POLICY REFORMS

INDIAN HOTEL AND HOSPITALITY SECTOR

JULY 2020

WORLD TRAVEL & TOURISM COUNCIL
INDIA INITIATIVE

HOTELIVATE
ELEVATION THROUGH INNOVATION

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Executive Summary

Tourism – Aviation, Hospitality and Travel Services – is an industry that is highly susceptible to repercussions of adverse events such as terrorist attack, natural disasters, epidemics and social unrest. In a little over the last two decades, events such as 9/11 in New York, 26/11 in Mumbai and the Tsunami of 2004 in South-East Asia wreaked havoc for the Travel and Tourism industry, denting businesses, slowing down demand and negatively impacting business confidence across countries and regions. The scale of the COVID-19 pandemic on the global and Indian economies is unparalleled in living history and the impact remains to be ascertained. In India, the Travel and Tourism industry was the first to be hit by the crisis and may well be the last to recover. Hotels have been shut for about four months, resulting in minimal revenue and cash flows, and this has hurt employment at large for the Hotel and Hospitality sector.

The World Travel and Tourism Council's 2019 Annual Research highlights that Travel and Tourism's contribution to GDP in 2019 was 6.8% amounting to ₹13,681.1 billion and showing growth of 4.9% over the previous year. The contribution of Travel and Tourism to employment stood at 39.8 million jobs or 8% of total employment. These figures are set to change in 2020 and the effects of the COVID-19 pandemic will resound not only on India's Travel and Tourism, but on the overall economy as well.

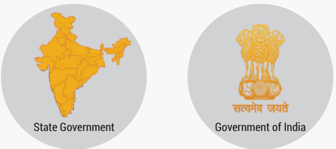
In India, Hotels typically employ ~1.5 staff per available room in Metropolitan cities and ~1.7 staff in other cities. As we restart and reboot the economy and embrace the new normal, the Hotel and Hospitality sector of India deserves an opportunity to move on to a new growth curve. A parity of laws and frameworks for this sector across States & Union Territories is a much-needed reform that can not only boost investor confidence but also facilitate employment.

We understand that Tourism is on the concurrent list of and was included as a State-subject in the Indian Constitution. While the Government of India provides an overarching guideline, the State Governments have the onus of directing and implementing policy under many heads. This whitepaper, POLICY REFORMS: INDIAN HOTEL AND HOSPITALITY SECTOR, outlines and details several such areas requiring immediate intervention from the States and Union Territories as well as the Government of India. These bold structural reforms, policy tweaks and revisions are the need of the hour to keep the Hotel and Hospitality sector afloat, competitive with our neighbouring countries in the region while continuing to be an attractive value proposition to investors and owners. The result of these reforms will be spectacular for India's Travel and Tourism industry, given the losses incurred during the ongoing pandemic, and can be made visible in the coming 12 to 24 months. How quickly our recommendations are implemented will be directly proportional to how soon the Indian Hotel and Hospitality sector will bounce back with a new preparedness for future adversities. It may be noted that reforms recommended in this whitepaper have no direct financial implications to the exchequer at the Central or State level.

We are grateful to **InterGlobe Hotels** for providing us with initial insights into challenges faced in the development and operational phase and to **Hotelivate** for adding further research and insight to this whitepaper.

The Hotel and Hospitality Sector currently faces several challenges due to inconsistent norms, restrictions, policies and regulations. Through stakeholder consultations and research, we have found that each State and Union Territory has its own building bye laws, excise laws, licencing norms etc. This lack of consistency exists not only across states but within each state and from one government body to another, as well. This White Paper advocates a less complex process of setting up a hotel in order to attract investments from all economic strata and across categories - whether a one room boutique Hotel or a 500-room property. To reinforce this, we have attempted to provide a comprehensive comparison with International markets that are competitive with Indian Tourism in the South-Asian, South-east Asian and Middle Eastern regions.

This whitepaper attempts to highlight relevant subjects requiring the attention of the Government of India or State Governments, depending on the topic, using two tags, as shown below.



By way of this whitepaper, we urge States, Union Territories and the Government of India to join hands and make the Hotel and Hospitality Sector best in class, with competitive hospitality infrastructure, encouraging domestic and international footfall, enabling local jobs and employment and increasing Travel and Tourism's economic contribution.

KEY RECOMMENDATIONS

- **Floor Space Index/ Floor Area Ratio and Setback Norms**

Permissible FSI/ FAR norms combined with setback norms and height restrictions allow distinctly lower development areas in India than in competitive countries in the region. Increasing allowable built-up area as a function of all three factors will lead to Hotels with possibly more optimal inventories and revenue potential indirectly leading to higher employment opportunities in the States as well as GST revenue for the Central and State Governments. Also, higher development area will encourage Owners of small land parcels to consider building Hotel projects that they may have otherwise shied away from.

After taking into account the FSI and setback norms, ground coverage in some States of India may be as low as 25%. Sites abutting wide roads or corner plots should be exempt from front setback rules. The success of this recommendation has been seen in various metropolitan cities around the world such as London, New York, Paris and Dubai. This will further encourage Investors and Entrepreneurs, especially in the economy to mid-market space, to construct more efficient Hotels that will be capable of generating higher revenues.

- **Parking Norms**

Singapore allows limited Parking Spaces irrespective of the type of project in congested areas in order to encourage the use of Public Transport. Such a system permits a nation to move towards a more sustainable future by reducing congestion and pollution significantly.

Parking norms in some States require most Parking Spaces to be underground thereby increasing the development cost. For Hotels in the economy to mid-market space, this practice can prove detrimental. We recommend allowing Parking Spaces to be accommodated over one or two stilt floors above-ground and excluding these floors from the overall building height restrictions/ FSI norms. This will encourage small Investors to take on more Hotel projects.

- **Liquor Licence**

Regulating the Liquor Licence for Hotels and the restaurant industry will not only promote small scale entrepreneurship, but may also make it possible for every restaurant in the state to serve liquor. This move thus has huge potential to generate taxes and employment, both of which are critical in the post-COVID world.

- **Property Tax**

For infrastructure projects, States must have clear guidelines on increase in Property Tax rates (similar to real estate, say 15% increase every 3 years) instead of ad hoc rates, so that investors can account for this in the project / operating cost.

- **Circle Rates**

As land prices vary from time to time, we recommend that the Circle Rates be reviewed every 2 – 5 years and undergo revision within set time periods (every 8 to 10 years) to keep pace with market dynamics.

- **Green Building Norms**

Green Building Norms will need to be made compulsory or an obvious best practice for all Hotel/ Commercial establishments over time thereby not only reducing the nation's Carbon Footprint but also creating a sustainable ecosystem for the nation. State Governments offering this would be seen as being more progressive and responsible. While some State Governments are taking steps in this direction, we believe that a lot more relaxations and rewards can be provided as the current rewards are small.

- **Goods and Services Tax**

As per the "Statement of Objects & Reasons" in the Constitutional Amendment (122nd) Bill, 2014, one of the primary objectives of introducing GST was to enable seamless flow of input tax credit from one state to another thereby fostering a common and seamless Indian market and contributing to the growth of the economy.

The restrictions on availing credit on goods, services and works contract services used in the construction of an immovable property, as specified under Section 17(5) of the CGST Act, has been a major setback for the Hotel and Hospitality Sector leading to a break in the credit chain and consequently cascading into an increase in costs of goods and services supplied.

Input credit should be allowed on immovable assets and civil structures similar to a recent ruling by the Honourable High Court of Odisha in the matter of Safari Retreats Private Limited.

- **Licences Required for Hospitality Establishments**

A Hospitality Development and Promotion Board (HDPB) already exists under the aegis of the Ministry of Tourism but has not displayed any real function as yet. Similar setups such as the National Coastal Zone Management Authority under Ministry of Environment & Forests have been created to include members from coastal states. These bodies clear projects vide administrative meetings and evaluations on a regular basis. Similarly, the Hospitality Development and

Promotion Board can become a decision-making body with authority to grant approvals and a clear escalation mechanism as a one-stop-shop for Hotel projects. This will considerably increase 'Ease of Doing Business', streamline processes and approvals in a time-bound transparent manner, and reduce the margin of error.

