

Real Estate Sector and Environmental Regulations

The twenty first century has been a century of population growth, economic development and environmental change, especially in an emerging economy as India. Lately, the environmental stress associated with development is becoming a significant issue not only for the government but also for the financial and corporate world. While the plan documents have echoed India's commitment to achieving sustainable development goals, the question that needs to be answered is whether this understanding and resolve have translated into concrete answers? As such, the government hasn't done much in preserving its natural wealth. This despite the fact that laws designed to control and regulate the amount of waste and pollution are in place, they are seldom implemented in the best possible way.

India's rapid economic growth over the last decade has placed tremendous stress on its limited infrastructure. The infra sector has thus received growing attention from the government and the public, resulting in rising government spending on public infrastructure, and a supportive foreign direct investment (FDI) system. The real estate sector is a big part of this. The importance of this sector lies not only in the fact that it is the fourth largest in terms of the FDI inflows in the country, but also the manner in which it has emerged as an integral part of every common man's dream. The burgeoning middle class in the country with high aspirations for an elite urban lifestyle, access to loan capital and increasing disposable incomes, drives the demand for integrated township developments across the country's urban landscape.

This real estate boom coupled with infra growth has triggered various environmental concerns ranging from increased air pollution to declining annual agricultural & fishery yield. Each year has seen the continuous rise of carbon concentrates in the atmosphere, particularly in populated urban sprawls like Mumbai, Pune and Kolkata where air quality measure has fallen far below the safety standards.

In response to this alarming trend, the Indian government has in place several regulations, the most important of which has been the requirement of complying to the monitoring standards while procuring an Environmental Clearance (EC) with an Environmental Impact Assessment (EIA) for construction projects in India listed as Category 'B' in Item 8 of the Schedule (Construction/Township/Commercial Complexes /Housing). An EIA is basically an assessment of the potential impact a particular project or activity may have on both the natural and social environment. It's been a while now that India has been implementing this system with the hope of reducing the environmental damage. This requirement has been met with a few negative reactions coming from developers as they consider this condition an added imposition on their business in the form of another window-clearance to the existing multiples. Nonetheless, Indian government has remained steadfast in making sure that compliance is met.

I do agree with the fact that there is seriously something wrong in the way these clearances are being processed, the whole multiple clearance window system have

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slowed down a number of mega projects. There are nearly 60 permissions required from various departments for a building to be constructed and the amount of time and man hours required to obtain approvals is beyond imagination. As most developers depend on external funding a delay would lead to increased project costs which eventually are passed on to end consumers. I feel the Ministry of Environment and Forest (MoEF) should set a single procedure for clearance and an online system to approve plans, taking into account all environment factors in which case single clearance can be scrutinized more effectively. This would reduce red-tapism, streamline procedures, do away with the tedious amount of paper work and help the developer come to market faster with a more definitive timeline. This should be done alongside property acquisition and other licensing needed at the project inception stage. If the project proponent sees their first step at acquisition is cut short, they would proceed more carefully. This shall help curb delays in the project's timeline and also reduce the additional costs resulting from these delays.

Similarly, to make things work, the Ministry of Environment and Forest (MoEF) should press on barring the transfer of properties sold without the required EIA and/or EC or those sold in circumvention thereof. As a consequence, buyers should be advised to make sure that the necessary compliance has been procured otherwise they will risk the hazard of not being able to transfer the title of the property.

Another offshoot of this EIA and EC regulation procedure is the use of "Green Certification" in order to designate products or services that have been previously determined as having minimum detrimental impact on the environment. One major disadvantage of this certification program is that it is entirely voluntary as businesses are not mandated to enter into the program. On the other hand, to say up front that regulatory stipulates will help would be stating too much too soon. But for now, incentivized performance could be the key. For example, structured avenues delineated in the new "Companies Bill" would aid voluntarism, so to speak.

So how does one transform 'going green' from a campaign of a select few to a mass movement? One obvious factor is to raise eco awareness and increase consumer participation in determining environmental policy. The second most important factor is aligning Corporate Sustainability Goals with real estate selection. So even if only a few businesses participate initially, it is still hoped that as more consumers become involved, other businesses would eventually follow suit. Also, this could be a prime motivator for developers to differentiate their project from the competition.

For the 'green certification', one should get familiar with one of the first rating systems to become part of the professional discourse in India, the initially US centric LEED (Leadership in Energy and Environment Designs). Currently, the green buildings rating system in use are GRIHA (via The Energy Research Institute, or TERI) and LEED India (via the Indian Green Building Council, or IGBC.) The best means (for developers) of obtaining sustainability certification is to turn to a consultancy that is experienced and

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qualified in sustainable practices integration. Implementing this system shall not only allow an increase in productivity but also reduce the operational cost of the building, consume less energy, water and other resources, leading to spaces which are more environmentally responsible and have a lower carbon footprint. Featured initiatives shall involve schemes for subsidizing capital for installation of solar water heaters, encouragement of energy audits and management schemes, mandatory use of fly ash-based construction material, groundwater and rain water harvesting and most importantly increased monitoring of air and water pollution.

But emission standards in India are nearly 10 years behind European standards and the Air (Prevention and Control of Pollution) Act, 1981, enforced by the Central Pollution Control Board lacks teeth. India has been criticized in a recent World Bank report which talks about time delays in India and relative ease of doing business in other emerging markets. So how do we solve these problems?

Perhaps, the government should create a National Board/Committee which should be designed in such a way that scrutiny is done taking a holistic view on the project. It could prove as an overarching mechanism that will help the government move ahead on projects and investment proposals by resolving inter-ministerial conflicts. (Say a conflict between the Ministry of Environment and Forests and other ministerial departments over a mega infrastructure project). Such crucial reforms would not only benefit the developer community, but the biggest beneficiary will be the end user.

In a country confronted by multiple corruption scandals and uncertain political reforms, several loop holes exist. We certainly need to take big steps or the problem will overwhelm us. For now, we can only thank our nation, that we have other pressing problems like poverty to overshadow.