

# PROPERTY SECTOR BOOST

## Government unveils guidelines to improve delivery system

The Sun - 16/4/2007

### PRIME MINISTER DATO' SERI ABDULLAH

Ahmad Badawi had last month announced several moves by the government to boost the property sector in the country. Among them was a new package of incentives for investors at the Iskandar Development Region (IDR) in southern Johor. Companies at the IDR involved in certain industries in specified zones will enjoy tax exemption for 10 years provided they start operations before 2015 and they need not comply with Foreign Investment Committee rules. Abdullah had also announced the abolition of the real property gains tax (RPGT) from April 1 and this is expected to boost property transactions.

Underlying the success of these efforts to improve the overall investment climate, however, would be the efficient and effective implementation of these measures. Realising this, Abdullah in the same breath that he announced these incentives, pledged that the government would improve the public service delivery service, cutting red tape in local government. Indeed, improving public delivery service would require commitment from every sector of the civil-service.

The government is serious about enhancing a public service delivery system that will facilitate a more efficient and unencumbered business environment. This will also benefit the rakyat when things start moving at a faster speed.

At the Invest Malaysia Seminar where he made these announcements, the Prime Minister reiterated the importance of the close partnership between government and businesses, which he says forms the foundation of Malaysia Inc. But more importantly, he said it was imperative to shift the basis of the partnership to that of tangible achievement and performance and to do this, the need to enhance the public service delivery system becomes crucial.

Deputy Prime Minister Dato' Seri Najib Tun Razak, when addressing the Global Islamic Finance Forum 2007 on the economic outlook and business opportunities in Malaysia, said Malaysia's gross domestic product (GDP) is expected to grow at a healthy 6% this year, a pace expected to continue over the medium term. The private sector will continue as the main driver

of growth for the fifth consecutive year while the public sector will play a supportive role, the Deputy Prime Minister added.

### Latest guidelines

One sector that will benefit from the commitment of the country's top leadership to improve the delivery system is the property sector — and this commitment is palpable in the latest guidelines outlined by the Ministry of Housing and Local Government.

The latter has come forward in response to the call by the top leadership to enhance delivery service and it has begun to do so by initiating several measures which will benefit developers and property buyers.

The commitment from the government towards a more efficient public delivery service is geared at a strengthening of the property development sector, which seems to be just waking up from slumber after two years of lukewarm activity. In real terms, the property development environment has not seen the robust years of pre-1997/98 and early 2000. As such, the new regulations and guidelines would help to push the sector back into action mode.

### One-stop centre

For one, the government has taken the step to address issues highlighted by developers with regards to the delays in getting approvals for development projects. A judicious move has been made to improve the approval process to enable development projects to obtain approval within six months with the implementation of a new one-stop centre (OSC) for development approval.

This would be a welcome change for developers who were previously subjected to an approval process which could take years.

A fast-track approval of four months would be given to developers who employ the Build Then Sell (BTS) method; involving change in land use, sub division, planning and building plan. Apart from the preference given to BTS, the fast-track approval will also benefit government and high-impact projects, mainly those that attract foreign investments. The OSC will facilitate the formation of a one-stop centre committee, which effectively replaces the Planning and Development of the

local authority chaired by the president or mayor of the Local Council and its members consisting of officers from the various technical departments. With this, delays caused by unnecessary red tape and bureaucracy can be reduced.

To further tackle delays, the Ministry has also made a move to replace the Certificate of Fitness for Occupation, which is issued by the local authority, with the Certificate of Completion and Compliance (CCC). The latter will be issued independently by professionals such as qualified architects or engineers. This move is also a step towards de-regulating the industry whilst making professionals involved accountable for the state of development in the country. The enforcement for the CCC system for all states started on April 12.

### Build Then Sell

Although developers are encouraged to adopt the BTS concept, they have the option to continue with the conventional Sell Then Build (STB) method. The BTS will be executed alongside the existing STB method for a transition period of two years. The developers are free to choose BTS or STB. After the transition, the effectiveness of the concept will be evaluated.

There are currently two variants of BTS — the complete BTS 0:100 and partial BTS 10:90. The complete BTS is where the developer only sells the house when it is fully completed with a CCC. There will be no down payments of progress payments involved. While in the partial BTS, the developer can sell house units before completion. Under this 10:90 concept, buyers will make a 10% down payment when making house bookings by signing a Sale and Purchase Agreement and settle the remaining 90% when the house is ready.

The benefits of this concept are that the rights and responsibilities of the buyers and developers will be stated clearly, while banks and financial institutions are able to fund projects as there is proof of a sales transaction.

Surely, housebuyers who have been in a quandary about paying for homes that never saw completion, or taking possession of homes that did not match up to the promises on quality and standards made by the developer, would welcome this.

Whilst the BTS will co-exist with the current Sell Then Build method, where purchasers buy off the plan and progressively pay while the development is under construction, the government wants to encourage developers to use the BTS method. Therefore, developers who employ the 10:90 variant, would be given incentives. They are exempted from paying the RM200,000 in deposit fee for the housing development licence and, more significantly, full release from the low-cost homes construction quota.

They will also be given priority for all approvals in land use, sub-division, planning and building plan. The fast track development approval process for BTS projects is shown in a flow chart (see next page) prepared by the Ministry. The chart shows the working process and time frame for each department. The whole process of development approvals can be done within four months. The short time frame for approvals is made possible through the OSC where the applications for conversion and subdivision, surrender and realienation, planning permission and building plan can be made concurrently.

### Building and Common Property

Another significant move is the creation of Act 663 — Building and Common Property (Maintenance and Management) Act 2007. Not only does this facilitate faster approval for strata title application, it also addresses issues related to the management and maintenance of the building, which is especially crucial before the formation of the Management Corporation (MC). To reinforce this, a Commissioner of Building (COB) will be appointed to be the consistent factor between the pre-MC and post-MC period. This simply means that the COB will ensure that all parties involved play their roles — for instance, the developer will have to ensure that monies collected are utilised efficiently while property owners are bound by law to pay the required charges.

The Housing and Local Government Ministry is serious about making delays a thing of the past. It wants to play its role in facilitating the growth of the country's property sector while protecting housebuyers' interest at the same time.