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“Charge It Right: Unveiling the Factors to Effective Development Charge Implementation

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Abstract

Development charges are a globally adopted concept to ease the burden on local governments due to urbanization. Implemented in countries like the US, UK, Australia, Singapore, Canada, and South Africa, Malaysia follows suit with charges tied to increased land value. Based on structured interviews with 39 stakeholders, this study identifies key factors for effective implementation: legislation, human capital, work procedures, and support facilities. Participants highlight the need for streamlined approval processes and strategic integration among departments. Successful development charge implementation optimises land use, reducing infrastructure costs and benefiting public interests.

Keywords: Development charge; Local government; Efficient implementation

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1.0 Introduction

This research paper delves into the implementation of development charges with a specific emphasis on feasibility based on the states adopting this method in Malaysia. Malaysia comprises 13 states and three federal territories: Kuala Lumpur, Putrajaya, and Labuan. Despite the long-standing implementation of development charges by several countries, including Malaysia through the Kuala Lumpur City Hall (DBKL) and six states that enforce their respective methods, many states adopt an approach to assess and evaluate the achievements and effectiveness of this method in enhancing the quality of services provided by local governments. Therefore, by concentrating on the feasibility of the development charges method, this research examines the success factors in the implementation of development charges by local governments, as the study's objective is to aid the implementation of this method at the local government level.

2.0 Literature Review

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The literature review encompasses two main scopes: the fundamental theories and concepts of urban planning and development charges, followed by the legislative framework for implementing development charges.

2.1 Urban Planning Theories and Concepts

Planning in the context of urban planning can be defined as the physical representation of something, such as maps, drawings, and reports. It also refers to the method of doing something or the systematic arrangement to achieve a specific objective. According to Keeble (1969), planning is "the art and science of ordering the use of land and siting of buildings and communication to secure the maximum practicable degree of economy, convenience, and beauty." Ratcliffe (1974) describes it as providing the right site at the right time and place for the right people. Based on these definitions, urban planning is a combined activity of art and science to determine or arrange spatial placement in an area to solve usage problems according to the needs of individuals or groups with standard requirements. Urbanization presents some of the world's most significant opportunities and challenges today. Cities are economic growth and development centres but face demographic, environmental, economic, and social challenges (UN-HABITAT, 2023).

2.2 Development Charges (Legislation and Sources of Authority)

Development charges are directly linked to urban economics, empowering local governments to sustain urban facilities. It plays a significant role in urban development aligned with sustainable power in today's urban planning. Imposed during Planning Permission applications, it follows legal provisions in the Town and Country Planning Act 1976 (Act 172) and the Local Government Act 1976 (Act 171). Section 32 of Act 172 authorizes the implementation of development charges when a local plan leads to increased land value due to use, density, or floor area changes.

Subsection 33 (1) states that the Local Planning Authority shall determine the amount of the development charge (final Subsection 33 (2)), and the applicant must pay it. Section 34 provides the power for instalment payments, with all amounts received to be deposited into the Local Planning Authority's fund. Finally, Section 35 explains that the State Authority may make regulations to enforce and carry out the provisions of this Part or to determine anything required or prescribed under this Part. Section 39 of the Local Government Act (Act 171) states that the revenue of any Local Authority consists of all taxes, rates, and rents—license fees, charges, and other monies or fees payable to the Local Authority.

Every state enforcing the implementation of development charges in the land administration and development process must provide guidelines for implementing these charges through State Development Charge Rules as provided under Act 172. As of 2021, six states have adopted or proclaimed state development charge rules: Selangor, Perak, Kedah, Kelantan, Johor, and Terengganu (Table 2.1). The following are details regarding the proclamation of state development charge rules by state.

Table 2.1: Development Charge Rules by State

Bil	State	Rules	Gazetted Date
1.	Selangor	Kaedah-Kaedah Caj Pemajuan Negeri Selangor 2010	25 November 2010
2.	Perak	Kaedah-Kaedah Caj Pemajuan Negeri Perak 2013	01 Januari 2014
		Kaedah-Kaedah Caj Pemajuan Negeri Perak (Pindaan) 2014	29 Disember 2014
		Kaedah-Kaedah Caj Pemajuan Negeri Perak (Pindaan) 2019	15hb Ogos 2019
3.	Kedah	Kaedah-Kaedah Caj Pemajuan Negeri Kedah 2015	28 Mei 2015
4.	Kelantan	Kaedah-Kaedah Caj Pemajuan (Negeri Kelantan) 2015	18 Jun 2015 5
5.	Johor	Kaedah-Kaedah Caj Pemajuan (Negeri Johor) 2018	23 November 2017
6.	Terengganu	Kaedah-Kaedah Caj Pemajuan (Terengganu) 2020	17hb Disember 2020

