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## Thesis title:

# Understanding Developer's Perspective and Supply-side Constraints of Inclusionary Housing in Jakarta, Indonesia

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## Summary

A major issue regarding housing is the availability and affordability of housing options for all citizens. Rapid urbanisation has led to a widespread issue of unaffordable housing worldwide, including in Indonesia. The high demand for housing exceeds the supply, resulting in a housing shortage, particularly among low-income groups. Furthermore, housing products offered by development actors, particularly private developers, tend to cater mainly to the high-end market segment. Meanwhile, the government is accountable for ensuring the citizen's right to adequate housing, as outlined in the Article 28H of the Indonesian Constitution. Therefore, stakeholders involved in housing provision should contribute towards making it affordable per the constitution's mandates.

Policymakers have attempted to tackle the problem by implementing a policy that integrates the notion of inclusionary housing. This concept is translated into the balanced housing policy in Indonesia, first introduced in 1992. Although this policy has existed for approximately three decades, there is limited research on its implementation and the affordable housing supply in Indonesia, particularly Jakarta. The role of private developers in housing development thus becomes crucial in addressing the housing affordability issues in Jakarta. Furthermore, there needs to be more discussion regarding the perspectives of the supply side in the discourse surrounding affordable housing. Therefore, this research aims to explain the influence of the developer's perspective towards the policy and supply-side constraints of the housing value chain on the affordable housing supply in Jakarta.

The results show that the balanced housing policy has not been fully put into practice in Jakarta. This is mainly due to the absence of regulation at the provincial level that binds private developers and local governments to its implementation. However, the existing provincial regulations governing the implementation of housing development by developers have supported the balanced housing policy's requirements and objectives in ensuring affordable housing supply for low-income groups in Jakarta. Developers are willing to contribute to the affordable housing provision if they get enough incentives to offset their costs. However, developers often face challenges when attempting to achieve balanced housing in their projects. The findings show that the housing value chain is weakened by several constraints, such as the high land price, high construction and infrastructure cost, and the house price cap set by the government, which makes them incapable of gaining substantial profit to sustain their business.

## Keywords

Inclusionary housing, affordable housing, developer's perspective, supply-side constraints, housing value chain, Jakarta.

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## Abbreviations

IHS	Institute for Housing and Urban Development Studies
RSS	Social Housing
HVC	Housing Value Chain
SSI	Semi-Structured Interview
LIG	Low-Income Group
IPR	Space Utilisation Permit
IMB	Permit of Building Construction
PBG	Building Approval
BP3	Housing Delivery Acceleration Agency
RDTR	Detailed Spatial Planning
TOD	Transit Oriented Development
OSS	Online-Single Submission
BCR	Building Coverage Ratio
PPN-DTP	Government-borne Value Added Tax
LTV	Loan-to-Value

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# 1 Introduction

## 1.1 Background

Regardless of the perception of housing as a basic human right, it has unfortunately become increasingly unaffordable over time. Among 200 cities worldwide, 90% were deemed unaffordable to live in, with the average home costing more than three times the average income (World Economic Forum, 2022). Moreover, the increasing demand for housing in the cities due to rapid urbanisation has worsened housing affordability (UN-Habitat, 2019). Cities are incapable of meeting the demand and, therefore, create a housing shortage, particularly among low-income residents. Many cities address the housing demand and affordability issues through Inclusionary Housing (Jacobus, 2015).

An inclusionary housing policy is a tool that aims to stimulate affordable housing production and foster social inclusion (Brunick, 2004a; Calavita & Mallach, 2010). Originating in the United States in the early 1970s, this policy incorporated low-income homes into the market-rate residential development by requiring private developers to set aside a particular portion of housing units to be affordable (Calavita & Mallach, 2010; Jacobus, 2015). By implementing this policy, private developers will obtain incentives from the government (Jacobus, 2015). In most cases, this policy gives choices for developers to provide affordable housing on-site or off-site or make a fee-in-lieu payment to the government (Calavita & Mallach, 2010; Jacobus, 2015). Despite some controversy among scholars regarding inclusionary housing, this policy has proven effective in producing a steady supply of affordable housing (Brunick, 2004a; Gurran et al., 2018; Jacobus, 2015).

Inclusionary housing was introduced in Indonesia in 1992 through Joint Decree 1992 and is called the balanced housing policy. The policy has been revoked and has gone through several changes over time. According to the Minister of Public Housing Regulation 10/2012, compliance with the policy becomes an underlying condition for private developers to get permits for housing construction from the local government. However, private developers have perspectives on running their businesses under their policy environment, which is also essential to understand (Witwer & Tsenkova, 2007). Additionally, real and perceived barriers along the housing value chain constrain private developers from providing affordable housing (Ferguson, 2008; Houston, 2010; Rust, 2023).

## 1.2 Problem Statement

Like many other cities, Jakarta has also experienced housing affordability issues, as indicated by the house price-to-income ratio 23.0 in 2022 (Property Price Index, 2023). As Indonesia's capital and metropolitan city, Jakarta has around 20 million populations, making it the fourth most populous country (Cybriwsky & Ford, 2001). Jakarta has dealt with overpopulation and a shortage of land and housing supply, resulting in inflated housing prices (Rahadi, Wiryono, Koesrindartoto, & Syamwil, 2015).

Most governments worldwide have limited capability to provide affordable housing by themselves, and that limitation is one of the causes of the adversity of affordable housing provision (Maharani, 2015). The government of Indonesia allocates only 1.8% of their national budget to housing (RICS, 2019). Due to this limitation, private developers have become one of the critical actors primarily responsible for Indonesia's housing supply (World Bank, 2020). Moreover, the government encourages private developers to contribute to providing affordable housing through the inclusionary housing policy.



However, as stated by Probondaru (2018), in 2014, the Minister of Public Housing reported to the police sixty big developers (191 projects) who did not comply with the 1:2:3 balanced housing ratio. On the other hand, private developers also expressed difficulties implementing the regulation due to its impact on their business. Private developers are financially burdened with implementing the policy due to the uncontrollable land price. They also stated that there are insufficient incentives from the government to provide more affordable housing. The issues experienced by private developers create a slow growth in the affordable housing supply and difficulties in fulfilling the policy's objectives. The housing supply produced by private developers in Indonesia, including Jakarta, reflects this trend, as it caters primarily to high-income segments while excluding those with lower incomes (Widoyoko, 2007). It is important to understand why private developers seem reluctant to engage in affordable housing provision and comply with the policy. Therefore, it is indispensable to have a deeper understanding of developers' perspectives and perceptions of the constraints they face in providing affordable housing.

Much literature has assessed the relationship between inclusionary housing components and affordable housing development. The widely cited research is from Calavita and Mallach (2010) and Jacobus (2015), which explained how inclusionary housing works and unpacked its components towards affordable housing provision. Brunick (2004) outlined successful implementations of inclusionary housing policies in different cities. Another research was done by Wang & Fu (2022) assessing the inclusionary housing components and their effectiveness in affordable housing production. These studies do not account for other factors from the actor who implements the policy, which also affects affordable housing production. The gap that this research tries to fill is to be an addition to the limited research in understanding the developer's perspective within the specific context of inclusionary housing policy and their perception of the supply-side constraints, which can also affect the provision of affordable housing.

### 1.3 Research Objective

The research aims to explain the influence of private developers' perspectives concerning inclusionary housing policy and supply-side constraints on affordable housing production in Jakarta.

### 1.4 Research Question

How do developers' perspectives and supply-side constraints under the inclusionary housing policy affect the affordable housing supply in Jakarta, Indonesia?

Sub-questions:

1. How do developers perceive the components of the balanced housing policy?  
*To unpack the policy design components, the private developer's understanding of the policy components and their implementation.*
2. What are the private developer's perspectives on producing an affordable housing supply?  
*To explain the developer's perspective on profit, risk, cost, feasibility, and project value and how their perspectives affect their decision to provide affordable housing.*
3. How do the private developers perceive the supply-side constraints along the housing value chain in producing affordable housing?  
*To explain private developers' perception of the constraints along the process of affordable housing production.*

4. How does the housing supply produced by private developers reflect the requirements of the balanced housing policy?

*To explain the developer's perception of affordable housing and the number of affordable housing produced by private developers in Jakarta.*

## **1.5 Relevance of the Research Topic**

### **1.5.1 Academic relevance**

By addressing the gap, this research will contribute to the existing academic discourse on inclusionary housing practices and challenges, particularly in developing countries. Several studies concerning Balanced Housing Policy in Indonesia have been conducted; for example, Maharani (2015) evaluated the strategies and law enforcement of the policy. Probondaru (2018) conducted descriptive research on the policy's implementation and constraints. This research will be an addition to this area of study that delves into the perspective and perception of the private developers toward this policy and the supply constraints and connect them to the actual supply of affordable housing in Indonesia, particularly in Jakarta.

### **1.5.2 Societal relevance**

This research will produce relevant findings regarding private developers' implementation of inclusionary housing policy in Jakarta, Indonesia. Inclusionary housing is a concept that was widely implemented in developed countries (Calavita & Mallach, 2010). This research will draw attention to the developer's perspective towards the inclusionary housing policy in the urban settings of a developing country. Acknowledging the developer's perspective and perceived constraints within the policy might give insights to policymakers in evaluating the inclusionary housing policy to be implemented more effectively. It will increase understanding between the government and private developers in affordable housing provision. Furthermore, it might create a supportive policy environment for affordable housing provision for the low- and middle-income segments.

### **1.5.3 Scope and limitations**

The scope of this research is the perspective of large-scale private residential developers in Jakarta towards the balanced housing policy and factors that hinder their supply of affordable housing under the implementation of an inclusionary housing policy. This research only focuses on the supply side and does not cover the demand side of affordable housing; thus, it will not discuss access to housing and housing preferences. Lastly, results from a single case study cannot be generalised to other contexts. However, the researcher developed a framework that draws on existing studies on international Inclusionary Housing and relevant research on balanced housing policy in Indonesia to enhance replicability.

## 2 Literature review

This chapter presents relevant concepts, definitions, and arguments to aid in the conceptualisation of the research. Firstly, it will define the concept of inclusionary housing, followed by the arguments among scholars regarding the effectiveness of the policy. Furthermore, it will unpack the policy components and their impacts on the policy objectives. The researcher will explain the concept of the developer's perspective as the unit of study and how it affects affordable housing production. This chapter will present the evidence from the literature about constraining factors in affordable housing supply and how it affects the stages in the housing value chain. Furthermore, the researcher will discuss the concepts' relationship to understand how their relationship leads to the affordable housing supply. Lastly, the relationship between concepts is illustrated through a conceptual framework.

### 2.1 Inclusionary Housing

Inclusionary housing, also called inclusionary zoning, is land-use regulations that require private developers to incorporate a portion of affordable units into their market-rate housing development (Calavita & Mallach, 2010; Mukhija et al., 2010). Thus, the critical objectives of inclusionary housing are to increase the supply of affordable housing and promote economic and social integration (Calavita, Grimes, & Mallach, 1997; Hickey, Sturtevant & Thaden, 2014; Sturtevant, 2016). The policy has several components that shape the policy's design, which is implemented by private developers and monitored by the local government (Wang & Fu, 2022).

In implementing this policy, private developers will obtain incentives from the government (Jacobus, 2015). These incentives can reduce financial risk for developers (Jacobus, 2015). Throughout the development process, the inclusionary housing program requires a supervision mechanism by the local government, which requires significant staffing capacity and administration costs to ensure the built housing is affordable in the long term (Jacobus, 2015).

Providing affordable housing through inclusionary housing relies on private funds, which is appealing to local governments (Nzau & Trillo, 2021). According to Jacobus (2015), policymakers obliged housing developers to share some of their profits for public investment due to the economic impact of their developments in the area. Consequently, to make housing remain affordable and competitive in price, the cost related to housing construction is absorbed by the decrease in the developer's profit. Reduction in land prices can also absorb the cost of inclusionary housing requirements. Therefore, the feasibility study should be undertaken to give policymakers some insights into how the proposed housing requirements and incentives could affect land prices and development profits. Policymakers should also engage with the real estate community to deliver an effective program.

However, the effectiveness of inclusionary housing has been debated among scholars. Some scholars argued that implementing such a policy entails an extra expense for development, which burdens private developers and leads to higher housing costs (Padilla, 1995; Powell & Stringham, 2004; Schuetz, Meltzer, & Been, 2011). Despite controversies among scholars regarding inclusionary housing, this policy has proven effective in producing a steady supply of affordable housing (Brunick, 2004a; Gurran et al., 2018; Jacobus, 2015). Locating affordable housing in a high-asset neighbourhood allows low-income residents to access and use basic facilities, such as quality schools, public services, and better employment opportunities (Jacobus, 2015). However, this

policy can create unintended consequences related to real estate economics if the programmes are not strategically designed (Jacobus, 2015).

## **2.2 Components of Inclusionary Housing Policy**

Inclusionary housing policies are diverse in design and implementation in many cities. Each requirement of the components influences the production of affordable housing. According to Jacobus (2015) and Wang & Fu (2022), most inclusionary housing policies have components as follows.

### **2.2.1 Nature of obligation**

According to Wang & Fu (2022), a mandatory policy is more restrictive, where the government obliges private developers to set a portion of affordable units on their housing development. On the other hand, a voluntary policy allows private developers to choose whether they want to obtain incentives for their compliance. In this sense, mandatory policy should produce more affordable housing units than voluntary policy. Developers may view mandatory policy as a tax on housing if the cost of providing below-market-rate units outweighs the benefit of the incentives (Hamilton, 2021).

A mandatory policy can be categorised as a legal obligation created and enforced by the law (Ladd, 2009). Ladd (2009) also specifies some features of obligation, where it should have a basis, moral principles, interpersonal relation between obligor and executor, sanctions for non-fulfilment, and totality in performing the obligation. Many critics argue that mandatory policy discourages private developers and reduces the housing supply in the market; however, no evidence supports this claim (Mukhija et al., 2010). Mandatory and voluntary policies will significantly impact the affordable housing supply (Schuetz et al., 2009).

### **2.2.2 Development threshold**

Inclusionary housing programs can be applied to the entire jurisdiction or limited to a particular area (Mukhija et al., 2015). Programs adopted for the whole jurisdiction rather than geographically targeted can cover more housing developments, increasing inclusionary units (Wang & Fu, 2022). An inclusionary housing program also includes a threshold of development size with a minimum number of housing units under its stipulations (Mukhija et al., 2010).

### **2.2.3 Target beneficiaries**

An inclusionary housing policy should address the local needs and serve low- and middle-income households (individuals who earn 60-120% of the local median income (Jacobus, 2015). The eligible residents' maximum income is defined by the area median income (AMI) (Mekawy, 2014a). Mukhija et al. (2010) and Netter (2000) stated that income categories are divided into deep targeting (low and very low-income segments) and high targeting (middle and high-income segments). It is more likely that high targeting produces more housing units and is more beneficial to the developers.

### **2.2.4 Set-aside requirement**

According to Wang & Fu (2022), the required share of affordable units in a housing development influences the cost of complying with the inclusionary housing policy. A higher percentage of the required affordable units increases the cost of housing provision, which can reduce the housing supply. The set-aside requirements vary among cities, but 10-20% is a common set-aside requirement to be applied in most inclusionary

housing programs (Calavita & Mallach, 2009; Hickey, Sturtevant & Thaden, 2014; Padilla, 1994).

### **2.2.5 Buyout/Compliance options**

Inclusionary housing programs may provide some options to developers in order to comply with the mandatory set-aside requirements by opting to pay an in-lieu fee, donate land for future affordable housing development or provide affordable housing units outside the area of development (Jacobus, 2015; Wang & Balachandran, 2021). Jacobus (2015) stated that in-lieu fees are collected to finance off-site affordable housing provisions and are determined by affordability gap and production cost. The affordability gap is the price difference between market-rate and affordable units, whereas production cost means the invested amount to produce each affordable off-site unit. These compliance options aim to give developers flexibility and are only acceptable where on-site development of affordable housing is not financially feasible (Mukhija et al., 2015; Read, 2008).

### **2.2.6 Developer's incentives/cost offsets**

Incentives are offered to the developers to reduce the economic impact on development (Jacobus, 2015). Most common incentives or cost offsets might include density bonuses, expedited permit approvals, subsidies, fee waivers, design flexibility, and tax abatements (Jacobus, 2015; Lerman, 2006; Mekawy, 2014a; Mukhija et al., 2015; Schuetz & Meltzer, 2012). Empirical studies are primarily consistent with the theory that incentives increase the production of inclusionary units (Schuetz et al., 2011).

### **2.2.7 Design standards**

Developers are naturally inclined to minimise project costs; therefore, to ensure quality affordable housing, developers may be required to provide affordable units with specific standards, for instance, externally identical design to market-rate units and have a minimum size and facilities (Jacobus, 2015). Affordable units can have different or lower construction costs than market-rate units as long as they meet all of those standards (Jacobus, 2015; Mekawy, 2014a; Read, 2008).

### **2.2.8 Period of affordability**

The definition of affordability period and tenure after the initial purchase are vital to ensure and preserve affordability (Mukhija et al., 2010; Read, 2008). The supply of affordable housing will not increase if the units return to market rate after a particular time (Jacobus, 2015). In California, the most productive inclusionary housing policies required the units to remain affordable for at least 30 years (NPH, 2007).

