

CHAPTER – 6: ACQUISITION ON PREMISES ON LEASE / RENTAL BASIS

6.1. The Bank acquires premises on lease/rental basis for housing its branches, CPCs, administrative offices, SBLCs, computer centers, stationery departments etc. and to provide residence to its employees. Detailed guidelines have been issued from time to time in this regard. The comprehensive guidelines for acquiring premises on lease/rental basis are given in the following paragraphs.

Bank has to acquire premises on lease/rental basis on the following occasions:

- a) Opening a new office, SBLC, BPR outfit or branch etc.
- b) Shifting the existing branch, office etc. For the following reasons:
 - i) The space available at the branch/office premises is not adequate to cater to the needs of the existing/future business.
 - ii) The building is not convenient from the customers/business point of view.
 - iii) The building is in a dilapidated condition and the landlord is neither prepared to carry out the repair nor does he permit the Bank to carry out the repairs.
 - iv) Court issues directive for vacating the premises.
 - v) Shifting to owned premises
 - vi) Lease period has expired, and further extension is not feasible etc. Govt. of India has also directed that the Bank branches/ offices should function from premises with valid lease agreement. We suggest the following process in this regard:
 - a. Computerized system may be introduced to keep records of details of all premises. This may include like location, carpet area, rental, lease period, date of execution of lease, date of expiry of lease deed, etc.
 - b. Initiating the process to renew the lease, at least 18 months before the expiry of the existing lease. In case the Bank does not have a right to renew the lease or where the landlord is unwilling / demanding higher than market rent, inviting open bids for alternate premises well before the expiry of the lease.
- c) A transparent process of accepting the offers / bids in all cases of fresh leases / renewals of leases.

Before initiating the process of acquiring the premises on lease/rental basis, the need to acquire the premises has to be clearly established and approval from competent authorities should be obtained for the purpose of scouting for alternative premises.

The authority structure for giving permission to shift or acquire alternative premises is given below:

S.No.	Authority Structure	Proposal to be put up by	Approving Authority
A	Branches / BPR Outfits	Head of BPR Outfit	Respective GM of the Network
B	Premises under LHO Control	Circle Dev. Officer	CGM
C	Deptt. under Control of Corporate Centre in Mumbai other than Business Groups	Head of the user Deptt. through Premises Deptt.	DMD (HR) & C.D.O.
D	Dept. under control of Corporate Centre outside Mumbai / CCEs outside Mumbai	Head of the user Dept. through Premises Deptt.	Head of the Group concerned
E	Deptt. under Control of Business Groups	Head of the Deptt.	Head of the Group Concerned
F	Branches / Offices under control of MCG/ CAG / SAMG/or any other Group	Branch/ Dept. Head	CGM of the Group concerned

As per Bank's Circular No: NBG/BOD-PPR/25/2011-12, Date: 28/07/2011 competent authority for shifting of branches is as under:

S.NO.	Authority Structure	Approving Authority
A	Shifting of branches to any location within the centre (city/town/village)	i. Circles management committee for branches coming under Circles/ ii. CGM (CAG)/CGM (MCG)/ CGM (SAMG) for branches coming under their respective business groups
B	Shifting of branches located in semi urban centers (with more than one commercial bank branch) within the existing block	Circle Management Committee
C	Shifting of branches located in semi urban centers (with more than one commercial Bank branch), urban and metro centers within the same state subject to compliance with RBI guidelines	i. Circle Management Committee for branches coming under Circles ii. CGM (CAG)/ CGM (MCG)/ CGM (SAMG) for branches coming under their respective business groups

6.2. Requirement:

Whenever a need is established for acquiring premises the requirement of branch/office has to be worked out by the Bank's Engineer in consultation with the user branch/department. The spatial norms that are prescribed by the Bank have to be strictly adhered to. The necessary

staff amenities and ancillary facilities have also to be provided. The current spatial norm for clerk/cashier is 35 sq. ft. and for officers it is 50. sq. ft. The growth projection of staff strength of a branch for the next (8-10) years may be assumed as 10%. The area requirement for customers shall be 60-70% of total area as prescribed by BPR. The floor area of the branch/office as worked out on the above basis shall be given to the controller who will arrange for giving wide publicity. The principal objective of the Bank is to ensure that the premises are acquired in transparent manner. The publicity could be given by the following modes:

- a) Exhibiting the requirement on the Branch/office Notice Board.
- b) Circulating the requirements to the other public sector undertakings/ Government departments.
- c) Advising the requirements to clients/constituents of the branch.
- d) Releasing newspaper & website notice.