(Source: PlanMalaysia, 2016)

3.0 Problem Statement

The implementation of development charges by local authorities has raised concerns among industry players due to increased initial land development costs and workflow complexities affecting Planning Permission approval timelines. State Government and district political figures have expressed reservations, necessitating extended explanations and acceptance from residents' representatives. Land law studies since the 1990s have emphasized economic, legal, and government policy aspects. Scholars like Slack (1994) and Tomalty and Skaburskis (2003) argue that development charges complexly influence land use patterns, often underutilized by local governments. Judith & Brian (1999) stress the need for an efficient administration and a comprehensive implementation plan for economic and equitable benefits. In Malaysia, most studies on development charges focus on the management and finances of local governments. Local Government finances are crucial due to two main factors: the Central Government delegates responsibility to local governments to deliver public services, and the recurring urbanization process requires improving community needs. The issue of weaknesses in the financial administration of local governments is often discussed in various discussions (Hazman, 1992; Fadzil, 2012; Soeb Pawi, 2013). Hazman (1992) also states that the quality of management and administration cannot be improved in local government organizations due to a lack of training and staff exposure to continuous learning processes due to a lack of

financial support for training purposes. This situation reduces the ability of local governments to function effectively and has a negative impact on human resource management in local governments in Malaysia.

In addition, Mohd Haris Yop (2016) focused on the involvement and knowledge of local government staff in assessing land use changes in the implementation of development charges. Findings revealed that most applications involve changes in land use, and the commonly used method is the before-and-after development comparison. Respondents showed low mastery initially due to a lack of experience and data for assessment. Nur Adila (2020) studied from developers' perspective, indicating that charges can be burdensome depending on capacity and development size. Charges imposed early in the process overlook land size surrendered and developer profit margin, received only at the process's end.

These studies highlight issues and challenges affecting the feasibility of development charges at the local government level. The research question emerges: What crucial factors influence the overall success of development charge implementation? Taxes on land development are influenced by various factors, impacting final outcomes such as house bid prices and the quality of services provided by local governments. Therefore, this study examines factors determining the success of development charge implementation by local governments.

4.0 Research Methodology

Employing a qualitative approach, this research entails gathering information to enhance understanding through semi-structured interviews. The research instrument comprises interview questions directed at 39 respondents, selected through purposive sampling techniques. The respondents involved various public and private agencies directly implementing development charges.

4.1 Research Area

Six states were selected as the study areas: Selangor, Perak, Kedah, Kelantan, Johor, and Terengganu. Determining the study areas also aids the researcher in narrowing the focus only to states that implement development charges. There are selection factors to serve as the foundation for conducting this study, such as proclamation, timeframe, and the availability of data study.

4.2 Sampling

Sampling takes into account the diversity of departmental layers and positions involved in the implementation of development charges. Moreover, precise selection is necessary through a group of respondents who are genuinely engaged in executing development charges. Respondents will provide feedback based on the implementation procedures and their experiences related to implementing this method. The study's sample size includes 83 government agencies, excluding stakeholders, i.e., the private sector. It is dominated by Local Authorities, comprising 73 Local Authorities, including the Department of Planning and Valuation. Policy and decision-makers are also involved because of their role in formulating the development charge method, such as PLANMalaysia, the Housing Board/Department, the Local Government Section, and the Legal Advisor's Office (PUU). For comprehensive findings, stakeholders are also involved, and in the context of this study, stakeholders in land development are developers or property owners.

The collected data undergo thematic and descriptive analyses to organize narrative responses into structured themes, aiding in formulating study findings. Derived from 22 local government, three state government, two federal government respondents, and 11 stakeholders, the total respondent count is 39, as illustrated in Chart 4. The findings conclude the research objective of identifying success factors in implementing the development charge method.

