GOVERNMENT OF KERALA

Abstract

Public Works Department – Revision of guidelines for fixing the rate of rent of the building taken for accommodating Government offices- Proposal accepted – Orders issued.

PUBLIC WORKS [E] DEPARTMENT

G.O.(Rt)No.269/2016/PWD Dated, Thiruvananthapuram, 05.02.2016

Read: 1. G.O.(P)No.16/95/PW&T dated 09.03.1995.
2. GO(P) No.13/2012/PWD dated 01.02.2012.
3. Letter No.CE/BL/TVPM/A1/7005/15 dated 26.11.2015 from the Chief Engineer, Buildings, Public Works Department, Thiruvananthapuram

ORDER

As per the letter read above the Chief Engineer, Buildings, PWD has furnished a proposal for revising the rent calculation method based on DSR and Cost Index. As per the existing norms 6% of the capital cost (Building + Land) is taken as annual rent. Due to the increase in land value the rent thus arrived becomes very high. Hence the Chief Engineer has furnished the proposal, whereby capital cost is calculated as sum of 6% for building value and 4% for land value. The Chief Engineer has requested to issue orders accordingly and to amendment clause 2809.5 of the PWD Manual.

2. Government have examined the matter in detail and are pleased to approve the proposal of the Chief Engineer read above. The revised guidelines for fixing the rate of rent of the private building taken for Government purposes are appended.

3. The relevant provisions in the PWD Manual will be revised accordingly.

(By order of the Governor)

A P M MOHAMMED HANISH
Secretary to Government

To

The Chief Engineer, Buildings, PWD, Thiruvananthapuram
All Superintending Engineers / All Executive Engineers (through the Chief Engineer, PWD, Buildings)
The Accountant General (A&E) Kerala Thiruvananthapuram
The Information Officer (Web & New Media)
Stock File/Office Copy

Forwarded / By Order

Section Officer
Fixing of Rent for Building

When Government buildings are not available it may be necessary to hire private buildings for Government purpose. The officers of the administrative department will locate suitable buildings, get the consent from the owner and furnish a copy of same along with a certificate that no other private building at a lesser rate of rent is available shall be forwarded to the Assistant Executive Engineer, Buildings, Sub Division of the locality. The Assistant Executive Engineer will then issue a certificate that no Government building in his charge is available in the locality for the purpose. The administrative department will then decide to take the building on rent.

The Executive Engineer, Buildings Division will act as the Estate Officer of all Government buildings.

Once the building is decided to be taken on rent the head of the occupying office will forward the following documents to the Assistant Engineer Buildings Section of the locality for fixing rent of the building.

1) Consent document in original with dated countersignature.
2) Land value certificate indicating the market value of land on the date of occupation/proposed date occupation issued by the Thasildar.
3) Age certificate of the building issued by the local authority.
4) A list of officers and staff of the office with a note on special request of space if any.
5) The prescribed proforma duly filled up and signed.

The Overseer in charge is responsible for taking exact measurements and working out rent. The proforma in Appendix 2800F shall accompany the proposal for rent fixation. The proforma is to be filled up jointly by the owner of the building, head of office of the department which takes the building on rent and by the Assistant Engineer concerned with dated signatures. The construction material, construction method etc. shall be properly verified on site and the rent worked out. The Assistant Engineer shall verify the rent calculation on the basis of section 2809.6 and approve the same and issue rent certificate if the rent calculated is within his powers of sanction. He shall forward it directly to the superior officer competent to approve the rent calculation, if the rent calculated exceeds his power of sanction. Copy of the proposal shall be forwarded to the officer who shall issue the rent certificate. The construction material, construction method etc. shall be properly verified on site and the rent worked out.

The rent calculation and processing shall be completed within 20 days in the section office, 10 days in the office approving the rent calculation and five days in the office issuing the rent certificate, in case the office approving the rent calculation and issuing rent certificate are different. Rent certificate shall be forwarded to the requisitioning officer. The occupying department shall get sanction from the competent authority of their department and pay the rent from their funds. The
occupying department shall also execute a lease deed with the owner of the building in the form given in Appendix 2800G and pay the rent to the parties from the date of occupation or date of agreement whichever is earlier. The occupying department or the occupant shall pay the electricity and water charges for the building during the period of occupation. Once a building is occupied and rent fixed for the same, revision of rent will be permissible only after the expiry of a period of 3 years from the date of agreement or date of occupation whichever is earlier. Any revision of rent shall be made only on specific request from the owner of the building and shall be effective only from the date mentioned above or from the date of application for revision of rent whichever is later. Notwithstanding the above if any alterations or additions are made to the rented building by the owner at the request of the occupying department rent may be revised to allow for the above alteration or additions from the date of completion of the same.

