



# ಕರ್ನಾಟಕ ರಾಜ್ಯಪತ್ರ

ಅಧಿಕೃತವಾಗಿ ಪ್ರಕಟಿಸಲಾದುದು  
ವಿಶೇಷ ರಾಜ್ಯ ಪತ್ರಿಕೆ

ಭಾಗ - ೪ಎ Part - IVA	ಬೆಂಗಳೂರು, ಗುರುವಾರ, ೦೯, ಏಪ್ರಿಲ್, ೨೦೨೬(ಚೈತ್ರ, ೧೯, ಶಕವರ್ಷ, ೧೯೪೮) BENGALURU, THURSDAY, 09, APRIL, 2026(CHAITHRA, 19, SHAKAVARSHA, 1948)	ನಂ. ೨೬೫ No. 265
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## GOVERNMENT OF KARNATAKA

No.UDD 22 GEL 2024(e)

Karnataka Government Secretariat,  
Dr. B.R. Ambedkhar Veedhi,  
Vikasa soudha,  
Bengaluru, Date: 08.04.2026

### NOTIFICATION

The draft of the Karnataka Municipalities(Estate Management) Rules, 2026, which the Government of Karnataka proposes to make in exercise of the powers conferred by section 323 read with section 72 of the Karnataka Municipalities Act, 1964(Karnataka Act 22 of 1964) is published as required by sub-section (1) of section 323 of the said Act, for the information of all the persons likely to be affected thereby and notice is hereby given that the said draft will be taken into consideration after the expiry of thirty days from the date of its publication in the official Gazette.

Any objection or suggestion which may be received by the State Government from any person with respect to the said draft before the expiry of the period specified above will be considered by the State Government. Objections and suggestions may be addressed to the Secretary to Government, Urban Development Department, Vikasa Soudha, Bengaluru - 560001.

### DRAFT RULES

- Title, commencement and application.** -(1) These rules may be called the Karnataka Municipalities (Estate Management) Rules, 2026.  
(2) They shall come into force from the date of their final publication in the official Gazette.  
(3) These rules shall be applicable for the purposes of estate management under Chapter III of the Karnataka Municipalities Act, 1964 (Karnataka Act 22 of 1964)
- Definitions.**-(1) in these rules, unless the context otherwise requires,-
  - "Act" means Karnataka Municipalities Act 1964 (Karnataka Act 22 of 1964);
  - "Bit of Land or left over land" means land remaining in the competent Authority layouts after formation of Sites within the limits of ULB's and includes:

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- i. Left over Land which are not formed as site in the approved layout due to location, physical situation or any other reason.
  - ii. Land initially allocated as Sites but later considered unsuitable for construction of meaningful building.
  - iii. Left over Land without direct road access, but having access through adjoining sites in the layout.
  - iv. Additional Land remaining additionally after demarcation of sites in accordance with the approved layout plan.
- b. "Building site" means a site in the approved layout allocated for residential or non-residential use.
  - c. "Designated Officer" means an officer of the Urban Local Bodies who is designated to conduct the Auction and perform the functions of the Municipal Commissioner or Chief Officer with respect to the lease of properties;
  - d. "Economically Weaker Section (EWS) site" means a residential site in the layout reserved for persons belonging to economically weaker section categories notified by the Government from time to time
  - e. "Estate of Municipalities" means the immovable properties under the ownership, control and management of the Municipalities

(2) All other words and expressions used herein but not defined shall have the same meaning as assigned to them in the Act.

- 3. Management of the estate:-** (1) The Municipal Commissioner or Chief officer of the Municipalities shall be responsible for implementation of these rules under overall superintendence, direction and control of the Municipal Council subject to the provisions of the Act and other applicable laws for time being in force.

(2) Only such estate of the Municipalities either land or building or both, which is neither at present needed for own or public use by Municipalities nor such a use is visualized, may be sold or leased by the Municipalities.

(3) Every sale or lease by the Municipalities shall be by public Tender are auction through e-procurement portal, subject to exceptions provided in these rules.

- 4. List of immovable properties.-**The list of immovable properties of the Municipalities shall be maintained by the Municipal Commissioner or Chief Officer of the concerned Municipality.

