

THE ROLE OF INSTITUTIONS IN SUSTAINING MANDATORY LOW-INCOME HOUSING

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ABSTRACT

State intervention is crucial in delivering adequate housing for the urban poor. In 1982, the Malaysian government introduced a policy mandating low-income housing of prescribed building standards within new developments. Basically, private developers are required to have a certain proportion of low-cost housing in new developments above a certain size. The “low-cost housing quota” (LCHQ) policy has delivered almost 600,000 low-cost houses. Although the literature has described housing regulations as costly and inefficient, little is known of how Malaysia’s LCHQ requirement has continued to successfully produce low-income housing.

Employing an institutional approach, this study provides a meso-level analysis of LCHQ in an understudied state in Malaysia. Findings show that planners adopt a semi-flexible stance in interpreting housing regulations, whereas developers assume strategic compliance behaviour. Furthermore, the study indicates that the mandatory low-cost housing has been sustained due to the reconciliation of actors’ motivations, negotiations between actors and reasonable regulatory mediations. By focusing on the behaviours of the two main actors in low-cost housing provision, this paper contributes to an understanding of on the ground operation of the LCHQ and, thus, informs policymakers on improvements to the existing system.

Keywords: institutions, low-cost housing, mandatory requirement, behavioural analysis

INTRODUCTION

Inadequate housing for low-income groups is a major global problem; an estimated one billion of the world’s population currently live in slums (UN-Habitat 2003, UN-Habitat 2011). State intervention is needed to ensure that the urban poor are adequately and properly housed. In Malaysia, the policy of mandatory low-income housing in new developments has been implemented since 1982. Basically, private developers are required to have a certain proportion of low-cost housing in new developments above a certain size. Known locally as the “low-cost housing quota” (LCHQ), this policy has delivered almost 600,000 low-cost housing units nationwide of acceptable construction and planning standards. More recently, a similar mandatory arrangement to impose affordable housing has been implemented elsewhere. An example is the Section 106 planning agreements in the UK and Section 75 planning agreements in Scotland (Burgess and Monk 2011). This indicates the relevance of mandatory affordable housing for low and low-medium income groups.

The costs and inefficiencies attributed to housing regulations are discussed in most of the housing literature (Dowall and Clarke 1996, Malpezzi and Mayo 1997, Bertaud and Brueckner 2004, Bertaud and Malpezzi 2001, Hannah et al 1989). On the other hand, there has also been discourse on the assessment of low-income or affordable housing policies

(Agus et al 2002, Monk et al 2005, Whitehead 2007, Whitehead et al 2010, Whitehead and Monk 2011). Less explored are the factors behind the longevity and success of the mandatory low-income housing requirement. This paper seeks to contribute to the literature by explaining how the interactions of institutions with policy have sustained the provision of mandatory low-income housing in Malaysia. Drawing upon behaviour institutionalism, a meso-level analysis was undertaken to explain why the LCHQ has worked in Malaysia. The empirical work was based in Terengganu, a state in Malaysia which has been less studied in this regard compared to the federal territory of Kuala Lumpur and states of Penang and Johor (see for instance Wan Abd Aziz et al 2008).

The literature review section provides the theoretical framework for this study. First, the concept of sustainable low-income housing is discussed within sustainable development parameters to highlight the importance of state intervention in non-market housing. This leads to the discussion on state-mandated low income housing. Next, theories of behavioural analysis in housing studies are discussed to frame the research approach undertaken. Subsequently, the context of the study is presented as a precursor to the findings and discussion on the operations of housing regulations in current practice. The findings will illustrate how the institutionalised behaviours of the main actors have helped sustain the LCHQ policy throughout the years, with support from pre-existing legal, economic and political frameworks.

This paper applied the state/planner and market/developer paradigm by Adams (2008) in explaining the operation of the LCHQ on the ground. By focusing on the behaviours of the two main actors, this paper offers insights into processes in the implementation of the LCHQ that could explain its longevity. Flexibility in implementing the LCHQ and related building standards imply that the policy is adaptable to specific circumstances of individual housing developments, in which case the perpetual call by private developers to abolish the LCHQ has no basis.

