Partial financing of a metro by surrounding property development

DESCRIPTION

Concession (Design - Build - Operate - Transfer) for the partial financing, building and operation (for 35 years, including 5 years of construction) of a 71 km / 66 stations subway network, with revenues coming from the operation of the subway and development of adjacent land (real estate developments, advertising and parking). The real estate projects will be built above and beyond the 86 ha reserved for depots (which will occupy 70 to 80% of the floor space excluding rail), for a maximum of 1.16 million m2 + on the stations parking and circulating spaces (557,000 m2 over 23 ha).

LOCAL GOVERNMENT INVOLVED

The State of Andra Pradesh initiated the project.

Hyderabad is made up of multiple local governments but was consolidated in 2008 within the Hyderabad Metropolitan Development Area (HMDA, 7257 km2), which plans and coordinates the development of its territory through the allocation of funds for public infrastructure. The Greater Hyderabad Municipal Corporation (GHMC, 650 km2) created in 2007 includes the Municipal Corporation of Hyderabad, 12 municipalities and 8 other territorial divisions. The State of Andra Pradesh controls the GHMC, which is its operational arm. Although the Masterplan for 2031 envisages a concentration of urban development around transport corridors (roads), the metro has never been integrated into any planning, and the impact of its implementation has not been measured. The Masterplan was developed following the completion of the subway route to include a 300 m strip on each side of its route with mixed use. The demographic and economic growth of Hyderabad (the high-tech capital of India) is the cause of the project and allows partial financing. 20% of the costs will be financed by the national government (+ a viability gap funding financed under a PPP program), 20% by the State of Andra Pradesh and 60% by the concessionaire.
It is still too early to take stock of the operation, but one of the decisive factors is the care taken by the State of Andra Pradesh to minimize risks for the private operator: a very precise and detailed concession contract, including in particular a clear identification of the land plots allocated for real estate operations with the specifications of the public infrastructures required.

The State quickly made the necessary land acquisitions and set up a system of governance through HMC which limits the risks of administrative bottlenecks. Finally, it has adapted urban planning to the project, although it can be noted that this flexibility has been very brief and rapid. For example, provision is made for public spaces and facilities to be included, in particular to fulfill the density increase in the 300 m corridors around the tracks, but these costs are not included in the concession. Neither are the issues related to intermodality and connexion between stations and pedestrians avenues and bike lines, and secondary public transportation. Feeding stations by pedestrian / bicycle routes and secondary public transportation.

Real estate projects are mainly conceived as financial operations and located in limited plots, without concern for wider urban integration and real implementation of a TOD policy. This is similar to the first MTRC operations in Hong Kong.

Source: Suzuki et. al. (2015)