

KARNATAKA LOKAYUKTA

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No. Compt/Lok/BCD/287/2009/ARE (2)

M.S.Building,
Bangalore,
Date: 14-08-2014

Sub:- Report u/Sec. 12(1) of Karnataka Lokayukta Act
1984.

Ref:- Complaint No. Compt/Lok/BCD/287/2009/ARE(2)

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With reference to the above subject, Complainant one Mr. Kedaralingaiah Hiremutt, Editor of Kalburgi Vani Kannada Daily and residing at Brahmapur in Gulbarga has filed complaint on 20.07.2009 against:

Respondent No.1 Mr. Krishnaiah Setty,
MLA and
Ex Minister for
housing in
Govt. of Karnataka.

Respondent No.2 Mr. M.B. Dyberi,
Commissioner,
Karnataka Housing
Board,
Bangalore

Respondent No.3 Mr. G.V. Kongvad,
Secretary to the
Department of
Housing,
Govt. of Karnataka,
Bangalore.

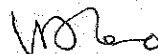
alleging that during the period, the first respondent was the Minister for Housing in Govt. of Karnataka, he and his brother Mr. S.N.

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Srinivasa setty in collusion with the Housing Board Authorities namely the respondent no.2 & 3, have made bulk purchase of lands in Shidlaghatta Taluk, Kolar District and also in Ilawala of Mysore District at exorbitant rates and that although lands in Shidlaghatta Taluk were acquired by Sri S.N. Srinivas setty (brother of R1) at the rate of five lakhs per acre, within a short period, those lands have been sold in favour of Karnataka Housing Board at the rate of Rs.50 lakhs per acre and that the respondents are responsible for allowing such deals for personal gains and consequently there has been a large scale land scam to the tune of hundreds of crores of rupees. The Complainant requested for an investigation being held.

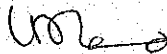
Upon the approval of preliminary scrutiny note dated 31.07.2009, copies of the complaint were sent to respondent no. 1 to 3 for their comments.

The first respondent in his comment sent on 12.10.2010, pleaded that the complaint allegations are vague. He however admitted that the lands which were sold to Karnataka Housing Board belong to his brother and at that time, the first respondent was Minister for Housing in Govt. of Karnataka. He pleaded that he was not directly involved in the entire transaction from the inception. According to the first respondent, first one Mr. A.B. Ramesh had given proposal to the Karnataka Housing Board for procuring lands in bulk for their project in lands situated at Hosapete, Belavanahalli, Sugutoor villages, Janganakote Hobli, Shidlaghatta Taluk, Chikkaballapur District to the extent of 959 acres vide letter dated 22.09.2009 and Mr. A.B. Ramesh quoted a sale price at 55 lakhs rupees per acre vide letter dated 4.10.2008. The First respondent further pleaded that the Karnataka Housing Board, after perusing the proposal of Mr. A.B. Ramesh, called him for discussion for sending the proposal to the District Price Committee for finalizing the procurement price and during that meeting, the said Ramesh was asked whether land owners are willing to sell the properties to the



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Karnataka Housing Board and Mr. Ramesh informed the Board that he can get letters from the land owners regarding their willingness to part with their lands and at that point of time, the said Mr. A.B. Ramesh approached Sri. S.N. S.N.Srinivasa setty (brother of respondent no.1) who was the owner of about 30-00 acres of land in the above villages. Thereafter, the said S.N. Srinivasa Setty wrote letter to the Housing Board, expressing his intentions to sell his land vide his letter dated. 22.10.2008. The first respondent also pleaded that the Karnataka Housing Board, on receipt of the above proposal from A.B. Ramesh, decided to procure lands at the above location and wrote letter to the Deputy Commissioner, Chikkaballapur to convene District Price Committee Meeting for deciding procurement price and accordingly, the Deputy Commissioner convened first Dist. Price Committee Meeting at D.C. office, Chikkaballapur on 03.11.2008 and the said Meeting was attended by the Executive Engineer, K.H.B., District Registrar, Chikkaballapur District, Assistant Commissioner, Chikkaballapur, Asst. Executive Engineer, KHB, Kolar and the representatives of land owners. The first respondent also pleaded that after extensive discussion and after consideration of all aspects namely area, proximity to the developed area, surroundings and all other related factors, a final decision was taken for purchasing the said lands at 50 lakhs per acre and accordingly, the Housing Secretary issued order dated 20.02.2009, according approval for the purchase of land to the extent of 959 acres at the above villages namely Hosapete, Belavanahalli, Sugutoor and Venkatapura in Jangamakote hobli, Shidlaghatta Taluk at 50 lakhs per acre. After scrutiny of documents, the Board cleared the lands belonging to Mr. S.N. S.N. Srinivasa setty for purchase as the titles were very clear and after legal clearance, the said A.B. Ramesh requested S.N. Srinivasa setty for directly transferring the land to Karnataka Housing Board and in this process, about 25 acres and 2 ½ guntas of land in the above villages were conveyed to the KHB at various dates as per the sale deeds.