LITERATURE REVIEW

Sustainable development and sustainable housing for the urban poor

The 'sustainable development' concept was the guiding principle for socio-economic development in many countries since the United Nation's Report of the World Commission on Environment and Development: Our Common Future was published in 1987. Widely known as the Brundtland Commission Report, housing and services for the urban poor were among the main areas of focus.

The discourse on sustainable development policy in Malaysia has been generally restricted to the assessment of sustainable development policies and practice. Various authors have investigated the implementation of sustainable development policies on the environment (for instance Chan and Parker 1996), ecology (for instance Hezri and Hasan 2004, Hezri and Hasan 2006) and energy (for instance Mohamed and Lee 2006, Goh and Lee 2010). Less attention has been paid to sustainable housing. Yet, the country's low-cost housing quota (LCHQ) has produced almost 600,000 low-cost houses since 1982. An examination of the mechanisms of the planning law can shed some light on how to promote sustainable housing development and, thereafter, prescribe the steps needed to improve the system (Aluko 2011, Aluko 2012).

State-mandated low-income housing

State regulation is one of the mechanisms to control housing market actions, internalise externalities and incorporate public interest considerations (Tiesdell and Allmendinger 2005). Low-income housing is a public good, carrying a low effective demand which necessitates state intervention in ensuring its supply. In many developing countries, direct state provision of low-income housing has failed due to limited resources (Keivani and Werna 2001) and poor state commitment (Arku and Harris 2005). As an alternative, the state has indirectly secured low-income housing supply through the planning system. Throughout the world, planning obligations are used to convert benefits accrued to landowners caused by the planning system into public goods. This scheme is also described as a *betterment tax* on the land value with planning permission (Monk et al 2005). Examples are the Section 106 planning agreements in the UK, Section 75 planning agreements in Scotland (Burgess and Monk 2011) and the LCHQ in Malaysia.

The literature on housing mainly discusses the price and supply effects of these housing regulations and the welfare effects of housing regulations. More recently, however, there has been increasing interest in examining the actual operation of housing regulations against the pre-existing legal, economic and socio-political institutions (Burgess and Monk 2011, Adams 2008, Whitehead et al 2010, Whitehead 2007, Monkkonen 2013). Closer to home, despite the restrictive urban land use regime in Indonesia, Monkkonen (2013) showed how its flexible implementation enabled informal housing production which, in turn, stabilised the general house price. The emergence of this second branch of literature signals a growing trend in studying processes rather than just outputs of a social phenomenon. This alternative approach argues that the institutional dynamics that shape the provision of housing in the regulatory environment are tempered by those pre-existing institutions.

Institutions in housing development

The sustainability of state-controlled housing development has been discussed at the macro-level context in both developed and developing economies (Burgess and Monk 2011, Whitehead and Monk 2011, Crook et al 2006, Aluko 2011, Aluko 2012). However, housing researchers have increasingly brought the analysis of regulations to the meso-level; studying the implementation methods and outcomes due to mediation of institutions (Monkkonen 2013, Awuah and Hammond 2014). This follows the argument that the housing market, being highly disaggregated at local levels due to various institutional interfaces, frustrates the assumption of a unitary market (Adams et al 2005b).

Based on the argument for a meso-level analysis, the effects of regulations may be inferred from the economic behaviour of key actors and the actual housing outcomes produced by actors' interactions. Theories of human behaviour rest on the concepts of *habits*, as suggested by Hodgson, which normalise social rules into widely accepted and durable social systems (1998, 2006, 2000). In policy studies, these *habits* or institutionalised perceptions and practices of actors are economic behaviours that can explain how policies operate. The behavioural analysis is accepted in property studies as an institutional approach that has enriched property research methodologies (Ball 1998, Adams et al 2005a).

Whilst there are a number of actors involved in producing low-income housing, fundamentally, its supply depends on planners and developers. Planners and developers represent the state and the market, respectively (Adams, 2008). Ball (2003b, 2010b) showed how the operations of planners and developers determine the responsiveness of the supply side in meeting housing demands. Behaviours of planners are linked to the characteristics of the Local Authority (Ball 2010) and display flexibility to accommodate the complex

development process (Monk et al 2005, Monk and Whitehead 1999, Tiesdell and Allmendinger 2005) which is enabled by their highly discretionary powers (Ball 2010, Satsangi and Dunmore 2003, White and Allmendinger 2003). Public interest (Campbell and Marshall 2000) and local socio-culture (Monkkonen 2013) are two motivations that can influence negotiations between developers and authorities in housing development.

