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**INSTITUTIONAL APPROACH TO THE LAND DEVELOPMENT PROCESS IN
KUALA LUMPUR - AGENCY RELATIONS IN THE SUPPLY OF
INDIGENOUS LAND FOR DEVELOPMENT**

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Abstract

Institutional economics offers insights into various factors affecting the land development process. It considers a fuller insight into the formal and informal rules, embedded within broader social, political and economic frameworks, which govern the interaction between various human agents in the land development process. This paper seeks to examine theoretical framework of agency social relations and its application in the land development process with special reference to the initiative taken by various bodies to redevelop the indigenous areas in Kuala Lumpur. The causes and consequences of land development decisions by landowners, planners, developers, estate agents and other parties were discussed in the light of the supply of land in the case study areas for development purposes. In so doing, the paper explains the nature, role and importance of institutional economics perspectives with reference to formal and informal rules affecting the indigenous land supply for development process through collective decisions of human agents. More importantly, the way in which their agency relation is governed by 'rules of the game' of the indigenous land policy and policy measures.

Keywords: institutional economics analysis – land development process – agency relations – indigenous land supply

1.0 Rules affecting the land development process

It is within the broad social, political and economic frameworks, various formal and informal rules were established to govern human interactions, decisions and actions in the property market and the supply of land for the land development processes. According to North (1996) institutions provide pillars to human interactions and limit the choices of actors, thus, reducing uncertainty and costs. There may be, however, a trade-off between limiting choices and certainty. In property transaction, for example, the price is driven by information available to potential the interested parties, the scope that exists for negotiation, and the relative bargaining power of buyer and seller (Keogh and D'Arcy, 1998). Other than the price mechanism in the property market, the supply of land for development may be restricted from being transferred to land developer when there are land policy or landowner refuses to sell for any other reasons.

According to North (1996), there are three types of exchange involved in human co-ordination and interactions. Firstly, the personal exchange which characterises the basic requirement in the production process. Secondly, the impersonal exchange which plays an important role in the kinship and trade code of conducts for human social relationship. The third type is the one which involves impersonal exchange together with the third party enforcement such as obviously seen in today's modern and sophisticated society.

Based on these institutionalists' propositions, the institutional land supply constraints are embedded within written and formal rules such as land policy, planning and development measures, financial provisions for infrastructure, guidelines on valuation and landownerships and unwritten and informal rules of collective and continuous agents' attitudes towards land development. In general, these are formal and informal rules or institutions which may initiate and/or constrain agents' land development decisions, in particular, landowners, to release land for development.

a) Written or formal rules

Formal rules or written regulations may encourage and/or restrict the supply of land for development purposes. According to North (1996), political rules interact with economic rules which define economic policy and then specify a bundle of property rights over the use

and rights to derive income from property within the contract that enable the exchange to occur in a human interaction. In other words, the property rights must be consistent with sets of political rules and within the economic policy to be achieved in a society. In this context, therefore, formal or written rules such as policy on land may have an effect on the supply of land for development purposes. These implications of formal rules, however, may influence informal rules of human traditions, customs and values about land. Conversely, these informal rules may be considered to establish formal rules in the society.

Formal written rules on land policy include land rights, planning and development measures, rules and guidelines on valuation for compensation as follows:

Written rules of land rights

Barzel (1989) asserted that property rights are rules which require exchange to use the legal rights possessed by individuals to enhance economic rights. In the exchange of property rights, individuals impose restrictions on each other (North, 1996). As a result, the use and operation of property rights are often subject to constraints which affect the actions of a landowner who intends to use or to develop his land. Of course, these restrictions on land rights affect agents' decisions in the land development process, in particular the land developer and the landowners. In this sense, Hesse (1992) noted that property rights are part of the fundamental constraints in a society. In contrast, Jaffe and Louziotis (1996) asserted the importance of property rights to affect economic efficiency through the creation of incentives and the reduction of risks. In this context, the importance of private property rights had to be explained in terms of changes in culture and institutions which affect economic performances (North, 1996).

As property rights stem fundamentally from the legal system, there are limitations on landownership, which is either public or private (Jaffe, 1996). Eggertsson (1990) contends that property rights are not only legalised within formal or written rules but they are also defined to include informal rules such as ideology, perspective and custom in the case of the inheritance of indigenous lands for a certain particular group of people.

Written rules on planning and development of land

There is a land policy in the form of written rules for planning and development which constrains and/or initiates human land transaction activities. By and large, land policy for planning and development is a set of rules governing the administration of land. Jaffe (1996) noted that these public limitations include land use policies such as zoning, building codes, health regulations, building setback requirements, rent control legislation, whereas private limitations include easements, restrictive covenants and liens.

Valuation principles for compensation

There are also valuation rules, where the application of different valuation methodologies, will produce different values of the development sites in the market. This, in turn, may make landowners unwilling to sell their land, thus rendering the land unavailable for development. The valuation method to determine the value of land for compensation purposes is an example of a formal rule used to standardise the payment of compensation. In the absence of a standardised set of valuation principles for compensation, the affected landowners may be reluctant and dissatisfied over the amount of compensation paid for their land taken. Interestingly, a standardised method of valuation may adversely affect landowners' decisions due to different characteristics of their lands. Therefore, it can be said, the valuation methodologies may restrict the release of land for development purposes.

b) Unwritten or informal rules

Informal rules which may constrain and/or encourage the supply of land for development may take the form of customs, traditions, perspectives and ethical behaviour which affect the supply of land for development purposes. In general, indigenous people, such as the Maori in New Zealand and the aborigines in Australia, may be reluctant to sell their native land for development purposes in order to preserve or further bequeath their interests in lands. Bailey (1992) shows the relationship between survival, risk, and land rights in his study of aboriginal property rights. Similar issues arise in countries like Malaysia, where there is Malay Reservation Lands which are restricted from being sold or used by non-Malays. In general, landowners of the Malay Reservation Lands are relatively passive to

transfer and/or to undertake land development due to certain traditions to further bequeath and preserve the designated indigenous lands (Ismail, 1997).

