

THE KARNATAKA URBAN DEVELOPMENT AUTHORITIES (DISPOSAL OF CORNER SITES AND COMMERCIAL SITES) RULES, 1991

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(As amended by GSR 224, dated 16-10-1993 and Notification
No. UDD 41 My A Pra 2001, dated 16-6-2002)

GSR 195.—In exercise of the powers conferred by Section 71 of the Karnataka Urban Development Authorities Act, 1987 (Karnataka Act 34 of 1987) the Government of Karnataka hereby makes the following rules, namely.—

1. Title and commencement.—(1) These rules may be called the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) Rules, 1991.

1. Published in the Karnataka Gazette, dated 5-12-1991, vide Notification No. HUD 47 MIB 89, dated 11-11-1991

(2) They shall come into force at once.

2. Definitions.—In these rules, unless the context otherwise requires,—

- (a) "Act" means the Karnataka Urban Development Authorities Act, 1987 (Karnataka Act 34 of 1987);
- (b) "Auction" means Public Auction;
- (c) "Commercial site" means any site formed in any extension or layout earmarked for locating a cinema theatre, a hotel or restaurant, a shopping centre, a shop, a market area and includes sites for locating any business or commercial enterprises or undertaking but does not include any site earmarked for the location of any factory or any industry or any site earmarked for dwelling purpose;
- (d) "Corner site" means a site at the junction of two roads having more than one side of the site facing the roads.

3. Auction of Corner sites and Commercial sites.—(1) Whenever the authority has formed an extension layout in pursuance of any scheme, the authority may, subject to the general or special orders of the Government dispose off any or all the corner sites or commercial sites in such extension or layout by auction in accordance with these rules.

(2) Due publicity shall be given in respect of the corner sites or commercial sites to be auctioned specifying their location, number, dimension and the percentage of the highest bid amount to be deposited and such other particulars as the Commissioner may consider necessary, by affixing a notice to the notice Board of the office of the authority and any other office as the Commissioner may decide from time to time, and by publication in not less than two daily news papers published in the concerned urban area in English and Kannada having a wide circulation in the urban area.

4. Reservation of Corner sites or Commercial sites.—(1) The authority may with the approval of the Government reserve corner sites or commercial sites in any of the urban areas for allotment to any State or Central Government Offices, or to any specified class of institution or body or any local authority, functioning within the jurisdiction of the authority, ²[x x x x.]

1. Clause (b) substituted by GSR 224, dated 16-10-1993.

2. The words "at such rates as the authority may decide" omitted by GSR 224, dated 16-10-1993.

(2) Where corner sites or commercial sites are reserved under sub-rule (1) procedure to be followed for allotment of these sites shall, subject to the general or special orders of the Government be determined by the authority.

5. Amalgamation of Corner site with the adjacent site.—¹[x x x x x]
Where the width of a corner site is not more than half of the width of the adjacent site, such corner site shall be amalgamated with the adjacent site and such amalgamated site shall be deemed to be a corner site.

6. Conditions of auction sale of Corner sites or Commercial sites.—(1)
The Commissioner or such other Officer authorised by the authority to conduct the auction sale, may fix the amount by which the successive bids may be raised.

(2) The Officer conducting the auction sale shall have the right to accept or refuse any bid ²[after assigning reason.]

(3) (a) All the persons intending to take part in auction sale shall before the commencement of auction deposit an amount not less than Rupees Five thousand with the Commissioner or such other Officer authorised by the authority to conduct the auction sale. The amount so deposited shall be refunded to the unsuccessful bidders, on the spot;

(b) The auction purchaser whose bid is accepted shall pay twenty-five per cent of the amount of his bid at once on the spot, in default of which the deposit made under clause (a) shall be forfeited and the site shall be re-auctioned amongst the remaining bidders. The bidder who has so defaulted shall ³[not] take part in the re-auction of such site;

(c) The balance amount after deducting the amount deposited or paid under clause (a) and (b) shall be paid within forty five days from the date of receipt of intimation letter in Form I regarding the confirmation of sale, in default of which the amount paid by such auction purchaser under clause (b) shall be liable to be forfeited to the authority and the authority shall be entitled to resell in public auction the site and in such an event of resale the defaulting auction purchaser shall be liable to make good any loss suffered by the authority on account of such resale;

(d) The Commissioner may extend the period specified in clause (c) for payment for a period not exceeding ninety days and auction

1. The figure and brackets "(1)" omitted by GSR 224, dated 16-10-1993.

2. Substituted for the words "without assigning any reason" by GSR 224, dated 16-10-1993.

3. Inserted by GSR 224, dated 16-10-1993.

purchaser shall pay in addition, interest at the rate of eighteen per cent per annum on the balance amount for the extended period. The authority may extend the time for payment for a further period not exceeding thirty days and the auction purchaser shall in addition pay to the authority interest at the rate of Twenty-one per cent per annum on the said amount for the next period of thirty days of the extended period. If the auction purchaser fails to pay the balance amount with interest before the expiry of the extended period the authority shall be entitled to forfeit the amount paid by the auction purchaser under clause (b) and resale in public auction the site and in such an event of resale the defaulting auction purchaser shall be liable to make good any loss supposed by the authority on account of such resale.