In recent literature, developers' motivations have been described as speculative and profit-seeking (Monk and Whitehead 1999, Keivani and Werna 2001). Coiacetto (2001) reduced developers' behaviour at the micro-level as analogous with the natural world where human-agents display a myriad of motivations in the decision-making process. Ball's work on the structure and behaviour of house builders concluded that they are highly dependent on the local context (Ball 2003). Developers' strategic, and opportunistic, behaviour is due to incomplete information within property markets (Ball 1998). Whilst adopting a general strategy of avoidance when faced with mandatory affordable housing requirements (Evans 2009), a strategic behaviour is also adopted to obtain profits from the whole development (Burgess and Monk 2011, Crook et al 2006, Monk et al 2005). More importantly, developers still make a profit over mandatory affordable housing (Dubben and Williams 2009).

A key feature of the planner-developer relationship is the ability to enter into negotiations (Cullingworth and Nadin 2006), which has been cited as imperative in securing Section 106 planning agreements (Burgess and Monk 2011). At the same time, politics and politicians temper this relationship, sometimes overriding planning objectives (Campbell and Marshall 2000). Political support for affordable housing is often in the name of public policy (Campbell and Marshall 2000, Monk and Whitehead 1999), for instance, enforcing Section 106 agreements despite unfavourable economic conditions (Burgess and Monk 2011). At the same time, the lack of political will among planners has had a negative impact on Section 106 implementation in the UK (Evans 2009, Monk et al 2005).

RESEARCH METHODOLOGY

The legal environment controlling low-cost housing development depends on the interpretation and mediation of regulatory documents and processes by the state actors on the market actors. Whilst numerous regulations are imposed on housing development, pertinent to the research topic is the low-cost housing quota (LCHQ). Concurring with Adams (2008), the proxies for the state and the market, respectively, are planners and developers. Semi-structured interviews with key-informants were undertaken to examine the perception, behaviour and operational experience of planners and developers pertaining to the LCHQ implementation. Key informant interviews entail "interviewing a select group of individuals who are likely to provide needed information, ideas and insights on a particular subject" undertaken on "a small number of informants" and has the advantage of giving "data and insight" that may not be yielded by other methods (Kumar 1989).

Seven senior planners and seven developers in the state of Terengganu in Malaysia were interviewed. The planners interviewed comprised a senior level planner from the Federal Town and Country Planning Department, a senior level planner from the State Economic Development Corporation and four planning officers from the Local Authority, with working experience ranging from five to 27 years. All the developers who were interviewed were from companies with prior experience developing low-cost housing in the state. Developer interviewees comprised executives, managers and general manager/owner at the companies, with working experience ranging from five to 35 years. Two developers were with government-linked companies, i.e., semi-government agencies, whilst the remainder were

private developers. All interviewees were familiar with the procedures of low-cost housing development in the state.

The main objective of the interviews was to analyse the ways that the mandatory low-cost housing requirement was mediated by planners, perceived by developers and negotiated by both of them. Face-to-face interviews were undertaken. The interviews were transcribed and manually coded through content analysis looking for common themes that emerged. The coding exercise yielded the themes reported in this paper. Memos maintained throughout fieldwork and the coding process were used as reinforcements and reference points, i.e. a 'log trail' as suggested by Richards (2005).

The study took place in Terengganu, an under-studied state in the east coast region of Peninsula Malaysia. The interviews were aimed at obtaining an in-depth explanation of the operation of LCHQ in the study area and not at generalising LCHQ at the macro level. In this regard, the study supported the notion of the disaggregation of housing markets at the regional or local level resulting from the country's legal structure, geography, local economic conditions and resources (Adams 2008). Secondary data from various government publications and websites were reviewed to support the analysis.

CONTEXT

Low-cost housing in Malaysia

In Malaysia, low-income households are those households with a monthly income of RM2,500 (about USD800) and below (MHLG 2011). Low-cost housing is a type of housing which is heavily subsidised and centrally planned (see Figure 1).



