



PRACTICAL ISSUES IN DEVELOPMENT CHARGE: PERSPECTIVE OF PROPERTY DEVELOPERS

Nor Azalina Yusnita Abdul Rahman *

Housing and Local Government Training Institute,
KM48, Lebuhraya Karak, Berjaya Hills, Bukit Tinggi 28750, Pahang,
Malaysia
azalina@kpkt.gov.my

Mohamad Haizam Mohamed Saraf

Faculty of Architecture, Planning & Surveying,
Universiti Teknologi MARA
Malaysia
moham8841@uitm.edu.my

Siti Fairuz Che Pin

Faculty of Architecture, Planning & Surveying,
Universiti Teknologi MARA
Malaysia
sitif288@uitm.edu.my

Robiah Suratman

Faculty of Built Environment & Surveying
Universiti Teknologi Malaysia,
Malaysia
robiah@utm.my

Salfarina Samsudin

Faculty of Built Environment & Surveying
Universiti Teknologi Malaysia
Malaysia
salfarina@utm.my

*Corresponding Author email: azalina@kpkt.gov.my

Submission: 20 November 2020

Revised: 24 December 2020

Accepted: 19 January 2021

Peer-review under responsibility of 6th Asia International Conference 2020 (Online) Scientific Committee

<http://connectingasia.org/scientific-committee/>

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Office # 6, First Floor, A & K Plaza, Near D Watson, F-10 Markaz, Islamabad, Pakistan,

editor@readersinsight.net

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ABSTRACT

While the local governments view the development charge as one of their income sources for providing utilities to the society, property developers' communities still contend that the charge surges development uncertainty. Moreover, the existing empirical studies of the implementation of development charge in Malaysia is limited by a lack of developer's view regarding this matter. This further inhibits the aim to gauge the property developers' perspectives regarding the implementation of development charge in Malaysia. An online exploratory questionnaire was conducted to gather information from the respondents, which included 10 house developers from all over Malaysia by using purposive sampling technique. The findings revealed that the effect it has to property developers seems to have increased developer's uncertainties, especially on the cost of property development. Moreover, the contentious issue concerning how development charge affects the availability and affordability of housing, surround the use of development charge due to the developers pass the burden by increasing the house price. This paper provides new insights for future research in the study of relevant approaches to improve the efficiency of the development charge and the effect it has on the developer's uncertainty.

Keywords: *Development Charge; Property Developers; Local Government; Development Cost*

RESEARCH HIGHLIGHTS

1. Property developers view that the development charge is a penalty to the developers to escalate the local authorities' source of funds.
2. Property developers demand for an urgent review to lower the development charges. They argued that the appeal system to lower the rate of development charge was not efficient as the local authorities paid no attention to such request.

GRAPHICAL ABSTRACT

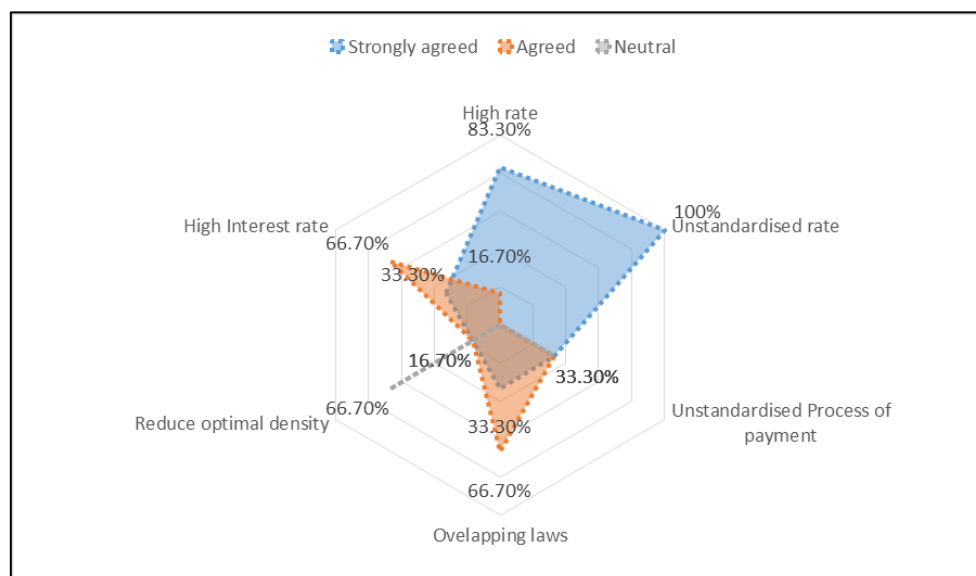


Fig. 1. The Practical Issue on the Implementation of the Development Charge from the Property Developers' Perspectives

Research Objectives

The objective of this study is to highlight the issues revolving among property developers pertaining to a development charge imposed on property projects that are carried out in accordance with Section 32 of the Town and Country Planning Act 1976 (Act 172). This charge will be levied on the applicant if the project was approved specifically for land use conversion that changes the compactness, the increment of plot ratios and density which will increase in land value. Currently, the property developers are juggling with the surge in the cost of doing business. The growing concern of high imposition rate, increasing development cost, unstandardised payment procedures are still mingled after the implementation of development charge. Moreover, no specific rate of charges and standard methods of calculation on development charges by the local planning authorities had created dissatisfaction among developers. Thus, this study will give an insight to the local authorities on providing an amicable solution to these issues.