## **2.3 Developer's Perspective**

Housing developers are "entrepreneurs who own housing licenses that enable them to construct affordable and quality houses by generating reasonable profits from their investments" (Jaafar et al., 2014, p.57). They come in different types based on their firm size, years of operation, project size, project type, and target market (de Duren, 2018; National Housing Agency, 2012; 2013). Developers naturally desire to reduce costs and gain more profit, and their decisions are based on their consideration of project location, land prices, and housing regulations (de Duren, 2018; Jacobus, 2015).

### **2.3.1 Business perspectives**

Decisions made by private developers within a project are also influenced by their perspective, which is based on the fundamental business features: profit, risk and cost

analysis (Witwer & Tsenkova, 2007). Witwer & Tsenkova (2007) also stated that the developer's perspective must be appropriately understood as it can affect all developments, including affordable housing. Developers require incentives to participate in the production of affordable housing to keep making a profit and generate revenue that satisfies investors and shareholders in order to stay in business. Developers have different calculations of profit margins that they want to generate and transfer into the house price (Tan, Samihah & Phang, 2017). Affordable housing unit prices are lower than market rates, affecting developers' choices in affordable housing production. In order to make a profit or break even when developing affordable housing, the gap between cost and revenue must be closed (Witwer & Tsenkova, 2007).

Project risk refers to the potential for failure to generate enough return on investment (ROI), where that potential is higher for affordable housing projects (Witwer & Tsenkova, 2007). Developers desire a sufficient return on their investment, based on the development's end value (the selling price) less production and land-acquisition costs (Tiesdell, 2004). According to Phillips & Phillips (2005), ROI is an economic indicator that measures whether there is a financial return for investing in a program which explains the project's performance. ROI is the monetary value of the productivity improvement which resulted from the net benefits (the earnings) compared to the cost. A positive ROI is achieved when the productivity's improvement value outweighs the cost of the improvement. Another commonly used indicator is the internal rate of return (IRR), the project's annual return on a given investment (Kelleher & MacCormack, 2004; Magni, 2010). Project managers decide based on the IRR, where the desirable project is when the IRR is greater than the cost of capital (Magni, 2010).

In every project, activities are carried out in various ways based on resources, and each option has a specific duration and cost (Sakellaropoulos & Chassiakos, 2004). Cost relates to the timeline of the projects, where a longer time to complete results in more resources and costs increase (Witwer & Tsenkova, 2007). According to Koushki, Al-Rashid, & Kartam (2005), a project's timeline can be delayed when its design phase is inadequately funded and financed. Cost savings at the design stage may result in significant losses at a later stage, resulting in time delays and higher costs. Investing in the design phase could reduce costly delays during project implementation.

### **2.3.2 Feasibility to implement the policy**

The housing policy environment may also impact house prices (Angel, 2000). Developers function under a policy environment, and the feasibility of the policy is indicated by choices given to developers to contribute to affordable housing production. (Jacobus, 2015; Witwer & Tsenkova, 2007). The policy should enable private developers to make monetary contributions by paying an in-lieu fee or providing affordable off-site housing (Jacobus, 2015). However, the option to pay should be acceptable if developers cannot build affordable units on-site (Tiesdell, 2014). A supportive housing policy is more likely to increase the housing supply and lower the house price (Angel, 2000).

According to Tiesdell (2014), due to their concern about production costs and profit margins, private developers will negotiate the amount of affordable housing with the local planning authority. Therefore, they seek to offer a minimum number of affordable units possible. Developers would never provide affordable housing if the local planning authority did not require them. When affordable units are made available in the limited effective density of the development site, the number of market-rate units will inevitably decrease. If the number of affordable housing required makes the development economically unfeasible, it will not be carried out.

### 2.3.3 The perceived value gap between market and below-market-rate units

Tiesdell (2004) also stated that private developers have their own perception of including affordable units within their market-rate housing development. They believe that incorporating those affordable units will affect the end value of their market-rate housing. They need to make a marketable commodity so they become aware of the preferences and prejudices of the housing purchasers. Negative associations are frequently attached to affordable housing, creating stigmatisation. As a result, developers' perception of that stigma and value gap affect their strategies in arranging the layout and design of the housing development. They may opt to segregate the affordable units from the rest of the market-rate units or integrate them with no significant difference in appearance from the market-rate units. Overall, they always aim to get the best deal regarding affordable units and design and build affordable elements to minimise their effects on market-rate housing.

### 2.4 Supply-side Constraints of the Housing Value Chain (HVC)

The value chain is a set of activities required to produce something where each step adds value to the product (Porter, 2011). In housing provision, this process is called the housing value chain (HVC) and is related to the challenges faced in housing supply (Akinwande & Hui, 2022). Among those steps, land acquisition, house construction, and basic infrastructure provision are the most important ones that require maximum finance and which the housing value chain of supply-side cannot function without (Ferguson, 2008; Houston, 2010).

According to Rust (2013), some constraints along these elements of the HVC are the high cost of acquiring land, insufficient developer's finance for house construction, and lack of access to bulk infrastructure. When some of the links of this chain are broken, housing developers are the ones who first taste the impact. High cost of land and zoning can hinder private developers from acquiring land to build affordable housing. Moreover, lots of lands are owned by many different people and do not have a clear title across all of them. Consequently, housing development is hampered as private developers are reluctant to acquire land and do not wish to spend money and time obtaining land titles.

Many municipalities do not have the financial or physical capacity to provide basic infrastructure. Thus, housing developers should provide it themselves and put the infrastructure cost into the house price, making housing unaffordable. However, housing developers also have limited financial capacity and may need loans to execute housing construction. In order to get loans, housing developers must have a considerable amount of equity, so they have to be big developers. However, most lenders or banks pay more attention to end-users rather than developers. Therefore, this situation can hamper housing construction, affecting the supply of affordable housing.

In addition, developers also have their perceptions regarding the supply-side constraints in affordable housing, such as the lack of a clear definition of affordability, compliance costs, and time-consuming approvals (Tan et al., 2017). Perception is the conceptual knowledge derived from awareness and understanding of something (Efron, 1969). Each developer may have their own perception and criteria of affordability, and their decision in setting the price for an affordable house is also based on the project's location (Tan et al., 2017). In urban areas, housing prices are generally high since there is a policy compliance cost within the housing value chain (Tan & Phang, 2014). Developers may also perceive duration and delays in permit approval as a hurdle (Tan et al., 2017). For instance, developers may be required to engage in unnecessary transactions to expedite approvals or avoid sanctions, which affect the project's timeline, cost, and profit (Tan et al., 2017).

## 2.5 Affordable Housing

In general, affordable housing, often expressed as housing affordability, is a concept whose definition is still contested (Jewkes & Delgadillo, 2010). From the demand perspective, affordable housing is mainly defined as the amount of housing expenditure relative to the household's income, which should not exceed 30% of the total income (Abelson, 2008; Ayala et al., 2019). A lack of uniformity in understanding affordability among housing developers is also evident from the supply side (Tan et al., 2017). Angel (2000) breaks down the concept of affordability into several concepts: housing quality, housing price, and household income.

Angel (2000) outlined that housing affordability can be measured based on the house-price-to-income ratio and down-market penetration. House price-to-income is a ratio of the median house price and the median household income, which is also the key measure of the overall performance of the housing market. The global median value of the house-price-to-income ratio is 4.2. The higher value of the house price-to-income ratio means that housing is unaffordable, and it may also restrict the housing supply or inflate housing demand.

Down-market penetration is the extent of an individual ability to afford the lowest-priced house produced by private developers. The formal private developers usually produce new housing for higher-income households and exclude the lower-income ones. The global median value of down-market penetration is 3.4, slightly lower than the global median value for house price-to-income. As a result, the formal sector has reached households with income below the median, but not by much. A city with lower construction costs and more enabling housing policies allows private developers to go further down the market.

The provision of affordable housing involves local planning authorities and private developers, and these key players negotiate their competing interests in housing development (Tiesdell, 2004). According to Tiesdell (2004), the local planning authority is concerned with the amount of housing to be produced, its location, its general design and layout, and its planning and legal agreements to remain affordable. On the other hand, private developers desire to generate a return from sales that covers the production and land costs. They are concerned about the end value of the housing, as they believe that the inclusion of affordable housing will affect the value of the market-rate housing. It is essential to acknowledge that these negotiations may not be without challenges since there are power dynamics among different players involved.

## 2.6 Relationship between concepts

Studies have examined how regulations affect the housing supply (Favilukis, Mabelle, & Van Nieuwerburgh, 2023; Granath Hansson, 2019; Gyourko; 2009; Gyourko & Molloy; 2015; Leishman & Rowley, 2012; Powell & Stringham, 2004; Wang & Fu, 2022). However, the affordable housing supply can also be affected by the perception of housing developers under the policy environment they function in, not only by the policy itself (Witwer & Tsenkova, 2007). The policy environment can be perceived subjectively; therefore, the developer's perception must be analysed. Policymakers should consider the developer's perception by engaging and listening to the real estate community to improve the effectiveness of the policy (Jacobus, 2015). Moreover, the developer's perception of the value gap between affordable and market-rate units will influence the outcome of the housing development (Tiesdell, 2014). This perception and attitude towards affordable housing consequently influence the supply of affordable housing.



Affordable housing projects potentially create a higher risk for developers and consequently hinder the developers from supplying affordable housing (Witwer & Tsenkova, 2007). Including below-market-rate units or choosing compliance options will increase development costs, resulting in less return on investment (Wang & Fu, 2022). Thus, for developers to obtain the same level of return, the overall selling price must be increased, or land costs must be reduced (Tiesdell, 2004). Generally, larger housing markets with fewer housing supply barriers tend to produce more housing development (Wang & Fu, 2022). Therefore, supply-side constraints along the HVC can influence how developers produce affordable housing. As the housing provider, developers will suffer if one of the elements in the chain breaks, resulting in a bottleneck in the supply of affordable housing (Rust, 2023).

## 2.7 Conceptual framework

This conceptual framework illustrates the relationship between the concepts discussed in the previous sections of the literature review. A relationship exists between the developer’s perspective and the affordable housing supply. However, the supply of affordable housing is also influenced by the constraints developers face on the supply side of the HVC.

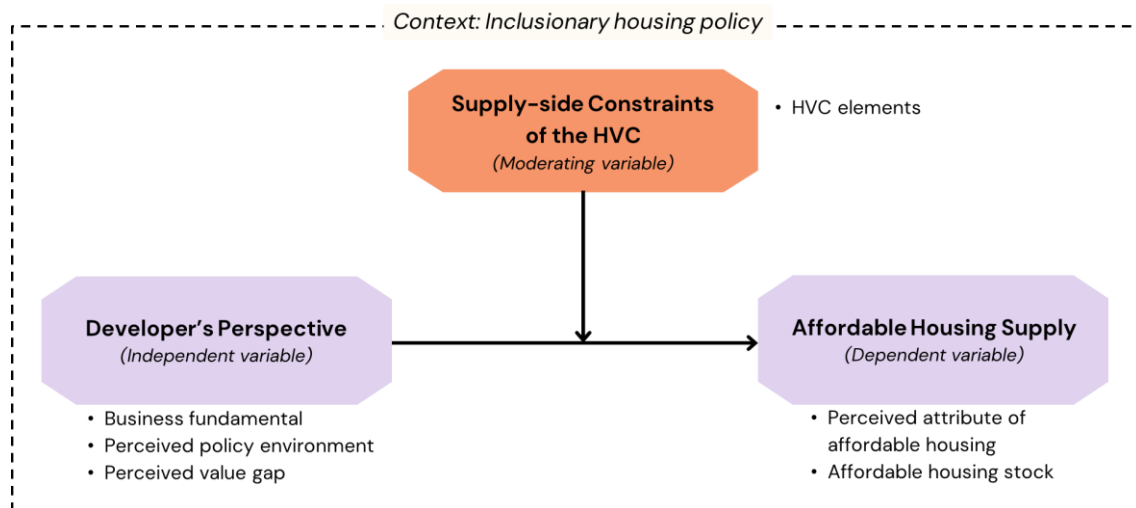


Figure 2.1 Key concepts and relationships.

Source: Author, 2023

- Developer’s Perspective (Independent variable)**  
 The developer’s perspective is based on the fundamental business features: profit, risk and cost analysis (Witwer & Tsenkova, 2007). Under the inclusionary housing policy, including affordable housing within their market-rate housing units will influence their performance in generating profit, obtaining a return on investment, and spending the cost for housing construction (Witwer & Tsenkova, 2007). Therefore, incentives are necessary to increase the affordable housing supply (Schuetz et al., 2011). Moreover, due to the stigmatisation of affordable housing, developers perceive that affordable units will influence the end value of the market-rate units, affecting the outcomes of their housing development (Tiesdell, 2014).
- Affordable Housing Supply (Dependent variable)**  
 The inclusionary housing policy aims to increase the supply of affordable housing and promote economic and social inclusion (Calavita et al., 1997; Hickey et al.,

2014; Sturtevant, 2016). Affordable housing can be determined by housing quality, housing price, and household income (Angel, 2000). Under the inclusionary housing policy, affordable housing is below-market-rate units produced by the developers to serve the lower-income segments. These affordable units can be provided on-site or off-site and manifested through monetary contributions from the developers to the government.

- **Supply-side Constraints of the HVC** (Moderating variable)

During the process of housing provision, developers should go through three essential steps in the HVC: land acquisition, housing construction, and basic infrastructure provision (Rust, 2023). The challenge along the chain influences the production of housing supply by developers (Akinwande & Hui, 2022). Developers often face some obstacles throughout the process, which influence the cost of housing (Rust, 2023). Consequently, it affects the developer's perspective in providing affordable housing for the low-income segments.

### 3 Research design and methodology

This chapter presents the research design consisting of the research strategy, methods, and data collection and analysis technique to help answer the research question and achieve the research objective. First, it will explain the research type, followed by the research strategy. Second, it will explain the research methodology, including data collection and sampling methods. Furthermore, it explains the methods to ensure the research's validity and reliability and discusses the limitations and challenges encountered during the research.

#### 3.1 Research Strategy

According to Van Thiel (2014), there are four main research strategies: experiment, survey, case study, and desk research. A case study is research conducted in a real-life setting and studies a unique situation in great detail. Since the research aims for in-depth explanations of a phenomenon within the unique context of housing policy in Jakarta and with a small number of units of study, a case study is the most suitable approach. According to Yin (2008), case studies are the recommended approach for addressing "how" questions and situations where the researcher lacks control over the events.

In this research, a case study is adopted since the researcher does not have control over the developer's perspective and their implementation of the balanced housing policy in Jakarta. However, the researcher seeks to understand how private developers function under the policy, which, despite being in existence for a significant period, still lacks clarity. Jakarta is chosen because it represents a large city that has dealt with overpopulation and inadequate housing problems (Cybriwsky & Ford, 2011). There is also various housing development by private developers in Jakarta. However, this strategy does not allow the researcher to generalise findings to other contexts, resulting in low external validity; therefore, the researcher provided data triangulation to address that limitation (Van Thiel, 2014).

#### 3.2 Data Collection Methods

The research adopts a qualitative method with a mix of primary and secondary data. Data can be collected through interviews, questionnaires, documentation, archival records, and observation (van Thiel, 2014; Yin, 2008). The researcher collected primary data to obtain a comprehensive understanding of the developer's perspective regarding inclusionary housing policy in Jakarta, as there is a dearth of information on this particular subject. Due to the small sample, the primary data was obtained through in-depth semi-structured interviews (SSI), around 40-60 minutes. This method provides flexibility and open-ended responses, which helped the researcher explore the respondents' viewpoints, experience, and understanding of Jakarta's balanced housing policy and housing supply-side constraints, resulting in a more thorough analysis.

Simultaneously, secondary data collection was obtained through policy documents, journal publications, reports, statistics and census data, and news articles as complementary sources of evidence. The secondary data allowed the researcher to triangulate data to ensure validity and convincing findings (van Thiel, 2014; Yin, 2008). Data from secondary sources serve as guidelines for the operationalisation, and indicators will be assessed qualitatively to understand the actual conditions of all variables within the context. The researcher arranged the operationalisation properly and designed an interview guideline to ensure reliability.

### 3.2.1 Sampling

Due to the time constraint, including the whole population of private developers is not feasible; thus, a sample selection is necessary. A sample is a selection from the total population of possible units to study (van Thiel, 2014). In this research, the key respondents were selected through purposive sampling. The key respondents were chosen based on their expertise, experience, and responsibility towards the subject. Thus, the researcher chose representatives from various private developers and organisations representing or housing several developers in Jakarta and government officials representing the policy's executor and obligor. The sample and criteria of respondents are shown in Table 3.1 below.

**Table 3.1 Sample size and selection.**

Key respondents	Size	Criteria		Role	Knowledge relevance
Private developers	5	Developer size	Large-scale developers	<ul style="list-style-type: none"> <li>Officer in charge of development permit</li> <li>Officer in charge of planning/project/business development</li> </ul>	<ul style="list-style-type: none"> <li>Balanced housing implementation</li> <li>Developer's business fundamental</li> <li>Developer's perception of the balanced housing policy</li> <li>Developer's perception of affordable housing</li> <li>Developer's challenges</li> </ul>
		Project type	Landed and vertical housing		
		Project size	Above the development threshold of the policy		
		Target market	High-income segment		
Real estate organisation	2	Housing developers' association in Jakarta		Executive director/officer	
Government officials	4	Land and spatial planning		Officer in charge of spatial planning	<ul style="list-style-type: none"> <li>Land use</li> <li>Housing development</li> <li>Government obstacles</li> </ul>
		Housing provision in Indonesia		Officer in charge of national housing provision	<ul style="list-style-type: none"> <li>Balanced housing policy in Jakarta</li> <li>Provision of landed and vertical housing</li> <li>Government obstacles</li> </ul>
		Housing provision in Jakarta		Officer in charge of local housing provision	<ul style="list-style-type: none"> <li>Balanced housing mechanism in Jakarta</li> <li>Provision of landed and vertical housing</li> <li>Government obstacles</li> </ul>
		Development and environment		Officer in charge of monitoring development obligation and policy implementation	<ul style="list-style-type: none"> <li>Development obligation</li> <li>Developers' contribution to affordable housing provision</li> </ul>

Source: Author, 2023

Private developers selected to be interviewed are large-scale developers whose expertise and experience are related to the concepts in the research. Other respondents from the developer's side are representatives of real estate associations in Jakarta that also represent the developer's viewpoint. The selection criteria of developers are shown in Tables 3.2 and 3.3.

