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Housing: cost escalation may hit VMC finances

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This along with loan rider will impose an additional burden of Rs. 298 cr. on the corporation, officials say

GO 232 directs the municipal corporation to bear the cost escalation in part

VMC general body resolves to ask the State to bear it entirely

VIJAYAWADA: Even as the ruling Congress and opposition parties – CPI, CPI (M) and TDP – are at loggerheads over the issue of State government's decision to treat a major portion of its share of funding for projects taken up under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) as loan instead of grant, the VMC officials are, seemingly, more worried about the cost escalation of housing project. They fear that it is likely to hit the VMC's finances badly.

The finances of the corporation are likely to be hobbled by this "mega project," which is expected to place a total burden of Rs. 298 crores on the VMC. The "total burden" includes cost escalation as well as the loan component if that is to be borne by the VMC. The VMC would have to shoulder a burden of Rs. 134.78 crores of the total escalation of about Rs.268 crores. The State government would have to bear the remaining portion as per GO 232 issued in February this year. As the government issued orders dividing its 20 per cent share of funding of the projects taken up under JNNURM into 18 per cent as loan and 2 per cent as grant, it places

a burden of about Rs.163 crores, taking the total burden to Rs. 298 crores, officials explain.

Total houses

The corporation, under JNNURM, has been sanctioned 28,152 houses in four phases. The cost of each unit and the total project cost vary in each phase. The total cost of all four projects was estimated at Rs. 643 crores initially, but the figure has gone up to Rs. 817.24 crores due to escalation in the prices of materials used in the construction.

The cost of each unit under phase-I and phase-II was initially pegged at Rs. 1.32 lakhs and Rs. 1.40 lakhs, respectively. Later, the cost was revised as Rs. 2.08 lakhs. The cost of each unit under phase-III and phase-IV was estimated at Rs. 2.40 lakhs. The Centre refused to revise the project cost and suggested that either the State government or the urban local body (in this case the VMC) should bear it. Subsequently, the State government issued GO 232, directing the VMC to bear the cost escalation in part.

The VMC general body, however, resolved to ask the government to bear the entire escalation. The matter still needs to be pursued with the government. But, going by the way the government is trying to unburden itself, the housing project seems to definitely place a burden of Rs. 298 crores, officials say.