The Repeal of the Rent Control Act

Goh Boon Leong interviews the PHT, PAM, HDA, the State EXCO and the real estate valuers and consultants. Khoo Salma's article calling for suggestions on how to deal with 'the repercussions of the repeal' first appeared in the AWPNUC (Asia & West Pacific Network for Urban Conservation) Newsletter Volume 3 No 4. For responses to her report see Volume 4 No 1 of the AWPNUC publication, included here this month as part of the PHT newsletter.

(The PHT is currently the secretariat for AWPNUC)

Will the repeal be a scourge or a blessing?

The repeal of the Control of Rent Act comes into effect this September. Some say it is a scourge, others a blessing. It is both, depending on one's vested interest and priority.

Welcoming the Act's repeal are businessmen seeking new premises, bankers, developers and many in the real estate industry. By far, the most glad are owners of rent-controlled buildings.

Chief mourners are poor tenants, small-scale traders, retailers and cottage industry operators in the heart of George Town.

Justifiable or not, fears seem to abound. Some George Town assemblymen are worrying about the uncertainty in their constituencies' voter profile if a large number of tenants move. Policy-makers are facing planning nightmares because the character and commercial pulse of George Town could be affected if there are major population shifts. And town planners are fretting over attainable sensible development, conserving heritage sites and effective traffic management.

Although Penang is implementing the Town and Country Planning Act and its recent Amendments, the repeal could still rob George Town of heritage sites. Yes, the penalty for demolishing a pre-war building is now doubled to RM100,000, but with no other punitive or reparative provisions, it is hardly enough to stop a potential crop of new structures from replacing them. Should numerous high-density, multi-storey buildings mushroom in the city, traffic woes could do much to damage the quality of living.

Is the repeal a blessing? The fact is no wide-reaching urban renewal of George Town is possible for as long as the Act remains. There are prime sites currently occupied by crumbling rows of pre-war buildings which are ideal for development into an array of modern uses. After the repeal, such developments can commence and much wealth can be generated from them.

To question why so many of Penang's rent-controlled buildings (12,609 out of 36,499 nationwide) are in a decaying, dilapidated state is to question the Act itself. Under it, tenants only pay token rentals, typically less than RM100 a month for something with 2,000 sq ft of space. Since this is far below market value, landlords are understandably unwilling to spend large sums on repairs. And the tenants, who cannot be evicted for whatever reason, again because of the Act, are almost never known to voluntarily make the repairs.

Real estate valuer Tan Gak Eng of G E Tan and Associates says: "The Act is now obsolete, so the repeal is just a relief overdue to landlords. For decades, many of them have been deprived of the true value of their properties." Tan adds that the Act was enacted to protect the genuine poor when they made up the majority of inner-city dwellers after the Second World War, but they are not the majority now. "Ironically, a whole generation of businessmen has thrived and become rich by enjoying low rentals for these premises."

David Khoo, a director of international property consultants C H Williams, Talhar & Wong Sdn Bhd says: "Most of the off-spring of the original rent-controlled tenants have grown up and moved their households elsewhere. However, there are pockets of hardship among the tenants, including the elderly who have no kin. These people are living hand to mouth, engaged in menial work or hawking. Moving will be difficult for them. They must be cared for one way or another. Perhaps a revolving federal fund for them to rent or acquire low-cost homes would help."

On changes in property values, Khoo feels that "naturally after the repeal, rental rates will rise to market value since property values too will have risen. Many old buildings may be suitable for conversion from homes to commercial use. The state government could introduce indirect incentives for such changes."

It is clear that alternative accommodation will have to be found for the genuinely poor tenants. Last December, Deputy Chief Minister Datuk Mohd Shariff Omar announced that 26 developers would build 57,000 low-cost homes by the year 2000.

The Penang Housing Developers Association (HDA) Chairman Cheah Kheng Hooi was quoted as saying: "The HDA will accept the building of more
low- and medium-cost homes as a challenge and as a social responsibility. We will try to build whatever number the federal and state governments require."