**Table 3.2 Selection criteria of developers.**

Theme	Variable	Unit/parameter	
Firm	Firm size	Number of employees	≥500
	Firm age	Number of years involved in housing supply	≥5
Project	Project size	Number of housing units	≥100
	Project type	Landed/vertical housing	
	Target market	High-income segment	

Source: Author, 2023

**Table 3.3 Developer's profile.**

Code	Respondent's designation	Number of employees	Number of years involved in housing supply	Number of housing units produced
R1	Business Development Senior Analyst	500	7	1.781
R2	Legal and Permit Officer	500	7	1.781
R3	Head of Business Development	4,289	48	32.850
R4	Head of Planning	1,580	19	9.417
R5	Project Development Officer	1.000	36	1.279
<b>Real estate organisation</b>		<b>Years involved in housing development</b>		<b>Number of members</b>
R6	Executive Director and officer	8		20
R7	Vice Executive Director	51		6.000

Source: Author, 2023

The interviews were conducted in Bahasa Indonesia, the native language of both the researcher and the respondents, to minimise the language barrier, resulting in more in-depth responses. Each respondent was asked questions based on the interview guideline to understand their perception of the balanced housing policy, business perspectives, constraints in housing supply in Jakarta, and their perception of affordable housing. The qualitative data collected and analysed helped the researcher understand the implementation of the balanced housing policy and supply-side constraints in affordable housing supply from the developer's perspective.

### 3.3 Data Analysis

The primary data gathered through in-depth SSI were analysed with the following steps.

- **Transcription and translation:** the interviews were conducted and recorded in Bahasa Indonesia, the native language of the respondents and the researcher. After recording the interview, the researcher immediately transcribed and translated the data into English. Transcriptions have been separated into individual answers for each question.
- **Coding:** the data were categorised based on the substance of the responses into one or more codes derived from the variables in the operationalisation. Moreover, additional codes were added for answers that did not fit the predetermined categories or answers derived from the additional questions during the interview.

The researcher used ATLAS.ti software to code the interview outcomes to organise the codes based on the indicators and establish connections between codes, resulting in a more manageable data organisation (see Appendix 6).

- **Folding:** the established codes were grouped into different folders according to the theme for each research question. This action helped the researcher structure and present data, analyse results, and answer each research question independently.

### 3.4 Challenges and Limitations

Due to time and resource constraints, the researcher could not travel and conduct fieldwork in Jakarta. Consequently, all data collection was conducted remotely from the Netherlands. Thus, the researcher gathered data through video-based online interviews, occasionally encountering connectivity issues. As a result, some questions and answers had to be repeated to prevent misinterpretation. Obtaining primary data was challenging due to the closed nature of private developers; thus, many refused to be interviewed. Moreover, the lengthy administrative procedure for submitting applications and getting scheduled interviews with government officials was quite time-consuming. Furthermore, the number of private developers included in the sample size is relatively small (see Table 3.1) compared to the thousands of developers involved in housing provision in Jakarta. However, the researcher managed to interview a real estate association that could represent the perspectives of thousands of its members.

### 3.5 Validity and Reliability

This research ensures validity and reliability through data triangulation from various secondary sources to conclude more accurate and convincing findings. The primary data was collected through interviews to specifically and accurately answer the research question, ensuring internal validity. Since the information from semi-structured interviews is relatively subjective, other sources of evidence, such as journal publications, news articles, reports, and statistics, have been used to crosscheck and complement the findings, thus, reducing bias and increasing validity.

Due to the case study approach, this research may not be generalised. However, the empirical information gathered from the primary data collection will be connected and generalised to theory from the literature; thus, it will ensure the external validity of the research. Selecting respondents involved in housing supply, the supply-side actors, and policymakers enhances data triangulation.

The researcher ensures reliability by arranging a guideline for conducting the interviews presented in Appendix 1, 2, 3, and 4. The guideline includes general information, an introduction, and a combination of open-ended and close-ended questions. This guideline ensures that the data gathered are consistent with the research questions, concepts, and variables formulated during the research. To maintain consistency with the operationalisation, the researcher verified the information from the policy documents and literature through close-ended questions while obtaining reasoning behind the respondents' perspectives through open-ended questions.

### 3.6 Operationalisation Table

Table 3.4 Operationalisation table.

Concept	Variable	Sub-variables	Indicators	Data Collection Method	Data Source	Question
<b>Inclusionary Housing</b> Land-use regulations that require private developers to set aside a portion of affordable units of their market-rate housing development (Calavita & Mallach, 2010; Mekawy, 2014)	Inclusionary housing policy	Design	<ul style="list-style-type: none"> <li>Nature of obligation</li> <li>Development threshold</li> <li>Target beneficiaries</li> <li>Set-aside requirement</li> <li>Buyout/Compliance options</li> <li>Developer's incentives/cost offsets</li> <li>Design standards</li> <li>Period of affordability</li> </ul>	<b>Qualitative</b> Mix of methods: Primary data: <ul style="list-style-type: none"> <li>Interviews</li> <li>Secondary data</li> </ul>	Primary data: <ul style="list-style-type: none"> <li>Government officials</li> </ul> Secondary data: <ul style="list-style-type: none"> <li>Policy documents</li> </ul>	How do developers perceive the components of the balanced housing policy?
		Control	<ul style="list-style-type: none"> <li>Supervision mechanism</li> <li>Permit issuance</li> <li>Enforcement of sanctions</li> </ul>			
<b>Developer's Perspective</b> A way of thinking towards fundamental business features, policy environment, and the end value of housing units (Tiesdell, 2004; Witwer & Tsenkova, 2007)	Business fundamental	Profit	<ul style="list-style-type: none"> <li>Ability to gain revenue</li> <li>Availability of incentives to offset opportunity costs</li> </ul>	<b>Qualitative</b> Primary data: <ul style="list-style-type: none"> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Private developers</li> </ul>	What are the private developer's perspectives in producing an affordable housing supply?
		Risk	<ul style="list-style-type: none"> <li>Potential to receive a return on investment</li> </ul>			
		Cost	<ul style="list-style-type: none"> <li>Project timeline and delay</li> <li>Time and money required for the design phase</li> </ul>			
	Feasibility to implement the policy	Enabling options	<ul style="list-style-type: none"> <li>Choice to build affordable units off-site</li> <li>Choice to pay a monetary contribution</li> </ul>			
	Perceived value gap between affordable and market-rate units	Physical stigmatisation	<ul style="list-style-type: none"> <li>Layout and design strategies</li> </ul>			

Concept	Variable	Sub-variables	Indicators	Data Collection Method	Data Source	Question
<b>Supply-side Constraints of the Housing Value Chain</b> The challenges in the set of activities of housing provision (Akinwande & Hui, 2022)	Housing value chain of supply-side	Land acquisition	<ul style="list-style-type: none"> <li>• Cost to acquire land</li> <li>• Timespan for land acquisition</li> </ul>	<b>Qualitative</b> Mix of methods: Primary data: <ul style="list-style-type: none"> <li>• Interviews</li> <li>• Secondary data</li> </ul>	Primary data: <ul style="list-style-type: none"> <li>• Private developers</li> </ul> Secondary data: <ul style="list-style-type: none"> <li>• Policy documents</li> </ul>	How do the private developers perceive the supply-side constraints along the housing value chain in producing affordable housing?
		House construction	<ul style="list-style-type: none"> <li>• Developer's access to bank loans</li> <li>• Cost and timespan for permit approvals</li> <li>• Cost of building materials</li> </ul>			
		Basic infrastructure provision	<ul style="list-style-type: none"> <li>• Cost of basic infrastructure provision</li> <li>• Timespan for basic infrastructure provision</li> <li>• Access to connect to the main bulk infrastructure</li> </ul>			
<b>Affordable Housing</b> Affordable housing is perceived differently among developers and can be measured by price-to-income ratio and down-market penetration (Angel, 2000, Tan et al., 2017)	Perceived attribute of affordable housing	Affordability	Perceived meaning of affordable housing	<b>Qualitative</b> Mix of methods: Primary data: <ul style="list-style-type: none"> <li>• Interviews</li> <li>• Secondary data</li> </ul>	Primary data: <ul style="list-style-type: none"> <li>• Private developers</li> </ul> Secondary data: <ul style="list-style-type: none"> <li>• Housing production statistics, agency reports, articles</li> </ul>	How does the housing supply produced by private developers reflect the requirements of the balanced housing policy?
	Affordable housing supply	Housing stock	Lowest-price house produced by private developers			

Source: Author, 2023.



## 4 Results, analysis, and discussion

The chapter presents research findings and analysis from the data collection through semi-structured interviews with key respondents and secondary data. The first part of this chapter briefly presents the overview of Jakarta as the case study and the profile of developers in Jakarta as the primary source of data collection. Subsequently, the Balanced Housing policy's context and implementation mechanism are explained.

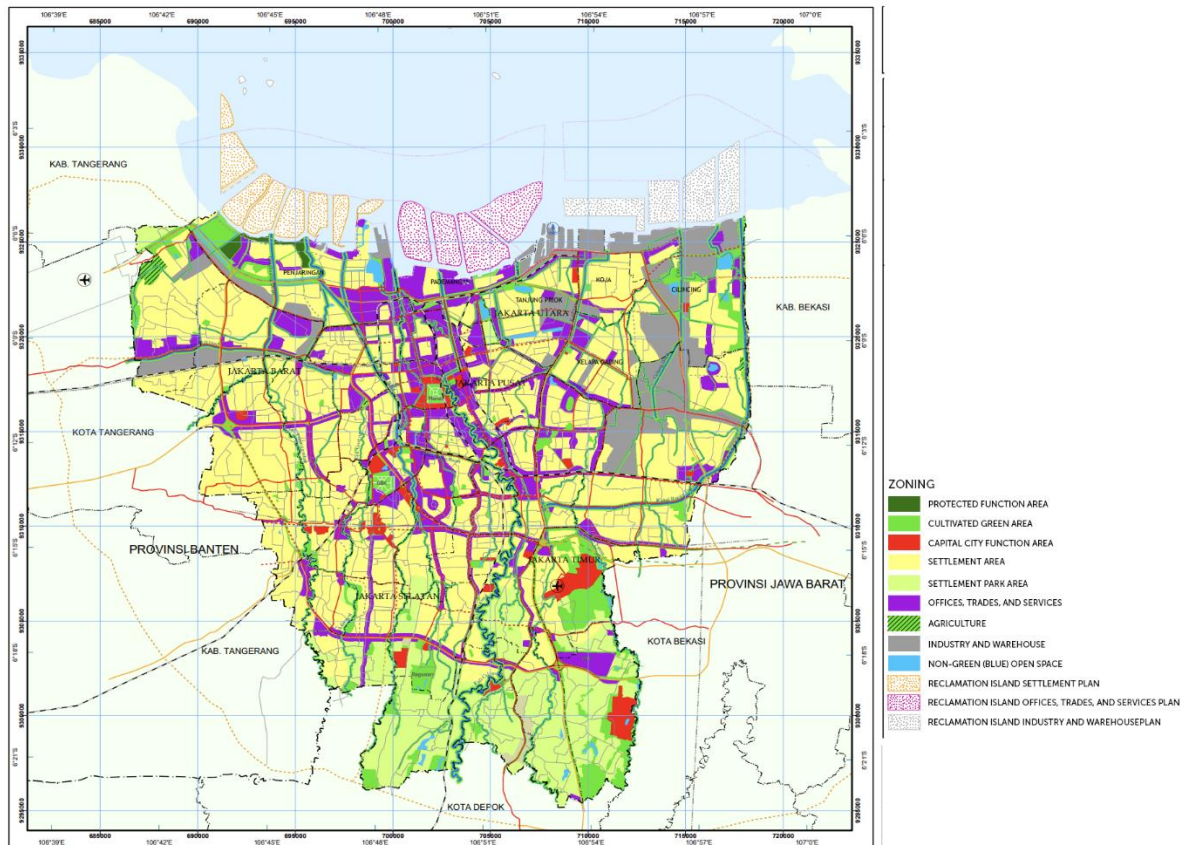
### 4.1 Description of the Case Study

#### 4.1.1 Overview of Jakarta

According to Cybriwsky (2001), Jakarta is a metropolitan city and the urban centre of Indonesia, ranking among the largest cities in the world. Jakarta, commonly referred to as DKI Jakarta (Special Capital Region of Jakarta), holds a first-level autonomous region status, similar to a province, and is governed by a governor. DKI Jakarta comprises five municipalities, namely Central Jakarta, North Jakarta, West Jakarta, South Jakarta, and East Jakarta, each led by a mayor. Jakarta is surrounded by several satellite towns, creating a vast metropolitan area known as Greater Jakarta or Jabotabek (Jakarta, Bogor, Tangerang, Bekasi), covering 7,500 km<sup>2</sup>.

The capital's downtown core serves as a hub of high-level services that benefit from its prime location and position of political and economic power (Goldblum & Wong, 2000). Therefore, Jakarta becomes attractive, resulting in an inevitable urbanisation process and a rapidly increasing population. Within a total area of 661 km<sup>2</sup>, Jakarta had a population of 10,679,951 inhabitants in 2022, with a population growth rate of 0.66% per year (Central Statistics Agency, 2023).

Figure 4.1 Jakarta spatial plan.



Source: Jakarta Regional Regulation 1/2012, with some adjustments.

## 4.2 Policy Environment

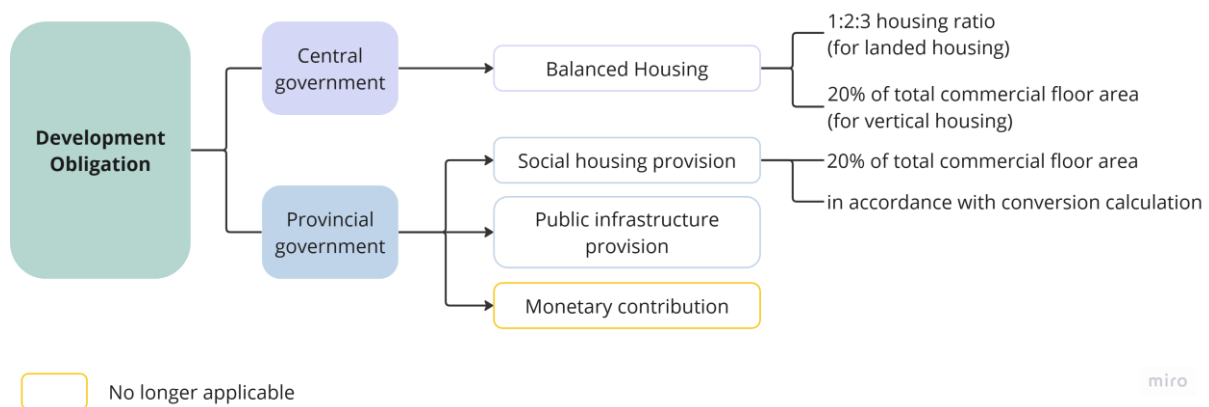
In order to understand the housing provision by private developers, it is vital to comprehend the policy context within which they operate. Developers refer to some policies that regulate balanced housing, development obligation, land use, and permit issuance. Developers must comply with those policies in running their business.

### 4.2.1 Development obligation

According to the Joint Decree 1992, developers must participate in the affordable housing provision by implementing balanced housing to carry out their development. Balanced housing is a housing and settlement development built with a certain proportion of basic, medium, and luxury houses in the form of single and row houses or vertical housing with a proportion of social housing and commercial apartment. Therefore, developers should provide two affordable housing types: basic house (landed house) or social housing (RSS). However, since the land in Jakarta has become scarce, developers can no longer acquire a massive amount of land to develop landed-housing projects; thus, most of the obligation compliance is in the form of vertical housing or RSS (Development Agency, in-depth SSI, July 2023).

On the other hand, Jakarta provincial government issued Governor Decree 540/1990 that mandates developers who acquire land  $\geq 5.000$  m<sup>2</sup> to build RSS as much as 20% of the commercial use area. More recently, this obligation is stipulated in the Governor Regulation 118/2020 on Space Utilisation Permit (IPR). Due to the monetary crisis in Indonesia, most developers experience losses making it challenging to fulfil the obligation to build RSS (Development Agency, in-depth SSI, July 2023). Therefore, the government issued the Governor Decree 1934/2002, which allows the conversion of RSS provision into monetary form. However, as of 2019, developers can no longer make monetary contributions and only build RSS or public infrastructure as their development obligation.

Figure 4.2 Development obligations for developers in Jakarta.



