sft.	56,51,230
4	CA 22/E, Sector A Yelahanka New Town measuring 17107 sft	Veerashaiva Seva Samithi	April 2008	45,16,248	Based on the representation of the allottee, KHB allotted the CA 22/E adjacent to CA 23. The rate was fixed at ₹ 1000 sft. However, KHB reduced the allotment rate to ₹ 500 on the request of the allottee in Oct' 2008 which was subsequently reduced to ₹ 264 sft in July 2010 based on the recommendation of Pr. Secretary, Housing Department	1,25,90,752
5	CA 3, Pothgal, Raichur measuring 90419.80 sft	Sri. Veerashaiva Samaja	February 2011	22,60,440	The CA site was allotted for establishment of religious institution and the rate was fixed at ₹ 75 sft (50 per cent of market rate). Based on the representation of the allottee, KHB decided to allot the same at ₹ 25 sft (50 per cent of KHB rate).	45,20,990
6	CA 7, Sathyamangala, Hassan measuring 15823.4 sft	Ujjawala Foundation	March 2011	19,97,885	CA site No. 7 was allotted for the construction of nursery school. The rate was fixed at ₹ 250 sft. However, based on the request of allottee, the rate was reduced and fixed at ₹ 125 sft during March 2011.	19,77,925
7	CA 6, Sathyamangala, Hassan measuring 13563 sft	Ujwal Foundation	September 2011	16,95,330	Allotted for the construction of nursery and primary school at ₹ 250 sft. On request of allottee, it was reduced to ₹ 125 sft.	16,95,375
	Total			4,03,27,355		3,12,25,444