From left to right: Common facilities including day-care centre, community hall and playground

Low-cost Housing and Facilities

Source: Authors

Figure 1

The houses must comply with building standards and public amenities requirements set by planners. Owned units are sold at a price between RM25,000 (USD8,000) in smaller cities and RM42,000 (USD13,000) in major cities whilst rental units are let at well-below market rents (MHLG 2009). Although both owned and rental house types are available, home ownership is highly promoted in the national policy. The type of housing under the LCHQ depends on land prices - multi-storey 3-bedroom flats are more common in more land-expensive major cities whereas single storey terraced or detached units are still available in cheaper-priced towns.

Malaysia Plan	Public sector low-cost housing			Private sector low-cost housing		
	No. of units planned	No. of units built	% achievement	No. of units planned	No. of units built	% achievement
1MP (1966-70)	-	22,522 ²	-	-	-	-
2MP (1971-75)	-	13,244	-	-	-	-
3MP (1976-80)	62,100 ³	39,490 ³	63.6	-	-	-
4MP (1981-85)	176,500	71,310	40.4	90,000	19,170	21.3
5MP (1986-90) ⁴	42,880	26,172	61.0	130,400 (o) 240,000 (s)	4,937 (o) 83,940 (s)	3.4 (o) 35.0 (s)
6MP (1991-95)	24,430	10,669	43.7	44,080 (o) 171,620 (s)	80,678 (o) 131,325 (s)	183.0 (o) 76.5 (s)
7MP (1996-2000)	29,000	45,583	157.2	137,000	127,514	93.1
8MP (2001-2005)	175,000	81,108	46.3	39,000	94,029	241.1
9MP (2006-2010)	67,000	42,300	63.1	80,400	53,500	66.5
TOTAL	576,910	352,398	61.1%	932,500	595,093	63.8%

Note:

¹ where there is data discrepancy between two MPs, the information in the subsequent MP was adopted

² for Peninsula Malaysia only.

³ for the period 1971-1980.

⁴ in 1986, the Special Low-cost Housing Programme (SLCHP) was introduced as an economic stimulus effort involving the private sector. Information on this programme was not contained in the previous MP. Here, (o) denotes ordinary low-cost housing and (s) denotes special low-cost housing.

Low-Cost Housing Achievements During Each Malaysia Plan
Source: Extracted and Compiled From Various Malaysia Plans (1966-2010)

Table 1

Mandatory low-cost housing delivery system

Being a former British colony, Malaysian town planning is similar to the UK planning system. The primary town planning legislation is the Town and Country Planning Act 1976 (TCPA), closely modelled on the UK Town and Country Planning Act 1947. This planning system is based on a three-tier development plan at the national, State and Local government

levels. The Low-Cost Housing Quota (LCHQ) requirement can be imposed on developers as part of the conditions for obtaining approval for the development. In Malaysia, mandatory low-income housing requirement is the prerogative of the State Authority rather than planners. The role of local planners is mainly to monitor the construction of low-cost housing.

The supply of low-cost housing is projected over the medium term five-yearly Malaysia Plans and transmitted in the local plans. Currently, Malaysia is under the tenth Malaysia Plan (2011-2015). Table 1 displays the achievement rates of actual built against planned low-cost houses. It can be seen that there has been mixed results in achieving targets. However, the quality of low-cost housing is now comparable to market-produced housing. In total, 932,500 low-cost houses were built from 1982 to 2010, of which 62.8% or 595,093 units were built by private developers. Evidently, the mandatory LCHQ has been steadily producing low-income housing since its implementation in 1982.

The role of low-cost housing in Malaysia is unique as it was conceived as part of the social engineering strategy following the ethnic riots of 1969. The divide-and-rule policy during British colonisation separated the three main ethnic groups in different economic and geographical settings, fostering distrust and perceptions of inequality, which finally erupted in the 13th May Tragedy of 1969 (Abdullah 1997). Thereafter, low-cost housing in Malaysia has assumed a social-engineering function to correct ethnic-based economic imbalances, specifically, to facilitate more equitable wealth creation and sharing.