Source: Author, 2023

### 4.2.2 The evolution of the balanced housing policy

The balanced housing policy was initiated in Indonesia in 1992 through the Joint Decree of the Minister of Home Affairs, the Minister of Public Works and the Minister of Public Housing (National Housing Agency, in-depth SSI, June 2023). The term balanced refers to a community that embraces diversity and inclusivity (Yuniarto, 2011). This policy aims to create a diverse community that can prevent the formation of clustered dwellings and promote social stability (Yuniarto, 2011). According to Yuniarto (2011), balanced housing was correctly implemented from the early 1980s to the 1990s, even before this regulation was issued. However, the perception of a house eventually shifted from basic necessities to social prestige. As a result, despite the inflated house prices, the market could still

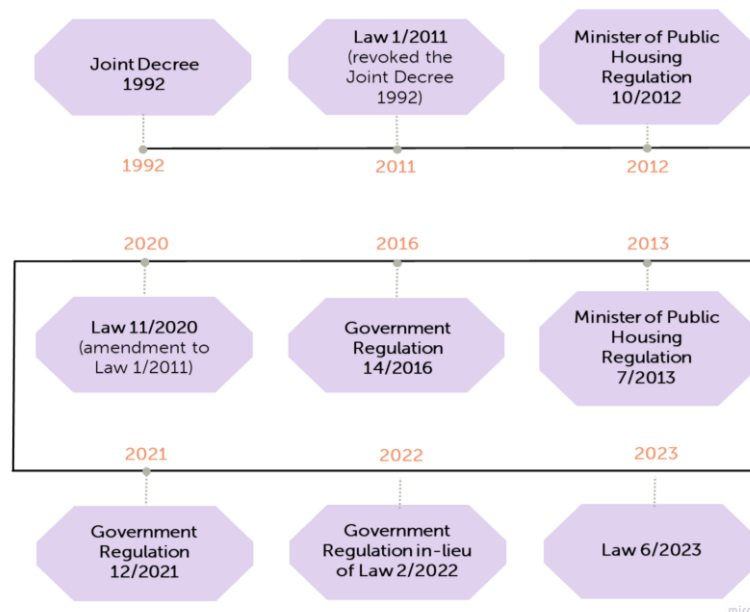
absorb them due to that widespread perception, making it more profitable for developers. Consequently, developers preferred to build and sell this type of housing rather than basic houses.

The Joint Decree 1992 introduced a 1:3:6 housing ratio, which means developers must build three medium houses and six basic houses for each luxury house. Each house type is differentiated by plot area, where luxury, medium, and basic houses range from 600 – 2.000 m<sup>2</sup>, 200 – 600 m<sup>2</sup>, and 54 – 200 m<sup>2</sup>, respectively (Mahendra, 2021). However, this composition did not have a strong base of calculations on whether the ratio was appropriate and effective in achieving the policy’s objectives (Yuniarto, 2011).

In 2011, the Joint Decree 1992 was revoked by Law 1/2011 on Housing and Settlement Area. This new law aims to foster population distribution with a balance of interests, particularly of low-income groups, and ensure affordable housing production. Based on this law, the government issued the derivative regulations through the Minister of Public Housing Regulation 10/2012 and its amendment, 7/2013, and the Government Regulation 14/2016. The latter was amended through the Government Regulation 12/2021, which further specified the set-aside requirement, development threshold, and compliance options.

In 2020, the Omnibus Law 11/2020 amended Law 1/2011 by adding a statement in Article 36 that stated if basic houses (landed houses) are not feasible to build, they can be converted into RSS provision within the area of development or an in-lieu fee payment for RSS development that will be managed by Housing Delivery Acceleration Agency (BP3). In 2022, this law was revoked and replaced with the Government Regulation in lieu of Law 2/2022 with no changes for the article of balanced housing. In 2023, this regulation was recently ratified as a law through Law 6/2023 (Omnibus Law).

Figure 4.3 The evolution of the balanced housing policy.



Source: Author, 2023

According to the findings, it is observed that the regulations and requirements are constantly changing, with some alterations being particularly notable. Some clear examples are the change in the assessment of affordable housing standards from area-based to price-based, the change of housing types composition from 1:3:6 to 1:2:3, the significant increase of development threshold, the attributes of the basic house, and the

option to pay an in-lieu fee. It may be challenging for developers to implement the policy in Jakarta since the attributes of a basic house are now altered based on its price, which is confirmed by the statement of the former head of a real estate association (Why developers find it difficult to provide balanced housing, 2016). All changes indicate that the government may not have thoroughly analysed the calculations and failed to include the input and participation of developers in the previous regulations. Moreover, this regulation may appear to be a one-size-fits-all strategy that may not apply to every region in Indonesia with its own specific needs and context. Therefore, a regulation that binds at a regional level is necessary. A thorough examination of the regulation changes and policy components is shown in Table 4.1.

Table 4.1 Comparison of the components of current regulations under the balanced housing policy.

	Law 1/2011	Minister of Public Housing Regulation 10/2012	Minister of Public Housing Regulation 7/2013	Government Regulation 14/2016	Government Regulation 12/2021	Law 6/2023
<b>Theme</b>	Housing and Settlement Area	Implementation of Housing and Settlement Area with Balanced Housing		Implementation of Housing and Settlement Area	Omnibus Law	
<b>Status</b>	Revoked the Joint Decree 1992 / Law No. 4 of 1992	Derivative regulations of Law No.1/2011	Amendment to The Minister of Public Housing Regulation No. 10 of 2012	Derivative regulations of Law No.1/2011	Amendment to the Government Regulation No. 14 of 2016	Revoked the Law 11/2020 and ratified the Government Regulation in lieu of Law 2/2022
<b>Type of obligation</b>	Mandatory					
<b>Target beneficiaries</b>	Low-income groups					
<b>Set-aside requirements</b>	Regulated under the minister's regulation	<ul style="list-style-type: none"> <li>• 1 : 2 : 3</li> <li>• At least 25% of total area, with the number of basic houses at least equal to the sum of luxury and middle houses</li> <li>• 20% of total of commercial use area (for flats)</li> </ul>	Unaltered	Not specified	<ul style="list-style-type: none"> <li>• Large-scale development: 1:2:3</li> <li>• Non large-scale: 1:2:3 or 1:3 or 2:3</li> <li>• For large urban areas, the basic house composition is divided into 25% of subsidised housing and 75% of non-subsidised housing</li> </ul>	Regulated under the minister's regulation

	Law 1/2011	Minister of Public Housing Regulation 10/2012	Minister of Public Housing Regulation 7/2013	Government Regulation 14/2016	Government Regulation 12/2021	Law 6/2023
<b>Developer's incentives</b>	Voluntarily provided by the government and/or local authorities, in the form of: <ul style="list-style-type: none"> <li>• Tax incentives</li> <li>• Compensation</li> <li>• Cross-subsidy</li> <li>• Infrastructure provision</li> <li>• Simplified permit procedure</li> </ul>	Voluntarily provided by the government in the form of: <ul style="list-style-type: none"> <li>• Tax incentives</li> <li>• Infrastructure provision</li> <li>• Construction credit assistance</li> <li>• Award</li> </ul>	Unaltered	Mandatorily provided by the government or local authorities, in the form of: <ul style="list-style-type: none"> <li>• House subsidy</li> <li>• Self-help house stimulant</li> <li>• Tax incentives</li> <li>• Simplified permit procedure</li> <li>• Insurance</li> <li>• Land provision</li> <li>• Land certification</li> <li>• Infrastructure provision</li> </ul>	Not specified	Central and local government must ease the permit process to the legal body that proposes low-income housing development plan.
		Voluntarily provided by the local authorities in the form of: <ul style="list-style-type: none"> <li>• Housing program assistance</li> <li>• Ease of land acquisition</li> <li>• Accessibility to site location</li> <li>• Simplified permit procedure</li> <li>• Retribution fee waiver</li> <li>• Infrastructure provision</li> <li>• Award</li> </ul>				

	Law 1/2011	Minister of Public Housing Regulation 10/2012	Minister of Public Housing Regulation 7/2013	Government Regulation 14/2016	Government Regulation 12/2021	Law 6/2023
<b>Development threshold</b>	Regulated under the minister's regulation	At least 50 units	At least 15 units	Not specified	<ul style="list-style-type: none"> <li>• Large-scale: <math>\geq 3.000</math> units</li> <li>• Non large-scale: 100 to 3.000 units</li> </ul>	Not specified
<b>Buyout/ Compliance options</b>	<ul style="list-style-type: none"> <li>• Affordable units should be built on-site.</li> <li>• If on-site provision is not feasible, affordable units can be built off-site within the same jurisdiction.</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable units should be built on-site for housing development with at least 1.000 units.</li> <li>• Affordable units can be built off-site for housing development with at least 50 units.</li> <li>• If on-site provision is not feasible, affordable units can be built off-site within the same jurisdiction.</li> <li>• If the construction of basic houses in the form of single/row houses is not feasible, can be substituted by vertical social housing (<i>rusun</i>).</li> </ul>	<ul style="list-style-type: none"> <li>• For development with 15 to 1.000 units, affordable units are allowed to be built off-site.</li> <li>• For development with more than 1.000 units, affordable units should be built on-site.</li> <li>• For social housing provision in DKI Jakarta can be built in a different municipal area within the DKI Jakarta province.</li> </ul>	<ul style="list-style-type: none"> <li>• Affordable units should be built on-site.</li> <li>• If on-site provision is not feasible, affordable units can be built off-site within the same region or province (for DKI Jakarta).</li> </ul>	<ul style="list-style-type: none"> <li>• For large-scale development, affordable units should be built on-site.</li> <li>• For non large-scale development, if on-site provision is not feasible, affordable units can be built off-site within the same jurisdiction.</li> <li>• Basic houses provision can be converted to social housing provision on-site and monetary contribution.</li> </ul>	<ul style="list-style-type: none"> <li>• If on-site provision is not feasible, affordable units can be built off-site within the same region/city.</li> <li>• If basic houses are not feasible to build in the form of landed housing, it can be converted into social housing provision on-site or monetary contribution for social housing development.</li> <li>• If social housing provision on-site or off-site are not feasible, it can be converted to monetary contribution.</li> <li>•</li> </ul>

	Law 1/2011	Minister of Public Housing Regulation 10/2012	Minister of Public Housing Regulation 7/2013	Government Regulation 14/2016	Government Regulation 12/2021	Law 6/2023
<b>Design standards</b>	Affordable units should have access to basic services and employment	<ul style="list-style-type: none"> <li>• Minimum building area of affordable units: 36 m<sup>2</sup></li> <li>• Minimum lot size of affordable units: 60-200 m<sup>2</sup></li> <li>• Affordable units should have access to basic services and employment</li> </ul>	Unaltered	<ul style="list-style-type: none"> <li>• Technical standards (building layout and environmental planning, building reliability)</li> <li>• Administrative (land title, ownership status)</li> <li>• Spatial planning</li> <li>• Ecological planning</li> <li>• Affordable units should have access to basic services and employment</li> </ul>	<ul style="list-style-type: none"> <li>• General standards (building safety, minimum space requirement, health aspects)</li> <li>• Technical standards (location selection, lot area and dimension requirement, house design)</li> <li>• Minimum building area and lot size of affordable units in accordance with statutory regulations.</li> <li>• Affordable units should have access to basic services and employment</li> </ul>	Affordable units should have access to basic services and employment
<b>Affordability term</b>	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified
<b>Control</b>	Executed by the government and local authorities in stages: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Construction</li> <li>• Use</li> </ul>	Executed by the local authorities in stages: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Construction</li> <li>• Development</li> </ul>	Unaltered	Executed by the government and local authorities in stages: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Construction</li> <li>• Use</li> </ul>	Unaltered	Executed by the ministry and/or local authorities in stages: <ul style="list-style-type: none"> <li>• Planning</li> <li>• Construction</li> <li>• Use</li> </ul>



	Law 1/2011	Minister of Public Housing Regulation 10/2012	Minister of Public Housing Regulation 7/2013	Government Regulation 14/2016	Government Regulation 12/2021	Law 6/2023
<b>Supervision</b>	Executed by the government and local authorities in construction phase through: <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Evaluation</li> <li>• Reporting</li> </ul>	Executed by the local authorities in construction phase through direct/indirect observation.	Executed by the ministry and/or local authorities in construction phase through: <ul style="list-style-type: none"> <li>• Monitoring</li> <li>• Evaluation</li> <li>• Correction</li> </ul>	Executed by the local authorities in construction phase through direct/indirect observation and community report.	Unaltered	Executed by: <ul style="list-style-type: none"> <li>• Government and local authorities</li> <li>• BP3</li> </ul>
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>• Administrative</li> <li>• Criminal</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative</li> <li>• Criminal</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative</li> <li>• Criminal</li> </ul>	Administrative	Administrative	Administrative

Source: Author, 2023

### 4.3 Unpacking the Developer's Perceptions of the Balanced Housing Policy

Based on the comparison of the balanced housing policy over time, all regulations support the theory by having almost all the components of inclusionary housing policy, except the explanation of the affordability period.

#### *Nature of obligation*

The nature of the balanced housing policy is mandatory for all legal bodies performing residential development, as stated in Article 34 of Law 1/2011. This means developers should comply with this policy by submitting a balanced housing development plan proposal to obtain the location and construction permit. All developers agree that balanced housing regulation is mandatory (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023). Referring to the Omnibus Law 11/2020, developers find unclear incentives and difficulty in the implementation (R3; R2, in-depth SSI, May 2023). A Legal and Permit Officer also stated,

*"Actually, the intention of the regulation is good. It's just that we, developers, still have difficulties carrying out our obligation. In fact, **many developers are willing to pay off our obligations**. But they (the government) often say they haven't come up with calculations. So actually, the theory is okay, **but the implementation is what is difficult for us to do.**"* (R2, in-depth SSI, May 2023).

This finding aligns with the former head of the real estate association's statement about developers' request for easier implementation of balanced housing regulations (Developers ask for balanced housing provisions to be reviewed, 2020). Furthermore, developers also expressed unfairness for the government to shift the responsibility of affordable housing provision to them (R6; R7, in-depth SSI, June 2023). As the Vice Executive Director of a real estate association stated,

*"Honestly, **it's not fair** since there are other burdens in terms of financial, like tax and costs, that are charged to the developers as well... **Affordable housing provision is the government's job. Private developers are all about business.** That is, for business, it's profit-making, for sure."* (R7, in-depth SSI, June 2023).

However, the provincial government views developers as complementary players in providing affordable housing alongside their own efforts to provide affordable housing in Jakarta (Provincial Housing Agency, in-depth SSI, July 2023). Since developers benefit financially from the housing projects they develop, it should be reasonable to mandate them to contribute to the pressing needs of affordable housing.

#### *Development threshold*

The notable development threshold changes over time indicate that the government may not have a clear understanding of how to implement this policy and may not have conducted a thorough analysis of the calculation. By comparing to the previous regulations, the minimum development threshold allows more developers to be exempted from the obligation of providing balanced housing, particularly from the mandate of providing balanced housing on-site within one stretch. Consequently, the objective of creating an inclusive community and socio-economic integration may not be realised in many housing developments in Jakarta, particularly within developments below 100 units. From the government perspective, the minimum threshold is being increased due to concerns about the ease of connecting the housing development to the main bulk infrastructure (National Housing Agency, in-depth SSI, June 2023). Nonetheless, the researcher already selected the sample criteria of developers meeting the development threshold as per regulation. Therefore, all developers in this research are subject to the balanced housing requirements.

### *Target beneficiaries*

The balanced housing policy is intended to serve low-income groups (LIG) in getting access to affordable housing, basic services, and employment. According to the policy, LIG are people who have limited purchasing power and need government support to acquire housing. The developers' perceived definition of target beneficiaries aligns with the definition of LIG in the policy (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023). However, in a separate regulation, the income cap of subsidised housing beneficiaries for the Greater Jakarta area is regulated under the Minister of Public Works and Public Housing Decree 242/KPTS/M/2020 with a maximum monthly income of Rp8.000.000 (\$533,44)<sup>1</sup>.

However, the provincial government also regulates the income cap, specifically for each municipality in Jakarta, which calculation is based on the Ministry of Public Works and Public Housing Regulation 10/2019. The Governor Decree 588/2020 amended the maximum income for LIG in Jakarta from Rp7.000.000 (\$465,99) to Rp14.000.000 (\$931,98)<sup>2</sup> (Salary threshold to buy house increases, 2021). This suggests that the lowest house price in Jakarta is higher than its neighbouring areas.

### *Set-aside requirement*

Most developers are familiar with the 1:2:3 ratio and 20% allocation of balanced housing, meaning that, for landed housing development, they should build two medium houses and three basic houses for each luxury house or allocate 20% of the total commercial area to be affordable, for vertical housing development (R2; R3; R4; R5, in-depth SSI, May-June 2023). However, most of the housing development in Jakarta does not implement the ratio. As the Legal and Permit Officer and Head of Business Development stated, respectively,

*"No, we always build for the middle-upper segment only. I mean, **we never develop for the middle to lower-class as part of our obligations.** We never do."* (R2, in-depth SSI, June 2023).

*"But in reality, **the government doesn't seem to encourage it too much, so the requirement, so far, is more flexible.** So, each region usually has their own regulation, and it seems like it's really case-by-case; not all developers are asked to have luxury, medium, and basic houses."* (R3, in-depth SSI, May 2023).