(4) The site which has been designed and auctioned as a unit shall not be allowed to be split up into two or more sites without obtaining the previous approval of the Government.

¹[(5) As soon as the full amount of purchase money is paid by the auction purchaser, the authority shall execute a sale deed in Form II and he shall be put in possession of the site. A possession certificate shall be issued to him within one month from the date of execution of the sale deed.]

(6) The auction purchaser shall be bound to comply with all the conditions in the agreement.

²[(7) The auction purchaser shall construct a building in the site as per plans and designs approved by the authority and in case the site is within the limits of a local authority, in accordance with the building bye-laws of the local authority.]

(8) ³[x x x x]. The expenses on account of stamp duty, registration fees and any other incidental charges in respect of the conveyance shall be borne by the auction purchaser.

CASE LAW

Rule 6(3)(d) — Be careful — In participating in public auction of corner sites — Otherwise you may lose money — Read the rules carefully — Petitioners participated in public auction by depositing Rs. 10,000/- — Declared highest bidders further deposited 25% of the bid amount — Unable

1. Sub-rule (5) substituted by Notification No. UDD 41 My A Pra 2001, dated 16-6-2002
2. Sub-rule (7) substituted by Notification No. UDD 41 My A Pra 2001, dated 16-6-2002
3. The words "The site shall be conveyed to the auction purchaser only after the building is constructed" omitted by Notification No. UDD 41 My A Pra 2001, dated 16-6-2002

R. 8(1)

to deposit balance amount — Forfeited — Held, forfeiture of such amount cannot be termed as penalty thus writ petitions dismissed.

Dilip B. Bhosale, J., Held: Based on these judgments, learned Counsel for the petitioners invited my attention to clause (d) of sub-rule (3) of Rule 6 to submit that under any circumstances the action of forfeiting 25% of the amount paid by the petitioners is arbitrary and is in conflict with Section 74 of the Contract Act. In the present case, the petitioners paid Rs. 10,000/- as deposit as specified in clause (a) of sub-rule (3) of Rule 6 and 25% of the bid amount on the date of the auction, as specified in clause (b) thereof. The petitioners, admittedly did not make payment of the balance amount within the stipulated or extended time. The payment of deposit and 25% of the bid amount, has been forfeited for non-performance of the contract. In other words, the payment of 25% of the bid amount deposited by the petitioners will have to be regarded as earnest money and in any case it cannot be equated either with deposit to ensure performance of the contract by the highest bidder or with the penalty contemplated by Section 74 of the Contract Act. The 25% amount, in my opinion, is reasonable amount paid as earnest money and forfeiture thereof cannot be termed as penalty. The stipulation in sub-rule (3) of Rule 6 of the forfeiture of amount cannot be regarded as penalty as contemplated by Section 74 of the Contract Act. If such condition is not incorporated in the contract or not a part of the contract, there will be a possibility of bogus persons/dummies, taking part in auction and that would frustrate the objective of conducting the auction. The writ petitions fail and dismissed as such. — *K. Babjan and Another v Shimoga Urban Development Authority, Shimoga and Another*, 2013(4) Kar. L.J. 423A.

7. Decision of the Authority.—(1) ¹[The authority shall have the right to confirm any sale in auction. The authority may cancel any such sale after recording reasons. And when the sale is cancelled, the amount received from the auction purchaser as deposit shall be refunded to him:]

Provided that the authority shall not cancel the sale where the auction proceeding is confirmed.

8. Revision.—(1) The Government may, *suo moto* or otherwise, call for the record of any decision, order or proceeding of the ²[Authority] under these rules for the purpose of satisfying itself as to the legality or propriety of such decision, order or proceedings.

1. First para substituted by GSR 224, dated 16-10-1993.

2. Substituted for the words "Chairman or the Board" by GSR 224, dated 16-10-1993.

(2) If, in any case, it appears to the Government that any decision, order or proceeding should be modified, annulled or reversed, the Government may pass order as it deems fit:

Provided that no decision, order or proceedings shall be modified, annulled or reversed unless the persons who are likely to be affected thereby are given an opportunity of being heard.