A newspaper and website notice may be given by the authorities concerned inviting offers from private parties in all cases. However, the press notice is mandatory if the rental value is more than Rs. 50,000/- p. m. in a non-metropolitan area and Rs.1.0 lac per month in Metropolitan area. No press notice is necessary for securing residential accommodation for staff. The offers shall be invited under two cover system where the advertisement is mandatory. It is clarified that no advertisement is necessary in case of transactions between PSU and PSU, Government to Government and Government to PSU.

Offers shall be mandatorily invited under two cover system (Technical bid and price bid) in respect of the advertisement issued for premises located in metropolitan centers where the monthly rent is more than Rs 1.00 lac (Rupees one lac) & Rs 50,000/- (Rupees Fifty thousand only) in respect of other centres. The advertisement should contain salient features like floor area of accommodation, location, type of construction etc. The technical bid and price bid shall contain the details as given in Annexure 6.1.

The advertisement shall be released in the local newspapers in Hindi, Regional and English languages.

The Premises Selection Committee (PSC) has to be constituted for hiring the premises on lease and the composition details given in following table.

6.3. PREMISES SELECTION COMMITTEE

Sr. No.	PROPOSED SET UP			
	AT AO / RBO / CPC	AT LHO	DEPT. UNDER CONTROL OF CORPORATE CENTRE	PREMISES UNDER CONTROL OF CCEs
1	Regional Manager (RBO/ CPC)	AGM (P&E)	DGM (Premises)/ DGM (Estate)	DGM of CCE concerned

2	CM of the Region / CPC	AGM (BPR)	Representative of the user dept. not below the rank of DGM	AGM of CCE concerned
3	Bank's Civil Engineer	Bank's Civil Engineer	DGM & CE	LHO Civil Engineer of respective geographical jurisdiction
4	Bank's Electrical Engineer	Bank's Electrical Engineer	Civil Engineer at CC	LHO Electrical Engineer of respective geographical jurisdiction
5	BM/Representative from user Dept.	Representative from user dept.	Electrical Engineer at CC	Security Officer of LHO of respective geographical jurisdiction
6	Security Officer	Security Officer	Security Officer	Law Officer of CCE / LHO
7	Law Officer	Law Officer	Law Officer	

Minimum 3 members, apart from member in SI No. 1, should be available to complete the quorum of the Committee. The Premises Selection Committee shall screen the offers received with reference to the parameters given in the Tender Document and shortlist offers that are prima facie suitable for the Bank's requirements. The shortlisted offers shall be inspected by the Committee and the terms and conditions quoted by the landlords shall be evaluated strictly on the merits and the ranking of the proposals shall be given in the order of merit. The rank shall also indicate the weightage (as specified in Tender Document) that has to be given in respect of each proposal in the ascending order. Thereafter, the price bid containing the rent shall be opened by the Committee. An example for evaluation of proposal for branch premises on lease is enclosed at Annexure '6.2', which may be modified as per the requirement. The Premises Selection Committee shall not negotiate with any bidder other than the lowest offerer. If the rate is felt to be on higher side. The final rent and other terms and conditions shall be recommended by the Committee and shall be put up to the approving authority. In case the number of bids received is less than 3 or number of shortlisted offers is less than 3, then prior approval of GM-Network concerned shall be obtained before opening of bid / price bid respectively after recording specific reasons for selection & rejection of offers by the Committee.