1.1 The Supply of Indigenous Land in Kuala Lumpur

The MAS areas in Kuala Lumpur is chosen as the case study (Refer Appendix A for location). Since the MAS areas in Kuala Lumpur are the only indigenous land within the Kuala Lumpur central location, there is a need to preserve the indigenous land rights to represent Malay urbanisation and urban land holding. The preservation of the indigenous MAS areas is not intended to prolong further the vacancy or the state of under-utilisation of MAS lands but to undertake a planned redevelopment with a view to enhance the land values by way of modernising the landowners' way of life in Kuala Lumpur. However, the establishment and preservation of the MAS areas suffers from the economic consequences discussed below:

a) The economic consequences

The establishment of the indigenous MAS land rights, produced unforeseen consequences. The land development difficulties were identified as stemming from the status of the indigenous MAS land rights which restrict interests therein. The land policy stems from the restrictions in interest that does not allow such land to be transferred or occupied by non-Malays. More importantly, land policy restrictions appear to be the most obvious difficulties in the redevelopment of the MAS areas (Nik Yusof, 1993, 1996). The implications of the restrictions in interest contribute to the following difficulties:

b) Market limitations

The restrictions in interest limit the market of the indigenous MAS lands among the Malays only, therefore, the indigenous MAS lands have a limited demand among Malays in the market. This resulted in lower value of the MAS lands compared to the open market of adjacent non indigenous lands. However, a restriction in interests was not a single factor in limiting the market and lowering the value of such land. A limited demand, narrow markets and lower values make these indigenous MAS lands unattractive to the land developers and private investors. In general, there is limited demand for the completed development from the Malays, since there are few Malays who could afford to buy property in urban areas of Kuala Lumpur. In addition, most

of the Malay corporates and public authorities have their own establishments within Kuala Lumpur. As a consequence, market factors contributed to the under-utilisation of these MAS lands.

c) Limitation on the financial assistance for development

In general, a limited market also contributed to the problems of financial development of the MAS lands. This resulted in the problem of limited financial ability to undertake development in the MAS areas when Malay related banks were less attracted to finance the development of MAS lands. Malay landowners have relatively limited capability to undertake development on their own. There are, however, Malay individuals and corporates with financial means and expertise who have undertaken development of MAS lands (Tengku Marwan, 1997). Unfortunately, the land development activities undertaken by these agents are confined to certain prime sites along major roads within the MAS areas.

In addition, only a limited number of Malay related organisations and financial institutions are allowed to enter into land dealings and transfers of the indigenous MAS land (Aman, 1993). This indicates a limited number of agents and organisations to initiate, manage, and develop the MAS lands. As a result, there seems to be a lack of co-ordination among various agents in the redevelopment of indigenous areas. The agency co-ordination and social relations are of particular interest in this research and will be further examined in the following subsection.

c) Valuation rules of compensation

There are valuation rules of compensation in determining the compensation for indigenous MAS land which contributed to high valuation for land taken in the compulsory acquisition. The First Schedule of the Land Acquisition Act (1960) provides the levels of compensation which must be similar between indigenous MAS lands and an open market of non indigenous land transactions. Since MAS lands are located within the Kuala Lumpur Central Planning Area, land in this area provides comparables in valuation for compensation purposes, even though the land rights were different between MAS and non-indigenous lands. These rules of valuation for compensation purposes contributed to the high amount of compensation to be paid to the affected landowners of the MAS areas during the 1991-1992 redevelopment proposal. As a result, high compensation paid to the landowners resulted in high acquisition and development costs which affected the

agents' decisions to redevelop the MAS lands. In this case, if the developer still insisted on acquiring the land for development, the project had to be undertaken with a higher density or a high rise development to be a feasible one. Yet, the final product of the development would have been limited to the Malays and, hence, adversely affected their land development decisions to purchase and undertake to develop MAS lands. Generally, the Malay buyers (except some Malay corporates) are unable to pay a high price for the indigenous land rights property although it is offered at the market price. This risk makes the potential developer reluctant to go ahead in developing the MAS lands.

d) Planning, physical and infrastructure difficulties

In connection with land holdings, there are also problems of a physical nature and the infrastructure of the MAS areas. Although the MAS areas are located within the Golden Triangle of Kuala Lumpur, a certain portion is considered inferior compared to the first and second layer sites along main roads. These inferior location sites are also subject to physical difficulties concerning condition and topography of the properties such as being subject to flooding due to a high water table.

The indigenous MAS lands have not been designated in the proper zoning plan. Although the Kampong Baru Local Plan was designated in 1984 and the Proposed Development Plan was envisaged during 1991-1992 land development initiatives, the land development difficulties resulted in the MAS areas remaining as an open planning system for development. This open planning has resulted in development uncertainties to various interested agents to develop the MAS areas. Although in contrast with the conceptual approach of physical land planning and uncertainties within future developments, the open planning provides flexibility in future development over the MAS areas. In general, without proper access and proper planning, the potential of MAS lands for redevelopment is limited.

At present, the development of the MAS areas is concentrated on residential low cost housing such as blocks of flats and low density dwellings with a few commercial and office buildings along major roads. Most of these specific developments were undertaken by individual landowners and corporate sectors to fulfil their particular requirements. As such, the sites at inferior locations and the MAS areas as a whole, tend to remain under-utilised, despite the fact that the MAS areas are located within the capital city of Kuala Lumpur.

The other view of the problem with landownership is the small and uneconomic size for individual developments in the MAS areas. A viable commercial development project requires the amalgamation of these small and contiguous lots. Almost 90.0 per cent of the lots in Kampong Baru are small in size with less than 808.3 square metres (8,700 square feet) or the equivalent to 0.08 hectare (0.200 acre) with the width of the road frontage about 12.2 metres (40 feet) or less. This will affect the proposed comprehensive, efficient and economical development. Moreover, the development requires to surrender a portion for public access, set off requirements that the building is about 6.1 metres (20 feet) away from the main road and there is provision for parking spaces. As a result, the developable size becomes smaller.

Uneconomic land size for development relates to some other problems. It is difficult to amalgamate two contiguous small lots due to landownership difficulties, including the owners' refusal to participate or to dispose of their lands in view of the hope for a higher price in the future or to preserve their inheritance (Tengku Marwan, 1997). There are also difficulties to trace the registered landowners. Some of them are dead or holding land as absentee landlords. Therefore, these small sizes make the land development initiatives difficult and costly. After all, the final product has to be within a limited market. There are, however, potential sites which have been developed through the amalgamation of several small contiguous lots in the MAS areas for specific purposes and by particular Malay corporates (Tengku Marwan, 1997). However, most of these amalgamated sites for commercial development are only located along major roads in the MAS areas, and sites located in inferior locations tend to remain undressed and under-utilised. Although MAS land rights provided security of land tenure, it had also created legal restrictions and limits the access to the mortgage facilities for the owners (Nik Yusof, 1992).

1.2 Land development initiatives in The MAS areas

Since the establishment of the MAS areas in 1897, efforts had been undertaken to develop the areas but were eventually unsuccessful. However, a major effort was in 1991, once the government realised the importance of direct intervention to redevelop the MAS areas. The way proposed was to acquire land for redevelopment purposes and to plan a comprehensive and integrated land development scheme. In so doing, land development difficulties such as landownership and

problems with landowners would be avoided. However, there were still problems faced by various agencies as shown in Table 1.