- 5. Sale of immovable properties.-**(1) The sale of immovable properties of the Municipalities shall be to the departments of the State or the Central Government or Public Sector Undertakings or organizations or bodies owned by the State or Central Government and to the general public with prior sanction in accordance with the Government notification Number: UDD 104 TMS 2014 dated: 09.01.2015 and any subsequent amendments thereto.

(2) In case of providing the following infrastructure facilities the properties shall be exempted from payment of any cost:

- a. Water supply installations including treatment plants, Storage reservoirs and intermediate pumping stations;

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- b. Drainage and sanitary installations including Septic Tanks, Soak Pits and local Sewage Treatment Plants;
  - c. Garbage collection, segregation and recycling centres;
  - d. Public Toilets; and
  - e. Cemeteries, crematorium and burial grounds

(3) The sale shall be considered at the Market guidance value of the property as per the notification issued by the Revenue Department, from time to time, under section 45-B of the Karnataka Stamp Act, 1957 (Karnataka Act 34 of 1957):

(4) In case of providing the following facilities of the State and Central Government departments twenty five percent of the cost of the Property shall be levied.-

- a. Schools, Colleges, Hostels, Hospitals, Anganwadis, Public libraries, Destitute homes for women run by the State/central Government; and
- b. police and Fire stations;

(5) Sanction of properties at fifty percent of cost shall be considered for all other State/ Central Government Departments and the statutory bodies established by the State/ Central Government.

(6) Sanction of properties to the General public shall be through public auction through e-procurement portal for sale of immovable properties following the provisions of KTPP Act, 1999 and the rules made there under.

- 6. Disposal of bit of land or left over land.** - The Municipality shall with the approval of the Government dispose the bit of land or left over land following the procedure specified as under. -

**A. Method of disposal:**

- i. The Municipalities shall conduct a one-time survey of all Bit of Land/leftover lands, verify their eligibility as defined in these rules and record the exact extent of the bit of land or left over land.
- ii. After survey, the Municipalities shall publish a notification in two or more widely circulated newspapers inviting applications, specifying the application period, and shall also upload the details on its website. However, if the Municipalities thinks to extend the time, with valid reasons.
- iii. Action on applications received within the prescribed period:
  - a. If the land adjoins only one building site, it shall be allotted to the owner of such building site on payment of the prescribed amount within the specified time.
  - b. If the land adjoins more than one building site but only one adjoining building site owner applies for allotment, it shall be allotted to that owner.
  - c. If more than one adjoining building site owners apply allotment shall be made through auction following due auction procedure.

d. If no applications are received or payment is not made within the specified time, the land shall continue to remain with the Municipality.

**B. Fixation of price for allotment of bit of land or leftover land.**

- i. The price of Bit of Land/leftover land shall be fixed by the Authority based on whichever is higher of the following:
  - a. The prevailing guideline value, or
  - b. The average sale price of building sites in the same layout during the previous three years.
- ii. If the land adjoins a EWS site, the price shall be 50% of the higher of the above two values specified under clause (i) above.

**C. Conditions of allotment:**

- i. If the Bit of land is shown indicated as Residential use/ Nonresidential use in the approved layout plan, it shall be used only for residential / Non residential purposes as indicated in the approved layout plan.
- ii. The allotted land must be amalgamated with the main building site with prior approval, of the competent authority and construction must be in accordance with applicable Zonal regulations and Building byelaws, failing which the allotment will be cancelled.

7. **Lease of immovable properties.**-(1) The Municipal Commissioner or Chief Officer may lease immovable properties of the Municipalities for a term for not exceeding five years, with the previous sanction of the Council. The sanction may be accorded by the Council as a class or group or all the properties of the Municipalities as may be deemed proper.

(2) The Municipal Commissioner or Chief Officer may lease immovable properties of the Municipalities for a term of exceeding five years only with the prior approval from the Government .

(3) No lease beyond a term of thirty years shall be given for the immovable properties of the Municipalities:

(4) One-time extension of a lease which may have been given under any mode hereinbefore, including concession granted for construction, refurbishment, maintain, operate and transfer basis etc., may be given for maximum one more term, not exceeding the term or period of the last lease or the last extended-lease, as the case may be, but, subject to upper limit of thirty years in this regard. The authority to approve the extension shall be same as specified under these rules for grant of fresh lease for the same term or period:

Provided that when the total lease period including the extended lease period is above a period of five years, prior sanction of the Government shall be obtained by the Municipal Commissioner / Chief Officer for extension of the lease.