The first respondent also pleaded that the said A.B. Ramesh had obtained a Registered Power of Attorney from the land lords and on the basis of General Powers of Attorney; he conveyed 5 acres 29 guntas of land in the above villages to KHB. He also pleaded that the above lands which are sold to KHB, are situated at the distance of around 14 k.m. from Bangalore International Airport. According to first respondent, the decision to purchase the lands at Rupees 50 lakhs per acre was taken after exercising due diligence at all levels and after many Meetings at District Levels. The first respondent pleaded that there is no statutory violation with regard to the above purchase of land by KHB. The first respondent thus, requested for dismissal of the complaint.

The 2nd respondent namely Housing Commissioner Mr. Dyaberi in his comment sent on 02.09.2011 pleaded that 30 acres 31 guntas of land purchased from S.N. Srinivas Setty by the KHB are not in a compact block. The 2nd respondent pleaded that in case of land proposed at Janganakote hobli, there were hurdles from the land owners to sell their land and in order to expedite the purchase, the Executive Engineer and Assistant Executive Engineer, Kolar started registering the land in bits as and when the documents were legally cleared and by that time, by-election came to be announced and the code of conduct came into effect from 28.02.2009. The 2nd respondent also pleaded that the Election Commission, after taking into consideration, the steps taken by the Government for the implementation of the housing project, accepted the proposal made under letter dtd. 28.03.2006. He also pleaded that the entire area including the land purchased by the KHB has been proposed to be developed under Joint Venture offered by the M/s Sai Developers, Bangalore and the same is approved as per Government Order dated 25.11.2005. And that the first respondent's brother Sri S.N. Srinivasa setty is the first partner in M/s Sai Developers. He further pleaded that as per the decision of the Board, M/s Sai Developers, Bangalore deposited the entire value of Rs. 18,91,07,064/- towards the purchase

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of the land. The 2nd respondent denied the allegations in the complaint and pleaded for being exonerated. 9

The 3rd respondent in his comments sent on 24.09.2009 denied the complaint allegations and pleaded that he is an IAS officer, having put in service of 33 years in Karnataka State in different capacities and he is having a good track record. He pleaded that the functioning of the Housing Department is governed by provisions of Karnataka Government (Transaction of business) Rules 1977 and as per the Sub Rule (1) of the Rule 30 and Sub Rule (1) of Rule 76 of the said Rule, the Secretary of the department would usually submit the case for orders of Minister-in-charge and it is his duty to see that all the policies of the Government in the department with which he is concerned, are carried out. It is his duty to place before the Minister, all relevant facts and to tender necessary advice either oral or written at any time before the Minister passes final order. He further pleaded that the lands in Shidlaghatta Taluk have been purchased from land owners at the rate of 50 lakhs per acre as per the proceedings of the Meeting held on 16.02.2009 by KHB. He further pleaded that the Minister in his wisdom passed final order, approving the purchase of the said land and accordingly, the Government Order dated 20th Feb.2009 came to be issued, permitting the KHB to purchase the above lands to an extent of 30-00 acres. He pleaded that he has consciously discharged his duty as a Public Officer without any ill-will or favour and he has no role to play in the matter of fixing of sale price.