Table 1: Summary of key agents' development difficulties

| Period | Types of key agents involved | Development difficulties |
|---------------------|---|---|
| Late 1800s - 1960s | Landowners Financial institutions State authority/MAS Board | Title documents, financial, multiple owners led to undecisions, passive attitudes |
| Late 1960s to 1970s | Selangor State Corporation MAS Board Landowners | Landowners' attitudes toward banking system, inheritance and occupations |
| During 1980s | Kuala Lumpur City Hall/UDA MAS Board Landowners HOMES private developer | Limited market, lower values, valuation for compensation High expectation of prices Landowners' attitudes |
| During 1991-1992 | KB Redevelopment Committee (various property professional and consultants for development) MAS Board, Landowners | Limited market, lower values, valuation for compensation High expectation of prices Landowners' attitudes |
| 1995 onwards | Consortium Pembangunan MasMelayu Berhad (PMMB) & Malay corporates MAS Board and KLCH Landowner | Limited market, lower values, valuation for compensation High expectation of prices Landowners' attitudes |

Source: Ismail (1999)

The identified MAS land was to be developed in accordance with a modernised Malay architecture, fully landscaped and constructed with plazas and malls. Therefore, the main responsibility of the above land development committees appointed by the government was to ensure the fulfilment of the land development objectives through a co-ordination of collective decisions of agents. For this reason, the Kuala Lumpur City Hall was given the full responsibility to administer, plan and control the redevelopment project for Kampong Baru. Apart from identifying the MAS areas, the Kuala Lumpur City Hall was prepared to identify other areas for additional land acquisition outside the area proposed to be gazetted. This was the area outwith the agreed boundary proposed to be gazetted as complementary to the redevelopment of Kampong Baru. Moreover, the Kuala Lumpur City Hall was to plan the approach to be taken in considering the participation from the affected owners of the designated areas.

Although the above strategies were designed for implementation to redevelop the MAS areas from 1991 to 1992, there were problems which led to the failure of the development initiatives. The main problem was high land prices as demanded by the affected landowners of the MAS land (Mohamed, 1995). High land prices asked by the affected landowners meant high land acquisition costs which affected the government decisions to undertake the redevelopment scheme.

(i) The private sector development initiatives in 1995 onwards

The consortium to undertake the development was established with the main objective was to take the challenge put forward by the government to propose and implement the redevelopment of Kampong Baru in 1995. The consortium was to undertake the role as a catalyst and of the main player in the proposed redevelopment of Kampong Baru with the hope that the other Malay developers as well as the landowners would be initiated and take part in the redevelopment of the area.

The main aim of the PMMB in the redevelopment of the MAS areas was to increase the commercial value of the MAS land within a central location in Kuala Lumpur. This was to be done by undertaking an integrated and comprehensive redevelopment scheme in accordance with the Kampong Baru Local Plan (1984). A strategic urban location within the Kuala Lumpur Central Business District gave the MAS area high potential for development compared to the other Malay reserved lands in Kuala Lumpur conurbation. With the objective to be a catalyst for the other developers and the landowners in the MAS areas, the PMMB realised that the proposed development of Kampong Baru was to consider several redevelopment constraints within the areas.

Apart from the aim to increase in the value of the MAS areas, the PMMB also considered the advantages of a partnership between the government, private sector and landowners as an alternative to redevelop the MAS areas and to help change the Malays' attitudes towards land development, especially in urban areas. With the above aims, PMMB's strategy was to develop the MAS areas by identifying the core area by considering locational factors, by making public amenities available, creating market potential and the developability. The core area of 21.0 acres was identified along the periphery of Jalan Raja Abdullah, Jalan Raja Mahadi, Jalan Raja Alang,

Jalan Sungai Baru and the Klang River. More importantly, the approach was to carry out a survey of the landowners over their preferences, to inform them of the development objectives and to put forward the proposal for development to interested parties and to offer options to buy lands from willing and potential buyers. As such, the development of the core area would have been based on the land developers perspective, suggestions from landowners and other related policy makers of the local authority and the government (Tengku Marwan, 1997). The PMMB realised the importance of proper strategies and planning and, hence, to avoid and remove the land development constraints. The approach was to consider a strategic location, potential quality product and marketing strategies for an equitable return to interested agents such as landowners, the government and the PMMB as the developer.

With the above strategies, the PMMB had identified the core sites within the MAS areas and had initiated a proposal to undertake developments with the interested parties through partnership schemes. The proposal was to form a partnership with interested landowners with the aim to amalgamate the small and contiguous lots for a viable commercial development. However, it was anticipated that the amalgamation would have some problems with reluctant landowners. The intention and strategy was to avoid problems with reluctant landowners to sell or participate, whereby the landowners would be encouraged to participate and be entrepreneurs on their own. As an alternative, the landowners may sell their land for development if they wished or let PMMB undertake to manage the projects. In fact, the landowners could have undertaken their own land development with financial assistance and the expertise from the PMMB.

With difficulties in negotiations and problems with landownership and price constraints, the PMMB had realised that the proposed development faced mainly landownership and price constraints. One of the strategies for redevelopment, therefore, was further to negotiate with the landowners to buy individual sites or contiguous sites, wherever possible for amalgamation purposes. Although this way indicates a slow land transfer process through negotiation and agency social interactions, this strategy of the land development initiative may avoid landowners' tendency to expect higher prices for their lands (Tengku Marwan, 1997).

From the perspective of an institutional economics framework, these land supply difficulties are embedded within formal and informal constraints which affect interactions and co-ordinations of agents and, thus, restrict the supply of land for development of the indigenous MAS areas. The way landowners, planners, valuers, and developers as key players behave and make decisions in

pursuing or restricting the supply of land from being available in the market for redevelopment purposes affects the land development initiatives on the MAS areas.

1.3 Landowners' agency relations and interactions

Landowners are the key land suppliers to the land development initiatives in the MAS areas. Landowners exercise their agency relations over land developers in releasing land to be developed in strategic locations and without any constraints (Tengku Marwan, 1997). When landowners behave passively and are reluctant to sell or to participate in land development initiatives, the land will be restricted and, hence, not available for development. In this context, the landowners exercised their agency relations in negative manners and have limited interactions with other agents, so restricting the supply of land for development. The other key agents such as planners, valuers and land administrators undertook to supply information and exchange services on planning, valuation and land matters in the land development of the MAS areas. There are also banks as financiers, and various property professionals as information providers, in the redevelopment of the MAS areas. As discussed earlier, it was during the 1991 and 1992 land development initiatives that these controlling agents exercised cohesive and co-ordinated agency relations in their attempts to redevelop the MAS areas.

