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## GOOD HOUSING GOVERNANCE MANAGEMENT IN INDONESIA

An Ras Try Astuti

### ABSTRACT

The dynamics of housing and settlements in Indonesia cannot be separated from the dynamics that occur in people's lives and government policies in managing housing. The research in this paper aims to develop good housing governance management in Indonesia. Providing adequate housing facilities for the ever-growing urban population is a serious problem. Such a problem is easy to understand, but the Indonesian government has not managed to deal with it purely as a housing problem. Because the root of the problem is housing urbanization policies must be part of the urban management scheme, taking into account all urban-related issues: population density, demographic growth, squatters in slums and public facilities. In supporting the urban management macro scheme, there are micro schemes to be implemented. This research was conducted to provide an overview of the definition of housing in Indonesia, efficiency in reducing the social costs of home ownership and good housing procedures. The study revealed that there are four characteristics in the housing management system, among others; housing consumption before asset accumulation; the ability to buy housing should be increased to the maximum; construction in residential locations must be considered comprehensively and commitment to neutrality of property rights and a stable rental market. In an effort to reduce the social costs of home ownership, attention must be paid to three aspects, namely: efficient use of resources; demand-side and supply-side subsidy efficiency; efficiency of land use regulation. Underlying procedures, property rights unit; transparency in rules.

**KEYWORDS:** housing; government policy; management; efficiency; transparency; inclusive planning; fair; free access; real estate market.

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### INTRODUCTION

Housing is essential to increase prosperity and economic growth. For households, with increasing household income, the proportion of consumption of housing services to total household expenditure will continue to increase, and housing is also the largest asset owned by most households. Housing is generally an important component of social investment in the economy. Active housing policies are expected to make a major contribution to economic development and social welfare. However, there are large differences in housing policies in different countries. What kind of housing policies are good? Over the past three decades, internationally agreed standards

have developed for evaluating housing systems and designing housing policies. Policy makers as a way to reduce carbon emissions from the residential sector globally (Li et al., 2022). Currently, there are practical criteria at both national and city levels to assess housing system performance and support housing policy choices. 6 in the global south, policies related to the housing sector have a general inclination towards property ownership. Little efforts are put in supporting, strengthening and promoting the rental housing market (Ahmed & Salam, 2022). 1 The findings reveal a perception among housing managers that the reorientation of housing association services to offset the rationalization of mainstream provision risks exacerbating inequalities. Interview and observational data suggest that the diversification of housing association activity may have begun to erode the sector's ability and willingness to provide affordable housing on a universal basis to those in need.

The growing non-landlord functions of some housing associations can act as a deterrent to the allocation of housing to applicants with complex (and expensive) needs. This reinforces the increased selectivity in housing association stock allocations, linked to marketization and the increasingly commercial outlook of some providers...

Within Italy, we find a stronger pass-through to mortgage rates, housing tenure transitions and the price-rent ratio in the northern regions that have been characterized in the literature as more financially developed than the southern regions (Koeniger et al., 2022).

This paper addresses three questions of development, transformation, and interpretation inclusive growth agenda.

1. How housing growth in Indonesia is and what characteristics do Indonesian people need in managing housing as a productive asset?
2. What is the efficiency in reducing the social costs of home ownership?
3. What is a good housing procedure?

3 The aim of this article is to develop a clearer understanding of how is housing growth in Indonesia, efficiency and good procedures to be implemented by the community.

## DEFINING HOUSING IN INDONESIA

A properly functioning housing system should have four characteristics:

### 1. Housing consumption before asset accumulation

Housing differs from ordinary commodities in that it is both a consumer good and an asset. For residents of the house, the house is a place of everyday life. For homeowners, homes have value and can be sold for cash in the future. For people who are owners as well as occupants, the house not only provides a place to live, but also functions as a guardian of values.

Debates about housing policy revolve around the attributes of consumer goods and housing assets, and the content of the debates is usually related to local political and economic conditions, income distribution, national fiscal capacity, and the responsiveness of the supply of the local real estate industry. The emphasis on equity and housing ownership often reflects the housing needs of the

urban middle class amid rapid urbanization. The emphasis on housing consumption is primarily due to social goals, namely that every citizen should at least have access to safe housing services, and this will continue to increase as the income levels of countries increase. There are major differences among European countries in the relative size of private and affordable housing, housing structure, and sources of investment. Although housing policy in the UK has fluctuated significantly due to ideological constraints, social housing policy in continental Europe has remained stable for a long time and is more pragmatic. The basic housing policy in East Asian countries has always emphasized home ownership in the process of urbanization. Hampering overall recovery efforts were a lack of transitional housing policy (Lines et al., 2022)

