

Education (1953) Department.

SERIES.

G.O. NO. 2999/50.

Dated 7. 11. 50.

(7)

[Despatch Abstract.]

Housing Education institutions
Through Self Liquidating
Projects recorded
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Back Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Copy of D.O.No.F.3(2)/50-CBE (Confidential) from the Government of India, Ministry of Education dated 22nd September 1950 addressed to the Secretary to The Government, Madras.

I am sending a brief summary of a scheme by which the Michigan State College was able to undertake large scale construction of college buildings and dormitories on a "self-liquidating basis", without grants from the State Governments or Local Bodies. This summary has been taken from a Confidential report submitted by the College to their State Legislature, and hence it is not for publication. Since, however, it may with some adaptations help us to overcome our problems of construction for educational purposes, I am sending a copy of the summary to you.

(True copy)

SUMMARY.

EXPANSION OF MICHIGAN STATE COLLEGE HOUSING THROUGH: "SELF LIQUIDATING PROJECTS".

Michigan State College started with the enrolment of fewer than one hundred students and one building to house students. To day it has an enrolment of 15,000 students and has 10 large dormitories to house 4237 men and 2458 women. In addition it has built for married students and faculty members, barrack apartments, permanent apartments and trailers to house 3528 adults and 1279 children.

Besides these, the college has to its credit other big structures like Auditorium, music building, health service building power plant and a field house to accommodate 15,000 people with equipment of swimming, boxing, fencing, basket-ball and is an excellent centre for other indoor games.

All this expansion in the building structures has been in a period of less than 20 years with no financial help whatsoever from state treasury or on expenses to any one.

During the last 20 years the college had to accommodate two great influxes of applications, one of the '1929 depression and the other of 1945 G.I.s'. At both these times the State legislature was unable to finance any construction at the College.

Decision had to be taken either to limit the number of students or some how to find money with which to erect extra buildings.

A plan was devised called "self Liquidating Project" through which it became possible to erect buildings to accommodate enrolment of ~~extra~~ students of the depression period and later on the postwar influx of Ex.G.I.s who flocked the campus in large numbers.

According to this project the land belonging to the college is leased out to some Trust Company on a nominal lease with the understanding that the Trust would erect a dormitory as required by the college. The Trust Company arranges to construct the building and when completed leases it to the college for a certain total rent to be paid in Semi-annual instalments for a specified number of years. The College raises this amount from the hostel rents and/or fees of the students. At the end of the period, when the debts has been liquidated by payment of these rents, the building becomes the property of the college.

Also under this project, the Regents of University can raise funds by issue of Dormitory Bonds or Trust Certificates payable out of the Dormitory revenue - which is an income producing property.

From this it is evident that the dormitories can be built not only without expenses to the tax payer but actually without expenses to any one, as all payments come from room rents paid by the students at or below the rates they would have paid elsewhere if there had been

no dormitories.

Thus these self-liquidating buildings pay for their own construction and when they are free and clear of debt, their earnings are utilised to discharge the debt on other self-liquidating buildings.

(True copy)

Superintendent.

Copy of D.O.No.29693 F/50-1 Edn. dated 27th September 1950 from Government of Madras, to the Director of Public Instruction.

...

Sjb: Expansion of Michigan State College Housing through : "Self Liquidating Projects".

...

I am to enclose therewith the letter received from Mr. Humayun Kabir and request you to offer your remarks on the proposals.

(True copy)

Superintendent.

construction and when they are able to
earnings are utilised to discharge the debt on other self-liquidating buildings.

(True copy)

Superintendent.

Copy of D.O.No.1278 K1/50 from the Director of Public Instruction dated 16th October 1950 to the Secretary to Government, Madras.

...

Please see your D.O.letter No.29693 F/50-1 Edn., dated 27th September. I enclose herewith my remarks on the proposals referred to in the letter from Mr. Humayun Kabir.

(True copy)

Superintendent.

Copy of the Director of Public Instruction's remarks on Expansion of Michigan State College Housing through "Self Liquidating Projects."

...

The scheme is intended to get over the difficulties of either private managements or the State finding adequate money for putting up buildings for educational institutions and hostels.

So far as college buildings and structures of that type are concerned there is no possibility of adopting this method because it involves an income accruing from which the capital borrowed and the interest are repaid in small instalments. All the income that comes from Colleges is barely sufficient to pay the staff and other recurring expenditure. Government Colleges particularly have a large excess of expenditure over fee income.

It is just possible that under very favourable conditions this scheme can be utilized for the construction of hostels. It is particularly important to consider this because, among other deficiencies in our educational institutions, the greatest is with regard to hostels. While we keep on multiplying the number of seats in colleges and thus the opportunity for students qualifying for Degrees we do comparatively little to improve their conduct, behaviour and general ~~rank~~ culture. The more crowded the college is, the less chance there is of anything in this direction being done. Work of this type is possible only in hostels. As things are at the present time, even in the best of colleges only a small proportion of students have hostel accommodation and there are colleges which do not provide any hostel accommodation at all. It is mainly for the purpose of providing the much-needed hostel accommodation that this scheme may be considered.