The study area of Terengganu

In general, there is economic disparity between the east coast and west coast regions of Peninsula Malaysia. The housing markets of previously poorer States, such as Terengganu, have been overlooked due to their perceived unimportance. However, Terengganu has experienced unprecedented growth due to the discovery of petroleum in the late 1970s and also due to various government efforts to close the east coast-west coast economic gap (State Authority of Terengganu 2006).

A direct result of the economic expansion is rapid urbanisation in the state, whereby the urban to rural population ratio rose from 47.1:52.69 in 2000 to 54.0:46.0 in 2008 (State Economic Planning Unit 2009). During that period, the urban population of Terengganu increased by 165,797 compared to 25,903 in the rural population (State Economic Planning Unit 2009). In other words, the state's urban population grew more than six times its rural population. This unprecedented urbanisation of Terengganu caused housing affordability among low-income groups to worsen.

Based on fieldwork, there are currently five types of low-cost housing developments in Terengganu (Table 2), namely, State-funded projects, Federal-funded projects, 'privatisation' projects, low-cost housing quota imposed on new developments, and projects by government-linked development companies. Both the State Authority and the Local Authority play a role in regulating low-cost housing but the State Authority is the sole organisation which distributes the completed units via the Housing Department of the State Secretary's Office (Table 2). Under these regulatory bodies, private contractors build the housing units by a system of tenders.

The low-cost housing quota requirement secures private low-cost housing supply. Any proposed private land development above three hectares must obtain an endorsement from the State Authority of Terengganu whereby a minimum of 25% low-cost housing must be

built. To reiterate, the right to impose LCHQ is within the prerogative of the State Authority whilst Local Authority planners are responsible for monitoring and ensuring the construction of the low-cost houses. In 2009, the total combined low-cost housing demand in Terengganu was estimated to be about 25,000 units (State Economic Planning Unit 2009). According to information from the State Housing Department, the state will only build 12,000 low-cost houses. Thus, there is a heavy reliance on the LCHQ and, by implication, private developers, to build the remaining demand for low-cost houses.

Development method	Role of housing agent						
	Initiator	Project Management	Regulator	Project funding	Construction	Distributor	End-financing
State-funded projects	SA	SA	LA SA	SA	PS SA	SA	PS SA
Federal-funded projects	FG SA	FG SA	LA SA	FG	PS	SA	PS
'Privatisation' (public-private housing partnerships)	PS	PS	LA SA	PS	PS	SA	PS
Low-cost housing quota imposed on new development	PS	PS	LA SA	PS	PS	SA	PS
Government-linked development company	PS	PS	LA SA	SA	PS	SA	PS SA

Note: LA – Local Authority, SA - State Authority, FG – Federal Government, PS – Private Sector

Matrix of Low-Cost Housing Production in the State of Terengganu
Source: Authors - Derived from Fieldwork
Table 2

FINDINGS

Motivations of actors

The study found that developers perceive the building of low-cost housing as a necessary evil to derive profits from the whole development. This supports the description of Malaysian private developers as profit-motivated business entities in previous literature (see for instance Agus 2002). The following comments corroborate the general perception of developers' reluctance to build low-cost houses:

“There is little profit from low-cost housing. If we build it, it is to fulfil the condition and requirement imposed on us.” (Developer 4)

“They have many ways to avoid the low-cost housing requirement. For instance, they subdivide the land. If the land is more than 10 acres, they have to go to State level for approval. So they subdivide into 2 acre parcels. There's a loophole there. The law allows that. The National Land Code allows for subdivision, etc. We cannot prevent that.” (Planner 1)

This sits well with theories of developers' strategic behaviour (Coiacetto 2001, Ball 2003). Without the mandatory LCHQ, developers would not have ventured into the low-cost segment of housing due to its low profits. However, the unique role of low-cost housing in the Malaysian socio-economic landscape negates a one-dimensional outlook on low-cost

housing by developers. State-linked developers may see low-cost housing provision as part of their scope of business, as illustrated by Developer 1 who represents a State-linked company:

“We as a GLC (government-linked company) have to follow the State’s request. So you have to follow whatever requirements of the State. If the father asks you to do something, you have to obey. For the others, it’s a friend’s request so you are able to negotiate.” (Developer 1)

Thus, the developer’s organisation type may influence the degree of involvement in the provision of low-cost housing. A State-linked developer may have higher social and contractual obligation motivations to produce low-cost housing compared to conventional private developers. As argued by Ball (2003), the structure of the house-building industry has a significant influence on the housing supply besides other institutional factors such as the legal and economic framework. In the case of Malaysia, government-linked developers not only pursue business interests, but also must accommodate government aspirations on low-income housing.