- **Coastal Regulation Zone**

With the formation of the National Coastal Zone Management Authority (NCZMA) and the State Coastal Zone Management Authorities (CZMA) in all coastal states and union territories, we recommend that the individual Coastal Zone Management Authorities, in coordination with the Hotel and Hospitality Sector, identify beach stretches suitable for Tourism developments.

- **Urban Planning**

  - o Cohesive districts
  - o Land parcels for hospitality developments in new masterplans
  - o Central database for land ownership
  - o Legislation and judicial aspects

- **Infrastructure Status**

We recommend Infrastructure Status for Hotels built at a project cost of ₹25 crore and above.

The Oberoi, New Delhi

Model Countries

In an effort to enable understanding our recommendations from a deeper perspective, in this section we offer detailed building norms, regulations and licence information for two countries following almost a One Country, One Policy style.

Separately, we have referred to these Model Countries as well as other competitive countries from section to section in order to highlight best practices that Indian States would benefit from, if adopted.

SINGAPORE

- **Total Land Area** – 721.5 sq. km
- **Total Population** – 56.4 lakh
- **FSI/FAR** – As stipulated in the Singapore Master Plan which is reviewed every 5 years
- **Setback Norms**

Category 1- Expressway	15m (5m Green)
Category 2 – Major Arterial	7.5m (3m Green)
Category 3 – Minor Arterial	5m (3m Green)
Category 4 and 5 – Primary Access	5m (3m Green)
Minimum 3m Setback (including 3m planting strip along common boundaries with other developments	

- **Parking Norms**

		Lower Bound			Upper Bound		
Uses	Lot Types	Zone 1	Zone 2	Zone 3	Zone 1	Zone 2	Zone 3
Hotels and residential clubs (including rooms, lobby, shop, restaurant, swimming pool, gymnasium and other related uses)	Car	1 lot per 530m^2	1 lot per 530m^2	1 lot per 260m^2	1 lot per 330m^2	1 lot per 260m^2	1 lot per 210m^2
	M/cycle	1 lot per 10,000m^2	1 lot per 10,000m^2	1 lot per 5,000m^2	1 lot for the 1st 330m^2 & 1 lot per subsequent 6,250 m^2	1 lot per 5,000m^2	1 lot per 4,000m^2
	HV	1 loading and unloading bay per 8,000m^2 For hotels, 1 coach lot per 90 rooms.			No Upper Bound		

- **Green Building Norms** – Green Mark for Non-Residential Buildings NRB:2015 is a streamlined rating scheme addressing sustainability and emphasising energy effectiveness, health and wellbeing, smart buildings and systematic energy and resource usage. It is a mandatory system for all non-residential buildings including Hotels under which sustainable outcomes of projects are allocated points under 5 sections, with 16 criteria and 52 sustainability indicators. The system allows a total of 140 points and awards rating scores to projects as per the following grid:

Green Mark Rating	Green Mark Score
Green Mark Platinum	70 and above
Green Mark Gold PLUS	60 to < 70
Green Mark Gold	>50 to <60


Marina Bay Sands, Singapore

- **Liquor Licence –** US$ 80 to US$ 630 per annum for new licence or renewal of licence depending on the type of alcohol and timing of service
- **Licences Required for Hospitality Establishments** – 7 to 26 licences depending on the nature of services offered

SRI LANKA

- **Total Land Area** – 65,610 sq. km
- **Total Population** – 2.18 crore
- **FSI/FAR** – 1.5 to 12 depending on the size of the land parcel and unlimited FSI/FAR for a land parcel of above 3,000 sq. m
- **Setback Norms**
  - Front setback depends on the street master plan
  - 3m to 9m on the sides depending on the height of the building
  - 4m at the rear
- **Parking Norms**
  - 1 space for every 5 rooms
  - 1 space for every 2 suites
  - 1 space for every 5 pax at banquets
  - 1 space for every 10 covers at the restaurants
- **Green Building Norms** – The Code of Practice for energy efficient buildings in Sri Lanka, 2009 under clause 36(g) of Sri Lanka Sustainable Energy Authority Act was created to introduce energy efficient design, set criteria and minimum standard and determine compliance for commercial buildings and industrial installations. This is a mandatory code.
- **Liquor Licence**
  - US$ 3,300 for Hotels up to 199 rooms
  - US$ 5,400 for Hotels with 200 or more rooms
- **Licences Required for Hospitality Establishments**
  - 10 pre-construction
  - 4 post-construction

Amangalla, Galle, Sri Lanka

Building and Construction Norms

The National Building Code is a pan-India body that creates building guidelines for State Governments to function within. These guidelines and norms are then interpreted by each State to form their own Building Bye Laws. The Bye Laws, standard procedure and understanding of these norms by the local authorities vary from one location to another. Building byelaws are also sometimes added on the discretion of local authorities such as Gram Panchayats, Municipal Corporations and other autonomous bodies mainly due to the lack of transparency and a clear system for how these building rules need to be created and followed.

Oftentimes, bye laws may by themselves be competitive in some States; however, when related bye laws are combined, they fail to work in tandem with each other. To elaborate further, allowed FSI varies from city to city and even within localities based on road width, size of the plot, usage, metro corridor and so on, which makes laws difficult to interpret. Ground coverage and set back restrictions make it even more complex. Taking the example of some locations in a tier I city, where the FSI allotted for a 1acre land parcel may be 1 with the option of purchasing additional FSI (TDR) up to 5. This means that up to 20,234 sq. m can be developed on the said land parcel. Now adding setback norms, say 10% on all sides, means that this development can be undertaken on ~2,428 sq. m of the land parcel. Naturally, in order to utilise the full permissible FSI, the developer will need to construct a multi-storey structure as the ground coverage is not enough to utilise the FSI. At this point, if a height restriction is also imposed, the permissible FSI will never be achieved rendering it unusable.

While development costs are increasing every year, the Star Classification for Hotels requires that larger spaces need to be constructed for higher star categorization, in turn impacting the feasibility of a project. Department of Telecommunication norms need to be revised as to control the carbon footprint and ensure better utilisation of space which would help improve the sustainability and environmental impact of the Hotel. Transit Oriented Development (TOD) guidelines should also be applicable for all metro cities.

In terms of safety norms, Fire norms are discretionary across States and zones which can be made uniform and in line with Central guidelines including norms for fixed and openable windows on the facade. Similarly, the requirement of two 1 lakh litre water tanks as a precaution against fire should be changed to depend on the size of the land parcel.


The Den Bangalore

(a) FLOOR SPACE INDEX (FSI) / FLOOR AREA RATIO (FAR) AND SETBACK NORMS

Permissible FSI for Hotel or Commercial establishments is typically a function of location, road width, setback norms, size of the land parcel, usage, etc. and varies significantly from State to State. While in some States, FSI is fixed by type of establishment, in many others, additional FSI may be purchased on a per square metre basis.

While some States in India offer FSI for Hotel projects separately, many others include Hotels under Commercial building norms. This practice may not be ideal, especially for Hotels in the economy to mid-market space that try to maximise on potential inventory, and that could have otherwise benefitted from a higher FSI.

Setback norms also vary from State to State even though their underlying purpose remains the same – to prevent buildings from being built too close to each other on the sides and to allow adequate space for Fire Prevention Services to park a Fire Truck towards the front. At first glance, Setback norms in the country lack uniformity despite the existence of similar underlying conditions across States.

Based on our research, we find that variance in FSI in States is from as low as 0.33 in Goa to as high as 4.00 in Kerala. Additionally, some States allow developers to purchase extra FSI under TDR rules further increasing the range of available FSI in the country. However, although the process as a whole is highly complex and opaque, further encouraging the 'Licence Raj', this allows us an opportunity to review the same and create a consistent methodology of computing and allocating FSI along the lines of some countries, e.g. Singapore and Sri Lanka, where they have managed to create structure while remaining fairly flexible, as below.