Provided further that in case of properties whose lease has already expired but the lessee continues to be in possession without any extension then extension under these Rules may be given from the date of Notification of these Rules for a term not exceeding the term-period of the last valid lease or the last extended lease. The unauthorized occupation period until the date of notification of these Rules may be regularized as a onetime measure only on same terms & conditions as of the expired lease.

Provided further that no extension shall be given unless the lessee has paid all, complete and up-to-date dues to the Municipality

**Illustration:**

- i. An immovable property is leased to A for a term of three years and is nearing expiry, then A can obtain an extension for one more term of three years with the prior approval from the Government.
- ii. An immovable property leased to B for a term of seven years but the lease period has expired and has continued to use the property without permission for extension of the lease period. Now, B is eligible for one more extension for seven years from the date of notification of these Rules with the prior approval from the Government.

(5) In case a present on-going lease has a term period more than thirty years then, with prior approval of the Government, the Municipality may give another renewal of the lease for a term period not exceeding thirty years.

(6) At the end of the lease term or extended lease term, if any, the immovable property shall stand automatically vested back to the Municipal Council, free of all encumbrances.

(7) The lease of immovable properties of the Municipalities may be given at the minimum reserved One Time Deposit (OTD) (Refundable) and monthly rent as prescribed in sub rule (8) and (13) of Rule 8 only to/for,-

- i. The State Government;
- ii. The Central Government;
- iii. Non-profit Homes for the old or destitute or differently-abled Persons;
- iv. Religious purposes/mathas and Not-for-Profit organizations for education and health purposes; and
- v. Such other category or class that the Government may by notification specify.

Provided that the State Government reserves the right to give rebate on the applicable interest free One Time Deposit (OTD) as well as the applicable monthly rent or lease amount either partially or fully in public interest.

(8) In case of extension of a lease under these Rules, the Lessee shall be required to deposit the minimum reserved One Time Deposit to the Municipalities as interest free deposit to obtain the extension.

(9) In every other case the lease of the immovable properties of the Municipalities shall be given based on the public tender or auction through the e-procurement portal on the interest free deposit that the bid winner shall keep with the Municipalities and the monthly rent payable by the lessee shall be subject to increase at the rate of fifteen percent for every three year period after the completion of the first three years from the date of signing of the agreement of the lease:

Provided that any existing and subsisting leases shall continue to operate as per terms & conditions of the existing agreements and the same shall prevail.

(10) Any unauthorized occupation of the immovable property of the Municipalities shall be evicted as per provisions of the Karnataka Public Premises (Eviction of Unauthorized Occupants) Act, 1974 (Karnataka Act 32 of 1974)

**8. Public tender or auction through e-procurement portal for grant of lease of immovable properties.** - (1) The Municipal Commissioner or Chief Officer may cause to put to public tender or auction of the immovable properties, through e-procurement portal.

(2) The public tender or auction shall be on the interest free One Time Deposit (OTD) that the tender or auction winner shall keep with the Municipalities throughout the period of the lease.

(3) The One Time Deposit (OTD) is refundable to the lessee, without any interest, after the vacation of the property upon completion of the lease term or upon the termination of lease as per the provisions of the Act, rules and the lease agreement:

Provided that the One Time Deposit (OTD) shall not be refunded for a period of one year from the date of signing of the agreement of the lease.

(4) A single eligible bidder can bid for as many immovable properties as he wishes.

(5) Sub-letting of the immovable property by the lessee shall not be permitted.

(6) Municipality to have full rights to terminate the agreement for any breach of Conditions, or give evacuation notice as per act and proceed in following cases:

- a. Any breach of conditions of the agreement.
- b. In case of dangerous and dilapidated condition of the rented / leased building.
- c. Disaster Management situations.
- d. In case of sub leasing.
- e. In case of any civil alteration/structural change to building without approval of the Municipal Commissioner or Chief Officer.