In contrast, planners in this study generally propounded the socio-economic benefits of low-cost housing and were pessimistic about the voluntary provision of low-cost housing by private developers. At the same time, they were also mindful about the business efficacy of developers and were prepared to impose only the bare minimum in terms of housing standards on low-cost housing. Thus, planners must play a balancing act to preserve public interest as well as business interests (Campbell and Marshall 2000). A planner explained how this balance is pursued in practice:

“If developers see profit as their main objective, we as government officials see all sides - developers, house buyers and surrounding people... Open space, how much must they allocate and we have to ensure that they provide it. In terms of public facilities such as ‘musolla’ (small mosque), public hall, car park, shops we have to ensure all of these in their proposed development. All the required components must be provided. But we don’t require drastically above that, even though we have the guideline (to back us up) we have the flexibility there. When they provide other facilities such as TNB (electricity sub-station) and sewerage reserve, we can take part of those as part of open space to prevent the project from becoming non-viable. So it’s balanced.” (Planner 6)

Generally, it was evident that developers and planners have different points of views on the LCHQ; one from the business perspective and the other from the public interest perspective. Be that as it may, developers and planners have worked together to achieve their respective goals. Developers would not voluntarily build low-cost housing but do so in order to reap profits from the overall development. In turn, planners ensure that the low-cost housing component has acceptable standards and amenities, but do not over-tax developers’ profits.

Effects of the pre-existing legal structure

The wider legal dimension has the ability to determine housing outcomes. The federation of Malaysia was established in 1963, with the Federal Constitution of Malaysia outlining the division of authority among the State and Federal governments. The State Authority has constitutional rights over land matters within the state boundary. This greatly impacts the implementation of mandatory low-income housing. The State Authority, rather than planners, has the power to set the quantum of the quota, phasing, price and minimum building

specifications. Appeals on LCHQ details are referred to the State Authority rather than planners.

In this regard, the interviews revealed that this arrangement is not satisfactory to private developers who must conform to the control and licensing requirements of the federal Ministry of Housing and Local Government (MHLG) as well as comply with the State Authority's conditions.

“As far as monitoring, the State Authority and MHLG are not on the same page. The Local Authority is supposed to be under MHLG but even though MHLG prepare their acts and guidelines, at State level it may be different. They may be changed depending on the State's own laws.”
(Developer 5)

This arrangement poses a source of conflict between the State Authority with its constitutional power over land matters, developers who aim to rent land as cheaply as possible and the Local Authority which is also the planning authority tasked with ensuring that the local people's collective needs are met. Planner and developer interviewees acknowledged this conflict but developers were more concerned with the bureaucracy arising from the arrangement:

“There are cases of tension among three parties: the State government, the Local Authority and the developer. The developer will maintain his right as given under the act. The Local Authority acts as the middle party to approve and at the same time implement State policy.” (Planner 4)

“It's (the set of regulations) not very rigid. The bureaucracy is more of a problem.” (Developer 4)

Pre-existing institutions, including the legal structure, have been shown to interact with the housing market and temper the operation of government policy in practice (Adams et al 2005b). In this study, the legal division of authority has significantly reduced planners' power over LCHQ, but has made planners more committed to safeguarding standards. In addition to minimum building standards, planners have taken care to ensure that the low-cost units are built at suitable locations, with accompanying amenities and infrastructure.

Impression of stochastic development controls

Although the State Authority has the ultimate power over LCHQ, Local Authority planners still possess significant leeway under the regulatory system to implement regulations in a way that confers net benefits to society. For example, planners in this study said they made certain that low-cost housing was not built on unsuitable sites in terms of location and physical attributes (e.g., flood-prone areas or reclaimed rubbish dump sites) and also improved the environment of the low-cost housing scheme by providing communal space, open space and good road networks.