There are other housing policies that primarily expand housing stock and asset accumulation by increasing home ownership rates and reducing the difficulty of repaying mortgage loans. In this case, the design of the housing finance system and its sources of funding are critical. In addition, taxation is also one of the main factors influencing the formation of housing assets. US housing policy subsidize homeowners indirectly, primarily through mortgage interest cuts and capital gains tax exemptions. The effects of state-level policies to combat the COVID-19 pandemic on various indicators of US (Yörük, 2022). We use household-level data from Germany, Italy and Switzerland together with the respective monetary policy shocks identified from high-frequency data. We find that the pass-through of monetary policy shocks to rates of newly originated (fixed-rate) mortgages is twice as strong in Switzerland as in Germany and Italy. After an accommodative monetary policy shock, this is associated in the housing market with a larger immediate and persistent increase of transitions from renting to owning; a stronger decrease in rents; and an increase of the price-rent ratio (Koeniger et al., 2022)

The opportunity cost of housing is so important that attention needs to be paid to whether there are better uses for public and private resources invested in new housing. Research on The objective of this paper is to analyze the impact of remittances on four different aspects of housing investment – expenditure, affordability, quality and household assets in Sri Lanka (Jayaweera & Verma, 2023) .Due to different national and local conditions, housing may not be the best investment for long-term national economic development. Housing is also not necessarily the right choice for family investment. Japan's real-life experience shows that the myth of persistently rising land and house prices is actually quite dangerous. The resulting bubbles will be very expensive to burst.

The risk of owning a home comes from fluctuations in house prices. According to basic financial theory, Families must diversify their risks through a diversified portfolio of assets, and only housing as an asset will inevitably lead to increased risk due to a single type of asset. Therefore, it would be very beneficial for society to develop other forms of household financing with risk-adjusted returns. This is particularly important for Indonesia, where there are currently few other investment opportunities for Indonesian households to diversify their assets.

## **2. The ability to buy a house should be increased in general**

A sound housing policy should ensure home ownership, rather than making homeowners wait for house prices to rise. Often renters have lower incomes, and policies that provide housing support for the rental market are more likely to help disadvantaged groups. COVID-19 and its restrictions

have had widely documented negative impacts for private and social rental sectors, internationally (Guity-Zapata et al., 2023). Aging and changes in people's lifestyles also trigger some new housing consumption behaviors, which can increase the demand for rental housing. Expanding the supply of private rental housing in line with recent housing consumption trends has become a concern of many governments.

Increasing general housing affordability Housing policies that focus on housing consumption rather than housing asset accumulation can have an important impact on public expectations. If the goal is the accumulation of equity for homeowners, then public policy will aim to ensure that house prices rise. If the goal is to ensure reasonable housing consumption, then public policy needs to ensure housing price stability. High house prices benefit those who already own homes, while at the same time harming the interests of newcomers. Typically, homebuyers are poor relative to homeowners, so high house prices essentially transfer money and wealth from the poor to the rich.

Housing is always a combination of buildings and land. When supply is not constrained by regulations, house prices will directly reflect construction costs and land values. If construction costs fall, housing supply costs will also fall. Technological changes in the construction industry are conducive to reducing construction costs and increasing people's housing consumption capacity, thereby generating social benefits. Therefore, public policy should not limit competition in the construction industry or other sources of technological progress.

Land values are a little more complicated. When land supply is not constrained by policy, there may be two reasons for land values increasing: one is local government increasing local service levels, which is a phenomenon we are happy to see; request. If local governments own all or a large amount of land monopolize and limit the supply of land, then land will also increase in value; governments can also limit the supply of new housing through land use regulations, which can also force land to rise. This artificial restriction on the supply of land or housing means that new housing can hardly attract labour, and relocating households will pay higher housing prices.

### **3. Housing construction and location should be considered comprehensively**

Consider the building and location of the house. When buying a house, families choose not only the house, but also the neighborhood in which the house is located. One of the most common mistakes in social housing policy is focusing only on buildings and ignoring location. In wealthier societies, location is even more important than the building itself. Social housing policies have always been more architecturally inclined, paying less attention to neighborhoods and the location of buildings in cities. Indicates that a survey of external housing conditions can be used in combination with the age of housing in the identification process, at the parcel level, of homes that pose a housing-based lead hazard to children (Wilson et al., 2023).

Affordable housing projects in many cities in Indonesia are located on site remote, away from jobs and urban services, despite the cheap land prices. Unlike Hong Kong and Singapore, where large public housing projects were implemented, the environmental quality of public housing is comparable to that of ordinary private housing. Both countries have implemented professional housing management since the 1960s to ensure a clean and safe living environment.