The findings indicate that all developers perceive that the government does not force them to follow the balanced housing set-aside requirement in the stage of the planning proposal (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023). During the construction, respondent R2 also stated that the government only checked the technicalities of the building and never verified the conformity to the balanced housing regulation. However, the findings indicate that this lack of enforcement is due to the absence of derivative regulation for the provincial government to supervise the implementation. The Local Housing Agency officer stated, *"To this day, **no derivative regulation regulates the local government's implementation of the 1:2:3 housing ratio.** We have another regulation related to affordable housing provision, but it does not directly stem from the balanced housing policy."* (Local Housing Agency, in-depth SSI, July 2023).

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<sup>1</sup> Based on the conversion of IDR to USD on July 4<sup>th</sup>, 2023.

<sup>2</sup> Based on the conversion of IDR to USD on July 7<sup>th</sup>, 2023.

### *Buyout/Compliance options*

Based on the Government Regulation 12/2021, if the 1:2:3 housing ratio is not feasible, it could be converted into an on-site RSS provision. On the other hand, most respondents also stated that their obligation could be executed through infrastructure and public facilities provisions (R1; R2; R3; R4, in-depth SSI, May 2023). This option is derived from the Governor of Jakarta Regulation 112/2019 as the fulfilment of development obligation and not necessarily as one of the compliance options of the balanced housing policy.

In addition, the Omnibus Law 6/2023 now allows for in-lieu fee payment. Developers also confirmed this during the interviews (R2; R5; R6; R7, in-depth SSI, June 2023). Government Regulation 12/2021 outlined that the monetary contribution could be delivered in grants or managed funds, which will be collected by BP3. This scheme may be convenient for developers since they can immediately be released from obligation, which most developers confirmed (R2; R5; R6; R7, in-depth SSI, June 2023). However, BP3 has not been established since the law was just ratified in 2023 (R7; National Housing Agency, in-depth SSI, June 2023).

### *Developer's incentives*

Despite having a long list of incentives in the 2012 and 2013 regulations, the 2021 and 2023 regulations have not specified any incentives apart from an easier permit process (see Table 4.1). The findings indicate developers perceive the latter regulations without clear incentives (R2; R3; R5, in-depth SSI, May-June 2023). Furthermore, R2 mentioned that the density bonus incentive that his company got stems from the Governor of Jakarta Regulation 118/2020 and the Governor Regulation 31/2022 instead (R2, in-depth SSI, May 2023). This suggests that the incentive is not based on building balanced housing but rather on constructing developments near public transportation. That statement implies that both regulations also encourage private developers to support affordable housing provision in Jakarta. According to the regulations, private developers should build social housing in the Transit Oriented Development (TOD) zone in return for additional floor area for their development. However, the criteria and target beneficiaries of affordable housing are still under review (Spatial Planning Agency, in-depth SSI, June 2023).

In addition, respondent R7 also stated that the government is still too focused on providing incentives for the demand side and does not give enough incentives for the supply side (R7 in-depth SSI, June 2023). The findings indicate various types of incentives to boost housing supply by developers, as shown in Table 4.2 (Incentives are available, 2021; Province of Jakarta, 2022). Therefore, it should be noted that these incentives do not stem from the balanced housing policy.

**Table 4.2 Supply-side incentives for developers.**

Supply-side incentives				
PPN-DTP	LTV Relaxation	Ease of credit	Additional floor area	Additional BCR
Tax on the consumption/utilisation of goods and services borne/paid by the government	Home buyers can purchase property without paying down payment	Loan for construction and land acquisition	Additional 2-3 m <sup>2</sup> for every m <sup>2</sup> of social housing built	Additional of up to 20% of total area

Source: Author, 2023

### *Design standards*

Based on the findings in Table 4.1, the access and provision of basic services and employment opportunities are key factors for determining the quality of affordable housing. There is also a minimum requirement for the building and lot area for the affordable units: 36 m<sup>2</sup> and 60-200 m<sup>2</sup>, respectively. These criteria align with 2 out of 7 developers' perceptions of affordable housing attributes (R1; R4, in-depth SSI, May 2023). However, the Head of Planning added that locating low-income units ultimately depends on the land value.

*"What's interesting is that we are developing around the train station... so maybe the question at that time was, will this basic house be adjacent or far from the station? At first, we consider that they don't have a vehicle, so it would be better if the station is within walking distance. At the same time, **the value of the land near the station is much higher than the land that is further away from it. So, it's a dilemma here... the location determines the selling price. In the end, we locate the basic houses farthest away, with good access and park-and-ride facilities, assuming they have a motorcycle. So, in terms of access, they are still provided, but in terms of land value, of course, the land in the front should be placed for the high-end units. So, you can see the priorities, price, and justification to the local government, why they (low-income units) end up further away.**" (R4, in-depth SSI, May 2023).*

Moreover, regarding the physical appearance of the units, most developers agree that low-income units should have different specifications due to the selling price and construction cost; as respondent R1 stated, *"The design doesn't necessarily have to be good, but still livable... in terms of design, it doesn't have to be comparable to the market-rate units, but it should be functional."* (R1, in-depth SSI, May 2023).

The statements indicate a connection to the stigma of affordable housing that developers perceive as a value gap between luxury, medium, and basic houses. It is common for developers to separate affordable housing units from luxury homes. The Head of Planning mentioned that lower-income units are typically situated farther back and away from public facilities due to the consideration of land value (R4, in-depth SSI, May 2023). The house's location determines the selling price; therefore, they prioritise the luxury units to be at the more strategic location to sell at a higher price.

### *Affordability period*

Based on the policy analysis, no regulations under the balanced housing policy further explained how long those affordable units should remain affordable. However, the length of the subsidy period is clarified in a separate regulation, as outlined in the Minister of Public Works and Public Housing Decree 242/KPTS/M/2020. The decree stipulates that the subsidy period will span 20 years.

In addition, the findings indicate that most developers agree that it is crucial to maintain the affordability of housing units in the long run (R1; R2; R4, in-depth SSI, June 2023). However, respondent R4 who builds low-income landed housing, also argued, *"So, in my opinion, affordability is important, but it should also be adjusted depending on the location, price, inflation."* (R4, in-depth SSI, May 2023). This statement indicates that although developers mostly agree on the importance of affordability term for the LIG, they still put some consideration into making those units profitable. Therefore, they may set the price higher after a certain period, and consequently, the affordability may be compromised.

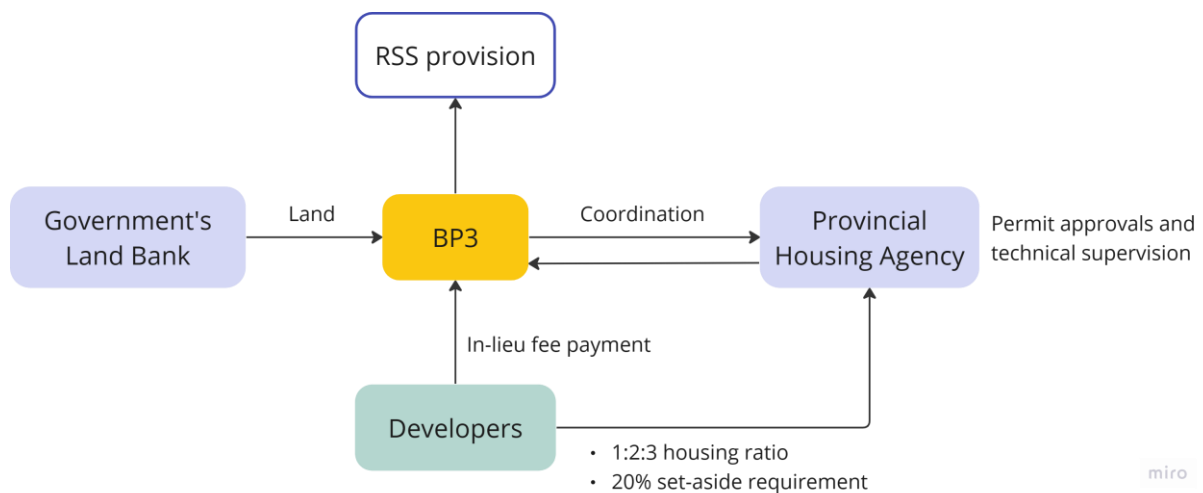
### *Supervision mechanism and enforcement of sanctions*

According to findings, sanctions enforced on the developers that do not comply with the policy are reduced to only administrative due to their non-conformity with statutory rules

in Indonesia (Balanced housing rules are getting looser, 2018). The omission of criminal sentences may be fairer and more acceptable to developers; however, it may weaken law enforcement and the realisation of balanced housing in Jakarta. All developers stated that they never witnessed or experienced any sanctions enforced on the developers who do not apply balanced housing (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023). On the other hand, the National Housing Agency (in-depth SSI, June 2023) argued that it might be beneficial to reintroduce criminal sanctions. Implementing this approach may demonstrate a strong commitment to enforcing the policy. However, it is important to recognise that local government must also be ready with the technical and resources to implement the policy. Developers also face constraints and business considerations that the government should not overlook to make this policy viable for implementation.

Due to the absence of balanced housing regulation at the provincial level, the provincial agency has not supervised balanced housing implementation (Provincial Housing Agency, in-depth SSI, 2023). However, once Law 6/2023 is put into practice, the possible mechanism of the balanced housing policy will be executed, as presented in Figure 4.4.

Figure 4.4 Analysis of the possible mechanism of balanced housing based on Law 6/2023.



Source: Author, 2023

#### 4.4 Developer's Perspective of Housing Provision

This section will analyse the developer's perspective on the business fundamentals that may influence their decision to provide affordable housing.

##### *Profit*

The findings indicate that all developers have different calculations in setting the profit margins that they transfer to the house price (R1; R3, in-depth SSI, May 2023). 2 out of 5 private developers agree that including affordable units influences the overall profit but is not significant (R3; R4; in-depth SSI, June 2023). The results suggest that some developers have no objections to providing affordable units as long as the market still absorbs the luxury units, so the revenue from these units can cover the cost of affordable units' provision (R1; R4, in-depth SSI, June 2023).

Furthermore, the Head of Business Development also stated that their decision to produce low-income units is ultimately based on land availability and market suitability (R3, in-depth SSI, June 2023). Therefore, even though the profit generated from the low-income units is not significant compared to the middle and luxury units, they would still provide them to get more revenue at every opportunity. On the other hand, respondents R5 and R7 stated that the inclusion of affordable and subsidised housing lowers the

developer's profit significantly (R5; R7, in-depth SSI, June 2023). These statements imply that the inclusion of affordable housing in the development impacts differently on developers' profits and strongly depends on the market absorption of luxury housing.

In addition, the findings indicate that the developer's perception of the cost offsets or incentives from the government has not been sufficient. Respondent R4, who builds basic houses, stated that the government gave some subsidies for the units' construction (R4, in-depth SSI, May 2023). However, it was not enough for them to gain profit. As a result, they increased the price of those units, making them no longer aligned with the government's set price for basic housing.

### *Risk*

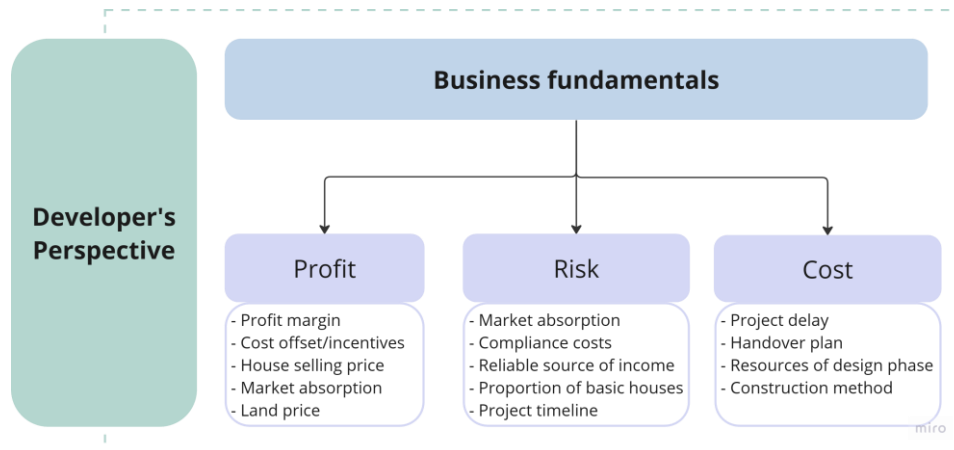
According to the findings, developers determine their project's performance differently. Using the IRR method, respondent R1 stated that they only focus on providing upper-class housing to get enough margin to bear the cost of any regulatory compliance (R1, in-depth SSI, May 2023). Therefore, as long as every compliance cost has been calculated upfront and incorporated into the selling price of those units (end value), it would not cause any problem with the return on investment or the project's performance. This means that if the balanced housing requirements are predictable from the start, it will reduce the developer's risks. However, the balanced housing ratio for basic houses is higher than the middle and luxury houses. If they produce more basic houses, they might not get a sufficient return on their investment since the selling price (end value) will be lesser than those of luxury units. This implies that they must have a solid and reliable resource that can sustain their business since it affects their decision to provide basic houses or social housing as their compliance.

### *Cost*

The Head of Business Development confirmed that the project delay would affect the production cost (R3, in-depth SSI, May 2023). This statement implies that if this delay occurs during the production of affordable units, the end selling price will become higher, and affordability might be compromised. Moreover, both Business Development officers stated that project delay would also affect the return on investment, which is overly sensitive to time (R1; R3, in-depth SSI, May 2023). The finding indicates that the delay was also caused by an unclear handover plan by the government once social housing was built by developers, which burdened them with extra costs for management (R5; in-depth SSI, June 2023).

Most respondents agree that every stage of a project that is sensitive to time will affect the housing cost, including the design phase. Based on the findings, spending more time on trial-and-error with a house prototype can decrease overall housing costs (R3; R4, in-depth SSI, May 2023). In addition, the findings also indicate another critical aspect of reducing housing costs is the construction method. The Head of Planning stated that the study and selection of the most efficient construction method would reduce housing costs (R4, in-depth SSI, May 2023).

Figure 4.5 Developer's business perspective and its influential factors.



Source: Author, 2023

#### 4.5 Supply-side Constraints of the HVC and the Feasibility of Providing Affordable Housing

This section will analyse the perceived supply-side constraints of the HVC and its influence on the feasibility of policy implementation that may hinder developers from providing affordable housing.

##### *Land acquisition*

As mentioned in the previous section of compliance options, the in-lieu fee is made feasible for developers in Jakarta through Government Regulation 12/2021, although it has not been implemented yet. However, developers expressed their acceptance and ability to pay and preferred to fulfil their obligation this way (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023).

Although the balanced housing policy allows building off-site, developers perceive that the land price in Jakarta no longer makes sense to build affordable housing (R3; R4; R5, in-depth SSI, May-June 2023). The findings indicate that developers only want to acquire land with a clear title and are ready to build, as the Legal and Permit officer who never built affordable units in his project stated,

*"In Jakarta, there is actually very little land that we can utilise as residential, like apartments, in my opinion. It is tough for us to get lands matching the criteria developers want. If many vacant lands are still available, I can guarantee you that land must be problematic, so it's not worth it for us to take over."* (R2, in-depth SSI, May 2023).

Moreover, he also added,

*"The Provincial Government of DKI Jakarta should reach the supporting areas around Jakarta, such as Bogor, Depok, Tangerang, and Bekasi... since the land in Jakarta is no longer feasible to build affordable housing... Actually, the developers are very willing to contribute if the implementation and the incentives are clear."* (R2, in-depth SSI, May 2023).

Meanwhile, from the government's perspective, it is still feasible for developers to provide RSS in Jakarta since the government still have a sufficient land bank (National Housing Agency, in-depth SSI, June 2023; Development Agency, in-depth SSI, July 2023). According to the Governor of Jakarta Regulation 1/2022, developers can provide RSS through two schemes shown in Table 4.3. However, it should be noted that these schemes do not directly stem from balanced housing regulations.



Table 4.3 Social housing provision schemes for developers.

Provision of social housing	
Developer-owned land	Government-owned land
House price cap and target beneficiaries decided by the provincial government	Social housing is handed over to the provincial government

Source: Author, 2023.

Land prices are still observed to increase with a conservative annual growth rate of 2.7%, and the average land price recorded at Rp 11.700.000 (\$769,74)<sup>3</sup> as of December 2021 (House prices in Greater Jakarta are rising, 2022). Therefore, developers prefer to build RSS on government-owned land (Development Agency, in-depth SSI, July 2023). This statement is confirmed during the interviews, as the Business Development Senior Analyst stated, *“So, I hope at least the government could provide the land because developers will definitely choose cheap land, which is located farther away.”* (R1, in-depth SSI, May 2023). The representative of a real estate association also expressed the same expectation,

*“So, the obstacle is that the developer must first wait until the land (from the government) is available. The allocated 20% obligation is for the house units. If developers provide the land, then the figure must be reduced because we have already spent the money on the land.”* (R6, in-depth SSI, June 2023).

However, this scheme may eliminate the developer’s opportunity to gain profit since they cannot create sales from the housing units.

According to the distribution map of the housing land value plots published by the Ministry of Agrarian Affairs and Spatial Planning (ATR/BPN), land price in Jakarta has reached around Rp20.000.000 – Rp50.000.000/m<sup>2</sup> (\$1.333,60 - \$3.334/m<sup>2</sup>)<sup>4</sup>. As a result, it is common for apartments in Central Jakarta to be priced at around Rp65.000.000 (\$4.334,20)<sup>5</sup> per m<sup>2</sup> (List of land prices in Jakarta, 2021). However, the government stated that it is impossible to control land prices (Spatial Planning Agency; National Housing Agency, in-depth SSI, June 2023). As the Spatial Planning officer stated, *“For now, we can only utilise existing buildings and allocate 20% of it for affordable housing.”* This strategy is encouraged through the Governor of Jakarta Regulation 118/2020 for developers to build affordable housing in the TOD area, as outlined in section 4.3.