The land development difficulties faced by the land (owners) developers were mainly due to the reluctance of landowners (particularly multiple landowners) to sell their lands or participate in the land development proposals. The problems arose when passive landowners exercised their power relations by refusing to accept the price offered for their lands since they were expecting higher prices in the future (Tengku Marwan, 1997).

a) Nature of landowners' agency relations

With reference to landowners' agency relations, the lack of a proper association of (either single, multiple or corporate) landowners in Kampong Baru to represent, to assist and to provide professional advice was the main cause for landowners' lack of cooperation to develop the MAS area. Although there are several small societies established to represent and gather the landowners of undeveloped sites, diverse characteristics and attitudes of the multiple landowners with various title document problems, such as unknown and untraced landowners, contributed to

the difficulties and lack of cohesiveness among landowners to arrive at collective redevelopment decisions. Figure 3 below shows characteristics of landowners interviewed in the study.

| Landownership and landowners | Developed / Applied to develop/ sites (Lots no) | Undeveloped Sites / underused / underutilised (Lots no) |
|-------------------------------------|--|--|
| Present uses of sites: | | |
| - owner occupy/trading | 5(34, 35, 37, 38, 39) | 10(1, 7, 9, 11, 13, 16, 17, 18, 26, 30) |
| - renting whole | 3(10, 32, 36) | 2(22, 23) |
| - vacant | 7(19, 20, 21, 24, 25, 27, 29) | 1(31) |
| - partly occupied and rented | 2(33, 40) | 11(2, 3, 4, 5, 6, 8, 12, 14, 15, 16, 28) |
| Owners' personality: | | |
| - single owner | 1(38) | 1(7) |
| - multiple owners | 2(10, 40) | 17(1, 2, 3, 4, 5, 6, 8, 9, 11, 12, 13, 14, 15, 16, 26, 28, 30) |
| - Private corporate | 13(19, 20, 21, 24, 25, 27, 29, 32, 33, 34, 35, 37, 39) | 4(17, 18, 22, 23) |
| - Public corporate | 1(36) | 1(31) |

Figure 3: Selected landowners in the study
Source: Ismail (1999)

As a result of landowners' non-cooperation, the collective agency relations of the landowners of undeveloped sites were problematic and consequently led to the failure of the land development initiatives as shown in the 1991 redevelopment proposal. The main reason was that the collective landowners, in particular the multiple landowners, were unable to have proper relationships to negotiate with the related government land development agents, to deal with land development matters, in particular related to the valuations for compensation of their lands (Landowners of Lots 2, 5, 7, 8, 11, 17, 18, 23, 26, 28, 30 and 31).

Lack of cohesiveness among the affected landowners has led to the lack of collective enthusiasm to make decisions in respond to the land redevelopment initiatives, and in particular, unwillingness to sell or to participate in the land development process (Landowners of Lots 1, 3, 4, 6, 7, 9, 14, 15, 16 and 26). As a result of their unwillingness to release land for redevelopment, the supply of land was restricted and, hence, impedes the land development initiatives. The

aborted land dealings and restricted land for redevelopment caused non-development of potential sites in the MAS areas.

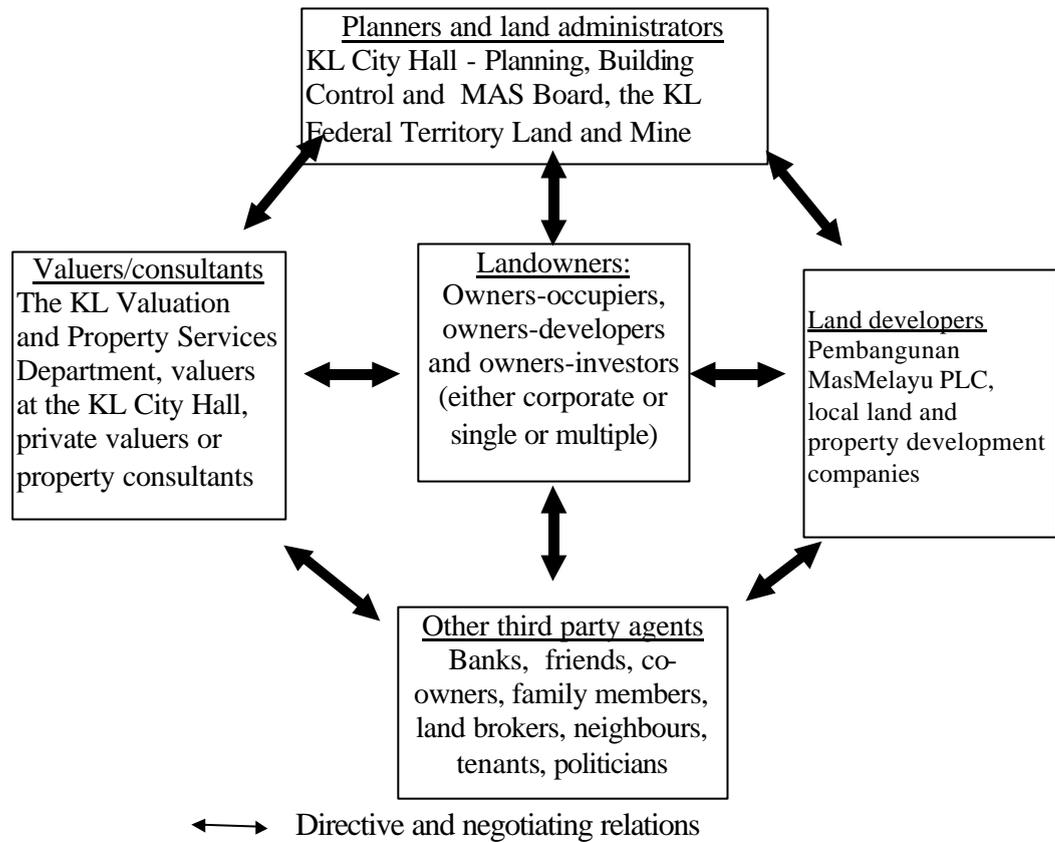


Figure 4 : Agents’ interactions in MAS redevelopment
Source: Own analysis based on interview schedules

Figure 4 shows relationship between landowners and other agents involved in the redevelopment of the MAS areas. The interview schedule reveals that the single owner (Landowner of Lot 7) has cohesive relationship with their family members in dealing with land matters and the MAS Board is contacted for any problems related to land matters while the local property professionals are contacted to provide information on planning, property market and land development. In contrast, multiple landowners of undeveloped sites have a limited contact with estate agents, land administrators, land brokers and surveyors.

The single landowners (Lots 7 and 38) has a limited relationship with other agents since he is only keen to undertake land development when the price offered and the nature of development are agreeable to their terms and preferences. In contrast, single landowner tends to interact with family members, friends and the MAS Board but have limited interactions with planning and

land development agents. This indicates a less important relationship between property professional people with single owner compared to their family members and relatives.

Most multiple landowners of undeveloped sites tend to have relationships with friends, co-owners, family members, the MAS Board. However, with the title document and other constraints that these multiple landowners have, their interactions with estate agents, banks, developers, lawyers, surveyors and local architect are limited. The situation indicates the reluctance of multiple landowners to sell their lands except at high prices, otherwise they are less keen to participate in the land development initiatives.

Lack of cohesive interactions between single and multiple landowners with other agents indicates inefficient negotiating and contractual linkages and, hence, difficulties arise in their decisions to release the land for development in the MAS areas. In contrast, corporate landowners have cohesive interactions which indicate effective negotiating and contractual links with property professionals and the likelihood of little no interactions with family members, friends and the MAS Board. The cohesive relationship between corporate landowners and property professionals reflects motivation and enthusiasm in the land development decisions to fulfill their corporate needs and take opportunities in the land development process.