#### **4. Commitment to neutral property rights and a stable rental market**

Committed to property rights neutrality and strong rental markets Many countries, including the United States, Singapore and China, are to varying degrees focused on home ownership for a variety of reasons. Home purchase incentives include home ownership tax breaks, government guaranteed mortgages, and other home purchase incentives. However, both renting and owning are viable options, with their respective pros and cons. Rental housing is suitable for people with low and middle income and high mobility, for families with fixed residence locations, it is reasonable to buy a house. A sensible policy course of action is to remain lease-purchase neutral. If the government has the ability to subsidize the poor's housing consumption, ideally the poor can use the money to pay mortgages or rent. Nonetheless, the awareness of the need for a strong rental market. The legal contracts involved in renting a house are actually more complicated than buying a house. The sector despite having great potential has been facing grave issues, such as lack of appropriate legal covers and safeguards for property owners (Ahmed & Salam, 2022).

Therefore, in the absence of legal boundaries or a perfect law enforcement system, there may be many differences in contracts. For example, landlords and tenants may disagree on issues such as who is responsible for home maintenance and damage from a leaky bathtub. These differences must eventually be resolved by appropriate legal forms. The simplest approach is to set up a special arbitration court for leases to rule on simple contractual contracts. These courts may be financed by simple taxes and fees paid by the owner. To ensure that the housing rental market functions properly, proper legal mechanisms are essential. This principle is especially important for cities in Indonesia because the rental market is generally poorly managed, tenants' rights are not well protected, and the resolution of contract disputes is not only time consuming, laborious, and expensive.

#### **THEORETICAL PARAMETERS: HOUSING EFFICIENCY POLICY IN INDONESIA**

In trying to reduce the social costs of "home ownership", attention should be paid to three aspects.

##### **1. Efficient Resource Utilization**

Every housing investment is a use of a scarce resource, and housing policy must ensure that the benefits exceed the costs. Typically, one would expect the benefits of housing spending to outweigh the costs (including construction costs and the opportunity cost of land). In cities with high housing vacancy rates in Indonesia, the introduction of a real estate tax on housing ownership will help promote more unoccupied housing for rental housing, thereby increasing the supply of rental housing and reducing rental prices. At the same time, it can reduce pressure on using public resources to build affordable housing.

##### **2. Efficiency of subsidies on the demand and supply sides**

There are two types of housing subsidies: demand side and supply side. Side subsidies Requests, such as housing vouchers and tax credits, can help reduce the cost of buying or renting housing for residents. Supply-side subsidies target new developments, and usually provide developers with some advantage based on building area, or the government directly builds housing on public land and sells or rents it out to families at a subsidized price. Public housing programs in Hong Kong and Singapore fall into the latter category.

In principle, both demand-side and supply-side subsidies can be used as effective means of increasing beneficiary housing affordability and improving the quality of their housing, but are often ineffective in practice. In the case of very low housing supply elasticity, demand-side subsidies will only increase the rental income of homeowners, while the supply of housing in the market remains relatively constant, housing quality will not increase. . Subsidizing the demand for home purchases makes sense when supply is elastic, but not when supply is inelastic.

The logic of supply-side subsidies is the other way around. In an elastic market where a developer can always provide housing at a given price, supply-side subsidies have no effect on the price or quality of housing. The most effective way is for the government to provide housing subsidies directly to the target group to address the problem of low housing affordability for this group. However, if the supply of land for housing is insufficient, this kind of subsidy method will still not work, unless the government has reserves of land for the construction of public housing. It should also be noted that direct housing subsidies run the risk of over-subsidizing long-term renters, as incomes increase over time.

There is no universal form of housing subsidy that applies to every city and every period. Therefore, efforts to develop nationally integrated housing subsidy policies (such as housing vouchers and tax credits in the United States) are bound to produce substantial differences in subsidy efficiency among cities in the country. Moreover, in srilanka, <sup>1</sup> Housing expenditure is calculated based on the household expenditure on housing rent, house building or repair costs, and utility bills, while housing affordability is measured by the shelter poverty index. The housing quality index is developed based on the structure of the dwelling unit, housing services, and the location (Jayaweera & Verma, 2023). Thus, ideally, subsidies should be based on local realities. If not fully achieved, it should at least reflect the average state of the country as a whole. In countries with rapidly growing housing markets, pursuing subsidy efficiency will push public policy toward demand-side subsidies.

### 3. Efficiency of Land Use Regulations

The third type of efficiency relates to urban planning and land use regulation. Urban planning institutions can lead to inefficiencies, so a cost-effective analysis is needed. Benefit from planning regulations. Land use regulations define real estate uses (such as residential, industrial, agricultural, or public uses) and rules related to buildings on land, including height limits. Perhaps the most basic form of land use regulation is to limit space for transport and make it clear that the road network does not fall under the category of private use. Using cost-benefit analysis means comparing the value of urban space used for transportation (reducing travel time or allowing more trips) with the value of other uses the most basic tool for estimating the value of non-transport land is the market price of land.

