

To Identify The Different Parameter Feasible For Application Of Ppp In Real Estate For Private Construction Firm

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ABSTRACT

In developing India, we faced with the problems of infrastructure and shelter to due to increasing migration rate from rural India to urban India. As per government data more than 2 million low cost houses required for peoples, but for this very huge fund required which is not possible for government, so Public-Private Partnership (PPP) is right approach to address this problem. PPP is very broadly use for infrastructure project but this concept is not use in private housing project. Private Private Partnership have now become a preferred approach for inter firm business relations. As there are good business and accounting reasons to create Private Privat Partnership with a company that has complementary capabilities and resources

This paper focusing to find out different parameters which is useful for PPP in real estate for private firm .

Key Words—Feasibility Checking, PPP, PPP, Construction firm, Literature survey

INTRODUCTION

In developing India, we are faced the problems of infrastructure and shelter to accommodate growing migration of the people to urban areas because of manufacturing industry growth. Because when manufacturing industry growth increases the real estate growth also increase day by day. As per government there is a shortage of more than 2 million houses mostly in low income group category, but for construction of such kind of homes this very huge fund required which is not possible for government, so Public-Private Partnership (PPP) is right approach to address this problem. PPP is very broadly use for infrastructure project but this concept is not use in private housing project. So new concept that is Private Private Partnership is introduced to fulfill the need. We can also say use term Joint venture as a Private Private Partnership. A joint venture is a contractual business between two or more parties. It is similar to a

business partnership, with one key difference. A partnership generally involves an ongoing, long-term business relationship, whereas a joint venture is based on a single business transaction. Individuals or companies choose to enter in Private Private Partnership in order to inter transfer of the it strengths, reduce risks, and increase healthy competition in the market.

Here we need to understand the concept of Public Private Partnership [PPP] and their all factors which is essential for successful implementation of PPP in project, then we can easily find out which factor is feasible for Private Private Partnership for construction firm. When we say construction firm it means construction firm for Real estate as well as Infrastructure project. There is a wide scope for use of PPP Model in various areas of construction industry. But the success is depends on in its correct way of implementation. Therefore, it's a need to find out the best practices in use of PPP Model. This can only be happen through analytical and critical studies of previous, existing and ongoing projects

METHODOLOGY

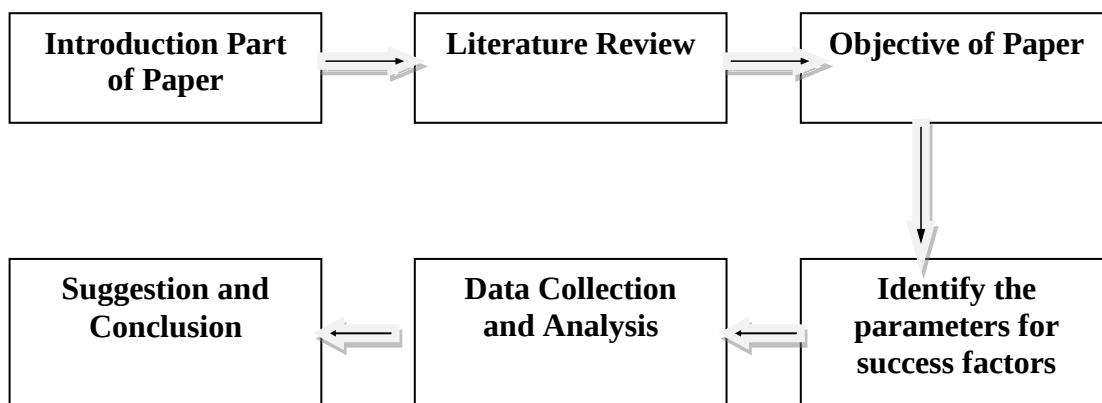


Chart No.-01 Flow Chart of Paper

LITERATURE SURVEY

The Tharun Shastry L says, PPP refers to a form of a contract between the public and the private sector for a specific duration in order to facilitate projects that require a huge capital outlay. As per this paper public authorities can consider PPP arrangements in any of the following circumstances. When:

- ✓ Financial resources are limited or expertise of the public sector alone.