Methodology

This exploratory study applied quantitative or descriptive design method. The research instrument used for data collection is Google Forms. The online questionnaire was released to the selected respondent for over a month. The responses of the respondent were considered as consent to their participation in this study. The sampling has been carried out through a purposive sampling or also referred to as the expert sample, distributed to ten (10) house developers in Klang Valley with a full response rate. Respondents were selected based on their wide range of experience in property development and construction. The purposive sampling is used when a difficult-to-reach population needs to be measured and also the key to allow the respondents to provide ample and justifiable feedbacks (Pandey & Pandey, 2015). The questionnaire was designed to include likert's scale questions and open-ended questions to gauge the developer's perspective on the implementation of development charge. The respondents' responses were composed and summarized in a radar form of chart for descriptive analysis.

Results

There are ten (10) respondents that were selected purposively from property development and construction developers. All respondents have been involved in property development for more than 10 years. From review and previous focus group discussions, there are six (6) practical issues on the development charge implementation have been identified. On average, respondents have different sights about practical issues that they have encountered. Seemingly, all respondents agreed that the rate imposed by the local authorities is not standardised. Next, most respondents strongly agreed that the rate of development charge is highly imposed. Similarly, overlapping written laws, unstandardized payment processes, and high interest rate levied on part of development charge payment were among the renowned practical issues faced by the developers. Results from the open-ended questions provide insights and demand for an urgent review to lower or abolish unnecessary charges which have a direct impact on the cost of property development.

Several respondents further argued that the appeal system to lower the rate of development charge was not efficient as the local authorities did not entertain such appeal. Providing a different argument, one of the respondents stated that the duration of development charge should be lengthened until the issuance of Certificate Completion and Compliance (CCC).

Findings

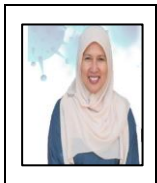
We have identified two imperative findings from the survey. First, property developers view that the development charge is a penalty to the developers to escalate the local authorities' source of funds. Second, from property developers' perspectives, the development charge imposed by the local authorities should be standardised and they demand a review to lower the development charge rate. Some local authorities have increased the development charges fee which has impacted the total cost of development. Moreover, developers have no choice but to opt for the necessary changes in order to muddle through the increase in development cost input.

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Author's Biography



Nor Azalina Yusnita Abdul Rahman received her M.Sc. degree in Land Administration and Development from Universiti Teknologi Malaysia (UTM) in 2010. She is a former valuation executive at Majlis Daerah Sabak Bernam and currently a Director of Housing and Local Government Training Institute, Bukit Tinggi Pahang, Malaysia. Since 2010, she has published 12 papers in peer reviewed journals and international conferences. Her research interests are in the field of statutory valuation and property laws.



Mohamad Haizam Mohamed Saraf received his M.Sc. degree in Built Environment (Real Estate Law) from Universiti Teknologi MARA (UiTM) in 2018. He is a former valuation executive at a private valuation firm and currently a lecturer from the Department of Estate Management at UiTM Perak, Campus of Seri Iskandar, Malaysia. Since 2018, he has published 9 papers in peer reviewed journals and international conferences. His research interests are in the field of

property valuation and development appraisals, flood disaster management and law of property.



Siti Fairuz Che Pin received her Master of Science in Real Estate from University of Malaya in 2010. Currently, she is a Senior Lecturer in the Department of Estate Management, Faculty of Architecture, Planning & Surveying at Universiti Teknologi Mara, Campus of Seri Iskandar, Malaysia. Since 2016, she has published 12 paper in peer reviewed journals and international conferences. Her research interests are in the field of property valuation, flood disaster management and urban land economics.



Robiah Suratman received her PhD in Town and Regional Planning from Universiti Teknologi Malaysia (UTM) in 2012. She is currently a Senior Lecturer in the Department of Real Estate, Faculty of Geoinformation and Real Estate at Universiti Teknologi Malaysia. She is an active researcher and has published several papers and presented at international conferences Her areas of interests are in the field of tourism planning and management, sustainability certification, green technology studies, environmental impact studies, socio economic impact studies and land use planning and management.



Salfarina Samsudin received her PhD from the University of Ulster, Northern Ireland, United Kingdom. She is an active researcher and has published several papers and presented at international conferences. She is currently a Senior Lecturer in the Department of Real Estate, Faculty of Geoinformation and Real Estate at Universiti Teknologi Malaysia. Her areas of interest are in the field of land policy and governance, land registration, land and property taxation, land administration and land policy.