When copies of the comments of the respondents' No. 1 to 3 were sent to the complainant, with a request to send his rejoinder, the complainant did not send any rejoinder.

After going through the scrutiny note and note at Para No. 31-43 of the note sheet, Hon'ble Lokayukta passed an order on 31.01.2011 as under.

Para 49 : I have gone through the scrutiny notes at Paras 31 to 43 as well as 46 to 48. I do not

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agree with the same. As such, I pass the following order.

Para 50:

The complaint relates to the land scam involving crores of rupees wherein agricultural lands of the farmers at Siddalagatta Taluk are purchased at the rate of Rs.5 lakhs by the brother of the first respondent and the same lands in turn are purchased at the rate of Rs.50 lakhs per acre by the Karnataka Housing Board. The modus behind all these transactions are to be investigated. When Sri S.N. Srinivas Setty, brother of the first respondent purchased the lands from different farmers, What was the prevailing market value of those lands during the time of his purchase? What was the prevailing market value at the time Karnataka Housing Board purchased the said lands from Sri Srinivas Setty? are to be investigated. The value of the adjacent land during the relevant period i.e. 2006-09 has to be investigated, because there is lot of difference from the guide line value issued by the Government and the value offered by the Housing Board while purchasing the land from Sri Srinivas Shetty. Necessary documents are to be secured in this connection from the office of the concerned Sub-Registrars.

Para- 51

Hence, directed to proceed with the investigation in the direction stated above."

In accordance with the above direction of the Hon'ble Lokayukta, letters were addressed to the Respondent No.2 & 3, calling for the following particulars.

1. Details of the lands purchased by Sri S.N. Srinivas setty by previous Owners in Shidlaghatta Taluk and in turn sold by him to KHB.
2. Whether lands purchased from Sri S.N. Srinivas setty by KHB form compact block.
3. To furnish sketch indicating the land purchased with reference to adjacent land/road.

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4. At what rates, the land other than those purchased by S.N. Srinivas setty are sold at Sugutoor, Balavanahalli and Hosapete and Venkatapura village of Shidlaghatta Taluk. (10)

Also Sub Registrar of Shidlaghatta was requested to furnish the copies of the sale deeds registered at the office of the Sub-Registrar Shidlaghatta, pertaining to sale of lands situated at Sugutoor, Balavanahalli, Hosapete and Venkatapura villages in Shidlaghatta Taluk.

Mr. G.V.Kongvad in his letter dated 1.10.2011 furnished the details of land purchased and sold by Mr. S.N. Srinivas setty.(Annexure A), the sketch showing the situation of the lands purchased by Sri S.N. Srinivas setty in Hosapete, Balavanahalli, Sugutoor, Venkatapura villages in Shidlaghatta Taluk. He further clarified that the lands purchased by KHB from Sri S.N. Srinivas setty are not in compact block. The sketch obtained from the Commissioner, KHB, showed the location of lands purchased by S.N. Srinivasa setty with reference to the adjacent lands/roads. He also sent copies of the sale deeds of lands registered during the period of 01.01.2006 to 01.12.2009.

The investigation would reveal that the said S.N. Srinivasa setty, brother of MLA Sri Krishna Setty (respondent no.1) purchased the following lands.

Sugutoor Village

SL. NO	Sale deed No. and date	Sy. No.	Extent A - G	Name of the Seller	Rate at which lands were sold.
1	2264/2007-08 Dtd. 22.08.2007	158	0-10 1/2	Muninarayanappa, Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapura.	1,31,250/-
2	707/2008-09 Dtd. 06.08.2008	164/ 3	0-15	B.Raghunatha Reddy, Addas Nagar, Kuraad Andra Pradesh.	1,87,500/-
3	601/2008-09 Dtd. 18.07.2008	112	3-11	Diwakareshwara Rao Sugutoor village, Jangamanakote, Shidlaghatta Tq.	16,37,500/-