Best Practice - Singapore

Singapore has a maximum height restriction of 280m. Also, depending on the type of adjoining road, setback norms have been defined for Hotel projects, which range from 5m to 15m in the front and 3m on all sides. Singapore's latest Master Plan, revised every 10 to 15 years and reviewed every 5 years, combined with the aforementioned factors results in an efficient manner of calculating development area for Hotel establishments.

Best Practice - Sri Lanka

Sri Lanka offers one of the most clearly defined sets of building norms in that FSI allotted to a land parcel ranges from 1.5 to 12, depending on the size of the plot and can go up to unlimited FSI for plot sized above 3,000 sq. m. Additionally, setback norms complement the FSI allocation as under making built-up areas easy and straightforward to arrive at.

- o Front setback depends on the street master plan
- o 3m to 9m on the sides depending on the height of the building
- o 4m at the rear

Our observation is that FSI norms in competitive markets in the South East Asian, South Asian and Middle Eastern regions work in tandem with other restrictions such as Setback Rules and Height Restrictions leading to higher development areas.

RECOMMENDATIONS

- FSI/ FAR norms may continue to depend on a variety of factors; however, we recommend that competitive FSI norms be created by state governments, especially in urban locations, in a manner such that while FSI may be restricted, height restrictions may be eased considerably
- We recommend that the fee per square metre for purchasing additional FSI/ FAR must be standardised to further enhance Investor ease and comfort and thus directly encourage investment
- FSI/ FAR for Hotel establishments must be awarded under a category separate from Commercial establishments bearing in mind the usage and requirements of such establishments

Key Recommendation

Permissible FSI/ FAR norms combined with setback norms and height restrictions allow distinctly lower development areas in India than in competitive countries in the region. Increasing allowable built-up area as a function of all three factors for Hotel projects in the country will lead to construction of Hotels with possibly more optimal inventories and revenue potentials indirectly leading to higher employment opportunities in the States as well as GST revenue for the Central and State Governments. Also, higher development area will encourage Owners of small land parcels to consider building Hotel projects that they may have otherwise shied away from.

Key Recommendation

After taking into account the FSI and setback norms, ground coverage in some States of India may be as low as 25%. Sites abutting wide roads or corner plots should be exempt from front setback rules. The success of this recommendation has been seen in various metropolitan cities around the world such as London, New York, Paris, Dubai, etc. This will further encourage Investors and Entrepreneurs, especially in the economy to mid-market space, to construct more efficient Hotels that will be capable of generating higher revenues.

Figure 1: FSI/FAR and Setback Norms | Competitive International Markets

Country	FSI/FAR	Setback Norms
Thailand	Not specified	3m on all sides
Singapore	As stipulated in the Singapore Master Plan	3m – 15m in front, depending on the width of the adjoining road
Indonesia	2.0 -3.0	40m – 60m from the main road
Bangladesh	9.5 or more depending on the width of the road	1.5m along the front, 3m on the sides and rear
Sri Lanka	1.5 – 12 depending on the size of the land parcel, unlimited FSI for a land parcel above, 3 000 sq. m	Front setback depends on the street masterplan, 3m – 9m on the sides depending on the height of the building, 4m at the rear
Dubai	Not specified	40% of the land parcel except in the SZR zone where setback is 0%

Source: Hotelivate Research

Taj Mahal and Palace, Mumbai

Figure 2: FSI/ FAR and Setback Norms | Indian States

Indian State	FSI/ FAR *	Setback Norms
Andhra Pradesh	1.0 – 3.0	12m - 30m depending on the location
Goa	0.33 – 0.8	3m - 6m depending on the height of the building
Gujarat	2.0 – 2.25	7.5m - 37m in the front depending on the type of road adjoining the land parcel
Himachal Pradesh	2.0	N/A
Karnataka	1.75 – 3.35	20% of the land parcel
Kerala	2.5 – 4.0	1.5m
Madhya Pradesh	1.2 – 2.5	6m on all sides
Maharashtra	1.0 – 2.0	N/A
New Delhi	1.2 – 2.25	4.5m – 60m in the front depending on the type of road adjoining the land parcel and the height of the building
Odisha	1.5 – 2.0	2m – 6m in the front, 1m – 3m on the sides and rear
Punjab	2 - 3	2m on the sides, 3m at the rear
Tamil Nadu	2.0 – 3.25	7m – 20m on all sides depending on the height of the building
Telangana	2.0 – 3.0	12m – 30m depending on the location
West Bengal	1.75 – 3.0	6m in the front

**FSI/ FAR ranges do not include the option to purchase additional FSI under TDR rules. In such cases, the FSI can as much as double or triple in some States*
Source: State Building Bye Laws and Hotelivate Research

The Oberoi, Mumbai

(b) PARKING SPACES

Hotels in India are categorised as follows:

Figure 3: FSI/FAR and Setback Norms | Competitive International Markets

Star- Rating	Measures
Two-Star	Meets basic needs
Three-Star	Limited service, additional amenities
Four-Star	Superior property, variety of amenities
Five-Star	Luxury setting, flawless guest service
Five- Star Deluxe	Luxury setting, flawless guest service and beyond

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd

As Hotel establishments in India are considered as Commercial entities, the basement height norms do not differ for Hotels. The usage of basements in Commercial establishments is primarily for storage purposes whereas in Hotels, basements are often used as back-of-the-house and parking areas. Current Basement Height norms are therefore inefficient in many states of India.

While minimum Basement Height in some States allows for habitable and other activities to be carried out, the height requirement in other States restricts them to such small ceiling heights that no activity other than storage can be undertaken.

Under prevailing building bye laws, as Hotels are categorized as commercial centres, they have stringent Parking requirements that vary from city to city. Another commonly seen practice is that prevailing Parking requirements in most cities are driven by overall room inventory of a Hotel. This may prove counterproductive for many cities, where Hotels catering to FIT business see an influx of travellers from other domestic or international destinations, and not locals travelling in their personal vehicles. However, for Hotels with large-scale banqueting options, where the presence of a Parking facility does become relevant, having this facility as a function of room inventory does not have any real correlation.

Some States in India mandate a certain number of Parking Spaces on the basis of room inventory while others break it down in a more granular fashion taking into account other factors such as restaurant covers, banquet space, etc. Comparable Countries in the region appear to have a similar style of indicating ideal number of Parking Spaces. Therefore, one way of eliminating this irregular practice would be to base number of Parking Spaces on the developed/ built-up area of the Hotel project, like in Singapore, and not simply on room inventory or other facilities.

Grand Hyatt Goa

India Case Study – The number of Parking Spaces for a typical Hotel development across different categories, built on a 1-acre land parcel and with a 2.5 FAR, are as follows:

Space Parameter	Hotel Category			
	Three-Star	Four-Star	Five-Star	Five-Star Deluxe
Typical Room Size (sq. m)	**18**	**25**	**32**	**42**
Gross Floor Area* (sq. m)	**40**	**72**	**90**	**120**
Number of Rooms	**253**	**141**	**112**	**84**
Number of Car Parks (City-wise)				
Bengaluru	139	99	110	103
Pune	255	225	272	275
Mumbai	88	88	88	88
Thane	293	201	202	184
Delhi	240	240	240	240
Gurugram	107	107	107	107
Jaipur	133	133	133	133
Kolkata	96	96	96	96
Hyderabad	88	88	88	88
Chennai	71	57	67	66
Goa	50	50	40	27

*Gross Floor Area (GFA) is the typical area parameter in the Hotel industry
Gross Floor Area (sq. m) = Total Built-up Area – Parking Area – Water Tank/ STP Area

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd

International Case Study – Parking norms across major cities across the world compared to Indian cities (general trend needing deeper study) for an economy hotel with 150 rooms and 250 sq. m of banquet spaces are as follows:

City	Number of Parking Spaces
New York	19
London	0
Singapore	12
Dubai	32
Melbourne	10
New Delhi	188
Mumbai	63
Pune	182
Goa	85
Thane	203

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd

Key Findings

- Parking norms in Indian cities are significantly higher than cities around the world
- Calculating number of Parking Spaces on the basis of room inventory is particularly detrimental to economy to mid-market hotels which mainly offer rooms and can build more rooms using the same FSI
- The cost of constructing a Parking in the basement is as high as 10% - 15% of the total project cost for such hotels

Best Practice - Singapore

Unlike other countries in the region where the room inventory, banquet space and other public areas dictate the number of parking spaces required by a Hotel, Singapore's Parking norms are based on the total built-up area of the project. This efficient system indirectly takes into account Hotel positioning, services offered and location. Indian States would benefit from adopting this norm as a good yardstick ensuring sustainable use of the permissible built-up area.