9. Repeal.—The City of Mysore Improvement (Disposal of Corner Sites and Commercial Sites and Commercial Sites) Rules, 1973 are hereby repealed;

Provided that such repeal shall not affect the previous operation of the said rules or anything duly done or any action duly taken under the said rules.

FORM 1

[See Rule 6(3)]

No.

Office of the Chairman,
..... Urban Development Authority,
.....dated.....19

Board Resolution No.

To

Sri/Smt.
Sri/Madam.
Subject: Auction sale of Site No. in
.....Extension.

I write to inform you that the sale of the above site or which you offered the highest bid at the time of auction sale of the site held on has been confirmed in your name.

You are therefore requested to pay the balance amount noted under column (4) within forty-five days from the date of this letter.

1. Site No. and dimensions.
2. Total Cost of the Site at Rs. per Sq. Meter
Rs.
3. Amount already paid by you as initial deposit Rs.
4. Balance due within forty-five days Rs.

On payment of the full value you are required to execute an agreement after which possession certificate will be issued.

Yours faithfully,
Commissioner

¹FORM 2*[See Rule 6(5)]*

This deed of sale is executed day of Two thousand between Sri/Smt. Son/daughter/wife of aged years residing in (hereinafter called the 'First party') which term means and includes his/her heirs, assigns, administrators and legal representatives) and the Urban Development Authority/Local Authority (hereinafter called 'Second party') witness;

Whereas, the First party purchased the site described in to the schedule at the auction held by the Second party on and the said sale has been confirmed;

And whereas, the First party has also paid the full value of the site namely to the Second party the receipt of which sum the Second party acknowledged;

Now, therefore, it is hereby agreed as follows:

- (1) The First party shall be bound by the provisions contained in the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) Rules, 1991.
- (2) The First party shall construct on the site a dwelling house/building which is required to be located on a commercial site, as per plans and designs approved by the Urban Development Authority/Local Authority.
- (3) The site which has been designed as a unit shall not be split up into two or more sites on any condition.
- (4) The level of the floor, baths, latrines and drain-holes shall be fixed and proper cement lined drains and sewer shall be constructed by the parties to lead off sullage and sewerage from the premises into the Urban Development Authority/Local Authority Sewage System.
- (5) The plinth level of the building shall be at least 45 centimeter higher than the level of the road.
- (6) All the walls and flooring shall be provided with damp courses in marshy and damp sites.

1. Form 2 substituted by Notification No. UDD 41 My A Pra 2001, dated 16-6-2002

- (7) Only cement mortar shall be used for the foundations and basement of all structures wherever the site is marshy or in the damp area.
- (8) The building bye-laws of the local authority shall be compiled with.
- (9) No garages or outhouses shall be constructed in the front of the houses adjoining or near the road.
- (10) No material of a perishable or combustible nature shall be used in the construction of the building.
- (11) The Commissioner of the Second party shall have the power of fixing the type of frontage and the compound wall in front to be adopted on any particular street and shall have power of fixing the direction of frontage for the corner site at the junction of two roads.
- (12) No pits shall be dug on the site for earth, for building purposes.

SCHEDULE

Site No. formed by the Urban Development Authority in Block in the Extension.

Site bounded on

East by:

West by:

North by:

South by:

East and West:

North to South:

In token thereof the First party has affixed his signature to this agreement on the day of 20.... in the presence of the witnesses who have affixed their signature to this agreement.

Witnesses:

1.]

**THE
KARNATAKA
URBAN DEVELOPMENT AUTHORITY (DISPOSAL OF CORNER
SITES AND COMMERCIAL SITES) (AMENDMENT) RULES, 1993**

GSR 224.—In exercise of the powers conferred by Section 71 of the Karnataka Urban Development Authority Act, 1987 (Karnataka Act 34 of 1987) the Government of Karnataka hereby makes the following rules to amend the Karnataka Urban Development Authority (Disposal of Corner Sites and Commercial Sites) Rules, 1991.

1. **Title and commencement.**—(1) These rules may be called the Karnataka Urban Development Authority (Disposal of Corner Sites and Commercial Sites) (Amendment) Rules, 1993.

(2) They shall come into force at once.

3. **Amendment of Rule 2.**—For Rule 2(b) of the Karnataka Urban Development Authority (Disposal of Corner and Commercial Sites) Rules, 1991 (hereinafter referred to as the said rules), the following shall be substituted.

(b) 'Auction' means "Public Auction".

4. **Amendment of Rule 4.**—In sub-rule (1) of Rule 4 of the said rules the words "at such rates as the authority may decide" shall be omitted.