(7) There shall be a minimum reserved One Time Deposit (OTD) for each immovable property, called the tender or auction Upset Price, below which the tender or auction shall not be approved.

(8) The tender or auction upset price or the minimum reserved One Time Deposit (OTD) for each estate/property of the Municipalities according to section 45-B of the Karnataka Stamp Act, 1957 (Karnataka Act 34 of 1957) shall be as follows.-

- (a) Lease term not exceeding five years: not being less than fifteen percent Guideline Value of the property being leased out.
- (b) Lease term from five to thirty years: not being less than twenty percent of Guideline Value of the property being leased out

(9) The Guideline Value shall take into consideration the value of both land and the building while determining the above minimum reserved One Time Deposit (OTD). The basic formula for the minimum reserved One Time Deposit (OTD) shall be the Guidance Value multiplied by Plinth and/or plot Area of the property being leased out.

(10) The tender or auction shall be done for each individual immovable property capable being leased out and the bidder who bids the highest One Time Deposit (OTD) shall be the tender or auction winner.

(11) The tender or auction winner shall deposit required earnest money deposit or the Bid Security in e-procurement portal as per the provisions of the Karnataka Transparency in Public Procurement Act, 1999 (Karnataka Act 19 of 2000).

(12) The tender or auction winner shall deposit the winning One Time Deposit (OTD) amount with Municipality within thirty days from the date of declaration of tender or auction as successful and issuance of Letter of Intent or Offer Letter, failing which the bid shall be rejected for default and the bidder shall be treated as defaulter and the Earnest Money Deposit or the Bid security amount deposited shall automatically stand forfeited, without any encumbrance on the property, for the default and such defaulter shall stand barred from bidding for a period of one year from the date of order of forfeiting the Earnest Money deposit or the Bid security.

(13) The monthly rental or the monthly lease payable for the immovable property shall be as follows –

(A) Buildings or Shopping complexes:

- (a) Street Facing Properties on the Ground Floor at 0.75 percent of the Guideline value of the estate/property being leased as per the latest notification issued by the Revenue Department under section 45-B of the Karnataka Stamp Act, 1957 (Karnataka Act 34 of 1957).
- (b) Properties facing the street but on basement at ninety percent ( 90%) of the amount payable for the Street Facing Properties on the Ground Floor.
- (c) Properties not facing the street but on the ground floor at ninety percent (90%) of the amount payable for the Street Facing Properties on the Ground Floor.
- (d) Properties on the first floor at seventy five percent (75%) of the amount payable for the Street Facing Properties on the Ground Floor.

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(e) Properties on the second floor at sixty five percent (65%) of the amount payable for the Street Facing Properties on the Ground Floor.

(f) Properties on the third or higher floor at fifty five percent (55%) of the amount payable for the Street Facing Properties on the Ground Floor.

(B) Open or vacant lands shall be liable to pay monthly rental or monthly lease amount equal to 0.25% of the Guideline Value of the land as per the notification issued by the Revenue Department from time to time under section 45-B of the Karnataka Stamp Act, 1957(Karnataka Act 34 of 1957).

(C) In case of extension of an existing lease or an expired lease under these Rules, the lessee shall pay the monthly rent or monthly lease amount equal to fifteen percent (15%) more than the last monthly rent payable by him in the previous lease or the monthly rent/lease amount payable as per applicable Clauses (A) or (B) whichever is lower.

Provided that such a monthly rent amount is liable to increase at a rate of fifteen percent (15%) for every three-year period after the completion of first three years from the date of the extension of the lease.

(14) The tender or auction shall be compliance with the Karnataka Transparency in Public Procurement Act, 1999 (Karnataka Act 19 of 2000) and the rules made there under. The tender or auction shall be on-line through e-Procurement Portal of the Government.

(15) The advertisement for tender or auction shall contain details such as type of tender or auction, tender or auction details, immovable property and minimum tender or auction upset price, contact details of the tender or auction inviting authority and the tender or auction time period for bidding shall be at least fifteen days and published in at least two Kannada newspapers with wide circulation in Karnataka. Additionally, the copies thereof shall be displayed in the Notice Board of all the offices of the Municipality. The advertisement shall also be put on the website of the Municipality.