Before approving the proposal, the approving authority shall examine the proposal with reference to the following guidelines:

- a) Rental ceiling
- b) Taxes and service charges
- c) Period of lease
- d) Rental deposit

6.4. Local norms / laws

While acquiring premises for opening of a branch, it should be ensured that the location of the branch complies with the local norms / laws of Municipal Corporation / Nagar Palika / Town Area Authority / Village Panchayat or any other competent authority. **All branches / offices**

shall be opened only in premises having commercial / office license from Local Municipal authorities only. If any such office establishments are required to be opened in residential premises, then it shall be ensured by the Branch Manager that the landlord is paying property tax rate for commercial premises as decided by the Local authorities or conversion from residential to commercial use has been obtained by the landlord.

While finalizing the branch premises in disaster prone areas (Earthquakes, flood, cyclone etc.), insurgency affected areas, forest areas etc. due care should be exercised to select (own/rental) safer premises and Security Officer's safety report shall be mandatory.

6.5. Important guidelines on selection of premises

(a) Rental ceiling:

The Premises Selection Committee (PSC) will continue to ensure and satisfy that the proposed rental compares favourably with the prevailing market rent for similar accommodation in a particular location where the premises is being acquired. The following rental ceilings per annum are considered realistic for the purpose of seeking deviation beyond these limits.

Category	Rental ceiling excluding taxes/ GST etc.) per annum beyond which deviation will have to be approved (Rs. In lacs)
Mumbai (City Area) (Classified as Metro)	130
Major A, Other Metro Centres classified by the Bank & Mumbai (Suburbans)	75
Category 'A' centres	30
Category 'B' centres	22.5
Category 'C' centres	15
Rural centres (population up to 9,999)	7.5

(b) Taxes (Property, Municipal etc.) and service charges:

As per the existing guidelines regarding the arrangement of taxes and service charges which shall continue to be borne by the landlord as hitherto. However, while renewing the lease, the effect of subsequent increase/ decrease in taxes and service charges shall be taken into account for the purpose of fixing the rent.

Payment of GST – To be paid extra by the Bank.

Rationale:

The Government of India has considered leasing of commercial property as service and eligible for GST on the rent received by the landlords. This is however subject to the landlord being liable to pay GST on the same to the Government, having reference to the

threshold of such income above which the same is subject to GST (presently the limit is Rs. 20 lacs per annum). However, the landlords will be required to bill the Bank every month for the rent due to them indicating the GST component also in the bill separately. The bill also should contain the GST registration number of the landlord, apart from name, address, etc. of the landlord and the invoice number of the bill, for the Bank to bear the burden of GST. Otherwise, GST shall not be payable by the Bank.

(c) Period of lease:

Initial 5 years + option of 5 years with predetermined increase in rent @15 -25% after expiry of first term of 5 yrs at the time of renewal.

After 10 years rent can be negotiated and finalized by Premises Selection Committee (PSC) so that new lease can be executed for further term of 5+5 years

(d) Rental Deposit:

The interest free rental deposit equivalent to maximum six month's rent shall be granted to the landlords at the time of taking possession of the premises and such deposits will have to be adjusted during the last six months of occupation. CGMs shall have discretion to relax interest free rental deposit equivalent to not exceeding 12 months rent.

If the final negotiated terms and conditions do not conform to the above guidelines the deviations have to be referred to the internal committee at ZO/LHO/Corporate Centre and final approval has to be communicated to the landlords only after the approval of the deviation by internal committee. The constitution of Internal Committee (for approving the deviation from the above guidelines) is given as under:

S.NO	At ZO (If authority for sanction of rent is approved up to AGM's powers)	At LHO (If rental is approved by the DGM)	At LHO (If rental is approved by the GM and above officials)	Corporate Centre Establishments/Branches under CAG, MCG, SAMG etc
A	DGM (B&O)	GM of NW	CGM	CGM of the Group / Deptt. concerned
B	Two AGMs (Region)/ AGM (CPC) other than the Region / CPC to which the proposal pertains	DGM (CS & Ops)	GM of the Network to which the proposal pertains)	GM of the Group/Deptt. to which the proposal pertains
C	CM of the Region	DGM & CDO	DGM & CDO	One DGM of the Group

D		AGM (P&E)	AGM (P&E)	DGM/AGM of the Group
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As a matter of policy, the following factors have to be taken into account while acquiring accommodation on lease/rental basis for office.