If the rent demanded by the owner is higher than the P.W.D. rate of rent for the same has to be treated as special rent. In case of special rent, approval of the Government Rent Committee consisting of Secretary (Public Works), Secretary (Finance Expenditure) and Chief Engineer (Buildings) shall be obtained before the administrative department passes orders. Government will fix the procedure for this from time to time through technical circulars or orders. If special rent is sanctioned, the same shall be valid for five years and the owner can demand revision only after this period. The lease deed shall be executed specifying this period. The proposal for special rent shall be accompanied by a proforma in Appendix 2800 F1.

2809.6. Rent Calculation

The reproduction cost of a building at current rates as per the plinth area rate issued by the CPWD from time to time will be calculated and depreciated cost worked out as detailed under clause 2810.2.1. Work out the land area appurtenant to the building (La) by taking into account the local byelaws for permissible ground coverage and accordingly work out the surplus land area (Ls) as L=La, where; L=total land area. For example, if the permissible ground coverage as per local bye-laws is X% and the plinth area of the building at ground floor (i.e. actual ground coverage) is YSmn La= Yx100 /X Smn, subject to the condition however that if 'La' works out to be more than 'L' which might be the case if actual plinth area at ground floor is more than what is permissible according to the local bye-laws, the same shall be restricted to 'L'. There would accordingly be no 'Ls' in such cases. In case, no local byelaws exist in the locality, comparison shall be made with the general practice in the locality. The cost of land will be calculated at the rate as per the land value certificate issued by the Thasildar. Sum of 6% (Six Percent) of the depreciated cost of the building and 4% (four percent) of the cost of admissible land will be taken as the annual rent. It shall be the responsibility of the owner to do the maintenance work and also to pay the taxes due to the building and premises. The details of rent calculation for partially occupied building etc., will be worked out based on the technical circular issued by the Chief Engineer from time to time.
2810.2.1. Depreciation

From the reproduction cost of the building worked out on the above basis, depreciation shall be deducted for the period, which had elapsed after the building was constructed. The age of the building shall be ascertained from local bodies like Municipalities, etc., having jurisdiction over the area.

Depreciation is effected from the reproduction cost worked out as above. The depreciated cost shall be calculated taking the end residual value of the building as 6% of its' capital cost(C) and assuming a straight line variation of depreciation depending on the age of the building (A) as on the date of assessment and its total serviceable life (A+R), where 'R' is residual life of building as on the date of assessment, which shall be worked out with due care and keeping in view the type of structure and specifications adopted in its construction.

Depreciation, \[ D = 0.94 \times \frac{CxA}{A+R}. \]

The expected economic life of the building under normal occupancy and maintenance conditions is considered to be as below:

1. Monumental buildings - 100 years
2. R.C.C. Framed Structures - 75 years
3. Load bearing Structures, with RCC roof - 55 years
4. Load bearing structures with Tiled or Sheet roofing - 45 years
5. Semi-permanent structures with Tiled or sheet roofing - 30 years
6. Purely temporary structures - 5 years

In cases where the residual life of the building (R) calculated from the above expected economic life of the building is less than 1, but the inspecting officer feels that the building is fit for occupation taking into account the type of construction, workmanship, defects if any and the how the structure is maintained, the depreciated value of the building shall be taken as 6% of the reproduction cost of the building.

In addition to normal depreciation, deductions shall be made for damages in any point of the structure. When allowing normal depreciation rates, it is expected that the structure is maintained properly. Hence depreciation does not cover special damages such as cracked walls, damaged roof, rotten state of wood work etc. A reasonable amount, which may be more or less equal to the cost of rectification, shall be deducted from the depreciated value of the building to arrive at the final cost.

Powers of the officers of the P.W.D. regarding valuation of buildings shall be as per delegation of powers given in section 200. The maximum time that can be allowed for completing such valuation in the section office shall be 30 days.
In all cases of valuation of buildings, the Assistant Engineer concerned shall make the preparation of the plan, specifications and estimate. Where the valuation has to be approved by officers higher in rank than Assistant Engineer sufficient time (15 days in each of the higher offices) shall be allowed. Before the valuation is approved it is imperative that the officer who is competent to approve the valuation shall inspect the structure with the plan and estimate and satisfy himself about the various provisions made therein.

2811. Lease of Government Property/ Buildings

The Government may provide its land or buildings on lease for public use to other agencies like bank/ societies/ public undertakings etc. for a specific period on remittance of monthly rent. The Government and the lessee shall enter into an agreement as per Appendix 2800H. Under no circumstances Government land or building shall be leased free of cost. Chief Engineer Buildings shall fix a reasonable rent and the agreement executed.

METHOD FOR CALCULATING THE RENT OF A BUILDING

Method for calculating the rent of a building with following details

Details required for rent calculation

1. Total plinth area of the building (PA)
2. Proposed plinth area to be occupied (PA1)
3. Unoccupied area in the proposed building (PA2)
4. Common area in the proposed building (PA3)
5. Ground floor plinth area (PA4)
6. Coverage as per Kerala Building Rule
7. Age of the building
8. Actual extent of land
9. Cost of land
10. Details of Common amenities (lift, compound wall, gate, etc.)
11. Specification of building
12. Location of Building

Note: - 1. The age of the building should be ascertained based on the certificate issued by the local body.