#### *House construction*

According to the interviews, the majority of developers obtain funding through capital, sales revenue, and bank loans, and only one developer reported not acquiring bank loans (R1; R2; R3; R4; R5, in-depth SSI, May-June 2023). Developers who require loans do not face difficulties accessing them due to their established reputation as prominent developers (R3; R4, in-depth SSI, May 2023). Moreover, Presidential Decree 100/2020 regulates the provision of construction loans to developers who build low-income housing (SMF to enlarge construction loans, 2022).

The Governor of Jakarta Regulation 118/2020 stated that the approval process for getting location and construction permits is 57 working days. However, respondent R1 mentioned that the location permit could take up to three to six months in practice (R1, in-depth SSI,

<sup>3</sup> Based on the conversion of IDR to USD on July 12<sup>th</sup>, 2023.

<sup>4</sup> Based on the conversion of IDR to USD on July 4<sup>th</sup>, 2023.

<sup>5</sup> Based on the conversion of IDR to USD on July 4<sup>th</sup>, 2023.

May 2023). According to Government Regulation 12/2021, obtaining Building Approval (PBG) is simplified through Online-Single Submission (OSS). However, this system has not been used and is considered ineffective for Jakarta's housing development, which is perceived to be more complex than other regions (R6, in-depth SSI, June 2023). Developers are still experiencing difficulties in the permit process due to the unprepared digital infrastructure and human resources (Incentives are available, 2021).

Building materials prices increased by 6,78% from last year, while the determined price of subsidised houses remains fixed (Central Statistics Agency, 2023). The rise in material prices impacts the average selling price, causing it to increase by approximately 3.51% annually (House prices in Greater Jakarta are rising, 2022). This creates another obstacle for developers to build basic or subsidised houses, as respondent R1 mentioned that they taste the impact through their selection of building contractors. As an illustration, the Business Development Senior Analyst mentioned that construction costs take up 30-40% of the total costs in the cost structure (R1, in-depth SSI, May 2023). The increase in building materials price each year influences the service fee of contractors, making developers pay more for house construction. As a result, they choose to sacrifice housing affordability to offset construction expenses and increase their earnings (R2; R4, in-depth SSI, May 2023).

#### *Basic infrastructure provision*

The Head of Planning mentioned that they encounter a dilemma as they must adhere to the government's set price for basic houses while ensuring the infrastructure is of good quality (R4, in-depth SSI, May 2023). This statement implies that developers believe infrastructure expenses will further decrease the already minimal profits in affordable housing construction. Eventually, they must set the selling price above the price as per regulation.

Meanwhile, according to the National Housing Agency, if developers build affordable housing, the government will give incentives through public facilities and utility provisions, such as a clean water network and waste system, which takes up to 50% of the site plan capacity (National Housing Agency, in-depth SSI, June 2023). The results suggest that these developers might not qualify for the incentive since they have not yet produced affordable housing in Jakarta.

#### *House selling price cap*

In addition, the finding suggests that developers are constrained by the government's house selling price cap according to the balanced housing policy, as shown in Table 4.4. To produce affordable housing, developers must follow the requirement of the basic house price. This requirement pertains to the HVC components and the developer's perspective. Specifically, the selling price of the basic house may not be sufficient to cover the costs of land, construction, and infrastructure, resulting in decreased or non-existent profits for developers and rendering the project unfeasible. According to the Minister of Public Works and Public Housing Decree 242/2020, a basic or subsidised landed house and a social housing unit in Jakarta is priced at Rp168.000.000 (\$11.183,76) and Rp250.000.000 (\$16.642,50)<sup>6</sup>, respectively.

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<sup>6</sup> Based on the conversion of IDR to USD on July 5<sup>th</sup>, 2023.

**Table 4.4 House selling price cap by the central government.**

	The Minister of Public Housing Regulation No. 10/2012	The Minister of Public Housing Regulation No. 7/2013	Government Regulation No. 12/2021
<b>House selling price cap</b>	<ul style="list-style-type: none"> <li>• Basic house: decided by the government.</li> <li>• Medium house: 1-4 times of basic house price</li> <li>• Luxury house: &gt;4 times of basic house price</li> </ul>	<ul style="list-style-type: none"> <li>• Basic house: decided by the government</li> <li>• Medium house: 1-6 times of basic house price</li> <li>• Luxury house: &gt;6 times of basic house price</li> </ul>	<ul style="list-style-type: none"> <li>• Basic house: decided by the government</li> <li>• Medium house: 3-15 times of basic house price</li> <li>• Luxury house: &gt;15 times of basic house price</li> </ul>

Source: Author, 2023.

The comparison in Table 4.2 shows that the price cap for each house type is increasing significantly in the 2021 regulation. Moreover, the pricing standards in the Minister of Public Housing Regulation seem peculiar, where the minimum price threshold for the medium house equals the price of the basic house, resulting in both being priced the same. This finding suggests that the government may have neglected to conduct a comprehensive calculation and failed to involve developers in the pricing process.

Furthermore, based on the findings, the government has observed that the majority of developers in Jakarta do not comply with the pricing standards set by the latest balanced housing policy regulation, especially for basic or subsidised houses (National Housing Agency, in-depth SSI, June 2023). The pricing standards resulted in a non-existent profit for developers; thus, many set the house price above the price cap (Request for subsidised house prices to increase, 2023). This means that the house can no longer be tax-free, and the tax will be imposed on the buyers.

On the other hand, apart from the ministry regulation, Jakarta provincial government also regulates the selling price cap for RSS for each municipality through Governor Decree 606/2020, as shown in Table 4.5.

**Table 4.5 House selling price cap by the Jakarta provincial government.**

Municipality area	House selling price per m <sup>2</sup>
West Jakarta	Rp11.550.089 (\$762,88) <sup>7</sup>
South Jakarta	Rp11.667.947 (\$770,67)
East Jakarta	Rp11.314.373 (\$747,31)
North Jakarta	Rp11.432.231 (\$755,10)
Central Jakarta	Rp11.785.805 (\$778,45)

Source: Author, 2023.

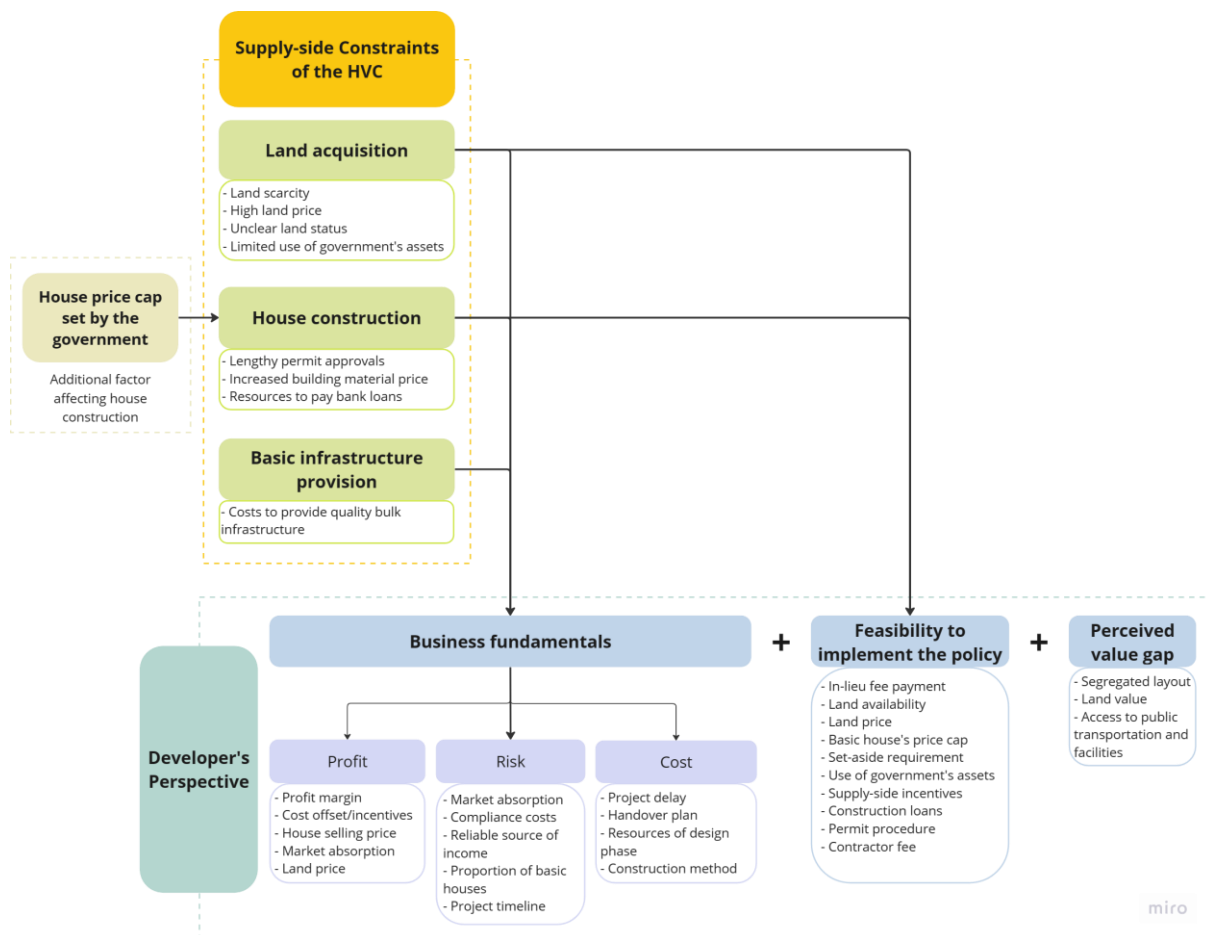
#### 4.6 Summary of Developer’s Perspective and Supply-side Constraints

According to the findings, developers perceive that incorporating affordable housing can impact the value of their projects. However, they are willing to meet their responsibilities in providing such housing as long as they have sustainable revenue streams and can

<sup>7</sup> Based on the conversion of iDR to USD on July 7<sup>th</sup>, 2023.

generate profits. Implementing the balanced housing policy is still considered unviable due to certain constraints on the HVC and unclear fee payment procedures that impact developer business concerns. The most prominent hurdle is land scarcity which results in high land prices. Increased building materials prices and house and infrastructure costs also take up a massive part of their expenses, resulting in an increased end value. The findings suggest that the house price cap also affects the HVC, making affordable housing provision challenging for developers.

Figure 4.6 Graphical explanation between two variables in housing provision based on findings.



#### 4.7 Affordable Housing: Developer's perceptions and the supply

This section will explain how developers perceive the attributes of affordable housing and examine whether their housing provision reflects the requirements of the balanced housing policy.

##### *The perceived meaning of affordable housing*

The findings indicate varying perceptions between developers and real estate associations regarding affordable housing definition (R1: R2; R3; R4; R5; R6; R7, in-depth SSI, May-June 2023). While some developers support the idea of providing affordable housing to low-income groups (LIG), many have not provided housing products that cater to this demographic. On the other hand, one developer provides RSS outside their development area (R4, in-depth SSI, May 2023). However, it should be noted that this provision results from participation in the government's social housing program rather than complying

with the balanced housing policy. The varying perceptions of affordable housing from each respondent are shown in Table 4.3.

**Table 4.6 Comparison of developers and real estate associations' perceptions of affordable housing attributes.**

Respondents	Definition of affordable housing
R1	A house that people with low income can afford with a floor area of 36-40 m <sup>2</sup> .
R2	A house that people with income equivalent to the regional minimum wage can afford.
R3	A house that is priced below 500 million rupiahs.
R4	A dwelling with a concept of incremental house.
R5	A house that is reasonably priced based on the location.
R6	A house that is available and accessible for all income levels.
R7	A house that is accessible for low and middle-income groups.

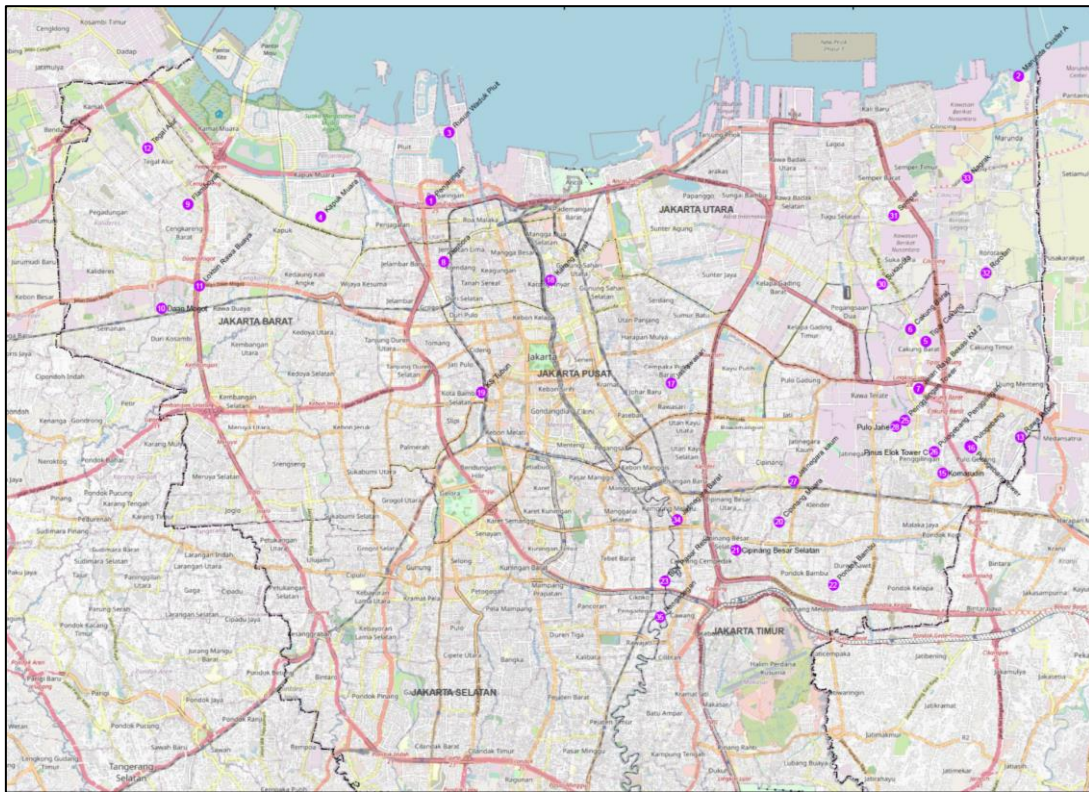
Source: Author, 2023.

Although respondents R1 and R2 perceive the attributes of affordable housing in such ways, they never deliberately opt to provide options for low-income housing in their development (R1; R2, in-depth SSI, May 2023). Respondent R3 provides housing below 500 million rupiahs outside Jakarta and never provides subsidised housing (R3, in-depth SSI, May 2023). Respondent R4 approaches from the design perspective, where the house is designed with a small floor area and sufficient space for extension in the future to keep the price affordable (R4, in-depth SSI, May 2023). Respondent R5 stated that location should be considered in pricing (R5, in-depth SSI, June 2023). Lastly, respondents R6 and R7 provide a more general perspective but highlight the middle-income group with no access to government subsidies and is overlooked by the market (R6; R7, in-depth SSI, June 2023). These findings suggest that each developer will base the affordability using their own criteria. Consequently, their housing supply may not meet the predefined basic and social housing standards regulated in the balanced housing policy. Meanwhile, the Minister of Public Housing Regulation 10/2012 defines affordable housing as a public house built on land between 60-200 m<sup>2</sup> with a minimum floor area of 36 m<sup>2</sup> and priced according to government regulations.

#### *The affordable housing supply produced by developers*

Since balanced housing has not been fully implemented in Jakarta, access to information on affordable housing supply produced from the policy was not availed to the researcher. As mentioned in the previous sections, most developers in Jakarta produce affordable housing, particularly RSS, from their development obligation. The government's land bank for RSS provision is mainly located in Jakarta's eastern region, as shown in Figure 4.6. According to the data obtained from the Development Agency, fourteen RSS were built by thirteen private developers in Jakarta to fulfil development obligations, as shown in Table 4.7.

Figure 4.7 Distribution map of RSS in Jakarta.



Source: Development Agency, 2023.

Table 4.7 Social housing produced from development obligation by private developers in Jakarta.

No.	Social housing provision	Number of units
1	RSS Muara Angke	700
2	RSS Bulak Wadon	96
3	RSS Tambora	300
4	RSS Tanah Tinggi	284
5	RSS Benhil	592
6	RSS Penjaringan	184
7	RSS Tebet Barat	320
8	RSS Rawa Bebek	400
9	RSS Daan Mogot	320
10	RSS Muara Baru	400
11	RSS Pulo Gebang	560
12	RSS Kampung Aquarium	242
13	RSS Kampung Kunir	33
14	RSS Kampung Eks Bukit Duri	79
<b>Total</b>		<b>4.510</b>

Source: Author, 2023.

In addition, private developers also produced RSS through project penalties for exceeding the floor area ratio (FAR), regulated under the Governor of Jakarta Regulation 210/2016 (Development Agency, 2023). It is important to note that some developers who contribute through this scheme include commercial, office, and mixed-use developers. The total RSS units are shown in Table 4.8.