The corporate landowners, either enterprises or conglomerates have shown cohesive relationships with land administrators and local property professionals (Landowners of Lots 19, 20, 21, 24, 25, 27, 29, 32, 33, 34, 35, 37, and 39). However, they have a limited or no interactions with family, friends, adjacent owners and the MAS Board. The situation reflects the behaviour of the corporate landowners whereby most of the corporate landowners are actively participating in the land development of the MAS areas. For example, landowners of Lots 19, 20, 21, 24, 25, 27 and 29 are willing to develop and have applied for planning permissions.

b) The landowners' interactions with other agents

There are various dimensions of agency power relations and interactions of landowners of developed and undeveloped sites in the supply of land for development, among themselves and with planners, valuers, land administrators and other agents. The exercise of their agency power relations underlies the interactions among landowners and with other key agents in restricting the supply of land for development purposes. The interview schedule carried out on the landowners

of the sample sites reveals the frequency of interactive relationships of landowners with other agents as shown in Figure 5.

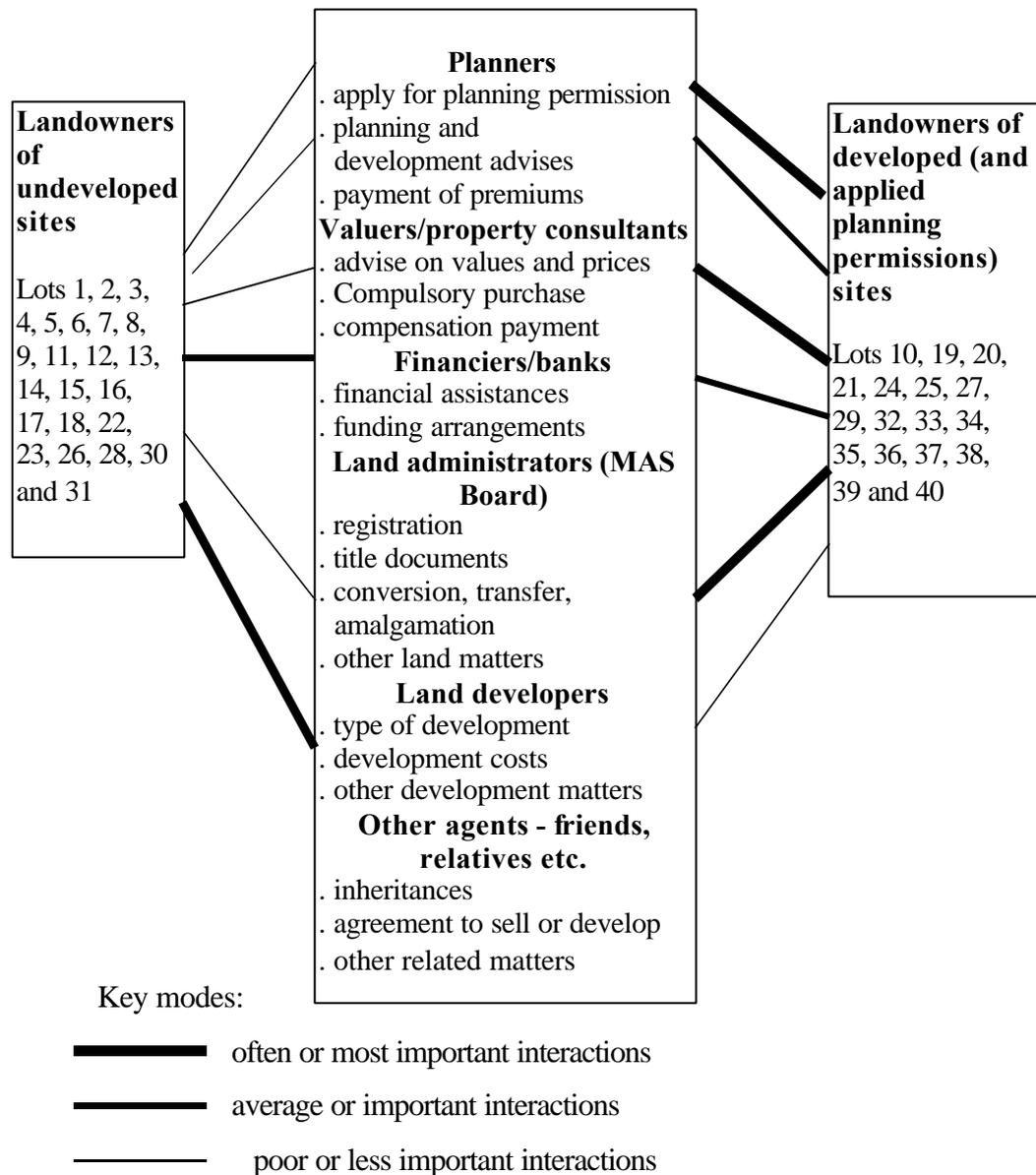


Figure 5: Landowners' interactions
Source: Own analysis

The landowners with the planners

In general, the interactions between multiple landowners of undeveloped sites with the planners are limited and 'poor' or less important as there is lack of enthusiasm to undertake land development (Landowners of Lots 1, 2, 3, 4, 5, 6, 8, 9, 11, 12, 13, 14, 15, 16 and 26). Most of these landowners of undeveloped sites applied to build their traditional houses during 1960s and 1970s with the financial assistances from the Selangor State's government. During that time, the

planning approvals were approved by the MAS Board of Management. At present, most of the traditional houses are dilapidated, obsolete and the sites are under-used.

The landowner of Lot 7 interacted with the planners to apply for planning permissions but when the development proposals were cancelled due to financial constraints, the planning approval was abandoned. Unfortunately, the landowners of Lot 30 were not given planning approval in 1972 as the Kuala Lumpur Master Plan was not ready at that time.

In contrast, landowners of developed sites often interact with the planners in negotiating upon the planning and land development decisions. The objective of the landowners (or owners-developers) of developed sites to negotiate with the planners is to ease the land development and planning decisions. Hanafiah (Deputy Director of Planning, Kuala Lumpur City Hall, 1997) states that the planning system in Kampong Baru was made flexible to initiate land development decisions in the MAS areas. As part of planning measures to initiate redevelopment in the MAS areas, there were improvements in the transportation system by the construction of the Light Rapid Transit in the MAS areas. Moreover, in the 1991 to 1992 proposal, widening a number of roads had been proposed (Sulaiman, a planner at Kuala Lumpur City Hall, 1997). This shows that planners have interacted in a positive way to initiate and negotiate with the other agents in the MAS areas.

The interactions between landowners-developers and the planners were also exercised by landowners of Lots 21, 24 and 25 which have been proposed for amalgamation by the landowners-developers and the plan was submitted for a commercial fourteen storey office development in 1996. The result is still under consideration. Landowners of Lots 19 and 20 have also contacted and negotiated with the planners to apply for planning permission to develop the sites for a commercial development by amalgamation. Similarly, landowners of Lots 27 and 29 have applied for planning permission to develop the sites for budget hotels. However, since the size of these lots are small, the landowners have to pay some premium to compromise with the planners on planning requirements.