		Lower Bound			Upper Bound		
Uses	Lot Types	Zone 1	Zone 2	Zone 3	Zone 1	Zone 2	Zone 3
Hotels and residential clubs (including rooms, lobby, shop, restaurant, swimming pool, gymnasium and other related uses)	Car	1 lot per 530m^2	1 lot per 530m^2	1 lot per 260m^2	1 lot per 330m^2	1 lot per 260m^2	1 lot per 210m^2
	M/cycle	1 lot per 10,000m^2	1 lot per 10,000m^2	1 lot per 5,000m^2	1 lot for the 1st 330m^2 & 1 lot per subsequent 6,250 m^2	1 lot per 5,000m^2	1 lot per 4,000m^2
	HV	1 loading and unloading bay per 8,000m^2 For hotels, 1 coach lot per 90 rooms.			No Upper Bound		

RECOMMENDATIONS

- Hotels may be categorised as a separate entity and not be considered along with Commercial establishments for Parking norms as the usage of Parking Spaces for Hotels and Commercial establishments are significantly different
- The number of Parking Spaces in a Hotel may be correlated with the total developed/ built-up area such that Hotel positioning, number of guests visiting as well as facilities included are automatically incorporated into the calculation

Key Recommendation

Singapore allows limited Parking Spaces irrespective of the type of project in congested areas in order to encourage the use of Public Transport. Such a system permits a nation to move towards a more sustainable future by reducing congestion and pollution significantly.

Key Recommendation

Parking norms in some States require most Parking Spaces to be underground thereby increasing the development cost for the project. For Hotels in the economy to mid-market space, this practice can prove detrimental. We recommend allowing Parking Spaces to be accommodated over one or two stilt floors above-ground and excluding these floors from the overall building height restrictions/ FSI norms. This will encourage small investors to take on more Hotel projects.

Novotel and Pullman New Delhi Aerocity

Figure 4: FSI/FAR and Setback Norms | Competitive International Markets

Country	Number of Parking Spaces
Thailand	10 spaces for the first 30 rooms, 1 space for every 5 rooms up to the next 70 rooms and 1 space for every 10 rooms after hotel inventory crosses 100 rooms
Singapore	1 space for every 530 sq. m of development
Indonesia	10% of room inventory
Vietnam	1 space for every 4 rooms
Bangladesh	1 space for every 5 rooms and 1 space for every 200 sq. m of non-room area subject to minimum benchmarks depending on the type/ category of hotel
Sri Lanka	1 space for every 5 rooms, 1 space for every 2 suites, 1 space for every 5 pax at banquets and 1 space for every 10 covers at the restaurants
Dubai	1 space for every 5 rooms, 1 space for every 2 suites, 1 space for every apartment of 150 sq. m or less, 2 spaces for every apartment larger than 150 sq. m, 1 space for every hotel room including a kitchen or pantry, 1 space for every 46.5 sq. m of restaurant area and 1 space for every 500 sq. m of public areas, 1 space for every 46.5 sq. m of hotel offices and retail outlets

Source: Hotelivate Research

Figure 5: FSI/FAR and Setback Norms | Competitive International Markets

Country	Number of Parking Spaces
Melbourne	12 x site area in sq. m / 1000 sq. m
New York	1 space for every 8 rooms
Paris	No spaces required if hotel is within 500 m of a Metro station. Otherwise, 1 space for every 500 sq. m of floor area

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd

Figure 6: Number of Parking Spaces | Indian States

Indian State	Number of Parking Spaces
Andhra Pradesh	25% - 30% of the total built-up area depending on the location
Goa	1 space for 2 – 4 rooms depending on the type/ category of hotel
Gujarat	30% of the maximum permissible FSI
Kerala	1 space for every 60 - 90 sq m of built up area depending on total built up area
Maharashtra	5 – 7 spaces for every 5 rooms depending on the locations
New Delhi	3 spaces for every 100 sq. m of floor area
Odisha	1 space for every 6 rooms
Punjab	2 spaces for every 100 sq. m of the total built up area
Tamil Nadu	1 space for every 4 – 10 rooms and 1 space for every 100 sq. m. of non-room floor area depending on the type/ category of hotel
Telangana	25% - 30% of the total built up area depending on the location
West Bengal	1 space for every 50 sq. m of built up area

Source: State Building Bye Laws and Hotelivate Research

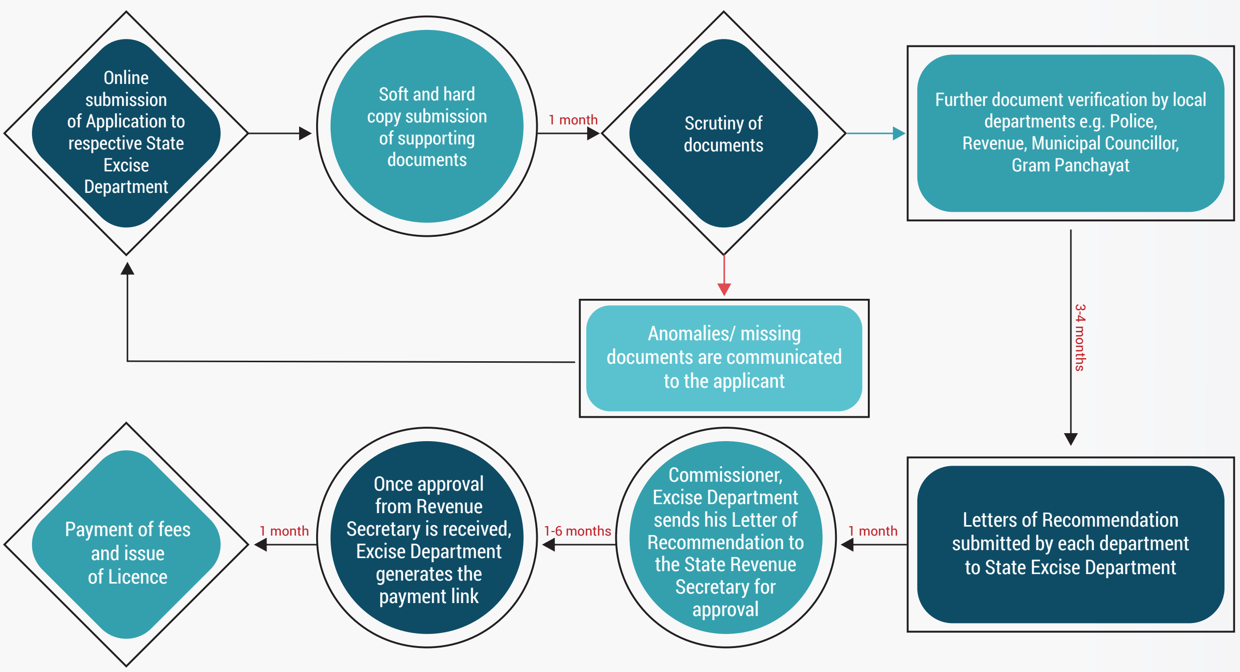
Liquor Licence

Application for Liquor Licences, whether new or renewals, continues to be a pain-point for most Hotel owners and operators. With a long and complex process that faces multiple bottlenecks and delays, this is also a process that is inconsistent in states across the country. Adding to the complexity are local rules and regulations at State level such as type of liquor, classification of establishments, requirement of designated bar areas, etc. Lastly, the starkly varying fees across States makes this an inefficient proposition in the current scenario. All of the aforementioned factors result in a limited number of restaurants having Liquor Licences today, which serve alcohol at high prices and therefore, people prefer to drink at home. Streamlining this process could result in higher consumption of alcohol at outlets.