- ✓ A private partner would increase the quality or level of service over that provided by the public sector on its own.
- ✓ There is support from users for the involvement of a private partner.
- ✓ An opportunity increase for competition among prospective private partners.
- ✓ There are no regulatory or legislative prohibitions to involving a private partner in the provision of a project.
- ✓ The cost of the project can be recovered through the implementation of user fees.
- ✓ The project provides an opportunity for innovation.

The Prof. Marc Scribner says, government's recent expanded role in real estate development has increased taxpayer exposure to risk, socialized costs, and concentrated the benefits into the hands of select private developers and special interests. The popularity of PPPs should not blind policy makers to the fact that these sectors suffer from problems that are markedly different. A responsible path forward would be to utilize PPPs in surface transportation infrastructure development and management, while cutting bureaucratic impediments such as land-use regulations and business licensing to promote redevelopment.

As per LiYaning Tang et.al., One of the main advantages of the PPP approach is that it can save resources in many ways. Because of the participation of the private sector, government assets, data and intellectual property can also be utilized more productively, which leads to substantial improvement in the quality of public facilities and services. To improve the use of risk strategies, risk areas need to be identified and analyzed properly. Research has been carried out to identify the key risk areas and attributes, and to study how clients' contractors and financial institutions perceive risks.

The research paper of J.P. Pantouvakis and N. Vadoros, presents the preliminary findings of an on-going research effort undertaken by the authors to address the above question. It should be noted, however, that the answer is neither straightforward nor easy to provide. In this paper, therefore, the scope is limited to a macro statistical analysis of published work in selected journals. We hope to be able to present a more elaborated analysis of the matter in the not too distant future. The researcher categorize PPP paper topic in following manner,

Table No.-01 A Categorization of PPP Papers Topics

Proposed Taxonomy	Subjects
Technical Management Level	Design management
	Quality management
	Safety, health and environment
	Work management
	Testing, commissioning, hand-over/acceptance, etc
Financial Management Level	Risk management
	Cost management
	Value improvement
	Financial management
Stakeholder Relationships – Contractual Level	Conflict management
	Teamwork
	Personnel management
	Procurement
	Integrative management
	Goals, objectives and strategies

The Maria Rosaria Guarini and Fabrizio Battisti focus on, Social Housing project for PPP. As per author, Evaluation techniques like Break-Even Analysis and Contribution Margin Analysis are useful for planning of social housing scheme in the context of real estate development or retraining initiatives in PPP. The authors implement the a Model of Articulation, development of the Assessment Procedure (Phase 1), Definition of the Initiative Settlement Parameters (Phase 2), Verification of the Financial Feasibility of the Initiative (Phase 3), Checking the Balance of the Initiative (Phase 4) to assess interventions in Social Housing Public–Private Partnership. The proposed model allows the financial feasibility of a Social Housing initiative in PPP to be assessed, considering the intervention possibilities that arise from the regulations in force and from the requirements in force in the intervention area.

The Alfen, H. W focuses on presents a structured instrument for a clear comparison of PPPs. This paper has shown that PPPs as a particular form of cooperation between public and

private sector partners vary regarding their goals and fields of application around the globe. The author used models like Privatization model, Partnership model, Business model, Contract model, financing model as a overall organizational Model.

OBJECTIVE OF PAPER

- 1] To understand concept of PPP in general with the help of literature review.
- 2] To identify the different parameters necessary for successful implementation of PPP in real estate.

PUBLIC PRIVATE PARTNERSHIP [PPP]

PPP's broadly refer to long-term, contractual partnerships between the public and private sector agencies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector.