There is nothing novel about the scheme. It follows the usual line of a building society which advances money for the construction of building and recovers the money advanced and the interest thereon in equated payments for a certain number of years, usually about 20. It is well known that several co-operative building societies have adopted this system. But the central factor about the success of this scheme is that money should be available at a reasonable interest, that is the rate at which the Government is able to borrow or just a little more than that. If money is available at this rate it is possible to put up a hostel and from the rents recovered to repay the capital and interest in 20 or 25 years. It is estimated that the accommodation for a student in a hostel providing for not only the room in which he lives but also the verandah space required, the kitchens and the minimum staff quarters as well as the electric and sanitary fittings may cost about Rs.2,000 per head. It may be possible to build it a little more cheaply or, if slightly better amenities are given, it might cost a little more, but Rs.2,000 per head may be taken as a fair average. At 3% the interest would come to Rs.60 per year. To this has to be added the Municipal taxes and the maintenance charges of the building; and if a small amount is provided for repayment of the capital it will be possible to do so by charging a student Rs.10 a month for 10 months in the year. If, on the other hand, money cannot be obtained at this rate of interest the rent payable by each student would be ~~per~~ proportionately greater. The normal rate at which people would be willing to lend to private ~~parties~~ at the present time appears to be about 6% on very good security. If money has to be borrowed at this rate the room rent ~~per~~ per student will have to be about Rs.20 which is possible only in some of the higher towns like Madras.

The only way of providing this money cheaply seems to be for Government to set apart a certain part of the productive loans raised every year for advance to educational institutions. Advances amounting to 20 to 30 lakhs every year for five years will go a long way towards making up the disadvantages of the educational institutions at the present time.

(True copy)

Superintendent.

Copy of Note file.

Education-- Building schemes for colleges - Michigan State College Housing through "self -liquidating Projects" Extension to colleges in the State.

From the Govt. of India, Ministry of Education D.O.No.F.3(2)/50-CB dated 22-9-50.
D.O. to the D.P.I.No.29693-F-50-1 Edn. dated 27-9-50.
From the D.P.I. D.O.No.1178-K1/50 dated 16-10-50.

Extract of the Minutes of H.M.(E.& L).

"Seen.

We can ask D.P.I. whether this can be tried here".

The Govt. of India have forwarded to this Govt. summary of the scheme which was adopted by the Michigan State College for its building scheme, for the purpose of trying it, if possible, with some adaptations, in this State. This Scheme is called the "Self-Liquidating Project". According to this plan, the land belonging to the College is leased out to some Trust Company on a nominal lease with the understanding that the Trust would erect a dormitory as required by the College. The Trust Company arranges to construct the building and when completed it leases the building to the college for a certain total rent to be paid in instalments for a specified number of years. The College raises this amount from the collections by way of rent for hostels and fees from the students. At the end of the period when the debt has been liquidated by the payment of these rents, the building becomes the property of the college.

2. The remarks of the D.P.I. were called for on the subject and they are on p.p. 9 and 11 c.f. He states that so far as college buildings are concerned, there is no possibility of adopting this method, as the income from fees collected from the students is barely sufficient to meet the recurring expenditure on the payment of salaries to the staff etc. He considers that under very favourable conditions this scheme can be utilised for the construction of hostels. He also points out that there is nothing novel about this scheme, as this follows the usual lines of a building society which advances money for the building schemes and recovers the advances and the interest in equated annuities, say 20 years. He is of the opinion that the only way of providing cheap money for these building schemes is for Govt. to set apart a portion of the productive loans raised every year as advance to educational institutions, say Rs.20 to 30 lakhs every year for a period of five years.

3. It may mentioned in this connection that the Govt. are already considering the question of making interest free loans to the Annamalai University for the construction of hostels and staff quarters. In the circumstances, it is for orders whether this Department may agree with the views of the Director above and the Govt. of India informed accordingly.

(It does not appear that the scheme in question can be tried in this province with much advantage. It will be difficult to find money for payment of annuities as the ordinary income will not be sufficient to cover the ordinary charges.)

Govt. of India has followed in the case of constructions by co-op. building societies - not called It does not appear to be suitable to educational institutions for a report. in this state.

Please do not make unwarranted suggestions.

2. Treat this as confidential file.

The matter may be dropped.
K.M.U.3-9-

rded.

through sell
liquidating
project -
notes recorded.

To

The D.P.I.
with r.t.
his D.O.No.
1278-KI/50
dt.16-10-50.

(True copy)

N.V.S.61-11-50.

Superintendent.

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