On an average, it takes 6 - 12 months to obtain a new Liquor Licence in India and several departments need to be approached for this lengthy process. The practice of issuing the licence to an employee, e.g. General Manager, calls for an equally lengthy re-issuing process due to exit or transfer of the employee. Also, the fee for obtaining Liquor Licences is inconsistent across Indian States, varying starkly from ₹10,000 in Goa to an astounding ₹56 lakh in Telangana.

Figure 7 pictorially depicts the flow of a typical Liquor Licence application for a new licence; however, it must be noted that this process may include additional steps and approvals depending on the state.

Figure 7: Application Process for New Liquor Licence



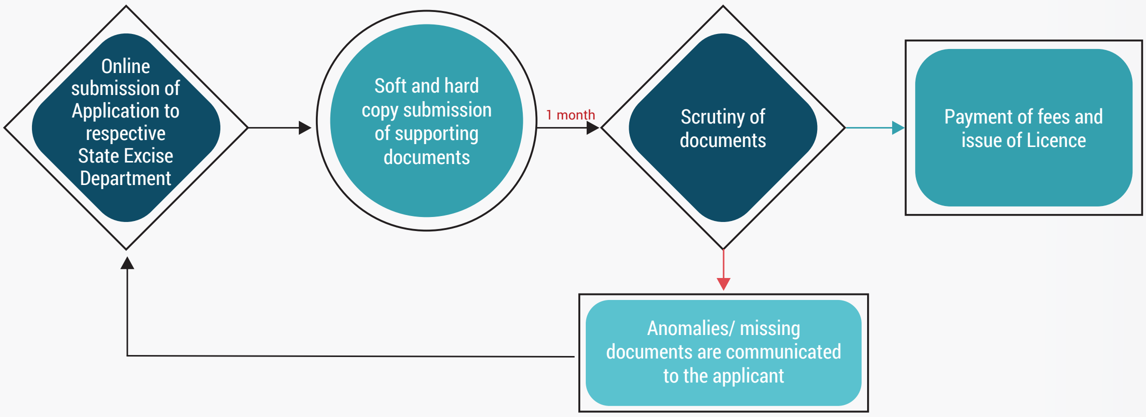
Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Renewal of Liquor Licence is a comparatively shorter process, as entailed in Figure 8, and includes a one-time fee based on the following factors:

- Number of outlets within the Hotel
- Type of liquor served (as some States allow only a Wine and Beer Licence)
- Star Classification of the Hotel


AER - Bar and Lounge, Four Seasons Hotel Mumbai

Figure 8: Application Process for New Liquor Licence



Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Some documents required by various State Excise Departments for issue of Liquor Licences include:

- Boarding and Lodging Licence
- Restaurant Licence
- FSSAI Licence
- Shop Registration Licence
- Police Clearance
- Consent to Operate (CTO)
- Final Fire NOC
- Occupancy Certificate
- Final Approved Drawings
- Liquor Storage Approval
- Hotel Classification
- Applicant's Identity Proof
- Applicant's Address Proof
- Address Proof of the Premises
- Application with Business Details
- List of Directors, along with Form 32
- Certified Company Memorandum of Association and Articles of Association
- Copy of the latest Income Tax Return
- Photograph of an authorised person with an affidavit stating that the person does not have a criminal record under the State Act and another affidavit stating that the person has not defaulted on any dues to any State department

Best Practice - Thailand

Our research reveals that a country heavily led by Tourism, Thailand, charges a nominal Liquor Licence fee which is more along the lines of an administrative fee. Rationalising the fee in India to increase profitability of Hotel establishments will encourage entrepreneurs to open more outlets, increased revenues from sale of liquor and indirectly contribute towards the country's GDP. Also, this would mean that every restaurant or outlet may be encouraged to set up a bar and therefore generate further employment.

RECOMMENDATIONS

- We recommend that uniform criteria for obtaining Liquor Licences be put in place by all states where sale of alcohol is permitted

- The Excise Department should issue all licences (new/ renewals) within a stipulated timeframe. This can be achieved by eliminating the verification of documentation step from various State departments once official supporting documentation from the same bodies/ departments is submitted along with the application

- Segregation of bars in Hotels should not be a mandatory practice and once a Liquor Licence has been purchased it should allow sale of liquor in the entire premises without requiring additional licences for the same

- Liquor Licences must be strictly issued by all States in the name of the establishment only

- As stand-alone restaurants are allowed to procure Liquor Licences, a star-classification should not be mandatory for Hotels to obtain a Liquor Licence

- With the advent of GST across all Indian States, a standard or competitive Liquor Licence fee pan-India is recommended

- Alternatively, a small administrative charge can be put in place for processing the application (say 1 lakh). Additionally, a pre-decided percentage of the total liquor invoice can be charged directly to the consumer. The State

Governments stand to gain from this system as they will earn a fee on every consumption. Also, more Hotels will be encouraged to obtain Licences when the burden is passed on to the consumer as opposed to within the current system where many Owners expecting low sales volumes are discouraged from applying

Key Recommendation

Regulating the Liquor Licence for Hotels and the restaurant industry will not only promote small scale entrepreneurship, but may also make it possible for every restaurant in the state to serve liquor. This move thus has huge potential to generate taxes and employment, both of which are critical in the post-COVID world.

Figure 9: Liquor Licence Fee | Competitive International Markets

Country	Liquor Licence Fee (New/ Renewal)
Thailand	US$ 71
Singapore	US$ 80 – US$ 630 (depending upon the type of liquor)
Indonesia	US$ 200 – US$ 500 (depending upon the type of liquor and time of service)
Bangladesh	US$ 23,500 – US$ 30,000 (depending on location and number of pax)
Sri Lanka	US$ 3,300 – US$ 5,400 (depending on the number of rooms)

Source: Hotelivate Research

Figure 10: Liquor Licence Fee | Indian States

Indian State	Liquor Licence Fee (New)
Andhra Pradesh	₹5 lakh
Goa	₹10,000 - ₹3 lakh
Gujarat	N/A
Himachal Pradesh	₹4.1 lakh
Karnataka	₹12 lakh
Kerala	₹30 lakh
Madhya Pradesh	₹4 lakh - ₹20 lakh
Maharashtra	₹3 lakh - ₹17 lakh
New Delhi	₹4 lakh - ₹13.2 lakh
Odisha	₹8 lakh - ₹12 lakh
Punjab	₹2 lakh - ₹6 lakh
Tamil Nadu	₹5 lakh - ₹40 lakh
Telangana	Up to ₹56 lakh
West Bengal	₹6 lakh to ₹25 lakh

Source: State Building Bye Laws and Hotelivate Research

1911 Bar, The Imperial New Delhi

Property Tax

Criteria for calculating Property Tax vary widely from one state to another and are driven by built up area in some locations and by room rent in others. This makes the tax quite prohibitive in some locations. Property Taxes are sometimes charged retrospectively making it very difficult for a developer to absorb this sudden cost.

RECOMMENDATIONS

- We recommend that calculation of Property Tax should be streamlined across the various States to be based on land usage
- For infrastructure projects, States must have clear guidelines on increase in Property Tax rates (similar to real estate, say 15% increase every 3 years) instead of ad hoc rates, so that investors can account for this in the project / operating cost

Circle Rates

Many cities in India have unrealistic Circle Rates that are higher than the prevailing land prices, making acquiring land for Hotel developments unviable. Delhi, for example, has Circle Rates which are sometimes as high as twice the current market price for Hotel / Commercial plots. Similarly, in Sector 129, NOIDA, while the price agreement was signed for 128,500 per sq.m, the Circle Rate was 1,98,000 per sq.m, making the transaction unfeasible. Circle Rate being higher than the Market Rate means that stamp duty payable by the buyer is much higher. Also, the seller needs to pay Capital Gains or Income Tax (as applicable) on the higher Circle Rate. In current COVID conditions and for the foreseeable future, this problem is only going to be made worse as real estate transaction values are sure to fall.