**Table 4.8 Social housing produced from FAR penalties by private developers in Jakarta.**

No.	Social housing provision	Number of units
1	RSS Daan Mogot	1.902
2	RSS Pulo Gebang-Penggilingan	522
3	RSS Pulo Gadung	169
<b>Total</b>		<b>2.593</b>

Source: Author, 2023.

Lastly, RSS is also produced by private developers from the reclamation development obligations, which is regulated under Regional Regulation 1/2012, as shown in Table 4.9.

**Table 4.9 Social housing produced from reclamation obligation by private developers in Jakarta.**

No.	Social housing provision	Number of units
1	RSS Muara Baru	400
2	RSS Daan Mogot	320
<b>Total</b>		<b>720</b>

Source: Author, 2023.

## 4.8 Summary of Findings

Overall, the findings indicate that the balanced housing policy has not been fully implemented in Jakarta due to the absence of derivative regulation at the provincial level that binds private developers and the provincial government to implement it. Hence, the information on the affordable housing supply in this research does not based on the policy. Developers perceive the policy as challenging to be implemented in Jakarta due to the high land price and construction costs, lack of supply-side incentives and lengthy permit approvals. Moreover, it is challenging for developers to comply with the house price cap set by the government, hindering their ability to build and sell houses at subsidised rates. Therefore, most developers prefer to build social housing on government-owned land to sidestep land acquisition expenses that can diminish their profit.

Nevertheless, provincial regulations support one of the objectives of the balanced housing policy, resulting in the production of affordable housing supply, particularly RSS, by private developers in Jakarta. The project value of the RSS is determined by the conversion calculation of the development obligation developers must pay. However, Law 6/2023 allows developers to pay their obligation in monetary form as the developers prefer. In this way, developers can save considerable expenses and resources that would otherwise be spent on land acquisition and construction. The payment funds will be managed by a central agency and solely directed towards affordable housing production. Hence, this scheme may ensure the availability of affordable housing supply in Jakarta.

## 5 Conclusion and recommendations

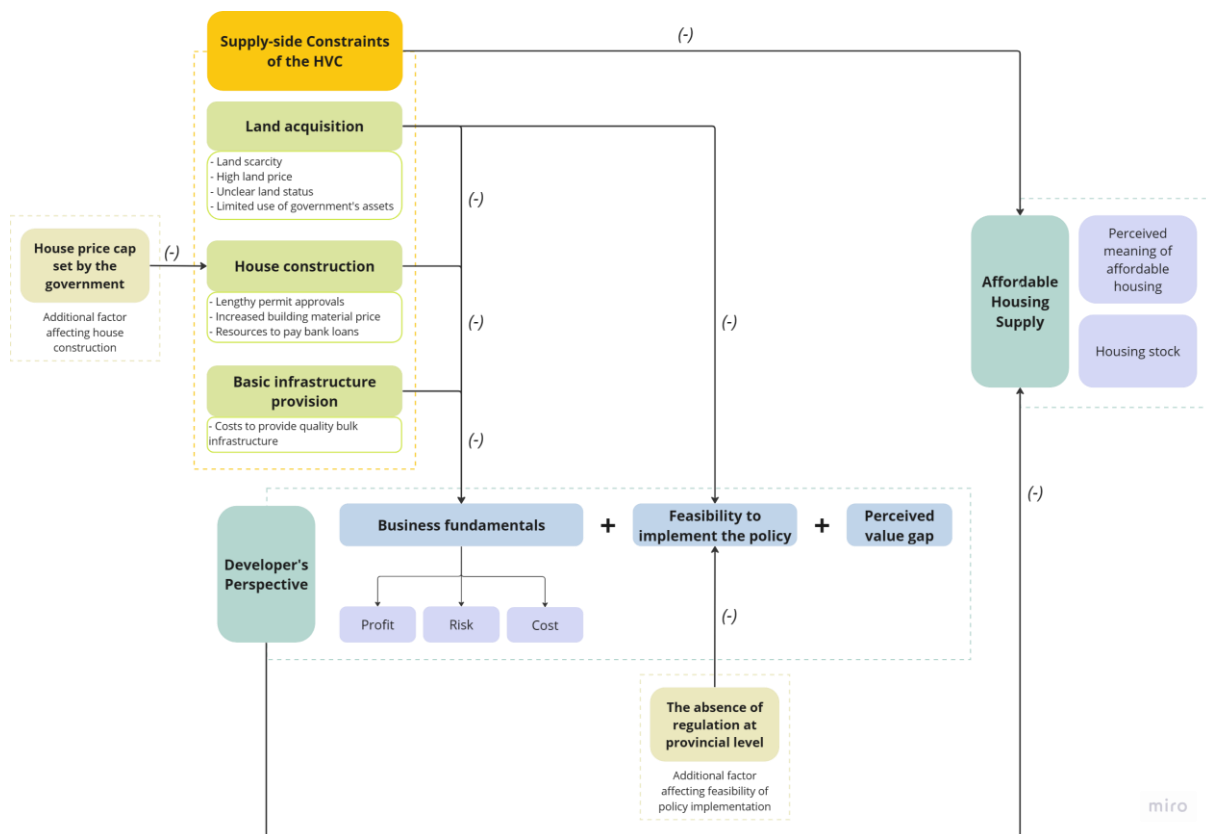
This last chapter presents the conclusion based on the interview results and data analysis concerning the literature review in Chapter 2. It also presents recommendations for policymakers regarding better implementation of the balanced housing policy. Additionally, it proposes a potential future study to enhance this research further.

### 5.1 Conclusion

#### *How do developers' perspectives and supply-side constraints under the inclusionary housing policy affect the affordable housing supply in Jakarta, Indonesia?*

According to the research findings, the availability of affordable housing in Jakarta is influenced by the developer's perspective, which is believed to be affected by the limitations on the supply side along the HVC. This relationship is consistent with the framework outlined in section 2.7. The perceived and actual constraints within the HVC influence the perception of private developers towards profit, risk, and cost. Moreover, the results show that additional factors affect the HVC and developer's perspective, such as the house price cap and the absence of regulation at the provincial level, contributing to the bottleneck in the balanced housing policy implementation. Developers will not participate in the affordable housing provision if there is a lack of incentives to close the cost-revenue gap, law enforcement, and ease in the permit process (Rust, 2023; Tiesdell, 2014; Tan et al., 2017; Witwer & Tsenkova, 2007). Developers prefer to pay an in-lieu fee to avoid the costs and resources in the HVC. Although the payment scheme has not yet been implemented, it may improve private developers' participation and ensure an affordable housing supply in Jakarta.

Figure 5.1 Summary of the study.



Source: Author, 2023.



### **5.1.1 Private developer's perceptions and implementation of the balanced housing policy**

The policy analysis revealed that the balanced housing policy has addressed most of the components of inclusionary housing, as mentioned in the theory (Jacobus, 2015; Wang & Fu, 2022). Despite being a long-standing policy, developers still perceive this policy as challenging to be implemented in Jakarta. Although there are compliance options, as outlined by Jacobus (2015) and Wang & Balachandran (2021), such as an in-lieu fee or off-site affordable housing provision, developers are still hindered by bottlenecks caused by the supply-side constraints of the HVC and lack of incentives. Developers require clear incentives to implement the policy, which could boost the production of inclusionary units (Schuetz et al., 2011). Additionally, the bottlenecks are also caused by the preparedness of provincial agencies to carry out the policy. Private developers prefer to pay off their obligations in monetary form rather than building basic houses or social housing, as they believe it is a more resource-efficient approach. However, the government still lacks instruments to implement it, resulting in developers being unable to pay off their obligation.

### **5.1.2 Private developer's perspectives in affordable housing provision**

Aligning with the theory, most private developers find that profit, risk, cost, land prices, and housing regulations affect their decision and capability to produce affordable housing (de Duren, 2018; Jacobus, 2015; Witwer & Tsenkova, 2017). Most developers are willing to provide affordable units as long as they still can get profit and return on investment from the luxury units. Moreover, developers need incentives to participate in the affordable housing provision to keep making profits (Witwer & Tsenkova, 2007). However, they perceive that the government has not given sufficient cost offsets or incentives to maintain their profit. This relates to the developer's perspective on profit-making, where it is essential to close the gap between cost and revenue (Witwer & Tsenkova, 2007). Moreover, developers believe project delays affect the project's return and cost. Therefore, market absorption of luxury units is important for developers to minimise the risk and cost of providing affordable housing.

Supporting the theory, developers never provide affordable housing if it is economically unfeasible (Tiesdell, 2004). Developers are concerned that complying with the balanced housing policy, which requires them to include a portion of affordable housing in their projects, may increase costs and reduce their profit margins, as Wang & Fu (2022) outlined. Hence, the policy must provide various compliance options that motivate them to participate. Furthermore, developers tend to separate affordable houses from luxury ones due to the negative stigma attached to affordable housing, as mentioned in the theory (Tiesdell, 2004). Although the policy mandates the proximity of affordable houses to public transportation or facilities, developers tend to prioritise luxury houses in that location due to a higher land value.

### **5.1.3 The supply-side constraints of the HVC**

Land price, construction cost, and infrastructure provision cost are the most prominent elements of HVC that hinder developers from providing affordable housing in Jakarta, as mentioned by Rust (2023). Developers believe those elements take up a considerable part of their expenses, as Ferguson (2008) and Houston (2010) outlined. They also reduce the already minimal profits associated with such projects, which developers perceive as unfeasible. Moreover, the house price cap set by the government becomes an additional factor affecting the HVC that influences the profit margin, which becomes lower or even non-existent. However, developers can build affordable housing on government-owned land, meaning land costs would no longer burden them. However, this also means that

developers would not get revenue or profit from the project since the housing units are handed over to the government after construction.

#### **5.1.4 Affordable housing supply produced by developers**

Due to the different perceptions of affordable housing, developers set their own criteria for house price, size, and target beneficiaries, as Tan et al. (2017) outlined. Developers find it challenging to comply with the government's determined criteria for affordable housing due to the supply-side constraints and considerations to thrive in their business. This situation, combined with the absence of binding regulation at the provincial level to implement balanced housing, resulted in housing production that failed to meet the requirements and objectives of the balanced housing policy. However, under provincial regulations, developers are still mandated to increase the affordable housing supply, which is one of the inclusionary housing objectives (Calavita et al., 1997; Hickey et al., 2014; Sturtevant, 2016). However, such housing is mostly built on government land, mainly in Jakarta's eastern region, distant from the city centre and public amenities. Therefore, it is still uncertain whether the goal of social integration in the inclusionary housing policy will be achieved.

### **5.2 Recommendations**

#### **5.2.1 Recommendations of the study**

Based on the findings and conclusion, the researcher suggests the following recommendations:

- Formulating provincial regulations of balanced housing specific to the local context is necessary to give precise mechanisms, incentives, and sanctions for developers and ensure the increase of affordable housing supply.
- Housing development supervision by the provincial government to developers, not only in terms of technicalities but also in realisation plan of balanced housing that can be regulated in a provincial regulation.
- A thorough feasibility study for policymakers to understand the potential impact of proposed housing requirements, incentives, and fee calculations by involving the real estate community to create a more robust and effective program.
- Improvement of incentives on the supply side, especially those related to infrastructure provision.
- The existence of an integrated database on housing products developers produce (quantity, price/target market, distribution).
- Policymakers should establish guidelines to ensure the off-site affordable housing produced is built to a high-quality standard, well-maintained, and have access to employment opportunities and public amenities.
- Partnership between commercial and affordable housing developers to produce more off-site affordable housing supply.

#### **5.2.2 Potentials for future research**

This research contributes to the academic by explaining the implementation of inclusionary housing policy by development actors in a developing country's urban setting. The results presented in this research give insights into supply-side dynamics in the pursuit of providing affordable housing. However, the study is context-specific and used a relatively small sample size in examining developers' perspectives towards the policy. Therefore, a larger sample size could give more depth and validity. In addition, it is advisable to further investigate the balanced housing mechanism of the in-lieu fee payment through BP3 once implemented and its impact on the actual production of affordable housing in Jakarta. Lastly, it may also be interesting to expand the research

topic on the accessibility of the affordable housing supply in Jakarta about employment opportunities and city activities, as it is the key requirement of the balanced housing policy.

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## Appendix 1: Interview introduction guide

Greetings	Good (morning/afternoon/evening) (Sir/Ma'am). Thank you for taking the time to take part in this interview.
Introduction of the interviewer	Firstly, I would like to introduce myself. My name is Putri Maharani. I am a master's student in Urban Management and Development at IHS, Erasmus University Rotterdam. I have been conducting research for my thesis within the scope of my specialisation in Urban Housing, Equity, and Social Justice.
Purpose of the interview	<p>This interview is part of the qualitative data collection for my thesis. In order to obtain the required data, I will conduct an in-depth interview on the topic of Inclusionary Housing, specifically regarding the Balanced Housing policy in Jakarta, Indonesia. The research aims to explain the developer's perspective and supply-side constraints that influence the affordable housing supply in Jakarta. Therefore, I will interview representatives from private developers and government officials based on their experience and expertise related to the research topic and objective.</p> <p>As you may know, the Balanced Housing policy has been around in Indonesia for thirty years, and it went through some amendments to the requirements in 2012, 2013, and 2021. This interview will focus on the housing supply side in Jakarta; thus, private developers, as the main contributor to the housing supply, will be allowed to express their perception of the Balanced Housing policy, their business considerations in implementing the policy, and their constraints in providing affordable housing for middle- and low-income segments. Moreover, government officials will also be asked about the mechanism and problems in implementing the policy.</p>
Technicalities of the interview	<p>This interview will last around 40-60 minutes but feel free if you want to add something more or if you want to stop anytime, you can let me know during the interview, and we will stop. I may ask you additional questions to follow up and clarify your answers during the interview. There are no good or bad answers here; it is based on your experience and expertise.</p> <p><i>(For private developers)</i> In the first part of the interview, I will ask for some background information regarding your expertise and job description. Then, I will continue to ask about your understanding of the Balanced Housing policy, your business perspective, your constraints in housing supply, and your view on affordable housing.</p> <p><i>(For government officials)</i> In the first part of the interview, I will ask for some background information regarding your expertise and job description. Then, I will continue to ask about the mechanism and problems in implementing the Balanced Housing policy.</p>
Privacy and ethics	I will not say your name in our interview, so I can assure you that you will remain anonymous. Your information will only be used for the qualitative research course, so everything you say will remain confidential. The interview outcome will be stored in a safe environment and can only be accessed by me as the researcher.
Permission to record	Before we proceed, I need your permission to record our interview today. The recording will aid the analysis and ensure the responses are captured and transcribed accurately. Do you have any problem with that?
Informed consent	<p>Lastly, as discussed, I understand you were willing to participate in this interview. But before we move on, as you know the purpose, confidentiality, and other technicalities we discussed</p> <ul style="list-style-type: none"> <li>• Are you still willing to participate?</li> <li>• do you consent for this interview's result to be used for scientific research and education?</li> <li>• Is there anything you want to ask before we start?</li> </ul>

## Appendix 2: Interview guideline for the private developers

### General information

Designation:

The number of employees:

The number of years involved in housing supply:

Type of projects:

The number of housing projects developed:

Target group:

Opening question	
First of all, could you tell me about your expertise and projects that you have been involved in?	
Inclusionary Housing Policy	
1	In general, how familiar are you with the Balanced Housing policy (HB) in Jakarta? <ul style="list-style-type: none"> <li>- Is it mandatory or voluntary?</li> <li>- Who are the target beneficiaries?</li> <li>- How many percentages should be set aside for the low-income groups?</li> <li>- Are there any incentives or cost offsets offered by the government in complying with the policy? If yes, what are they?</li> <li>- Are private developers offered any choices or alternatives by the government in providing housing for low-income groups? If yes, what are they?</li> </ul>
2	What do you think of the incentives or cost offsets offered for private developers?
3	How much is the in-lieu fee that should be paid by private developers, if any?
4	What do you think of the compliance options for private developers in complying with the policy?
5	Should the design of the low-income units be comparable to the market-rate units? <ul style="list-style-type: none"> <li>- Why does it should/should not?</li> <li>- Could you explain how they meet or do not meet the design standards of market-rate units?</li> </ul>
6	Should the low-income units remain affordable in the long term? <ul style="list-style-type: none"> <li>- Why does it should/should not?</li> <li>- If yes, how long?</li> </ul>
7	Does the government perform any sanctions on private developers that do not comply with the regulation? <ul style="list-style-type: none"> <li>- If yes, what are they?</li> </ul>
Developer's Perspective	
8	Do you think the requirements of the Balanced Housing policy affect the private developer's ability to gain profit and generate revenue? <ul style="list-style-type: none"> <li>- If yes, could you explain whether it affects profit positively or negatively?</li> <li>- If not, why would you think so?</li> <li>- Do you think private developers' concern about profit affects their decision to provide affordable housing? Why/why not?</li> </ul>
9	Does including affordable units in a market-rate housing development significantly impact the return on investment? <ul style="list-style-type: none"> <li>- If yes, could you explain whether it affects positively or negatively the return on investment?</li> <li>- If not, why would you think so?</li> <li>- Do you think private developers' concern about return on investment affects their decision to provide affordable housing? Why/Why not?</li> </ul>
10	Do you think the project timeline and delays affect the cost of housing? <ul style="list-style-type: none"> <li>- If yes, could you elaborate on how it increases or decreases the housing cost?</li> <li>- If not, why would you think so?</li> <li>- How long does it take to develop a housing project until completion?</li> </ul>
11	Do you think the resources for the design phase affect the cost of housing? <ul style="list-style-type: none"> <li>- How much time and money are allocated for the design phase?</li> <li>- Do you think private developers' concern about housing costs affects their decision to provide affordable housing? Why/why not?</li> </ul>
12	How feasible is it for private developers to pay an in-lieu fee to comply with the regulation?
13	How feasible is it for private developers to build low-income housing outside the development area?
14	In what way do you prefer to comply with the regulation?

