PRACTICAL ISSUES IN DEVELOPMENT CHARGE: PERSPECTIVE OF PROPERTY DEVELOPERS

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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.

References


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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.

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