(e) Location:

Utmost importance has to be given to the business factor and customer convenience. The location shall be in a central business district/bazaar area. The premises to be hired shall be located in prominent business locality and within the area covered by the RBI license.

The premises of branch shall be located preferably on the ground floor and if it is not possible, it shall be on the first floor. The entire requirements preferably may be in one floor or contiguous upper floors as the case may be. **All branches / offices shall be opened only in premises having commercial / office license from Local Municipal authorities only. If any such office establishments are required to be opened in residential premises, then it shall be ensured by the Branch Manager that the landlord is paying property tax rate for commercial premises as decided by the Local authorities or conversion from residential to commercial use has been obtained by the landlord.**

The administrative offices and SBLCs may not be located in a busy commercial area but shall be located in a less congested locality as a centre where the rentals are moderate.

The premises to the extent possible shall not be located above hotels or industrial establishments to minimize dust and noise pollution. The premises shall have adequate frontage with parking space for the customers and staff.

The premises shall have an independent access / direct access from the road and not through some other establishment. The premises shall be a pucca building constructed with modern fittings and fixtures with few numbers of columns. Natural light and ventilation should be available.

The additions/alterations, if any that are to be carried out to the premises shall be clearly documented before the final approval is communicated to the owners. Consent letter (as per format enclosed in Annexure 6.3 from the landlord or P.A. holders shall be obtained and kept in record to guard against future claims of terms modified. In case of ready building the premises shall be checked with the approved plans so that issuance of any notice or imposition of penalty by the local municipality/municipal corporation can be avoided.

(f) Rentable Area:

While negotiating the rent or inviting the offers in rural or semi urban centres, the rental shall be negotiated on a lump sum basis. If it is on area basis, it shall be clearly mentioned as carpet area which could be always measured jointly by the Bank and the landlord. Negotiations based on the super built up area, built-up area which may lead to a dispute at a later date shall be avoided. The measurement of carpet area shall be as per definition of IS code / RERA carpet area norms prevailing at the centre.

(g) Tax and service charges:

The GST is to be borne by the Bank but other Taxes, such as Municipal tax, property tax and other statutory taxes imposed by the Government / Local Authorities and other service charges shall be borne by the landlords. However, while renewing the lease, the increase in taxes and other service charges shall be taken into account for the purpose of fixing the rent. In case, the Bank has to bear the tax in exceptional cases, while renewing the lease, the same shall be considered proportionate to the area occupied by the Bank on reimbursement basis i. e. the landlord has to pay the taxes and the amount would be reimbursed by the Bank based on the vouchers produced by the landlords. In case of default in the payment of taxes and service charges by the landlord and a demand notice is served on the Bank by the authority concerned, the landlord has to be advised to pay the tax due immediately or else, the same will have to be paid by the Bank against adjustment of future rent payable.

(h) Rent:

The Bank shall start paying the rent from the date of taking possession from the landlord. Before taking possession, it shall be ensured that the building is constructed as per the plan given by the Bank and necessary occupation certificate is obtained from the appropriate authorities by the landlord. Joint measurements of the premises have to be taken in case the rent is based on floor area. The rent payable to the landlord should be reasonable and shall be in conformity with the prevailing market rent for a similar building. Market rent would be ascertained by making local enquiries. The rent payable to the landlord shall be uniform and not subject to revision during the tenure of lease. The charges for water, power, society dues shall be clearly spelt out and the expenditure thereof should be paid by the persons concerned. The Bank should not become a party to evasion of municipal taxes, other statutory payments by resorting to splitting of rent into rental and amenities.