Another example of an anomaly is Bangalore where an additional Preferential Location Tax is applicable for a premium for a corner plot or if the site is along the main road thus increasing the Development Cost. Also, Variable Leases are frequently used while acquiring land; however, some States such as Goa, Kerala, Tamil Nadu do not have a concept of Variable Leases under the Stamp Duty Law making it difficult to determine the correct stamp Duty Charges.

RECOMMENDATIONS

- As land prices vary from time to time, we recommend that the Circle Rates be reviewed every 2 – 5 years and undergo revision within set time periods (every 8 t0 10years) to keep pace with market dynamics
- Stamp Duty should be charged strictly on the prevailing Circle Rate
- Local authorities must be aware of unconventional acquisition structures such as variable leases so that these structures can be accommodated within the system

ITC Grand Chola, Chennai

Green Building Norms

As a fast-growing economy, India has, in the recent past, turned its attention to our carbon footprint as a nation. Although the country still lacks a uniform Green Building Code, it may be heartening to note that from a mere 1,858 sq. m. of Green Buildings in 2003, the country had over 1.8 million sq. m. of green buildings by 2014. As the trend for responsible and sustainable architecture catches on, the country continues to use a combination of State bye-laws, the National Building Code, the Energy Conservation Building Code, as well as various rating programs such as Leadership in Energy and Environmental Design-India as guidelines for construction of Green Buildings. Sadly, Green Building laws and codes in the country remain voluntary and most often incentive-free.

Green Building Norms differ from State to State; however, we believe that States need to offer competitive benefits to developers keen on adopting these norms, such as additional FSI. Also, solar panels on Hotel rooftops can be made mandatory across all States irrespective of Hotel size. Currently, reserved green space and amenity space norms also differ but must be made relevant. Additionally, imposing environmental emission norms on Hotels akin to Commercial establishments must be changed to those of residential buildings and STP regulations can be revamped.

While some States in India offer benefits for adopting Green Building norms, oftentimes, the benefits are so insignificant albeit with several requirements and checkpoints that Hotels Owners prefer to steer clear of these norms. Green Building norms are more commonplace in comparatively more evolved markets, as is depicted in the best practices below.

Best Practice - Singapore

Green Mark for Non-Residential Buildings NRB:2015 is a streamlined rating scheme addressing sustainability and emphasising energy effectiveness, health and wellbeing, smart buildings and systematic energy and resource usage. It is a mandatory system for all non-residential buildings including hotels under which sustainable outcomes of projects are allocated points under 5 sections, with 16 criteria and 52 sustainability indicators. The system allows a total of 140 points and awards rating scores to projects as per the following grid:

Green Mark Rating	Green Mark Score
Green Mark Platinum	70 and above
Green Mark Gold^{PLUS}	60 to < 70
Green Mark Gold	>50 to <60

Green Mark Platinum rated buildings are offered an additional 2% GFA, subject to a cap of 5,000 sq. m.

Best Practice - Dubai

Green Building Regulations and Specifications were put in place by the government of the Emirate of Dubai in line with the Dubai Strategic Plan, 2015. Under this plan, all buildings in Dubai must adhere to green building specifications as per the best environment-friendly international standards adapted to local conditions in Dubai in order to keep Dubai a healthy city that follows the highest standards of sustainable development and has a clean, pollution-free environment. It must be highlighted that these regulations apply to all buildings in the Emirate of Dubai including those in Free Zones.

RECOMMENDATIONS

- In the short-medium term we recommend revamping the benefits offered to Hotel projects in terms of a variety of factors such as FSI, Ground Coverage, reduced lending rates or longer borrowing durations making these more lucrative for investors. Alternatively, lower property tax or other tax rebates may be offered
- In the longer term, a unified body may need to be formed, possibly in collaboration with a private Rating Agency, in order to create a uniform Green Building Code for projects across the country. This can then be used a guideline by State Governments to create their own Green Building norms and incentive systems, compliance to which can be reviewed on a periodic basis during the construction/ post-construction phase by the Rating Agency

Key Recommendation

Green Building Norms will need to be made compulsory or an obvious best practice for all Hotel/ Commercial establishments over time thereby not only reducing the nation's Carbon Footprint but also creating a sustainable ecosystem for the nation. State Governments implementing these norms would be seen as more progressive and responsible. While some State Governments are taking steps in this direction, we believe that a lot more relaxations and rewards can be provided as the current rewards are small.

Figure 11: Benefits for Adopting Green Building Norms | Competitive International Markets

Country	Benefits for Adopting Green Building Norms
Singapore	Mandatory policy but 2% additional GFA subject to a cap of 5,000 sq. m. is offered
Indonesia	Not specified
Bangladesh	Green financing may be availed of, with competitive cost of debt
Sri Lanka	Mandatory policy for energy efficient buildings
Dubai	Mandatory Green Building Regulations and Specifications for the Emirate of Dubai

Source: Hotelivate Research

Figure 12: Benefits for Adopting Green Building Norms | Indian States

Indian State	Benefits for Adopting Green Building Norms
Andhra Pradesh	20% reduction on duty on transfer of property if sold within three years
Goa	20% additional FAR
Karnataka	5% - 12% additional FAR
Kerala	Additional FAR depending on Green Star rating
Maharashtra	3% - 5% additional FAR
New Delhi	1% - 5% additional Ground Coverage
Odisha	Additional FAR depending on Green Star rating
Punjab	Additional FAR depending on Green Star rating
Telangana	20% reduction on duty on transfer of property if sold within three years
West Bengal	5% - 25% additional FAR

Source: State Building Bye Laws and Hotelivate Research

ITC Kohenur, Hyderabad

Goods & Services Tax (GST)

Government of India

State Government

The advent of Goods and Services Tax (GST) has been a favourable step for the Hospitality industry in terms of standardized tax rates, mitigation of cascading effect of tax and availability of input tax credit, which was earlier limited. However, some challenges with the new tax reform are as follows:

- As per the "Statement of Objects & Reasons" in the Constitutional Amendment (122nd) Bill, 2014, one of the primary objectives of introducing GST was to enable seamless flow of input tax credit from one state to another thereby fostering a common and seamless Indian market and contributing to the economic growth of the country

- The restrictions on availing credit on goods, services and works contract services used in the construction of an immovable property, as specified under Section 17(5) of the CGST Act, has been a major setback for the Hotel and Hospitality Sector leading to a break in the credit chain and consequently cascading into an increase in costs of goods and services supplied

- During construction, Hotels incur large expenditures in setting up essential components such as interiors, HVAC installation, elevators, architect services, license fees, etc.

- The GST credit scheme was intended to be a beneficial scheme to allow the supplier of taxable goods and/or services to avail credit, including on capital goods related to business. A Hotel building and all the amenities installed therein constitutes a major portion of the assets of Hotel and are essential for supplying outward accommodation / F&B service. As the civil structure of a project is considered immovable property, no input credit is offered. Therefore, hotel developers can recover a very small part of the GST incurred once the hotel becomes operational. This takes even longer as more GST credits are mounting through the operations where several vendors and suppliers are involved

- This unfavourable amendment thus defeats the objective of GST principle of free flow of credit when the output is in the course of furtherance of business

RECOMMENDATIONS

- We recommend creating a distinction between B2B Transaction Businesses and B2C Transaction Businesses for free flow of credit so the businesses can claim credits that they are eligible for. As an example, a real estate player can pass this cost to the end-user either in the form of sale price or lease rents. However, for the Hotel and Hospitality sector this has resulted in 8-10% increase in overall cost

- Input credit should be allowed on immovable assets and civil structures similar to a recent ruling by the Honourable High Court of Odisha in the matter of Safari Retreats Private Limited

Taj Theog Resort and Spa, Shimla

Licences Required for Hospitality Establishments

Government of India

State Government

Hotel projects require several licences and approvals at every stage – pre-construction, post-construction as well as pre-opening. Many of these licences require regular renewals whereas others are one-time approvals. However, all licences are valid only as long as the underlying conditions are met.

In India, the number of licences and approvals required for a Hotel project depend on a variety of factors including type of Hotel, classification/ star-rating, location, proximity to an airport, military area or coastal zone. Additionally, most licences and approvals differ from State to State.