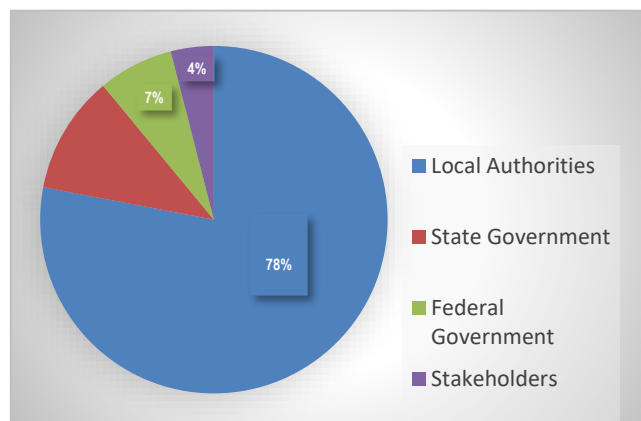


Figure 4.1: Breakdown of Respondents by Number and Sector
(Source: Author)

5.0 Findings

5.1 Success Factors in the Implementation of Development Charges

Following the achievements in development charge implementation, the study aims to identify success factors based on 32 responses. Organized into 21 concise themes, these coalesce into 4 main factors crucial for development charge implementation: legislation, organizational structure, information delivery, and effectiveness.

5.1.1 Legislative Factors

Most respondents provided feedback on the key element in implementing development charges, which is legislative authority. Some of the feedback received regarding the legislative requirements includes:

Table 5.3: Feedback on the Importance of Legislation in the Implementation of Development Charges

Respondent	Feedback
R1	Legislation needs to be enforced and implemented at all levels of society
R2	As stipulated in Act 171 and related acts
R3	The need for laws, policies, and guidelines should be continually improved over time in line with the demands of the community.
R5	Legislation within local authorities also needs to be improved between each local authority in every state and region, which poses a challenge in adopting new policies by local authorities.
R14	Legislation, implementation, and support from various parties
R15	Power of authority, acts, regulations, rules, and relevant guidelines are essential for implementing development charges.
R20	Planned planning by the Local District Plan (RTDK).

(Source:) Own Research,2023

Seven respondents have provided feedback on the legal aspect as one of the crucial elements in implementing development charges. Feedback indicates that legislation serves as the source of authority for the implementation of development charges by local governments. This authority is derived from acts, regulations, and guidelines such as the Local Government Act 1975 (Act 171). In addition to existing legislation, respondents also express the expectation that the enforcement of this legislation should be applied to all applicable applications and receive support from all parties involved.

5.1.2 Organisational Structure Factor

The term "human capital" in this study refers to employees who possess the qualifications and knowledge necessary to carry out the work related to development charges. This question examines the need for job positions or organizational structure, which is crucial in implementing development charges and the adequacy of the number of employees. When the state government announces this charging method, it implies expanding job responsibilities for existing units or creating new units to shoulder this responsibility.

The question was posed to only 22 respondents, encompassing staff in local governments because the job structure observed is only at the local government level. For the first question, which pertains to organizational structure being a crucial factor in implementing development charges, all respondents agreed that organizational structure is one of the key factors in executing development charges. Respondent comments are as follows:

Table 5.4: Feedback on the Importance of Workforce.

Respondent	Comments
R1	More multitasking employees and skill training are needed
R2	The increase in the workforce should be in line with the growth of development.
R3	The biggest challenge for local authorities is based on their staff's quality rather than quantity. Dealing with vocal, aggressive, and educated staff poses a more significant challenge for Local Authorities in line with their responsibilities stipulated in Act 171. The need for human and logistical resources must be constantly improved over time to meet the demands of the staff.
R4	Staff shortages.
R5	A high population requires more efficient manpower and monitoring
R7	The addition of staff for the relevant departments, the division of workload is necessary to avoid neglecting other tasks.
R8	Internal strength - human capital.
R9	It needs to be sufficient for this additional scope of work
R10	Only Group B positions leading departments/sections serve as the main revenue source for the local authority.
R10	Applications for creating positions depend on the number of holdings and tax revenue without considering the increasingly challenging current workload. Advanced customers have become the norm.
R11	The expansion of the development area within the jurisdiction of the Local Authority (PBT) does not align with the increase in workforce and the ability to provide the best services to the local community.
R12	The need for an additional workforce arises due to an increased workload
R13	The demand for labour increases in line with the growing workload.
R14	There is an imbalance in the workforce among departments with the existing workload.

(Source: Author, 2023)

A total of 14 respondents provided feedback regarding the importance of organizational structure, and the researcher collected 15 comments related to the workforce or positions at the local government level. Based on the thematic breakdown, the summary formed encompasses several aspects:

Table 5.5 Importance of Organizational Structure and Human Capital Development.