(i) Execution of formalities before occupation

Rent starts accruing immediately on the handing over of the premises to the Bank by the landlord and the latter's acceptance of the same. Hence, before the building is taken over for occupation and payment of the rent takes effect, it shall be ensured that the following requirements are fulfilled:

- a) The building is inspected thoroughly and found to be actually ready for occupation by the Bank. The work required to be carried out by the lessor who will have a bearing on the suitability of the building for occupation is complete in all respects. If the lessors' works are not completed but the rent has to be paid, the clear scope and time frame of completion of such works should be indicated in the confirmatory letter of acceptance/agreement along with a liquidated damage clause. A suitable reduction in the rental should be effected for which suitable provision should be made in the agreement.
- b) The occupation certificate of the building from the local municipal authority is available for the specific usage for which the Bank will put the same, **i.e. for branches / offices-commercial usage license for the premises is mandatory**. This is particularly important when the use of the premises after Bank's leasing changes from its original use e. g. from residential apartment to commercial from residential to institutional and so on.

- c) The fire safety and security requirements as per Bank's usage norms are fully met by the lessor and a certificate is available from the local fire authority said usage, wherever such certificates are mandatory for occupation of a premise e. g. in Delhi, Bombay, Calcutta, Chennai etc.
- d) The planning and the installation of the additional services for which separate rental is payable like air-conditioning, additional or exclusive lift etc. are actually in process if not completed, an undertaking obtained from the landlord that these services will be completed with a time bound program. Otherwise, additional to nonpayment of rental apportionable to these services, suitable liquidated damage should also be levied, for which also provision should be made in the acceptance letter/agreement.
- e) All statutory clearances from the local and government authorities are available for the leasing and use of the building e.g. Fire department's clearance, occupation certificate, Income tax department clearance. The interior work should be planned in such a manner that it is carried out along with the building finishing works so that the whole interior is finished along with completion of the construction of the premises and the same could be occupied and used immediately afterwards. Loose furniture can be obtained either from the existing office/branch or procured if and as required, well within the construction period in such cases.
- f) Landlord has to bear the cost of tang bars if pucca strong room is being constructed as per specifications of RBI guidelines.

6.6. Renewal of lease:

Whenever an existing lease is to be renewed, renewal notice is to be served on the landlord as per agreement in terms of the notice period mentioned in the lease deed. An appropriate system shall be developed so that there is no default in serving notice on the landlords for renewal of the lease which may put the Bank to financial loss.

6.6.1. NEGOTIATION FOR RENEWAL OF LEASE:

Negotiation in respect of renewal of lease are being initiated when lease period has expired or about to expire, thus allowing landlords an upper hand in negotiations. As the owners are aware that we would not be able to re-locate our office/branch at short notice/period, they are likely to succeed in exerting pressure on the Bank for higher rentals. The data related to leased premises should be centralized and daily list prepared. Branches should take up renewal issues with landlords at-least 18 months before expiry of the lease (i.e 6 months time for negotiation and about 1 year for searching/finalizing alternative premises), thus giving sufficient time for negotiation for good bargain and/or finding alternatives.

6.7. Leasing of new premises:

As far as possible, new premises should be taken on lease with superior quality flooring as per our requirements, renovated well done up wash rooms/toilets, fixed furniture and AC / ducting etc., instead of cold shells. Even false ceiling work and electrical works may be got done by the landlord. Bank may only provide loose furniture & other paraphernalia at the branches. This will not only avoid keeping the premises un-utilized during the renovation while paying the rent, it will also enable us to shift to alternate premises in case exorbitant increase

is sought at the time of renewal of lease. It need to be ensured that the Bank commands due respect as a reliable tenant and priority & premium on rentals.

6.8. Execution of documents:

Once the building is completed by the landlords in all respects including obtaining the necessary clearances from the local authorities, the lease deed as per the standard lease format (Annexure 6.4 shall be executed and is shall be registered with the appropriate authorities. The stamp duty charges relating to the registration shall be shared equally between the landlords and the Bank. This aspect is to be discussed at the time of negotiating the rent and if the landlord is not willing to share the stamp duty and other expenses, the deviation be referred to the Internal Committee. In the lease agreement total period of agreement to be spell out as per Admin Office/ RBO/LHO letter of sanction.