Licences and approvals required for Hotel establishments may amount to as many as 100 in some states making this an inconsistent and tedious process. Additionally, the number of documents required for processing of various licences is currently inconsistent, unclear and oftentimes unnecessary. Also, some Hotel projects have remained in the pre-opening stage, for extended periods of time, due to glitches in the system further adding to pre-opening cost for the Investor. For example, Ibis Delhi International Airport remained in pre-opening stage for over a year due to security concerns raised by authorities pertaining to the runway facing rooms, which could have been identified and dealt with during the construction stage itself in a more streamlined system.

Licences and Permits required in various States for commencement of construction and operations of a Hotel need to be obtained from the bodies mentioned in figures 13, 14 and 15 below; however, it important to note that this list may not be exhaustive.

Figure 13: Pre-Construction Licences and Approvals

Department/ Authority	Number of Licences / Approvals	Average Days for Issue of Licences/ Approvals
Airports Authority of India	1	90
Approved Building Plans	1	90
Archaeological Survey of India	1	30
CRZ Clearance	1	120
Department of Town and Country Planning	1	45
District Collector	1	60
Local Police Station	2	30
Ministry of Tourism	11	90
National Highway Authority of India	1	60
Naval Authority of India	1	90
Petroleum and Explosives Safety Organisation	1	60
State BSNL/MTNL Office	1	60
State Contract Labour Department	2	30
State Department of Telecommunications	1	60
State Department of Tourism	1	90
State Electricity Department	1	60
State Fire Department	1	60
State Metro Rail Corporation	1	30
State Mining Department	1	15
State Ministry of Environment and Forests	1	90
State Municipal Corporation/ Gram Panchayat	14	60
State Pollution Control Board	2	60
Survey of India	1	30
Total Licences/ Approvals	**49**	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Figure 14: Post-Construction Licences and Approvals

Department/ Authority	Number of Licences / Approvals	Average Days for Issue of Licences/ Approvals
Ministry of Tourism	1	90
State Pollution Control Board	1	90
State Electricity Department	7	50
State Fire Department	3	70
State Municipal Corporation/ Gram Panchayat	10	60
Total Licences/ Approvals	**22**	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

Figure 15: Pre-Opening Licences and Approvals

Department/ Authority	Number of Licences / Approvals	Average Days for Issue of Licences/ Approvals
Department of Tourism	1	120
ESIC	1	30
FSSAI	1	60
HRACC (optional but recommended)	1	-
Local Police Station	2	60
PPL and IPRS Authority	2	45
Sports Authority of India, Local Chapter	1	-
State Contract Labour Department	3	90
State EPFO	1	30
State Excise Department	1	60
State Municipal Corporation/ Gram Panchayat	10	60
State Tax Department	2	30
State Weight and Measure Department	1	60
Total Licences/ Approvals	**27**	

Source: White Paper Policy Reforms for Hotels and Hospitality Sector of India, InterGlobe Hotels Pvt. Ltd and Hotelivate Research

RECOMMENDATIONS

- We recommend that all licences, approvals, no-objection certificates, etc be standardised under a Government of India recommendation, forming a guideline for State Governments to follow, in order to ease the process and encourage Investment in Hotel projects across different States

- It will need to be examined whether all documents are really required or if scope to reduce the number of supporting documents exists

- It is recommended that timelines for licences and approvals be listed clearly with a single-window clearance system in accordance with the previous recommendations

- Self-certification for Hotels under some licences and approvals may be considered

- Online tracking of Licences and Approvals may be made viable once the aforementioned recommendations are in place

Key Recommendation

A Hospitality Development and Promotion Board (HDPB) already exists under the aegis of the Ministry of Tourism however has not displayed any real function as of yet. Similar setups such as the National Coastal Zone Management Authority under Ministry of Environment & Forests have been created to include members from coastal states. These bodies clear projects vide administrative meetings and evaluations on a regular basis. Similarly, the Hospitality Development and Promotion Board can become a decision-making body with authority to grant approvals and a clear escalation mechanism as a one-stop-shop for Hotel projects. This will considerably increase 'Ease of Doing Business', streamline processes and approvals in a time-bound transparent manner, and reduce the margin of error.

Figure 16: Licences and Approvals Required | Competitive International Markets

Country	Number of Licences and Approvals Required
Thailand	4 (pre-construction), 18 (post-construction)
Singapore	7 – 26 (depending on services offered)
Indonesia	8 (pre-construction), 26 (post-construction)
Bangladesh	9 (pre-construction), 22 (post-construction)
Sri Lanka	10 (pre-construction), 4 (post-construction)

Source: Hotelivate Research

The Leela Palace Bengaluru

Coastal Regulation Zones

Government of India

State Government

On the 6th of January 2011, as per a notification from the Ministry of Environment and Forests, the Government of India declared certain stretches along the Indian coastline as Coastal Regulation Zone (CRZ) under the Environment (Protection) Act, 1986. This notification relates to the management and conservation of marine and coastal ecosystems, development in coastal areas, eco-tourism, livelihood options and sustainable development of coastal communities based on scientific principles taking into account the dangers of natural hazards and sea level rise due to global warming. This notification, however, excludes the islands of Andaman and Nicobar and Lakshadweep and the marine areas surrounding these islands.

The CRZ shall apply from the High Tide Line (HTL) at 500 metres on the landward side along the sea front to the Low Tide Line (LTL) at 100m on the landward side along the sea front or the width of the creek, whichever is less. The area thus demarcated including the territorial water limit (12 Nm) is referred to as the Intertidal Zone. These CRZ are further classified into 7 different categories based on the nature of the intertidal zone.

Some guidelines for development of Beach Resorts, Hotels and Tourism Development Projects in designated CRZ areas include:

- Live fencing and barbed wire fencing with vegetative cover may be allowed around private properties subject to the condition that such fencing shall in no way hamper public access to the beach
- No permanent structures for sports facilities shall be permitted except construction of goal posts, net posts and lamp posts
- Though no construction is allowed in the no development zone, for the purposes of calculation of Floor Space Index, the area of entire plot including the portion which falls within the no development zone shall be taken into account
- The total covered area on all floors shall not exceed 33 per cent of the plot size i.e., the Floor Space Index shall not exceed 0.33 and the open area shall be suitably landscaped with appropriate vegetal cover
- The overall height of construction up to the highest ridge of the roof, shall not exceed 9 metres and the construction shall not be more than two floors (ground floor plus one upper floor)
- To allow public access to the beach, a minimum gap of 20 metres in width shall be provided between any two hotels or beach resorts; and in no case shall the gaps be less than 500 metres apart

While most comparable international locations in Figure 17 have considerably smaller no development zones along their coastlines, the 500m High Tide Line as designated by the Indian CRZ rules mitigates the possibility of damage due to unexpected rises in water levels as well as protects to some extent against natural disasters such as floods and tsunamis.

RECOMMENDATIONS

- Re-assessment of projects, both existing and upcoming, is recommended based on environmental impact and due compliance with the new provisions of the CRZ 2018 rules, especially in locations such as Goa and Kerala to determine whether the setback of 200 meters can be reduced to 50 meters thus enabling Hotels to increase FAR, elevation and ground coverage where suitable and add facilities and services in the demarcated/reclaimed zones

Key Recommendation

With the formation of the National Coastal Zone Management Authority (NCZMA) and the State Coastal Zone Management Authorities (CZMA) in all coastal states and union territories, we recommend that the individual Coastal Zone Management Authorities, in coordination with the Hotel and Hospitality Sector, identify beach stretches suitable for Tourism developments

Figure 17: Coastal Norms | Competitive International Markets

Country	Coastal Norms
Singapore	25% of the city is built on reclaimed land and no restrictions are in place
Indonesia	No development until 100 m from the beach
Bangladesh	Location specific
Sri Lanka	No development until 10 m – 20 m, hotel developments are allowed in the following 25 m – 30 m
United Arab Emirates	No development until 40 m – 60 m in developed areas and up to 300 m. in rural areas

Source: Hotelivate Research

Cidade de Goa - IHCL SeleQtions

Urban Planning

Government of India

State Government

COHESIVE DISTRICTS

It has been estimated that by 2050, nearly 60% of the Indian population will be living in urban areas. New Delhi is expected to be the biggest Megacity in the world by 2028. Such is the impact of urban migration in India. With growing urbanisation and global corporate movement into Indian cities, it is important that a holistic urban development approach is implemented to address population, economic growth, employment and social change. More cohesive business districts need to be built that promote high economic activity with an appropriate ecosystem and infrastructure to support the livelihood of urban dwellers. Currently, these business districts are being created by private developers in an ad hoc manner - for e.g. Cyber City by DLF in Gurugram, High Street Phoenix in Mumbai, Magarpatta City in Pune etc. The retrofitted nature of these developments leads to infrastructure issues like traffic jams.