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				Chikkaballapura	
4	1438/2007-08 Dtd. 22.08.2007	153	0-39	D. Munilakshamma Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapura	4,87,500/-
5	No.599/2008-09 Dtd.18.07.2008	182	0-18	Ashwathappa Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapur	2,25,000/-
6	No.659/2006-07 Dtd. 03.06.3006	-	-	Ashwathappa, Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapur	2,25,000/-
7	1031/2008-09 Dtd.18.07.2008	181/ 1 181/ 3	0-12 0-16	Narayanappa, Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapur	3,50,000/-
8	2443/2007-08 Dtd. 28.12.2007	163	1-13	B. Raghunatha Reddy, Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapur	6,62,500/-
9	2993/2007-08 Dtd.25.02.2008	181/ 2	0-16	Kalappa, Applagowdarahalli(v), Karahahobli, Shidlaghatta Taluk, Chikkaballapur	2,12,500/-
10	1439/2007-08 22.08.2007	189/ 1	0-27	D. Devaraju, Ablodu village, Kasabahobli, Shidlaghatta, N.R.Colony, Bangalore	3,37,500/-

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SL. NO	Sale deed No.	Sy. No.	Extent A - G	Name of the Seller	Rate at which lands were sold.
1	1836/2007-08 Dtd. 27.08.2007	303/1 303/2	0-23 0-14	P. Munikrishna reddy No. 35, MIG colony, 20 th A Main 8 th block, Koramangala, Bangalore	4,62,500/-
2	712/2008-09 Dtd. 06.08.2008	303/1 303/2	0-16 0-20	Venkarayappa, Venkatapura village, Jangamakote Hobli, Shidlaghatta taluk, Chikkaballapur	4,50,000/-
3	1869/2007-08	109	1-15	B. Raghunath Reddy,	8,12,500-00

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	Dtd.27.08.2007	107/4	0-10	Abbas Nagar, Karnool, Andra Pradesh.	⑪
4	2444/2007-08 Dtd. 28.12.2007	109	1-12 ½	B. Raghunath Reddy, Kum. B. Sreenidhi, Abbasnagar Kurnool	6,50,000/-
5	2994/2007-08	270	2-11	Anusuyamma & others, Beluvanahalli	11,37,500/-
6	2442/2007-08 Dtd. 28.12.2007	273	1-15	B. Rashunasha Reddy, & another, Kurnool A.P.	6,87,500/-
8	1437/2007-08 27.08.2007	112	2-02	C. Ravindra Reddy No.35, MIG colony, 20 th A Main 8 th Block, Koramangala, Bangalore	10,25,000/-
9	1868/2007-08 Dtd.06.09.2007	272	1-03	Thippanna Balavanahalli village, Jangamanakote Hobli, Shidlagatta taluk, Chikkaballapur	5,00,000/-
10	609/2008-09 Dtd.18.07.2008	132	1-28	K.P. Narayanaswamy, Sugutoor village, Jangamanakote, Shidlaghatta Tq. Chikkaballapur	8,50,000/-
11	2441/2007-08 Dtd.28.12.2007	326/2 324/8	0-07 0-13	B. Raghunath Reddy, Abbas Nagar, Karnool, Andra Pradesh.	2,50,000/-
12	3003/2007-08 Dtd. 25.02.2008	290/1	1-12	T.Muriyappa, Hosahudya Village, Vijayapura hobli, Devanahalli	5,00,000/-
13	2440/2007-08 Dtd. 28.12.2007	104/3 107/2	1-09 0-27	K. Dharma Reddy, 2-2-1150/1. Tilar nagar, Hyderabad, Andra Pradesh,	9,50,000/-

BALUVANAHALLI

1	706/2008-09 06.08.2008/200 7-08 Dtd. 28.12.2007	113 82/5	3-01 0-10	B. Raghunath reddy, & another,	15,12,150/-
2	600/2008-09 18.07.2008	122/4 122/3	0-04 0-04	M. Venkateshappa & others	2,25,000/-

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1	2263/2007-08 DTD. 05.12.2007	64	1-07	D.R.Manjula & others	5,00,000/-
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The above lands all have been sold in favour of KHB at the rate of 50 lakhs per acre. The sales statistics obtained from office of the Sub Registrar, Shidlaghatta for the period from 01.01.2006 to 01.12.2009 would indicate that the average sale price of one acre of dry land in Shidlaghatta was less than five lakhs per acre.