Landowners with valuers / property consultants

In general, the interaction between landowners of undeveloped sites with valuers for development purposes is 'poor' and rare since the landowners are not very keen to know about

the value of their lands (for example, multiple landowners of undeveloped sites Lots 1, 2, 3, 4, 5, 8, 9, 11, 12, 13, 14, 15, 16, 26, 28 and 30). However, this does not mean that they are not concerned about the sites. Most of the landowners of developed and undeveloped sites knew their land values when contacted by valuers of the Kuala Lumpur City Hall for annual rating and taxation purposes.

During the 1991 to 1992 land development initiatives, the valuers at the Valuation and Property Services Department, Ministry of Finance and the Kuala Lumpur City Hall have played important roles in advising the acquiring authority on the valuation for compensation purposes. The valuers' agency relations were exercised mainly based on the valuation principles for compensation on Malay reservation lands as stipulated under the Land Acquisition Act (1960). However, valuers are mainly responsible for offering information and opinions on values as an exchange service and, therefore, indirectly affect the other agents' decisions, in particular, the landowners to supply the land for development.

Since the valuers are responsible for valuing the land for compensation purposes, their institutional decisions in exercising the valuation practices must be based on the methods of valuation for compensation of indigenous lands without taking into consideration the restriction in interest. As a result, the valuation was higher than the value of indigenous land with the restriction in interest. These principles of valuation adopted by the valuers determine the price for the land to be acquired which then influences the collective decisions of the landowners to supply land for development in the MAS areas. As illustrated during the 1991 and 1992 land development initiatives, the owners were asking a higher valuation for compensation than the valuation prepared by the valuers. As a result of the uncompromising professional valuation principles, the valuers were not ready to negotiate with the landowners on values. However, negotiating relations among the valuers and other agents, in particular, with the affected landowners (in the 1991 to 1992 land development proposal through acquisition) were formal and limited. The reason was that the valuers were confined by the valuation principles for compensation and the landowners' views on their land values for compensation were varied and too subjective (Nang, 1997; Salleh, 1997). This resulted in loose agents' interactions among the valuers and other agents, in particular, with the affected landowners which affected the supply of land for redevelopment in 1992.

However, the interactions between landowners of developed sites are 'average' or important with valuers. The reason was the corporate landowners need to know the values of the property in the market for investment purposes. For example, the landowners of Lots 32 are concerned with the capital and rental growth of the buildings and the landowners of Lot 33 appointed a private valuer to value her property because she intended to sell the budget hotel to a potential buyer. In contrast, landowners of developed sites of Lot 34 and 35, 36, 37, 38, 39 and 40 are not very concerned with the market value of the property since they used it for their own purposes. For the purpose of securing development financial assistances, the landowners of Lots 19, 20, 21, 24, 25, 27 and 29 are required to value their sites by the financiers so that the amount needed to finance the development is determined. As a result, these landowners-developers have relationship with the valuers.

Landowners with financiers

Financiers also play an important role in the redevelopment of the MAS areas. Most of the sites in the MAS areas have been developed with financial loans from the Selangor States Corporation during the 1960s and 1970s. Using the financial assistance, the landowners interact with the financier smoothly (Landowners of obsolete buildings of Lots 2, 3, 4, 5, 6, 7, 8, 9, 15, 16, 22 and 28). The owners of Lot 16, for example, built a single storey bungalow in 1966 using a State Corporation loan. The owner says:

However, some recent development proposals were cancelled due to high interest rates and charges by the banks (Landowners of Lots 7, 12, 13, 16 and 26). In addition, banks also initiate development by offering loans for development. The owners of Lot 15 had proposed to build a five storey flat with a bank loan in 1981. Nevertheless, the proposal was abandoned due to high bank charges on the loan.

Moreover, the nature of financing arrangement available to landowners may influence the land development decisions. Some landowners are reluctant to get involved in interest bearing loans which contradict their religious principles. As a result, the interaction between landowners of undeveloped sites and the banks for development purposes are 'poor' in the sense that many landowners are reluctant to seek financial assistance for the purpose of redeveloping their land.

In other words, many landowners revealed that many local commercial banks play less important roles in initiating the land redevelopment in the MAS area.

In contrast, the interactions between landowners of developed sites with financiers are always very important. The reason was most of the corporate landowners of developed sites have taken or are in the process to secure financial assistance's from banks in purchasing or developing their sites (Lots 10, 19, 20, 24, 25, 27, 29, 32, 33, 34, 35, 36, 37, 38, 39 and 40).

Landowners with land administrators / MAS Board

Most of the landowners of undeveloped sites relied on the MAS Board of Management for advice on land administration and development matters. The MAS Board represents the landowners in the negotiations for any land dealing with potential buyers when required. Moreover, the MAS Board assists and advises the landowners over the initial requirements before the planning application is submitted to the local planning authorities for development purposes.

Although the MAS Board is responsible for the land matters related to the land administration and development of the MAS areas, lack of professional expertise and financial provisions have contributed to the lack of co-ordination among the affected landowners to initiate the redevelopment of the MAS areas (landowners of Lot 38, 1997). There are cases where the MAS Board reluctantly agreed not to encourage sales and, hence, disturbed the initiative to land development in order to preserve the land from being transferred and developed (landowners of Lot 38, 1997). The reason for this discouragement was that the MAS Board had to be careful to negotiate land dealings with various agents and the potential buyers to purchase the MAS lands, in particular the private developers, to avoid any unfair dealing in property transactions with the landowners. Unfortunately, there are landowners who are dissatisfied with the attitudes of the MAS Board and tend to neglect the existence and advice of the MAS Board. This resulted in a lack of co-ordination between the MAS Board and the landowners.

Most of multiple landowners of undeveloped sites tend to have a relationship with the land administrators at the MAS Board of Management as this authority of land administration has responsibility for any problems with land matters as the first source of information and advice on

the welfare of the MAS in Kampong Baru's peoples (Landowners of Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16 and 30).

In general, the interaction between landowners of undeveloped sites with the MAS Board of Management (or land administrators) is important or 'average'. The reason is land administrators at the MAS Board are responsible for providing advice on the matter of land administration in initiating and/or constraining the redevelopment of the MAS areas. The owners of Lot 11, for example, referred to the role of land administrators in providing a legal title document. The owner of Lot 11 noted the problem with the title documents:

In contrast, the relationships between landowners of developed sites and the land administrators are very important or 'often' but their interactions with the MAS Board of Management are 'poor' and less important. Most of the corporate landowners sought advice on land administration, especially in fulfilling planning requirements for land transfer, amalgamation and land use conversion in undertaking land development of the sites (for example, Lots 19, 20, 21, 24, 25, 33, 34 and 40).

Landowners with land developers

Land developers are responsible for bringing about the physical changes to the MAS areas. Therefore, when the sites are undeveloped, the landowners have less interactions with the land developers or they are not developing their sites on their own (owner-developer).