'Flexibility' was a recurring theme across most interviews with planners, whereas 'uncertainty' appeared almost as frequently in interviews with developers. Discretionary flexibility provided room to manoeuvre for planners, enabled negotiation and planning with developers and helped resolve conflicts on a case-by-case basis, but also resulted in non-standard enforcement of regulations from one project to another. Another weakness which was brought up is the poor conveyance of procedural matters to developers who are affected

the most by controls on housing development. As a result, developers have a perception of manipulation or, worse, corruption, in the development control process. These “stochastic development controls” (Mayo and Sheppard 2001) have been said to increase uncertainty in the development process. Some illustrative comments from this study:

“I think the planning permission stage is OK. But what happens after that, after we have undertaken sub-division and about to apply for building plan submission. Sometimes, the conditions for planning permission which has already been given may change suddenly. So that is inappropriate.” (Developer 6)

“When they come up with all the checklist or format, they have to inform all those related to them. They have to give notice.” (Developer 2)

“We are not clarified. Normally, the developers are forgotten. When they want to implement something, they just implement it without briefing us or informing us in detail. Sometimes, we only get to know about it when we read the newspaper... When we submitted (an application), we got a surprise: Oh, so there’s a new legal requirement now.” (Developer 7)

Planner interviews revealed a public interest motivation in interpreting regulations. This was evident in considering developers’ economic capability when imposing conditions and enforcing developers’ regulatory non-compliance. The public interest motivation in planning is natural as the planning process is generally a balancing act of different concerns for a large number of interests (Monk and Whitehead 1999, Cullingworth and Nadin 2006). However, planners in the present study indicated a high degree of input from local politicians, including in low-cost housing provision, encapsulated in the remarks by Planner 3 and Developer 3 below”

“The ones who make decisions are not professionals or experts in this matter but the politicians.” (Planner 3)

“The issue here is it (low-cost housing) involves politics” (Developer 3)

Whatever regulatory flexibility available to local planners is, therefore, used to serve the public interest and further shaped by input from local politicians. This has led to the preservation of the LCHQ which is seen to promote housing equity among the urban poor, especially with a national housing policy that encourages home ownership.

Planners’ accommodationist attitude

Planner interviews revealed the tendency for an ‘accommodationist’ attitude among local planners. An ‘accommodationist’ attitude is represented by relaxing stringency to enable more housing supply during increased demand pressure (Mayo and Sheppard 2001). Being accommodating includes negotiating with developers in their Local Authority area and considering the overall project viability as reflected by the following remarks:

“We at the Local Authority, we use the negotiation method whereby we explain: When you do this, you must make a social contribution.” (Planner 4)

“Here, before the applicant submits the application, they can still come in for negotiation.” (Planner 7)

“We at the government sector, we look at the interests of the development stakeholders... Open space, how much must they allocate and we have to ensure that they provide it. In terms of public facilities such as ‘musolla’ (small mosque), public hall, car park, shops we have to ensure all of these in their proposed development... But we don’t require drastically above that, even though we have the guideline (to back us up) we have the flexibility there. When they provide other facilities such as TNB (power sub-station) and sewerage reserve, we can take part of those as part of open space to prevent the project from becoming non-viable.” (Planner 6)

Bargaining with developers is allowed under the Malaysian planning system. However, operational differences exist between planners and developers, especially regarding time frames (planner-long term, developer-short term) and objectives (planner-public interest, developer-profit) (Cullingworth and Nadin 2006). Thus, planners will not continually display accommodationist behaviour as it can give a perception of weakness and will balance their agreeableness with a strict enforcement attitude. For example, one planner monitored the developer’s construction progress to ensure that the low-cost housing component was built alongside commercial housing:

“We know that if we leave development phase to the developer, they will build the high cost first. The progress of the low-cost and medium-high cost should be parallel. Don’t wait until all the high cost housing is completed and they abandon the low-cost housing. We monitor them.” (Planner 6)

Monitoring is identified as one crucial element in regulatory implementation (Burgess and Monk 2011). Planner 5 who was a Local Authority planner made the effort to be familiar with the local private developers and their activities in the Local Authority area to catch non-compliance early:

“We can identify the recalcitrant developers because we know local developers here. If we feel that they want to avoid planning requirements, we catch them from early on.” (Planner 5)

The in-built flexibility in the regulatory structure would not have resulted in a regulatory environment that is optimum for developers’ operation if not for the accommodationist attitude of planners. Regulatory flexibility must be coupled with a facilitative attitude from planners to enable a conducive environment for both low-cost housing provision and developers’ business sustainability. Nevertheless, the flexibility is not total and planners still retain control over the proper construction of the approved development.