(16) Any person eligible to participate in the tender or auction shall participate in the tender or auction online in e-procurement portal.

(17) The lessee shall not sublet the leased or rented properties, except when specifically permitted and included as part of the agreement by the Municipality.

(18) The Commissioner or Chief Officer shall make detailed proceedings of the tender or auction with the name and all relevant details of the tender or auction winners for each immovable property and the specified agreement as per type of use and category of the immovable property shall be entered into with the tender or auction winner accordingly, after the approval.

9. **Procedure for renewal of an expiring lease.** (1) The lessee gets no inherent right beyond the term of his lease and the policy to extend an existing lease shall be at the sole discretion of the municipality and the extension may not be given in case the property or land is needed for Municipality own use or any other public purpose.

(2) The Municipality may choose to proceed to lease the property as it exists or after demolition (in part or in full) and reconstruction. The existing lessee shall give in writing his option to seek one extension, without going through tender or auction process, at any time at least two months before expiry of his on-going lease or, in case of an expired lease, within six months of the date of Notification of these Rules. Failure to give option in writing within the specified time limits shall be treated that the existing lessee does not wish to opt for extension of his/her lease without tender or auction process and the property shall be put to tender or auctioned free from all encumbrances. In case the present lessee with an existing lease chooses to apply for another lease of a term equal to term of the existing lease then the existing lease should be short-closed on the date from which the extended lease term starts.

**Illustration 1:**

- a. "A" has a lease of a shop for five years starting from 1.4.2020 and is in its 4th year in 2024.
- b. A's lease ends on 31.3.2025.
- c. At any time on or before 31.1.2025 which is 2-months before the date of expiry of the current lease, "A" may seek extension of the lease up to another 5 years term (which is the tenure of his existing lease) for the shop from the Municipality.
- d. No further extension shall be given to the extended lease after 31.03.2030 but "A" is eligible to participate in the open tender or auction as per KTPP Act to win rights for another lease or renting of the same or any other Municipality property/shop.

**Illustration 2:**

- i. "A" had a lease of a shop for 3 years starting from 1.4.2018 and it expired on 31.3.2021. But "A" continued to be occupation without getting any extension of his lease.
- ii. "A" continues to be in occupation even now and is actually running the business for which the lease was not extended.
- iii. "A" is in unauthorized occupation of the shop and has not paid the rents in these years.
- iv. "A" is eligible to apply for ONE EXTENSION of the expired lease within 6months of promulgation of these Rules.
- v. "A " shall pay up to date rent and interest and penalties, if any, and only then A shall be eligible to be considered for one extension..
- vi. Now, "A" is eligible for one extension of three years term (same as the last validly held lease term) with effect from issuance of extension order by the Municipality.
- vii. The intervening period of unauthorized occupation shall be regularized upon payment of all and complete dues up-to-date and when the order extending the lease for three years is passed.
- viii. In case the extension order is issued on 19.7.2025 for 3 years then the same shall be valid until 18.7.2028.

ix. No further extension shall be given to the extended lease after 18.7.2028 but "A" is eligible to participate in the tender or auction as per KTPP Act to win rights for another lease or renting of the same or any other Municipality property/shop.

(3) In case the Municipality decides to lease the properties as they exist, then Municipal Commissioner or Chief officer shall start the process of re-auction following the procedure under rule (7) and (8), at least three months in advance from the date of expiry of the lease, so as to complete the process of selection of the new lessee before the expiry of the existing lease term, for such shops for which the existing lessee does not opt to get one extension of the lease. In case of plan of reconstruction, the tender or auction of the new property may be done at any suitable time after the vacation and demolition.

(4) In case the existing Lessee opts for participation in the tender or auction then the regular procedure as applicable for a fresh lease tender or auction shall be applicable. However, in case an existing lessee opts for one extension, then the Lessee shall deposit One Time deposit (OTD) equal to 100% of the minimum prescribed One Time Deposit (OTD) for such a property. The Lessee shall deposit 100% of the Minimum OTD amount within fifteen days of approval of the extension by the Municipality.

(5) In case of failure to deposit, the approval of extension shall stand automatically withdrawn for default and the Lessee shall be treated as defaulter and the property shall be put to tender or auction and the lessee shall lose the right to get extension. However, such a lessee is eligible for bidding or participation in tender or auction.