The lands which are sold by Sri S.N. Srinivasa setty, brother of the first respondent in favour of KHB had not formed a compact block.

Under Section 10(5) of the Karnataka Housing Board Act, the Housing Commissioner who is an officer not below the rank of Deputy Commissioner, in addition to the functions conferred on him under the Act, is responsible for operating the accounts of the Board. It is his responsibility to maintain accounts of the Board. He is also responsible for the implementation housing schemes and land development schemes and labour housing schemes of the Board.

According to Sub section (6) of Sc. 10, the Housing Commissioner has all the powers of a major head of the department of the State Government under the Karnataka Civil Services Rules, for disciplining the staff of the Board. As a constituent of the Board, and responsible public servant, he has responsibility in the preparation and submission of housing schemes programme and in the implementation of approved projects.

The 3rd respondent being Secretary of the Housing Department has the responsibility of advising the Minister, in acting in the best interest of the Govt. which is meant for protecting and safeguarding the interest of the people.

The records which are made available before us by the respondent no. 2 & 3 would show that M/s Sri Shakti enterprises had made a bulk offer in respect of 500 acres of land of Sugutoor village, Jangamakote hobli, Shidlaghatta Taluk for sale to Karnataka Housing Board at Rs. 30 lakhs per acre through letter dtd. 04.03.2009.

A careful scrutiny of the sale transactions for the period from 01.01.2006 to 01.12.2009 as depicted by copies of 247 sale deeds pertaining to lands of Hosapete, Sugutoor, Venkatapura and



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Baluvanahalli villages in Jangamanakote Hobli, Shidlaghatta Taluk, Chikkaballapur District would show that average price of 1-00acre of dry land was between 1.0 lakhs to 1.5 lakhs per acre and average price of wet or bhagayath land was between 1.2lakhs and 2.00 lakhs per acre during the above period. Even in the year 2008, KSFC sold 1-10guntas of non-agricultural land i.e. converted land in Sy.No. 179 of Baluvanahalli, Jangamanakote hobli, Shidlaghatta Taluk in favour of one P. Ravi Kumar for Rs.50 lakhs as per sale deed registered as document No. 1444/2007-08.

The first respondent's brother Sri S.N. Srinivas setty purchased lands in Sugutoor, Hosapete at the rate of five lakhs per acre during the years 2007 and 2008. Those lands have been sold in favour of Karnataka Housing Board at the rate of 50 lakhs per acre on 21.02.2009 under different sale deed.

In the letter dtd. 04.12.2011, the KHB Commissioner has mentioned that in its meeting held on 31.07.2010, KHB resolved to provide lands to M/s Sai Developers, B'lore of which Respondent no.1's brother Sri S.N. Sreenivasa setty is a partner, after receipt of the value of 30 acres and 31guntas of land along with registration fees and interest accrued so far on the investment; and that as per joint venture housing project, wherein the sites formed are to be disposed in the brand name of KHB, and 25% of the developable residential area as per lay out plan are to be provided to KHB for their allotment to economically weaker section and low income group people on cost to cost basis without investment by KHB. It is further mentioned that M/s Sai Developers deposited Rs.18,91,07,200/- on 29.10.2010 towards value of Land, stamp duty, registration charges and interest and consequently, there is no financial loss.

It is further mentioned that Govt. by its order dated 25.11.2005 has approved joint venture guidelines for KHB for taking up housing scheme with private entrepreneurs.

