

INDIA

BANGALORE— SALE OF PUBLIC LAND OR ASSIMILATED

LAND VALUE
CAPTURE

Purchase and posterior grant of land to a private consortium against airport facility building

DESCRIPTION

Land is granted for free to a consortium (led by Siemens) that will build an airport and generate revenues from surrounding land.

LOCAL GOVERNMENT INVOLVED

Karnakata State

INSTITUTIONAL AND REGULATORY FRAMEWORK

Public authorities may expropriate at a value frozen at the time they announce they will acquire it. As effective acquisition may take years and prices may rise 20 to 40% a year, it can indeed lead to significant discrepancies compared to market prices.

TRACK RECORD OF THE USE OF THIS INSTRUMENT

The operation took place within a national program for the construction of the airport, that was launched in 2006. 4260 acres of land were acquired through compulsory acquisition by Karnataka Industrial Areas Development Board, which contributed up to 3850 acres to the airport development (joint venture between Siemens (40%), Zurich airport (17%), KIADB (26%, through land and USD 90 million) and local partners), of which around 2000 acres were necessary for supervising airport activities. Total investment for airport construction reached 490 million USD.

The remaining 400 acres acquired by the Karnataka State were supposed to be auctioned out in order to finance connecting road from the airport to Bangalore city (34 km distant). But the State changed its mind and reserved the land for government offices and government - built industrial space, as well as for compensation for farmers challenging the way they were expropriated. Expropriation for right-of-way for the highway were also challenged in courts and are on a stand still.

EVOLUTIONS AND OUTCOMES

The airport opened in 2008, with no road access to the city.

STAKEHOLDERS INVOLVED

Whereas Karnataka Treasury favored the sale of land to finance airport connection, KIADB preferred leasing the land in order to have more control over its use and revenues generated (land would have been auctioned).

ANALYSIS AND ASSESSMENT OF THE TOOL

Government fragmentation and distinct interests of stakeholders, even within the same institution (Karnataka State) prevented the project from being realized completely, with economic and financial costs for the private consortium and for Bangalore. Issue of eminent domain and compensation for expropriation, especially when land is not used for non-public interest projects, but for private uses at market value.

Key success factors: Well-defined rules for use of eminent domain are essential to prevent legal challenges, regarding for which purposes it can be used (only public projects or extra land, while specifying clearly for which uses and to what extent), what compensation should be granted, and how the added-value should be allocated between the stakeholders.