



Joint Development Agreement



Knowledge Series 2 – Episode 1

Key Learnings

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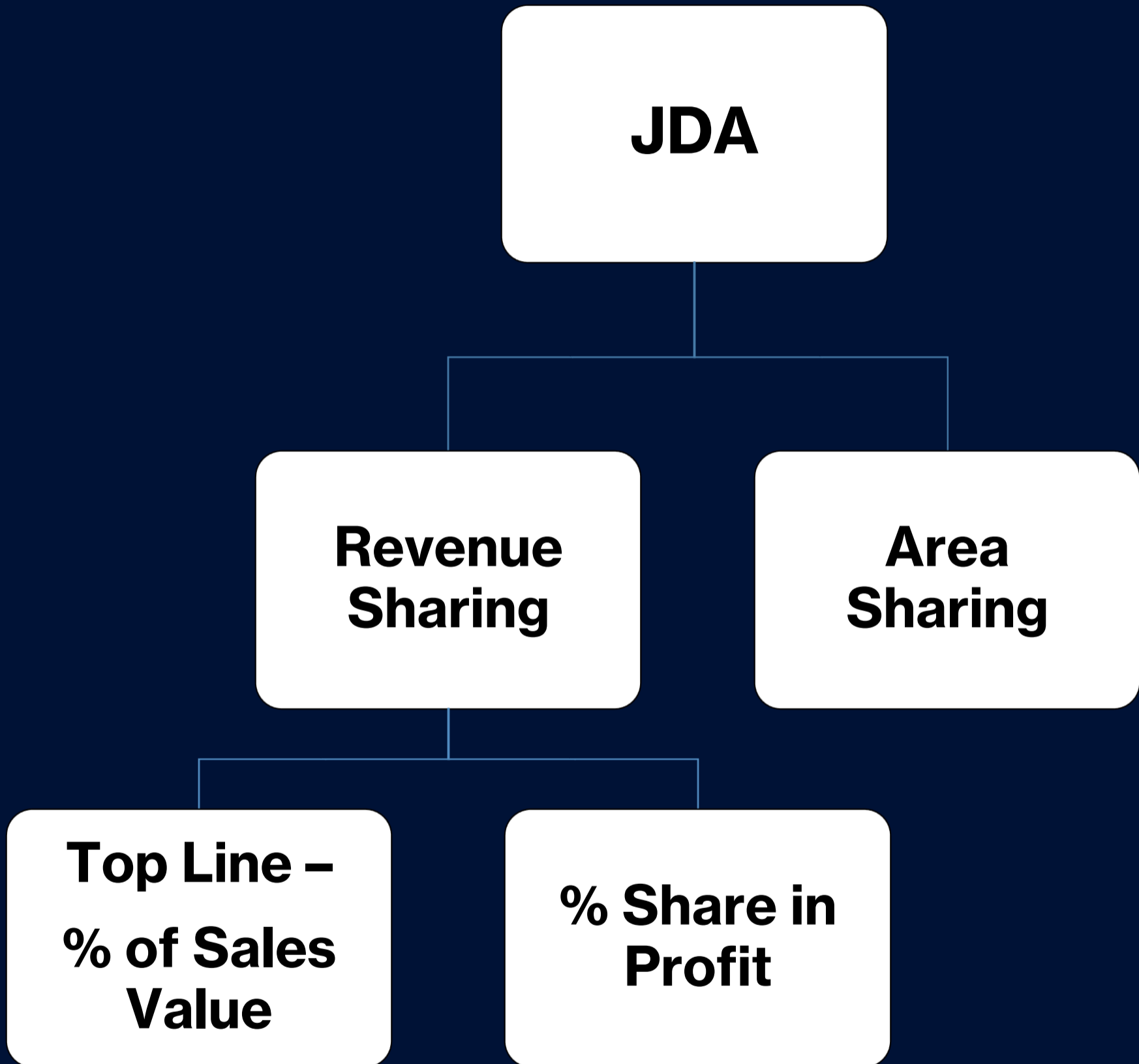
What is a JDA?

- JDA is an arrangement between the landowner and the developer (builder), wherein the landowner gives /handovers his land to the developer for future development (residential/ commercial).
- The incoming developer takes the full responsibility of the future development which generally includes obtaining approvals, construction, launching and marketing the project with the help of financial resources etc.
- The landowner gets upfront lump-sum consideration along with deposits (refundable/non-refundable), area share or percentage of sales revenue in the project, purely depending upon the terms and conditions as mutually agreed between the parties.

Need for JDA

- In the last decade, there has been major development of infrastructure and housing project in the outskirts of top cities. The land in these areas is primarily owned by the villagers who don't have requisite expertise, experience, goodwill and financial backup to convert land into commercially viable projects.
- Real estate industry has seen a tremendous boom period in the 21st century. Land prices have shot up and hence development on fully bought land was not feasible for developer most of the times.
- Considering all the limitations, JDA turns out to be a win-win situation for both the parties. It enables them to get to capitalize on the booming realty sector and to make money.

Types of Arrangements



Key Points in JDA

Commercial Terms

- Final Consideration (security deposit whether refundable or non-refundable) & payment plan. Terms of area sharing / revenue sharing
- Clause relating to availing term loan & mortgage of the property
- Responsibility of obtaining approvals including payment of premiums for TDR & FSI
- Previous dues, taxes related to property
- Clauses related to penalties & additional interest

Key Points in JDA

Non-Commercial Terms

- Timelines for obtaining all requisite approvals and completion of project
- Roles and responsibilities of owner as well as developer
- EOD and consequences on expiration of JDA
- Existing legal dispute if any and its impact
- Execution of POA

Indemnity Clause

For a landowner

- Indemnifies against any losses, penalties, claims etc. on account of any failure on his/her part in the performance of its commitments, duties or obligations in respect of its title to project land and its approvals.

For a Developer

- Indemnifies against any losses, penalties, claims etc. on account of any failure on his/her part including but not limited to any breach of representation.

Pros and Cons of having a JDA

Pros of having a JDA

- This arrangement offers a deferred payment or performance obligation with a minimum investment.
- Expedites the development of property as external capital is routed more towards approval and construction expenses of the project instead of land acquisition expenses.

Cons of having a JDA

- Getting a structured finance becomes difficult.
- Due to an increase in the number of stakeholders in the agreement, capital raising becomes difficult and time consuming.

Terms used in JDA

- CC – Commencement Certificate
- TDR – Transfer of Development Rights
- Master Plan – Master Layout Plan
- EOD – Event of Default
- POA – Power of Attorney

**Competition Makes Us Faster,
Collaboration Makes Us Better.**

*Stay tuned for
more knowledge*