With improved urban and city planning by the government, much larger business districts can be created with more sustainable infrastructure. This will lead to higher economic and business activity and more business-related travel in turn generating hotel demand. Future masterplans for planned cities could be created around a central hub such as a convention centre, economic hub, industrial region, etc. such that infrastructure supports these advanced cohesive districts.

LAND PARCELS FOR HOTEL DEVELOPMENT IN NEW MASTERPLANS

Most cities in India allow Hotel developments on Commercial land parcels. This means that a Hotel developer competing with a commercial real estate developer for the same land parcel is a disadvantage as commercial real estate typically offers a higher land valuation. We recommend specific sites earmarked for Hotel developments to ensure that adequate hospitality infrastructure is developed in each city. For example, the Port City, Colombo, the largest planned township of South Asia, has 5% of the planned 660 acres divided amongst 4 greenfield sites. Similarly, in planned cities in the Middle East, around 5%-7% of the land is reserved for hospitality projects. In Whitefield in Bangalore, all land parcels available have a Commercial zoning. Conversions are not permitted as per the local authorities. In fact, some larger land parcels have no process of bifurcation such that they can be used for a Hotel project. Also, land auction/allotment for Hotel development by local state authorities is often at prohibitive prices making such Hotel projects unfeasible. For example, the reserve price for the Pragati Maidan IECC Convention Centre 5 Star Hotel was set at ₹611.3 crore with a security deposit of ₹40 crore. Despite this being a promising project, it proved unfeasible resulting in no bids being submitted.

CENTRAL DATABASE FOR LAND OWNERSHIP

Credible benchmarks for land prices are difficult to find and with high Owner expectations, land cost sometimes end up between 45% and 50% of the project cost. It must be noted that any Land Cost higher than 25-30% makes projects unfeasible. Land Records have been digitised in very few States making title search an arduous process. Further, Land Records and the Revenue System is different in each State. In Goa for instance, within the state some lands that were a part of the Cadastral Survey have additional land records that other lands do not have. Information about the physical aspects of the land such as geological data of soil conditions, weather, water resources and chemical composition of land. should be made available in the public domain which will prove helpful during assessment of land parcels. Also, there is a need to introduce a centralised database of digitised records with a single authority for Title Information.

LEGISLATION AND JUDICIAL ASPECTS

INSOLVENCY LAWS – In case a land is taken on lease, there is not enough clarity on how the rights as a lessee would be protected in case an owner is involved in insolvency proceedings.

LABOUR LAWS – Consolidation of labour laws is needed at least at the national level. While the Code on Wages, 2019 is a great step in this direction, the other labour laws also need to be similarly consolidated.

BUILDING & CONSTRUCTION WORKERS ACT – A cess amount is levied for every project under this Act and is deposited in a fund for workers who are termed as beneficiaries of the fund. This is done over and above the insurance provided for all workers. It remains unclear how the fund is being utilized.

JUDICIAL SYSTEM – It is very important that disputes are sorted quickly and delays are prevented.

Infrastructure Status

Government of India

In 2013, the Department of Economic Affairs granted Infrastructure Status to the Hotel and Hospitality sector. This benefit, however, was only made available to Hotels with a project cost upwards of ₹200 crore (excluding land cost) and Convention Centres with a project cost upwards of ₹300 crore. Of all active projects at the time, a mere 15% qualified for the benefits of lower lending rates from 14% - 17% to 10% - 12% and longer repayment tenures from 7 – 10 years to ~15 years.

As per the RBI Infrastructure Lending List circular , a credit facility extended by lenders (i.e. banks and select All India Term-Lending and Refinancing Institutions) to a borrower for exposure in the following infrastructure sub-sectors will qualify as 'infrastructure lending' for Hotels projects with a development cost greater than ₹200 crore each at any place in India and of any star-rating (applicable with prospective effect from the date of the circular in 2013 and available for eligible projects for a period of three years; eligible costs exclude cost of land and lease charges but include interest during construction).

With growing spending power of the middle-class Indian, India's Hotel and Hospitality Sector has seen increasing demand for Hotels in the economy to mid-market space in recent years. These Hotels typically incur a project cost between ₹20 crore and ₹50 crore. While the Government of India has been moved to grant infrastructure status to hotel projects worth ₹50 crore, a decision on this is still pending. The Government of India and the RBI are requested to further reduce this criterion to ₹25 crore, and extend the benefit to all existing and upcoming Hotels as this will not only allow for better benefits for Hotel establishments in the economy to mid-market space but will also encourage greater investment in this market segment.

RECOMMENDATIONS

- We recommend Infrastructure Status for Hotels built at a project cost of ₹25 crore and above; this has long been demanded by the Federation of Hotels and Restaurants Association of India (FHRAI) as well

Ibis Styles Goa Calangute

Conclusion

In the course of our research and development of this white paper, we found that while various norms and regulations have been put in place by State Governments, often the rationale behind them appeared to be either outdated or lacking benchmarks to the right point of reference. In our endeavour, as a nation, to develop state-of-the-art infrastructure, it may prove useful to look towards the countries in our region that have evolved their policies over time and continue to review and revise them in keeping with the times.

We understand that it is not feasible for several states in India to simply pick up and incorporate these norms as they are sometimes more relevant to developed economies such as Singapore or the U.A.E. However, we urge the Central and State Governments to attempt to adopt the basis of these policies in the formulation of our own regulations. For example, policies pertaining to Floor Space Index/Floor Area Ratio, Setback Norms and Height Restrictions can continue to be treated as separate policies; however, they must be designed to complement each other rather than restricting one another. Using Singapore's model for calculating parking spaces required for a Hotel project in conjunction with the total built-up area instead of basing it on the Hotel room inventory can become a useful practice. This will result in efficient usage of space making Hotel projects more profitable in the long run and creating positive investor sentiment. Yet another area of improvement is the process of obtaining Liquor Licences; Thailand has created an enabling environment by offering a single licence fee for Hotels and Restaurant establishments alike. In comparison to the lengthy application processes and extremely high fees in various Indian States, the Thai model attracts more entrepreneurs and makes the destination more tourism friendly.

For the benefit of Hotel owners and investors, the recommended policy reforms will promote smoother processing of licences, optimal usage of spaces and higher revenue generating potential. These advantages will further encourage investment into Hotel and Hospitality infrastructure for the country, enhancing the tourism experience and eventually bringing it at par with competitive countries in the region. For the Central and State Governments, these reforms offer benefits such as greater employment generation due to more Hotel projects entering the market. This will further lead to greater GST collection for the government from tourism-related activities resulting in higher GDP contribution by the Hotel and Hospitality sector.

It is now the prerogative of the Central and State Governments to take steps towards enhancing tourism-related infrastructure in the country. While strict processes and policies are required in order to maintain control, it is imperative that a degree of flexibility be brought in to ensure a win-win situation for the governments and investors considering that these very investors finally bear the onus of providing the nation with the required infrastructure and facilities. Great thought now needs to be put in to create policies that work together rather than processes that are complicated and obstruct India from achieving its full tourism potential.

The Leela Ambience Gurugram Hotel & Residences

POLICY REFORMS

INDIAN HOTEL AND HOSPITALITY SECTOR

JULY 2020

WORLD TRAVEL & TOURISM COUNCIL
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ELEVATION THROUGH INNOVATION