5. **Amendment of Rule 5.**—In Rule 5 of the said rules the figure "(1)" at the commencement of Rule 5 shall be deleted.

6. **Amendment of Rule 6.**—In sub-rule (2) of Rule 6 of the said rules for the words "without assigning any reason", the words "after assigning reason" shall be inserted.

7. **Amendment of Rule 6.**—In Line 5 of sub-rule (3)(b) of Rule 6 after the words "Shall" the word 'not' shall be inserted.

8. **Amendment of Rule 6.**—In the sub-rule (5) of Rule 6 of the said rules the words "within one month from the date of execution of such agreement" shall be added at the end.

9. **Amendment of Rule 6.**—In the sub-rule (7) of Rule 6 of said rules appearing for the word 'if the word "it" shall be substituted.

1. Published in the Karnataka Gazette, dated 18-11-1993, vide Notification No. HUD 47 MIB 89, dated 16-10-1993

10. Amendment of Rule 7.—In the sub-rule (1) of Rule 7 of the said rules the first para shall be *substituted*, by following, "The authority shall have the right to confirm any sale in auction. The authority may cancel any such sale after recording reasons. And when the sale is cancelled, the amount received from the auction purchaser as deposit shall be refunded to him."

11. Amendment of Rule 8.—In the sub-rule (1) of Rule 8 of the said rules for the words 'Chairman or the Boards' the word authority shall be *substituted*.

**THE
KARNATAKA
URBAN DEVELOPMENT AUTHORITIES (DISPOSAL OF CORNER
SITES AND COMMERCIAL SITES) (AMENDMENT) RULES, 2002**

NOTIFICATION

No. UDD 41 My A Pra 2001, Bangalore, dated 16th June, 2002

In exercise of the powers conferred by Section 71 of the Karnataka Urban Development Authorities Act, 1987 (Karnataka Act 34 of 1987), the Government of Karnataka hereby makes the following rules to amend the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) Rules, 1991, namely.—

1. Title and commencement.—(1) These rules may be called the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) (Amendment) Rules, 2002.

(2) They shall come into force at once.

2. Amendment of Rule 6.—In Rule 6 of the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) Rules, 1991 (hereinafter referred to as the 'said rules').—

(1) for sub-rules (5) and (7), the following shall respectively be *substituted*, namely.—

"(5) As soon as the full amount of purchase money is paid by the auction purchaser, the authority shall execute a sale deed in Form II and he shall be put in possession of the site. A possession certificate shall be issued to him within one month from the date of execution of the sale deed.

(7) The auction purchaser shall construct a building in the site as per plans and designs approved by the authority and in case the site is within

the limits of a local authority, in accordance with the building bye-laws of the local authority."

- (2) in sub-rule (8), the words "the site shall be conveyed to the auction purchaser only after building is constructed" shall be omitted.

3. Substitution of FORM 2.—For Form 2 of the said rules, the following form shall be substituted, namely.—

"FORM 2

[See Rule 6(5)]

This deed of sale is executed day of Two thousand between Sri/Smt. Son/daughter/wife of aged years residing in (hereinafter called the 'First party') which term means and includes his/her heirs, assigns, administrators and legal representatives) and the Urban Development Authority/Local Authority (hereinafter called 'Second party') witness;

Whereas, the First party purchased the site described in to the schedule at the auction held by the Second party on and the said sale has been confirmed;

And whereas, the First party has also paid the full value of the site namely to the Second party the receipt of which sum the Second party acknowledged;

Now, therefore, it is hereby agreed as follows:

- (1) The First party shall be bound by the provisions contained in the Karnataka Urban Development Authorities (Disposal of Corner Sites and Commercial Sites) Rules, 1991.
- (2) The First party shall construct on the site a dwelling house/building which is required to be located on a commercial site, as per plans and designs approved by the Urban Development Authority/Local Authority.
- (3) The site which has been designed as a unit shall not be split up into two or more sites on any condition.
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- (8) The building bye-laws of the local authority shall be compiled with.
- (9) No garages or outhouses shall be constructed in the front of the houses adjoining or near the road.
- (10) No material of a perishable of combustible nature shall be used in the construction of the building.
- (11) The Commissioner of the Second party shall have the power of fixing the type of frontage and the compound wall in front to be adopted on any particular street and shall have power of fixing the direction of frontage for the corner site at the junction of two roads.
- (12) No pits shall be dug on the site for earth, for building purposes.

SCHEDULE

Site No. formed by the Urban Development Authority in Block in the Extension.

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In token thereof the First party has affixed his signature to this agreement on the day of 20.... in the presence of the witnesses who have affixed their signature to this agreement.

Witnesses:

1. "