When analyzing private uses of land (such as agricultural uses, commercial, industrial, and residential), benefits are generally attributed to landowners. Therefore, land should have approximately the same value whether it is a residential or industrial zone, as long as land use regulations are able to efficiently allocate various uses. If the zoning value of land for residential

use is significantly higher than for industrial use, it is most likely because too little land is zoned for residential use and too much land is for industrial use.

Many cities implement special use zoning on the basis that some types of land use can generate significant negative externalities, so zoning can avoid the negative impact of negative externalities on residential areas. But we must see that many urban activities have little negative impact on urban life, and the mixture of residential and commercial spaces has a significant advantage of accessibility, which is conducive to reducing commuting and increasing traffic congestion. In this case, over-zoning should be avoided and mixed land use should be encouraged.

## **CONCLUSION: PROCEDURE THAT UNDERSTAND THE MANAGEMENT OF GOOD HOUSING GOVERNANCE**

From selecting policy objectives to special operations processes, focus on procedural principles. These principles are valuable not only because they help improve outcomes, but also because they have inherent economic and social value.

### **1. Unity of property rights**

The principles that run through the housing policy process are property rights and rules uniform. In other words, the rule of law applies as a whole, not different from one place to another or from person to person. Uniformity contributes to predictable, transparent institutions that facilitate efficient land use.

Which property rights arrangement is included in a non-uniform situation? For example, some individuals are free to develop the land while others are not. In rural areas, the laws that apply to land management may differ from those in urban areas. While this system needs to be tilted properly to some rural areas, this can be achieved through subsidies to protect agricultural land or limit development under a unified property title system. The real estate market in Indonesia is distorted by the dual system of urban and rural land, and current reforms are aimed at bringing together the urban and rural construction land markets is definitely a positive step towards unification of property rights.

### **2. Transparency in the rules**

Transparent rules ensure that all participants understand and follow the rules that apply to the real estate market. Transparent land use control means that as long as property development complies with land use control regulations, many project details do not need to be scrutinized or discussed further. If the land use plan allows for a building volume ratio of 8 and is used for housing, the planning authority can carry out a minimum inspection of a 16-storey residential building that only occupies a typical area. There is now a "positive" list and a "negative" list regarding land use. The positive list includes permitted uses, meaning that any use outside of the list will not be permitted. Conversely, a negative list means anything that is not prohibited can be used.

Transparency is also important in private real estate transactions. The responsibilities of landlords and tenants need to be clarified from the outset. Transparency in a minimal sense can be achieved if there are one or two standard rental or mortgage contracts, with third parties ensuring that even less



educated tenants or borrowers are fully informed of the contents of the contracts. Likewise, the liability of the seller in a standard real estate sale should be as transparent as possible.

### **3. Inclusive and Equitable Planning**

During the first two-thirds of the 20th century, planning was seen as a technocratic affair that did not involve popular participation. This approach has fueled strong public opposition to various road and construction projects. Since the 1960s, urban planners have gradually learned to engage with communities and seek their input in designing urban change.

Inclusion has great value. If we agree that the aim of planning is to improve people's lives, then we should listen to what the people most affected by the project have to say about the project. In some cases, public input can help planners decide whether to proceed with a project. In other cases, inclusive planning can lead to continuous program improvement. Free entry and competition

### **4. Free access to the real estate market**

The final procedural principle is free access to the real estate market and competition between developers. In the real estate market of some countries, there are many small building developers, and even many developers planning to build bigger buildings. Entering the free market and competition between developers can avoid concentration of revenue on individual developers and ensure that the market can respond to increased demand in a timely manner.

There are two natural factors that limit competition in the real estate development market: returns to scale and regulation. In some cases, the size and expertise needed to develop a project can be overwhelming, reducing the ability of small companies to compete. However, in larger markets where there are no restrictive entry barriers, economies of scale are unlikely to limit competition. A more common reason for restrictions on free competition are messy and complicated rules, in this case only a few developers with extensive connections can pass through all the links and earn significant returns. If a market is monopolized by a few developers, they limit the supply of housing and take advantage of the co-benefits that cities generate. One way to deal with limited competition is to loosen limited building regulations, and the resulting competitive market will bring benefits to downstream consumers. In the long run, free access can also drive technological progress in the industry, bringing greater benefits to consumers.

### **3 CONFLICT OF INTEREST**

The author has no conflict of interest to disclose.

### **5 STATEMENT OF DATA AVAILABILITY**

Data sharing does not apply to this article as no data sets were created or analyzed during the study

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