6.9. Work is in progress

The following activities shall be carried out concurrently:

- a) Obtaining approval from RBI for shifting the currency chest to the new premises.
- b) Applying to the appropriate authorities to shift /install telephone, fax, telex, etc.
- c) Furnishing the interior.
- d) Providing of new counters, partitions, electrical fixtures etc.
- e) Placing orders for the security equipments such as strong room doors, ventilators, tang bars, safes so that they reach the site in time.
- f) Applying to the local Government /Treasury regarding the shifting of premises.
- g) Inspecting the site once in a month by the Branch Manager or his authorized representative for monitoring the progress.
- h) Applying for additional load / installation of transformer, if required, from electricity board well in advance to save time.

6.10. Check-list

A check list showing various activities that are involved in acquiring premises on lease basis is given in Annexure 6.5.

6.11. De-hiring

The process of de-hiring takes place only when the Bank has finalized an alternate premises or the premises have to be vacated in response to the demand made by the landlord. In both the cases, de-hiring of premises should be referred to a Committee as per following Table.

COMMITTEE FOR DEHIRING OF PREMISES

S.No.	PROPOSED SET UP		
	AT LHO	DEPT. UNDER CONTROL OF CORPORATE CENTRE	PREMISES UNDER CONTROL OF MCG / CAG / SAMG OR ANY OTHER GROUP
1	CGM	DMD (HR) & CDO	CGM of concerned Group
2	DGM & CDO	GM (OL & CS)	1 DGM of concerned Group
3	DGM (CS & Ops)	DGM (Premises)	AGM (Premises & Estate) *

4		DGM & Chief Engineer	Civil Engineer not below the rank of CM *
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* From the Circle of same geographical region.

Communication to the landlord to surrender the premises shall be sent only when the proposal is approved by the Committee.

6.12. Redressing the Grievances of landlord:

The landlords choose to complain to Corporate Centre when their grievance is not redressed at the level of controlling authority without approaching the authorities at the Local Head Office. There is, therefore, a need to have a structured grievance redressal forum at the Zonal office/Local Head Office which would minimize the complaints to Corporate Centre and Finance Ministry, Govt. of India. It can be notified to the landlords in the letter issued to them at the time of taking their premises on lease that in the event or any dispute/grievance not being settled at the level of the controlling authority they can approach the grievance redressal committee of the Administrative office/LHO/Corporate Centre as the case may be. The constitution of Committee shall be as per table

COMMITTEE FOR REDRESSAL OF GRIEVANCES

Sr.No.	PROPOSED SET UP			
	AT ZONAL OFFICE / RBO / CPC ETC.	AT LHO	DEPT. UNDER CONTROL OF CORPORATE CENTRE	PREMISES UNDER CONTROL OF MCG / CAG / SAMG OR ANY OTHER CCE
1	DGM (B&O)	CGM	DMD & CDO	DMD of the concerned Group
2	2 AGM (Region) other than the region / RBO / CPC from where the Complaint pertains	GM (Network)	CGM(HR)	CGM of the concerned Group
3		DGM (CS & Ops)	DGM (Estate)	DGM (Premises)

Besides, grievances not settled at the level of DGM (Zonal office) can be referred to the LHO Committee for a final decision. These committees can meet once in a quarter and hear the aggrieved landlords. It can be made clear to the landlords that the decision of the LHO Committee shall be final. The constitution of the Committees, as proposed, ensures that the officials involved in the sanction process are excluded. P&E department shall be Nodal department to put up such cases to the Committee.

6.13. Reporting to CBI

The negotiated contracts in respect of rentals (including taxes etc.) and deposits of Rs.25 lakhs and above in respect of premises taken by Banks on lease / rental basis will continue to be reported to Central Bureau of Investigation as per extant Govt. instructions (Ministry of Finance, Banking Dept. letter No. 30/22/VIG./75 dated 25th August 1975).