The Preamble to Karnataka Housing Board Act 1962 shows that the said Act was aimed at satisfying the need of housing

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accommodation. The Housing Board constituted u/Sec.3 of the Act consists of (1) a Chairman, appointed by the State Government, (2) The Secretary to Govt. in charge of Housing (3) Finance Secretary (4) Chief Engineer (Communication & Building) (5) Director of Town Planning (6) Chairman, and Managing Director, Karnataka Land Army Corporation (7) Housing Commissioner (8) Nominee of the housing and Urban Development Corporation (9) Five non-official members appointed by the State Government. It is the duty of the Housing Board to undertake housing schemes and development schemes as provided in Chapter 3 of the Act. Sec. 33 of the Act enables the housing Board to enter into an agreement with any person for the acquisition of properties by purchase, lease or exchange, if such property is needed for the purpose of housing scheme or land development scheme. If the value of such property is more than ten lakhs, then previous approval of the State Government has to be obtained. Under Sub Section (2) of Section 33 of the Act, the Housing Board can also take steps for the compulsory acquisition of land required for the execution of the housing scheme, in the manner provided under the Land Acquisition Act.

During the relevant point of time, the first respondent was the Minister for Housing in Government of Karnataka. The said department of the Government has accorded approval as per Govt. Order No. HD: 32: KHB 2009 dtd. 20.02.2009 for the purchase of the land from the said Srinivas Setty and others at Rs. 50 lakhs per acre. For purchasing 959 acres of land in Shidlaghatta Taluk for the said housing scheme, 479.50 crores at the rate of Rs.50 lakhs per acre had to be spent by the Government. The rates recommended by the District Price Committee chaired by the Deputy Commissioner, Chikkaballapura and comprising Executive Engineer, KHB, District Registrar, Chikkaballapura District, Assistant Commissioner, Chikkaballapura, Assistant Executive Engineer, KHB, for the lands of Hosapete Belavanahalli, Sugutoor and Venkatapura villages in Jangamanakote Hobli, Shidlaghatta Taluk(Rs. 50 lakhs per acre) are

prima facie , exorbitant, unreasonable and unjust. Even if M/s Sai Enterprises may have remitted the price of 30 acres 31 guntas of land sold by S.N. Srinivas setty (Partner of M/s Sai enterprises and brother of Respondent no.1), the fact remains that after the lay out formation disposal of 75% of sites under KHB Banner by M/s Sai Enterprises without disclosing the rates at which sites are sold, would give opportunity to the said S.N. Srinivas setty of Sai Enterprises, to make huge profits. The fact remains that for the remaining 928 acres and 9 guntas, the KHB has to pay 464 crores, 22 lakhs and 50 hundred rupees, while the market price of those lands was much less. Before the submission of housing project proposal, no survey was conducted by KHB to determine the number of persons to whom sites may be provided.

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In the above background, it can be said that the complainant's allegation that the 1st respondent in collusion with the officers of the Housing Board and the Members of District Price Committee, with a view to derive personal benefit and to help his own brother, has misused his official position as Hon'ble Minister for Housing, cannot be said to be frivolous in the light of the Govt. order dated 20.02.2009 issued by the Housing Secretary for the purchase of the above lands at Rs.50 lakhs per acre, and the same has resulted in loss to the Public Exchequer to the tune of several hundred crores besides cheating the Government. The matter requires initiation of appropriate action against the respondents and also the members of District Price Committee as well as the other persons involved in the scam, for the recovery of the losses caused to the Government by their individual and collective acts. Hence, This report is sent u/Sec. 12(1) of the Karnataka Lokayukta Act 1984 for taking appropriate steps so that the above losses caused to the Government shall be recovered .

Under the above circumstances, this report under section 12 (1) of Karnataka Lokayukta Act 1984 is made, recommending the Government - the Chief Secretary, Dept. of Administration

and Personnel Affairs, Govt. of Karnataka, Bangalore to take appropriate action against the respondent (1) Mr. M.B. Dyberi, the then Commissioner, Karnataka Housing Board, Bangalore and (2) Mr. G.V. Kongavd, the then Secretary to the Department of Housing, Govt. of Karnataka, Bangalore and the members of District Price Committee.

The Government is recommended to examine this report and **within five months** of date of receipt of this report, intimate or cause to be intimated to me the action taken or proposed to be taken on the basis of this report.

Y. Bhaskar Rao
6/8/04
(Justice Dr. Y. Bhaskar Rao),
Hon'ble Lokayukta.