10. **General provisions.**- Every lease and lessee shall observe and obey the

**Following, namely:-**

(i) The leased property shall be used for the purpose it is leased and in conformity and compliance with the specified terms and conditions;

(ii) Non-payment of monthly lease or rent amount shall be major breach of lease conditions and the lease shall be terminated with a seven days' notice by the Municipal Commissioner or Chief Officer;

(iii) Appeal on any notice or order with respect to a leased property or with respect to payable rent or lease amount by the Municipal Commissioner or Chief Officer shall lie with the Project Director of District Urban Development Cell.

(iv) The unpaid amounts due to be paid with respect to any property from lessee may be recovered, apart from the liability for cancellation of the lease, by the Municipal Commissioner or Chief Officer as per section 143 and 154 of the Karnataka Municipalities Act, 1964.

11. **Failure to lease out properties during the tender or auction.**-(1) In case of failure to get any successful bid for any property during an tender or auction, the tender or auction for such properties shall be done for second time with due notice and publicity with same terms and conditions as specified for the first tender or auction.

(2) In case of failure to get any successful bid for any property during the second tender or auction as well, the tender or auction shall be done for third time with due notice and publicity and the minimum refundable One Time Deposit (OTD) amount or the auction upset price shall be made eighty

percent (80% )of the tender or auction upset price for the concerned property during the first tender or auction.

(3) In case of failure to get any successful bid for any property during the third tender or auction as well, the tender or auction shall be done fourth time with due notice and publicity and the minimum refundable One time deposit (OTD) amount or the Auction Upset Price shall be made sixty percent (60%) of the Auction Upset Price for the concerned property during the first tender or auction.

(4) However, in case of failure of tender or auction even in the fourth time tender or auction, the matter shall be reported to the Committee mentioned below with details and the further decision shall be taken by the Committee.

Sl. no.	Designation	Committee Members
01	Deputy Commissioner	Chairperson
02	District Registrar Stamps and Registration Department	Member
03	Project Director, District Urban Development Cell	Member
04	Executive Engineer of the concerned division of the District Public Works Department or Jurisdictional Assistant Executive Engineer of the concerned sub-division of Public Works Department	Member
05	Town Planner Member of the concerned Urban Development Authority or the Member Secretary of the concerned Planning Authority or wherever no local planning area is notified for municipal area, then the jurisdictional Assistant Director, District Town and Country planning Department.	Member
06	Municipal Commissioner or Chief Officer of the concerned Urban Local Body	Member Secretary

12. Decisions of the Committee. -(1) The committee shall examine the proposals and may consider any one of the following before determining the auction.-

- i. Reduction of the one-time deposit upto forty percent (40%);
- ii. Reduction of rent upto 0.15% of the Guidance value;
- iii. **'Built to Suit' model.**-subject to confirmation from the competent authority regarding the feasibility of amalgamating the said shops and implementing a 'Built to Suit' model, a public notice shall be issued in newspapers inviting Expressions of Interest (EOI) from organizations or entities interested in acquiring the amalgamated shops under the 'Built to Suit' arrangement.
- iv. Allotment of building sites to public service delivery centers such as Karnataka One centers; Seva Sindhu centers; Citizen service centers owned and controlled by the State or Central Government etc., at the last specified rates as decided by the committee.

13. **Reservation.**-(1) In case of leasing out of shops under these rules, fifteen percent (15%) of the same shall be reserved for the members of the Scheduled Caste and three percent (3%) for the members of the Scheduled Tribe. The applicable percentage of reservation shall be in

accordance with the reservation policy of the Government as amended from time to time .The allotment shall be through tender or auction under these rules among the said category of persons who are otherwise eligible.

(2) A reservation of five percent (5%) of the shops being leased out under these rules shall be made for the persons with disability of not less than forty percent (40%). The same shall be through tender or auction under these rules among the said category of persons who are otherwise eligible.

By Order and in the Name of  
The Governor of Karnataka,

**(MAHANTAPPA S. TURAKANUR)**  
Under Secretary to Government,  
Urban Development Department  
(MA-2 & Boards)