To summarise, low-income housing is a public good that requires a high degree of state intervention. In the past, direct state provision of low-income housing proved to be too resource-consuming and unsustainable in the long run. This led to a strategy of indirect provision through mandatory low-income housing requirement, normally administered through the planning process. However, this approach did not attain a high degree of success in most countries.

In contrast, Malaysia has experienced a significant degree of success in mandatory low-income housing achievements. The country produced more than 900,000 low-cost houses, two thirds of which were built by the private sector within a span of 30 years. The focus of this paper is to understand how the private sector was coaxed to build 600,000 non-profit housing units since 1982.

The motivations of actors have been a significant contributor to the above. The transience of housing developers and their profit motivations have been effectively tempered by planners' public interest objectives. Developers have had no choice but to build the mandated LCHQ housing imposed by planners in order to obtain the profits from the bigger scheme. On the other hand, planners have been driven by public-interest objectives whereby the community will be enhanced by adequately providing housing for the urban poor.

The country's separation of powers between the Federal and the State governments could have thrown a wrench in the works, if developers' complaints of disharmony between Federal and State agencies were to be seriously considered. However, it should be pointed out that the national and state governments have been in the control of the same ruling coalition political party for 11 out of 13 general elections since 1957. Thus, the discrepancies should be assigned to procedural disjoints, rather than serious inherent failures of the system. The Federal Government is aware of the agency discrepancies and overlaps, and has continuously improved the housing delivery system. For instance, in 2007 the cumbersome development approval process was revamped and the One Stop Centre system was introduced.

The 'flexibility' vs. 'uncertainty' debate over the nature of the current development control points to the former as the spirit of the seemingly stochastic system. Planners showed the tendency of making decisions that can favour developers, especially when basic requirements for the public interest were fulfilled. It is in the best interest of the community as a whole to have a strong local economy and a thriving property development industry can contribute towards this objective.

Therefore, as long as the public interest is not negatively impacted, an accommodationist attitude by planners will foster a business-friendly environment and encourage new developments that can further produce LCHQ houses. This organic arrangement can only be described as an 'unspoken strategic alliance' that has worked since 1982.

CONCLUSIONS

This paper shows how actors' behaviours have sustained the mandatory low-cost housing policy in Malaysia for three decades. Although the development sphere comprises interactions between various actors, including technical agencies, financial institutions, contractors and professionals, the two main players are planners and developers who could be seen as representatives of the state and market (Adams 2008) and, thus, were the focus of this paper.

Despite the seemingly onerous requirement to build housing that sells below market price, Malaysian developers have been facilitated by the flexible planning system and the accommodationist attitude of planners to engage in low-cost housing. Findings clearly indicated that developers would not have built low-cost housing if not for the strict imposition of LCHQ by the State Authority. Although developers complained of stochastic development control, the imposition of LCHQ actually provides some certainty in that it guarantees the right to develop the whole development scheme. Nevertheless, this paper has shown how the negative opinion of LCHQ among developers might have been exacerbated

by their perceptions of opaque and unsystematic procedures of negotiations and decision-making by planners. Rather than abolishing the LCHQ, improvements to the implementation process could assuage private developers' scepticism. A more structured and targeted information dissemination from policymakers to implementers (planners) and affected parties (developers) could provide a platform towards better understanding and implementation of LCHQ and related regulations.

Finally, local politicians have played an important role in exerting pressure on developers to supply low-cost housing in their constituencies. However, planners have been equally essential in the current delivery system as they must correctly assess and balance developers' business capability and society's needs. The government institution has therefore effectively interacted with the regulatory system to produce low-cost housing in a way that has worked since 1982. Malaysia's economy is a typical Asian economy in that state intervention is a significant market factor. The LCHQ is essentially a tool to compel the private sector to produce a type of public goods. The Malaysian experience shows that a mandatory low-income housing requirement may work in countries with a strong command economy rather than market tendencies.

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