2. The value of land should be ascertained based on the certificate issued by the Tahsildar

3. The value of land taken for rent calculation should be the land value as on the date of occupation/revision of rent.

Calculation of Rent

I. Rent of Building Portion

A. Valuation of occupied portion

A1. Building Proper = PA1 x PAR x CI

\((\text{PAR} = \text{Delhi PAR 2012 (present), Annexure I, CI} = \text{Cost index with base 100)})\)

A2. Internal water supply and sanitary arrangements = 4% to 12% of A1

\((\text{Based on Annexure I of PAR, Clause 3.1, in page 7 cost for internal water supply and sanitary arrangements is 4% to 12% of cost of building proper})\)

A3. External service connections = 5% of A1

\((\text{Based on Annexure I of PAR, Clause 3.2, in page 7 cost for External service connections is 5% of cost of building proper})\)

A4. Internal electrical installations = 12.5% of A1

\((\text{Based on Annexure I, Clause 3.3, in page 7 cost for internal electrical installations is 12.5% of cost of building proper})\)

TOTAL VALUE OF OCCUPIED PORTION \((A0) = A1 + A2 + A3 + A4\)

Depreciation = \((0.94 \times A0 \times \text{Age of Building})/ (\text{Age of building} + \text{Residual life of building})\)

\((\text{Residual life of building shall be calculated based on clause 2810.2.1 of PWD Manual})\)

Depreciated cost of Occupied portion \((A) = A0 - \text{Depreciation}\)
B. Valuation of unoccupied portion

B1. Building Proper = PA2 x PAR x CI

B2. Internal water supply and sanitary arrangements = 4% to 12% of B1

B3. External service connections = 5% of B1

B4. Internal electrical installations = 12.5% of B1

TOTAL VALUE OF UNOCCUPIED PORTION (B0) = B1+B2+B3+B4

Depreciation = (0.94 x B0 x Age of Building)/ (Age of building + Residual life of building)

Depreciated cost of Unoccupied portion (B) = B0 - Depreciation

C. Valuation of Common Amenities

C1. Building Proper = PA3 x PAR x CI

C2. Internal water supply and sanitary arrangements = 4% to 12% of C1

C3. External service connections = 5% of C1

C4. Internal electrical installations = 12.5% of C1

C5. Cost of lift

(Based on Annexure I, Clause 4.1.1, in page 8 cost for lift)

C6. Cost of Compound Wall

C7. Cost of gate

(Cost of compound wall and gate should be ascertained separately)

TOTAL VALUE OF Common Amenities (C0) = C1+C2+C3+C4+C5+C6+C7+.....

Depreciation = (0.94 x C0 x Age of Building)/ (Age of building + Residual life of building)

Depreciated cost of Common Amenities (C) = C0 - Depreciation

Proportionate cost of common amenities (D) = (C x A) / (A+B)

RENT OF BUILDING = ((A+D) x 6)/ (12 x 100)

(Rent of building per year = 6% of cost of building)
II. Rent of Land Portion

a. Extent of land as per documents

b. Extent as per measurements at site (to be measured and calculated separately)

c. Extent of land admissible - (PA4 x 100) / Coverage in %

(Coverage as per Kerala Building Rule- 40% for office building and 65% for residential building (present))

Extent of land taken for rent calculation (LA) = lowest of a, b & c calculated above

Proportionate extent of land (PLA) = (LA x A) / (A + B)

Rent of Land = (PLA x unit cost of land x 4) / 12 x 100

(Rent of Land per year= 4% of cost of land)

TOTAL MONTHLY RENT = Rent of Building + Rent of Land

METHOD FOR CALCULATING THE ANNUAL MAINTENANCE GRAND

Method for calculating the AMG of a building with following details

Details required for AMG calculation

1. Asset Number

2. Total plinth area of the building (PA)

3. Age of the building

4. Specification of building

Note: 1. The age of the building should be ascertained from Asset Register.

Calculation of Annual Maintenance Grant

A. Valuation of building

A1. Building Proper = PA x PAR x CI

(PAR = Delhi PAR 2012 (present), Annexure I, CI= Cost index with base 100)
A2. Internal water supply and sanitary arrangements = 4% to 12% of A1

(Based on Annexure I of PAR, Clause 3.1, in page 7 cost for internal water supply and sanitary arrangements is 4% to 12% of cost of building proper)

A3. External service connections = 5% of A1

(Based on Annexure I of PAR, Clause 3.2, in page 7 cost for External service connections is 5% of cost of building proper)

TOTAL VALUE OF BUILDING (A) = A1 + A2 + A3

Annual Maintenance Grant = 2% to 3% of TOTAL VALUE OF BUILDING (A)

(2% to 3% is based on PWD Manual clause 2802.1. Fixing of maintenance grant)