Feedback	Theme Summary
Internal Strength - Human Capital	Important element
Increasing the workforce is essential to accommodate expanding job scopes, population growth, and local economic development.	The organizational structure and staff numbers do not align with current requirements, scope, and workload.
Applications for job warrants depend on the number of holdings and tax revenue, without considering the current challenging workload.	
The development area's expansion within the local authority's jurisdiction does not match the growing workforce and the capacity for optimal service delivery to the local community.	
Require more multitasking employees.	Competence and skills to address issues.
The biggest challenge for PBT is based on the quality of their staffs rather than quantity.	
Human and logistical resources must continuously improve to meet residents' changing demands.	The need for support

(Source: Author, 2022)

Respondents highlighted four main themes. Departments face challenges in job specialization due to diverse workloads not aligned with requirements, economic growth, and population. Staff need diverse skills to address current issues. The additional diverse population poses challenges for local government staff.

5.1.3 Information Delivery Factor

The third factor stated by the respondents is work procedures and information delivery. For this factor, respondents have provided several pieces of information, namely:

Table 5.6: Feedback on the Importance of Information Delivery

Respondent	Comments
R5	Mutual relationship between Local Authority (PBT) and State Planning Department (PTD).
R6	Effective administration from each stakeholder to facilitate any application, policies, and legal provisions are detailed to the implementation.
R14	Implementation and support from various parties.
R15	Consistency in approval/process between local authorities (PBT), State Government, and Planning Department.
R18	Parties involved

(Source: Author, 2022)

The information delivery factor involves internal and external departmental relationships in existing work procedures. Internally, departments like Planning, Assessment, OSC, and Finance are involved in processing development charge applications, with decision-making through committees or OSC. Externally, other agencies contribute data for specific matters. Respondents emphasize the importance of consistent implementation, understanding, and support from all parties.

5.1.4 Effectiveness Factor

The final factor highlighted by respondents is effectiveness, a crucial measure of the overall success in implementing development charges. This question seeks respondents' perspectives on the success of development charge implementation in the country.

Respondents unanimously agree that development charges positively impact land development and local authorities' service quality. Themes include financial impacts on Local Authorities and repercussions on development control, land use, and property values.

Table 5.7: Respondents' Feedback on the Success of the Implementation of Development Charges

Respondent	Feedback	Success
R2	Can enhance the quality-of-service delivery/functions of the Local Authority	Financial context and the quality-of-service delivery.
R6	The development charge is a fund that assists the Local Authority in improving the standard of living and environmental quality, without involving existing allocations.	
R7	It is crucial to support the needs of community development facilities.	
R11	Assisting in improving the quality of Local Authority's management work.	

R12	Ensuring that the Local Authority is always responsive to public complaints and, with sustainable financial resources, addressing public complaints and upgrading urban public facilities.	Land use and development control.
R13	It is crucial as it can assist the financial aspects of the Local Authority in carrying out work to improve the quality of life for residents by enhancing infrastructure and providing public facilities in the Kulim District.	
R4	Providing an impact on the development of nearby areas, for example, through the funds from development charges.	
R5	Ensuring that only eligible developments can develop areas with high land value.	
R10	Increasing the value of land when a change in land use occurs	

Respondents' views on development charge implementation success are analyzed through a detailed thematic breakdown. Six focus on financial aspects and service quality (R2, R6, R7, R11, R12, R13). Three emphasize success in development control, land use, and property value (R4, R5, R10). Two see both themes as relevant success factors (R1, R9), highlighting positive impacts on land value, comprehensive development control, and immediate trust fund use. One respondent (R8) agrees with the importance of development charges but gives unrelated comments on effectiveness.

6.0 Discussion

This research examines the success factors in implementing development charges by local governments. Findings indicate that the performance of revenue collection and program success measure implementation achievement. It also examines the challenges in implementing these charges, namely legislation that must encompass all legal aspects, human capital aspects capable of conducting manageable workforce audits, clear and organized information delivery between the agencies and the effectiveness of the stakeholders programmed in delivering the service.

7.0 Conclusion

In conclusion, based on the overall findings of this study, implementing development charges is an effective mechanism for development control at the local government level. It is reasonable for developers or landowners to plan and implement land development based on the best use without compromising the land's potential. Developers can plan land use through the development charges method without neglecting environmental considerations. However, local governments must ensure that the development and urbanization processes remain controlled to avoid urban issues such as traffic congestion, insufficient parking spaces, and other issues resulting from uncontrolled population density.

The limitation of this study is to provide an understanding of the significance and successful factor in implementing development charges in an urban area. Thus, sustainable urban development in terms of land use, public amenities and infrastructure can be shaped through controlled and effective implementation.

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