Most improved sites in the MAS areas were developed or to be developed by land (owners) developers either individual corporate, or conglomerate and co-operative societies using funds provided by banks (Lots 32, 34, 35 and 37). However, multiple landowners of Lot 40 undertook development involving a private land developer and using funds from a private bank. Lots 19 and 20, for example, have been proposed to be developed to a fourteen storey office premises by a corporate owner. Similarly, Lots 24 and 25 have also been approved to be developed to a fourteen storey office premises by a corporate owner. A co-operative society that owned Lots 27 and Lot 29 has proposed these sites be developed to two seventeen storey budget hotels along Jalan Raja Abdullah. Lots 19 and 20 together with Lots 24 and 25 have been amalgamated in the development proposal which means that the planning requirements have been fulfilled and the planning consent has been approved by the planners.

Most of the developed sites were previously owned by multiple landowners and have been purchased by individual or corporate land (owners) developers for development through negotiations on the price of the lands (Lots 10, 19, 20, 21, 24, 25, 27, 29, 33, 34, 35, 37, 38 and 39). Interestingly, in the first land dealing to buy the site, the multiple landowners may be reluctant to accept the price offered to them by the potential buyers. As a result, the negotiation was unsuccessful when the multiple landowners were asking for higher price than offered by the buyers. It will take sometime when these multiple landowners (such as when they having financial difficulties or really need money) will come and offer their land at a reasonable price. Usually, the potential buyers may take this opportunity to offer a new price and when accepted the land will be transferred to the new landowner (Lots 19, 20, 21, 24, 25, 27, 29, 32, 33, 34, 35, 36, 37, 39 and 40).

Some of the typical interactions between landowners and land (owners) developers can be discussed as follows:

The landowners of Lots 19 and 20 have explained their strategies adopted in land dealing with the multiple landowners who sold the sites to them. Landowners of Lots 19 and 20 are corporate landowners who were first bought the vacant Lot 20 from multiple four landowners by approaching to solve the difficulties with their multiple landownership. Some of the multiple landowners were unwilling to sell for several reasons, such as low prices offered, to preserve inheritance and maintain traditional values. At the same time, the present corporate landowners contacted some members of the family and realised their financial problems which initiated these landowners to sell their lands. With some initial payment as a gift, the agreed landowners then negotiated and urged the other landowners to sell their land. As a result, the present corporate landowners were able to secure the land dealing with the help of some of the multiple landowners at a negotiated price of the land of RM1,747,040 in 1995. The same present corporate landowners then approached the multiple landowners of Lot 19 who are relatives of the previous landowners of Lot 20. The corporate landowners are only willing to buy the land when every multiple landowner is willing to sell and they have solved the problems with title of documents, if any. The corporate landowners appointed a local land broker (who was not registered with the Board of Valuers who had a wide local knowledge about landowners' attitudes in the MAS areas) to initiate the land dealing with the seven landowners. Although most of the landowners of Lot 19 would like to sell their land they had problem with the title of

document. The next step then was to solve the title of document with the Kuala Lumpur Land and Mine office. Years later, after the problems have been solved, the multiple landowners entered into sale and purchase agreement with the present corporate landowners at RM3,437,280 in 1996.

The corporate landowner of Lots 21, 24 and 25 is the Pembangunan MasMelayu (PMMB) who purchased these sites from the multiple landowners with negotiation on certain level of price. A corporate land development company has purchased Lots 21, 24 and 25 and proposed these sites for a 14 storey office development.

The undeveloped Lots 27 and 29 were purchased by a Malay co-operative society and have been proposed for a 17 storey budget hotel development. Since the present corporate land (owners) developers were satisfied with the price asked by the former multiple landowners, Lots 27 and 29 were purchased without any problem with price constraints. However, the present landowners having difficulty to undertake hotel development with small size of the sites. Consequently, the corporate land (owners) developers are undertaking initiatives to negotiate with the adjacent owners to release their land so that these contiguous lots can be developed through amalgamation. Since the adjacent landowners are reluctant to sell due to price and problems with some of them, the present landowners of Lot 29 intends to demolish the obsolete building to redevelop a high rise budget hotel together with the adjacent Lot 27 which is located across the road within the vicinity. The co-operative Malay society with fund available, have no problem in offering to buy at the high price demanded by the previous landowners. Upon negotiation, they managed to secure the land dealing to buy Lot 27. Consequently, the former multiple landowners were satisfied with the price offered to them by the present landowners.

However, this suggests not much of a problem in land dealing to purchase some of the above sites. It is important to realise that the multiple landowners are more reasonable in accepting the price offered to them before the 1991 development proposal, when most of the landowners had not realised the importance of speculation over their indigenous land values of their sites in the MAS areas. However, soon after the 1991 mass redevelopment proposal worth about RM400 million was promoted by the government, the landowners began asking for high prices of their lands and, hence, price or valuation constraints emerged.

In another example, Lot 34 was purchased by a corporate landowner when the former multiple landowners were having financial difficulties with the banks (Tengku Marwan, Property manager, Rohas PLC, 1997). During the negotiation with the former multiple landowners, the price offered was RM750,000 by the bank in 1985. As a result of the land dealing, the corporate landowners managed to secure the transfer of land with the price as fixed by the foreclosure. In 1991, the same corporate landowner was successful in negotiating with the multiple landowners of Lot 35 and bought the site which was developed by amalgamation with the adjacent Lot 34.

Interestingly, the corporate landowners of Lot 21 and 25 managed to have a meeting with those who have legal interests in the sites. The meeting was successful and both multiple landowners and the buyer agreed with the price. As a result, Lot 25 was purchased for RM1,097,142 in 1996 and Lot 21 was purchased for RM1,200,000 in 1995.

However, there are land developers who were unable to initiate to purchase undeveloped sites from multiple landowners in the MAS areas but were successful in dealing with landowners of developed sites and have since then undertaken renovation to suit their own uses (Lots 33, 36, 38 and 39).

In general, corporate landowners have cohesive contractual and negotiating relations with other agents which have resulted in most sites in which they are involved being developed or being able to be ready for development. The land development proposals indicate 'average' and important relationship between landowners of developed sites and land (owners) developers.

Landowners with politicians, friends, relatives and estate agents

In relation to the interactions between landowners of undeveloped sites with their family and relatives, the interactions are considered 'often' and most important as shown in Figure 6. For example, the landowner of undeveloped site of Lot 6 noted the roles of family members and friends, '... friends and family members are always consulted on land matters. We intend to sell the property to avoid conflict of interests among the multiple landowners which may occur later on. In taking the initiative to sell or to develop, those whose names are on the title will be consulted...' (Owner Lot 6, 1997).

In general, the interactions between landowners of developed sites with other agents such as politicians, estate agents and land brokers, friends and relatives are less importance and 'poor' as shown in Figure 5. In contrast, this also means that corporate landowners rely more on the expert advice from professional property consultants including planners, valuers and land administrators. The reason is simply because they have already developed.