Characteristics of PPP

A PPP commonly has a combination of all or some of the following characteristics:

- 1) The public agency defines the quality and quantity of services, and the
- 2) Time frame in which the services are to be delivered;
- 3) The private sector entity is responsible for delivering the defined services, while the public agency is involved in regulation and procurement of such services;
- 4) The long-term relationship involved is normally between 10 and 30 years;
- 5) Responsibilities and risks involved in the relationship are allocated to the party best able to manage them;

DIFFERENCE BETWEEN JV AND PRIVATE PRIVATE PARTNERSHIP

Table No.-02 Comparison between JV and PPP

Joint Venture	PPP
Joint Venture is a business formed by two or more than two persons for a limited period and a specific purpose.	A business arrangement where Public & Private Partnership/ persons/Company agree to carry on business and have mutual share in the profits and losses, is known as Partnership.
Business carried by Co-ventures	Business carried by Private Private Partners
Corporations may enter into joint ventures	corporations are not eligible for membership in a partnership
A joint venture usually has for its object an	a partnership usually has for its object a

undertaking of a single or ad hoc nature	general business of a particular kind
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RISKS INVOLVED IN PPP PROJECTS

PPP involves sharing of risk and reward between all parties. The risk involved in project implementation may be of the following types:

- Construction/implementation risk, arising from:
 - Delay in project clearance at starting phase;
 - Contractor default between project
 - Environmental damage happen due to project
- Market risk, arising from:
 - Insufficient demand;
 - Impractical use of material.
- Finance risk, arising from:
 - Change in rates of interest;
 - Increase in direct and indirect taxes.
- Operation and maintenance risk, arising from:
 - Contract Cancellation
 - Technology risk & Labor risk.
- Legal risk, arising from:
 - Changes in law;
 - Changes in title/lease rights;
 - Insolvency of developer/service provider;

CRITICAL SUCCESS PARAMETERS FOR PPP

Following are the factors is important for PPP

General Factors	Contractual Factors	Governing Factors	Supporting Factors
Favorable Location	Formation of “Strong” Partnership (Contracts)	Governing Body	Political & Social support
Demand of such Project	Selecting the Right Partner	Guaranteed Revenue Stream	Government Guarantee

Favorable Economic Conditions	Appropriate risk allocation and risk sharing	Statutory and Political Environment	Assistance in the PPP Drafting Phase
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CASE STUDY

For this paper we choose a project i.e VITS hotel in Pune which is strategically located adjacent to the famous Chhatrapati Shivaji Sports Complex(Balewadi Stadium). Unity Infra projects Limited completed it to accommodate sportspersons participating in the Commonwealth Youth Games. The hotel is located 21Km from Pune domestic airport, 18 Km from the railway station and Pune rapidly developing commercial areas namely Hinjewadi, Baner, Pimpri and Chinchwad . The VITS Hotel Pune is located along the Bangalore Highway, Balewadi which is 13 miles from Lohegaon Airport.

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Critical Factor for VITS Hotel, Pune

General Factors	Contractual Factors	Governing Factors	Supporting Factors
Favorable Location	Formation of “Strong” Partnership (Contracts)	Governing Body	Assistance in the PPP Drafting Phase
Tenure	Selecting the Right Partner	Guaranteed Revenue Stream	Government Guarantee
Design	Appropriate risk allocation and risk sharing	Legal Framework	

CONCLUSION

PPP not means bringing private capital, but it also aims bringing private sector efficiencies and best practices in management to involve in project. A fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for development which traditionally has been the government domain. Real estate sector is characterized by uniqueness and uncertainties. Given this scenario, there is a need to critically analyze different factors affecting success or failure of PPP model in real estate

development. Critical Success Factors for Application of Public Private Partnerships in Real Estate' are:

- Adequate demand of such a project
- Correct structuring of projects
- Favorable Location
- Good and effective design
- Reasonable risk allocation & risk sharing between public and private sectors
- Formation of strong Partnership schemes (contracts)
- Governing body
- Statutory & Political Environment
- Political & Social support which is very important in every project. Lack of support can cause the project to fail.

The success factors is depends on type of Project and revenues which we get from the project.

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