<b>Supply-side Constraints of the Housing Value Chain</b>	
15	How can land acquisition increase or decrease the cost of housing? <ul style="list-style-type: none"> <li>- How does the cost of acquiring land affect the housing cost and profit?</li> <li>- How does the timespan for getting a land title affect the housing provision?</li> </ul>
16	How can housing construction increase or decrease the cost of housing? <ul style="list-style-type: none"> <li>- How does the cost of building materials affect the housing construction cost?</li> <li>- How long does it take to get a construction permit for housing?</li> <li>- How does the timespan for permit approvals affect the housing construction cost?</li> </ul>
17	How accessible can private developers get bank loans for housing construction?
18	How can basic infrastructure provision increase or decrease the cost of housing? <ul style="list-style-type: none"> <li>- How expensive is it to provide basic infrastructure for housing development?</li> <li>- How easily can a housing development connect to the bulk infrastructure, such as the main road and sewer network?</li> <li>- How does the infrastructure provision affect the profit?</li> <li>- How long does it take to provide basic infrastructure for housing development?</li> </ul>
<b>Affordable Housing</b>	
19	Based on your perception, how would you define affordable housing?
20	In what ways do you think the affordable housing supply in Jakarta could be improved?
<b>Concluding remarks</b>	
21	Do you have any other comments regarding the Balanced Housing policy or affordable housing provision that you feel are important?

## Appendix 3: Interview guideline for the real estate association

### General information

The number of years involved in housing development:

The number of members:

<b>Inclusionary Housing Policy</b>	
1	In general, how familiar are you with the Balanced Housing policy (HB) in Jakarta? <ul style="list-style-type: none"> <li>- Is it mandatory or voluntary?</li> <li>- Who are the target beneficiaries?</li> <li>- How many percentages should be set aside for the low-income groups?</li> <li>- Are there any incentives or cost offsets offered by the government in complying with the policy? If yes, what are they?</li> <li>- Are private developers offered any choices or alternatives by the government in providing housing for low-income groups? If yes, what are they?</li> </ul>
2	What do you think of the objectives and requirements of the balanced housing policy?
3	In your opinion, how important is it to mandate developers to provide affordable housing?
4	How do the developers respond to the balanced housing policy?
5	How feasible is it for developers to implement balanced housing requirements?
6	In your opinion, to what extent is balanced housing implemented in Jakarta (by developers and the government)?
<b>Developer's Perspective</b>	
7	Do you think the requirements of the Balanced Housing policy affect the private developer's ability to gain profit and generate revenue? <ul style="list-style-type: none"> <li>- If yes, could you explain whether it affects profit positively or negatively?</li> <li>- If not, why would you think so?</li> <li>- Do you think private developers' concern about profit affects their decision to provide affordable housing? Why/why not?</li> </ul>
8	Does including affordable units in a market-rate housing development significantly impact the return on investment? <ul style="list-style-type: none"> <li>- If yes, could you explain whether it affects positively or negatively the return on investment?</li> <li>- If not, why would you think so?</li> <li>- Do you think private developers' concern about return on investment affects their decision to provide affordable housing? Why/Why not?</li> </ul>
9	How feasible is it for private developers to pay a monetary contribution to comply with the regulation? <ul style="list-style-type: none"> <li>- How does it facilitate private developers in implementing the policy?</li> </ul>
10	How feasible is it for private developers to build low-income housing outside the development area? <ul style="list-style-type: none"> <li>- How does it facilitate private developers in implementing the policy?</li> </ul>
11	How do you think the choices (in-lieu fee payment and off-site development) affect the supply of low-income housing by private developers?
<b>Supply-side Constraints of the Housing Value Chain</b>	
12	From your perspective, what are the constraints developers face in providing affordable housing supply in Jakarta?
13	In your opinion, what are the most important preconditions for developers to comply with the balanced housing policy?
<b>Affordable Housing</b>	
14	Based on your perception, how would you define affordable housing?
15	What are your thoughts regarding the balanced housing policy's contribution to Jakarta's affordable housing supply?
16	How important do you think the availability of affordable housing is in Jakarta?
17	From the supply side, in what ways do you think the affordable housing supply in Jakarta could be improved?
<b>Concluding remarks</b>	
18	Do you have any other comments regarding the Balanced Housing policy or affordable housing provision that you feel are important?

## Appendix 4: Interview guideline for the government officials

### General information

Designation:

Agency:

<b>Inclusionary Housing Policy</b>	
1	What are the primary considerations for adopting the Balanced Housing policy in Indonesia?
2	Why do you think it is important to mandate private developers to provide affordable housing in Jakarta?
3	Does the local government incentivise private developers to comply with the policy? <ul style="list-style-type: none"> <li>- If not, why not?</li> <li>- If yes, what are they, and what is the approach to setting the incentives?</li> <li>- Do you think that the incentives are sufficient? Why/why not?</li> </ul>
4	What do you think of the Balanced Housing policy implementation by private developers in Jakarta? <ul style="list-style-type: none"> <li>- Do most of the private developers in Jakarta implement the policy? What do you think hinders or encourages private developers from implementing the policy?</li> <li>- Are private developers given some choices/alternatives of contribution in implementing the policy? If yes, what type of contribution? If not, why not?</li> <li>- Do you think the local government has been able to collect the in-lieu fee from private developers in exchange for housing production? Why/Why not?</li> <li>- How do you think the in-lieu fee or off-site development affects the affordable housing supply in Jakarta?</li> </ul>
5	Could you explain the supervision mechanism of the Balanced Housing policy? <ul style="list-style-type: none"> <li>- Is there any monitoring mechanism by the local government in terms of land value, housing price, development permit, and balanced housing requirements? If yes, how is it done?</li> <li>- Are there any sanctions imposed by the government on private developers that do not comply with the regulation? If yes, what are they? If not, why not?</li> <li>- What do you think of the sanctions imposed on private developers?</li> </ul>
6	What challenges or obstacles does the local government face in implementing the policy? <ul style="list-style-type: none"> <li>- What do you think should be improved?</li> </ul>
7	How enabling, would you say, is the inclusionary housing policy environment for private developers in Jakarta?
8	In your opinion, have the objectives of the Balanced Housing policy been achieved with the current requirements and mechanism?
<b>Affordable Housing</b>	
9	What are your thoughts on the affordable housing supply by private developers in Jakarta?
10	In what ways do you think the affordable housing supply could be improved in Jakarta?
11	In your opinion, how important is the role of private developers in the affordable housing supply?
<b>Closing statement</b>	
12	Do you have any other comments regarding the Balanced Housing policy or affordable housing provision that you feel are important?





## Appendix 6: Data analysis using Atlas.ti

The screenshot displays the Atlas.ti interface with the following components:

- Menu Bar:** File, Home, Search & Code, Analyze, Import & Export, Tools, Help, Codes.
- Toolbar:** New, Edit, Color, Show in Network, Global Filter, Rename, Delete, Analyze, Tools, Export, Filter, Code Groups, View.
- Explore Panel:** Shows a tree view of the project structure, including 'Thesis', 'Documents (11)', and 'Codes (4)'. The 'Codes' folder is expanded to show sub-codes like 'A\_Components and implementation of BH', 'B\_Developer's business perspectives', etc.
- Code Manager Table:** A table listing code entities with columns for Name, Grounded, Density, Groups, Created by, Modified by, and Created.
 

Name	Grounded	Density	Groups	Created by	Modified by	Created
▸ A_Components and implementation of BH	183	0		Putri Maharani	Putri Maharani	30/0
▸ B_Developer's business perspectives	54	0		Putri Maharani	Putri Maharani	30/0
▸ B1_Profit	18	0		Putri Maharani	Putri Maharani	01/0
▸ B2_ROI	4	0		Putri Maharani	Putri Maharani	01/0
▸ B3_Cost	12	0		Putri Maharani	Putri Maharani	01/0
▸ B4_Feasibility	14	0		Putri Maharani	Putri Maharani	01/0
▸ B5_Physical stigmatisation	1	0		Putri Maharani	Putri Maharani	01/0
▸ B_R3_Developer's concerns in business	5	0		Putri Maharani	Putri Maharani	01/0
▸ C_Supply-side constraints of the housing val...	52	0		Putri Maharani	Putri Maharani	30/0
▸ C1_Land acquisition	30	0		Putri Maharani	Putri Maharani	01/0
▸ C2_Housing construction	15	0		Putri Maharani	Putri Maharani	01/0
▸ C3_Basic infrastructure provision	7	0		Putri Maharani	Putri Maharani	01/0
▸ D_Affordable housing	47	0		Putri Maharani	Putri Maharani	30/0
- Code Distribution by Document:** A bar chart showing the number of codes for each document.
 

Document	Number of Codes
D 3: R1_Bussines Develop..	38
D 4: R2_Legal and Permit	33
D 5: R3_Business Develop..	57
D 7: R4_Head of Planning	46
D 8: SPA	13
D 9: R6_Real estate organi..	12
D 10: R5_Project Developm...	35
D 11: R7_Real estate associ...	37
D 12: LHA	25
D 13: DA	23
D 14: NHA	18
- Comment Panel:** A text area for adding comments to the selected code, currently empty with the text "Select an item to show its comment".
- Status Bar:** Shows "300 codes" at the bottom left.

## Appendix 7: Coding and quotation from the interviews

	Concept	Variable	Sub-variables	Indicators	Code	Quotation
A	Inclusionary housing	Inclusionary housing policy	Design (A1)	Nature of obligation	A1.1_LHA_Mandatory/voluntary	<i>"Kemenpera Regulation 10/2012 does mandate that everyone who plays a role in residential development nationally, whether in Jakarta or elsewhere, does have an obligation to provide balanced housing."</i>
				Development threshold	A1.2_NHA_Development threshold	<i>"Why do we take the minimum number of 100? So it can be included in the city planning or district planning to connect the infrastructure. The concern is about the connection to the infrastructure."</i>
				Target beneficiaries	A1.3_NHA_Differences of pricing and income cap between central and provincial government	<i>"There is a slight difference with DKI Jakarta. The ministry regulation regulates the income cap of 8 million rupiahs, but Jakarta has its income standards of 14 million rupiahs."</i>
				Set-aside requirement	A1.4_R3_1:2:3 Balanced housing ratio	<i>"What I understand is the composition of 1 luxury residence, 2 medium, 3 subsidised ones for the LIG."</i>
				Buyout/Compliance options	A1.5_R3_Social housing provision off-site	<i>"So the flexibility is that sometimes it can be exchanged with, for example, RSS, but the RSS don't need to be in that area, it's a bit far."</i>
					A1.5_DA_Developers can provide infrastructure as development obligation	<i>"Finally in 2019, Governor of Jakarta Regulation 112/2019 was issued. So the obligation can also be converted to infrastructure provision, not just RSS. But it can also be RSS, it can still be RSS."</i>
					A1.5_DA_Developers can pay in-lieu fee under Omnibus Law 2023	<i>"The obligation can be converted to funds. There will be a calculation, a formula for it."</i>
				Developer's incentives	A1.6_LHA_Local government has provided incentives through governor regulation	<i>"DKI Jakarta has issued Governor Regulation 1/2022 which regulates incentives for development actors in the form of increased floor area or increased percentage of the building area coefficient."</i>
					A1.6_R7_Lack of supply-side subsidy from the government	<i>"The government's policy focuses more on the demand side, not the supply side. Therefore, most of the developers are not implementing the balanced housing obligation."</i>

	Concept	Variable	Sub-variables	Indicators	Code	Quotation	
				Design standards	A1.7_R4_Size adjustments for comfort	<i>"So far, we've come up with a minimum of 30 or 31 square meters, but of course comfort is important. From our approach, we make this basic house design with an effort to make it affordable without reducing comfort and aesthetics."</i>	
				Period of affordability	A1.8_R3_House price adjustment to increase market absorption	<i>"We want all of our products to be sold. So we always analyse the products that can be absorbed at such price range."</i>	
			Control (A2)	Supervision mechanism	A2_DA_Supervision by the provincial agency	<i>"So the mayor has the duty to collect. T The mayor reports to the DA the results of the development through the DA, then we carry out sanctions. Later when they are sanctioned, then usually they will follow their obligations, complete their obligations."</i>	
							<i>"Later we coordinate with the Local Housing Agency. Then we introduce them to the developer and decidewhere to build it (the RSS)."</i>
					A2_NHA_The absence of binding local regulation to implement BH	<i>"Permit process is through local governments so they should make derivative regulations related to balanced housing. That's the first thing. Because if that doesn't exist, it is rather difficult for them to carry out the process in the permit approvals."</i>	
					Permit issuance	A2_R3_Site plan proposal for permit do not include BH plan	<i>"Usually, the site plan only consists of the ratio of residential and public areas and commercial... but there were never any details like there should be 20% for balanced housing."</i>
					Enforcement of sanctions	A2_R3_No enforcement of sanctions	<i>"No (sanctions), because the regulation is not clear."</i>

	Concept	Variable	Sub-variables	Indicators	Code	Quotation
B	Developer's perspective	Business fundamental	Profit (B1)	Ability to gain revenue	B1_R4_Difficult to gain profit when complying with subsidised house price	<i>"So if we want to sell at 170 million with this composition, of course, the profit will be very small or even non-existent."</i>
					B1_R3_Affordable housing makes small profit	<i>"I mean, we don't sell subsidised houses. So, it might not increase profit significantly, the profit must be small."</i>
			Risk (B2)	Potential to receive ROI	B2_R5_Return on investment duration depends on market demand	<i>"So the speed of return on capital depends on the market situation at that time whether the demand for commercial property is high or not."</i>
			Cost (B3)	Project timeline and delay	B3_R1_Project delays affects cost and return	<i>"In terms of product, it's clear that the delay will affect the return, it will affect the cost, because the construction cost will increase every year. By using IRR, the time value of money is quite sensitive. So if the project is delayed, until next year, the return can drop quite a lot."</i>
		Time and money for design phase			B3_R3_Duration of design phase affects housing cost	<i>"Usually, the longer it takes, the more solid it is, especially when we make a house prototype, the cost usually goes down."</i>
		Feasibility to implement the policy	Enabling options (B4)	Choice to build affordable units off-site	B4_R5_Build social housing off-site	<i>"It's definitely not (on-site), because for example, a project that I'm working on is in SCBD, it's impossible because the land price per square meter is already 80 million... while balanced housing is like for example, in Jakarta, it is regulated for the maximum selling price for RSS was 13 million per square meter SGA, which doesn't make sense with the calculatoin of the capital needed to provide land and building."</i>
					Choice to pay monetary contribution	B4_R7_Not feasible to implement BH policy before the Omnibus Law
		Perceived value gap between affordable and market-rate units	Physical stigmatisation (B5)	Layout and design strategies	B5_R4_Segregation layout	<i>"We do separate basic houses from other house types. We located upper-class houses at the front and basic houses farther away at the back"</i>

	Concept	Variable	Sub-variables	Indicators	Code	Quotation
C	Supply-side constraints of the HVC	HVC of supply-side	Land acquisition (C1)	Cost to acquire land	C1_R4_Location and land price hinders affordable housing provision	<i>"We can't build a basic house on Jalan Jenderal Sudirman, for example, where the land price is already 30 million, or even 50 million."</i>
					C1_R5_Cost to acquire land takes up more than 50% of total development cost	<i>"In Jakarta, for example, over 50% of it is already land."</i>
				Land availability	C1_NHA_Jakarta has enough land bank for RSS provision	<i>"In Jakarta, it is still possible because Jakarta has enough land banks for houses arranged vertically. Still possible."</i>
				Timespan for land acquisition	C1_R6_Time to acquire land	<i>"The biggest job in providing public flats is, of course, the land. So, the obstacles start from one, the developer must first wait until the (government-owned) land is available."</i>
			House construction (C2)	Developer's access to bank loans	C2_R3_No difficulties in accessing bank loans	<i>"It depends on the reputation of the developer, yes, I mean, surely the bank must look at its reputation... in fact, the banks are chasing us offering loans"</i>
				Cost and timespan for permit approvals	C2_R2_Actual timespan of getting construction permit on housing cost	<i>"By rule, it's 41 working days. But in practice it can be around 6 months, yes 3-6 months."</i>
			Basic infrastructure provision (C3)	Cost of bulk infrastructure provision	C3_R3_Calculation on basic infrastructure provision	<i>"We first calculate the potential on how much we can sell from one compound, for example, how much we can get in 20 years, and we take some percentage of it to build infrastructure. So, it depends on our revenue."</i>
				Timespan for bulk infrastructure provision	C3_R3_Process in basic infrastructure provision	<i>"It is done in stages, depending on the project's phase"</i>
D	Affordable housing	Perceived attribute of affordable housing	Affordability (D1)	Perceived meaning of affordable housing	D1_R5_Affordable housing perception depends on the location	<i>"So actually, the government should know that the term affordable can be different depending on the region, because it depends on the land and construction costs in each region. And that greatly affects the cost of the property."</i>

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