As discussed above, there are limited interactions among landowners of undeveloped sites with co-landowners and land developers, planners, valuers and land administrators but they often interacted with their family members and friends (Landowners of Lots 1, 2, 3, 4, 5, 6, 8, 9, 11, 12, 13, 14, 15, 16, 26, 28 and 30). These restricted interactions of landowners of undeveloped sites with other agents such as the property professionals in the redevelopment of the MAS areas are a symptom of the landowners' passive behaviour to supply land for development purposes.

In contrast, corporate landowners of developed sites of Lots 19, 20, 21, 24, 25, 27, 29, 34 and 35 have developed or about to develop these sites. These corporate landowners are 'often' which indicate most important interactions with property professionals but interacted less with the land administrators at the MAS Board of Management, family members, relatives and friends. However, they tend to interact with the other landowners to search for potential sites for development. Unfortunately, the problem was the unwillingness of the adjacent owners to sell off their land for amalgamation purposes.

Owing to the importance of cohesive landowners' interactions to supply land for redevelopment in the MAS areas, an integrated effort is required of various agents, including the controller and regulator, landowners, financiers and other agents who are equally responsible for taking on the challenge to initiate the redevelopment of Malay reservation lands (Abdullah, 1997).

1.4 Conclusion

The problems with landowners' attitudes towards land development affect their interactions in the supply of land for redevelopment in the MAS areas. There are landowners of undeveloped sites who are not very keen to develop their under-utilised sites; they are difficult and reluctant to negotiate. Some of the landowners have still not yet applied for the title documents from the Land and Mines Office due to conflicts of interests in the family. Some landowners rejected the idea of redevelopment because of their own occupation and financial difficulties. Most of the

landowners are occupying the sites with some rental income from their partly rented flat or houses which contributed to the security of income and affected the landowners to venture into risky redevelopment projects. Apart from occupying the houses and refusing the idea of redevelopment, there are landowners who wish to preserve their traditional Malay houses and were satisfied with the rental income received from their leased properties. There are owners who refused to get involved with any developers since bogus developers had cheated them in the early 1970s. All these factors contributed to landowners reluctant to sell or participate in the redevelopment of the MAS areas.

With problems in title documents, financial ability, inheritance, own occupation of lands and multiple landownership, most of the landowners of undeveloped sites are reluctant to interact among themselves and with other agents. Consequently, the multiple landowners of undeveloped sites have non-cohesive interactions with planners, valuers, land administrators and the valuers. Instead, they have cohesive relationships with family members, relatives and friends. As a result, the landowners of undeveloped sites are less enthusiastic to sell or to participate in the redevelopment of their lands.

Therefore, there is a problem with the exercise of landowners' agency relations and their interactions to supply land for development in the MAS areas. This problem stemmed from landowners' uncompromised behaviour towards selling or developing their lands which has resulted in non-cohesive interactions between themselves and with other agents and, hence, no initiative was taken to redevelop the site even though the site is located in a prime location. Similarly, without a proper interaction between multiple landowners and financiers, no source of finance or a limited funding is available, the proposed development was abandoned. Difficulties resulting from loose landowners' agency relations with other agents are a symptom of the landowners' passive behaviour which contributed to the land supply constraints in the land redevelopment initiatives on the MAS areas.

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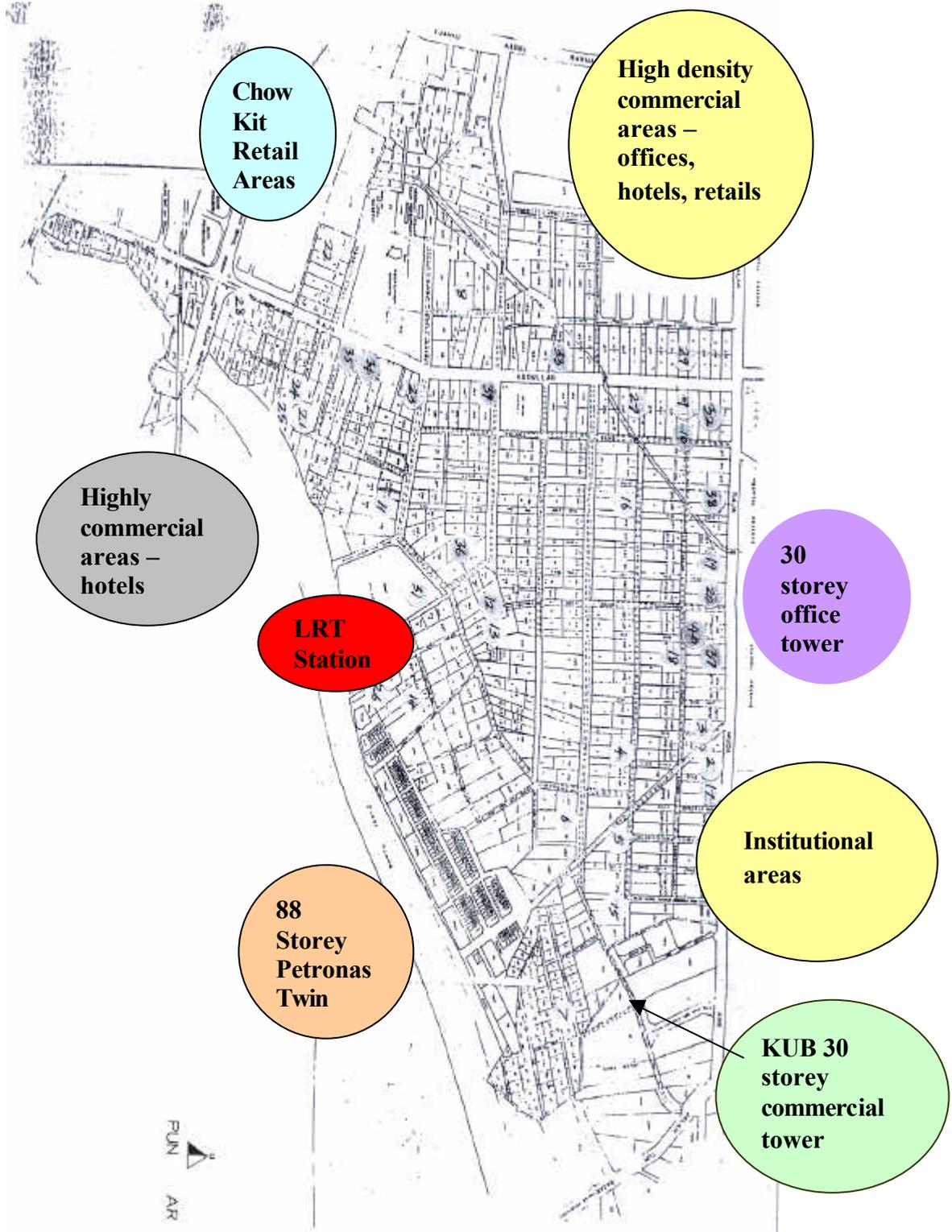
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APPENDIX A - LOCATION



Samples Used in the Study
Source: Ismail (1999)