The conservationists speak

Surprisingly, not all conservationists agree on the repeal’s effects. Obviously, some feel it is the licence long sought by opportunists to demolish non-gazetted heritage properties on prime land and to replace them with new high-demand “landmarks”. Others, however, think it will help spur developers to restore the historically significant properties, adapting them to new uses.

Conservationists are sometimes misunderstood as anti-development fanatics who are unrealistic about the property market. This could not be further from the truth.

Penang Heritage Trust Vice-chairman Dr Choong Sim Poey dispels some myths about the repeal:

"Some seem to perceive that rent-controlled areas are full of poor people living in overcrowded premises. But surveys have shown that this picture needs to be modified a bit. Many are actually sub-tenants already paying quite high rent, or are businesses that can afford true market value rent. So fears that most owners will sell their properties to developers are not quite valid. The demand for modern multi-storey buildings is simply not so high as to cause this."

Choong stresses that “landlords who are getting fair rental will be more inclined to improve their properties. They may, of course increase occupant density by creating more rooms with partitioning. But if they do that, they will also be compelled to improve facilities”.

A complex web

Thus the repeal is a multi-fold issue. It is not just about the displaced poor, nor about potentially displacable politicians, nor about fuelling a development frenzy. The repeal will affect all aspects of land use in the city which can upset all previous equilibrium in the property market. A new equilibrium will eventually emerge of course, but not before market forces play their hand.

A new lease of life

Some rows of inner-city buildings look rather rundown, giving the impression of a tired city in dire economic straits. They hardly do justice to a state which has enjoyed an average of 14% in annual growth. The remaking of George Town need not be a painful process though.

Perthurban Akitak Malaysia’s (PAM) Northern Chapter Chairman Ong Jin Cheng says: "Hopefully, the repeal will not be the opening of a floodgate leading to widespread demolition of our old buildings. There are always creative solutions to build ‘polite’ and aesthetically pleasing buildings that do not disrupt the rhythm of their neighbours and spoil a streetscape. George Town is unlike other heritage cities elsewhere because it is multicultural. It is this hotchpotch that gives it excitement and character."

Penang Island may be at the dawn of an urban renaissance. Or, at the the beginning of a chaotic, frenetic period of development which could alter the character and essence of urban life. Many have expressed the opinion that George Town should remain a living urban centre with a sizable, thriving, population at its heart by day and night – not one that is deserted after office hours.

Penangites should take the repeal as the pivotal, unifying force that compels everyone to ask: “What do I want from Penang? And what can I give in return?”

Goh Boon Leong, PHT member - Penang
ART EXHIBITION

PENANG: A PERSONAL PERSPECTIVE
An exhibition of paintings in oil, acrylic and watercolour by Alan James Flux
Syed Alata Mansion
128 Armenian Street
2 – 15 August 1997
9.00 am – 5.00 pm
Monday to Friday
9.00 am – 1.00 pm
Saturdays & Sundays

The exhibition will be declared open by Mr Laurence Loh
Conservation architect and member of the State Committee on Conservation, the Badan Warisan Council and the Penang Museum Board at 5.00pm on Saturday 2 August
You are invited to the official opening.

The artist writes: "This is my third show in Penang, and I am very happy to be able to invite you to the beautiful Syed Alata Mansion which shines as a beacon of hope to those of us who would dearly love to see more such meticulous restorations in Penang.
I have been visiting Georgetown regularly now for seven years – a short time, but one which has seen drastic changes in the physical aspect of this unique towncape. Much that we might consider of value has gone, and much still seems in danger.
How laudable, then, are organisations such as the Penang Heritage Trust, which raise a brave and often lonely, voice against the changes wrought in the name of progress.
My thanks to the Trust (which I hope may benefit from sales here) and to all my other local friends for their help and support during the preparation of this exhibition.
In the last six months, the conservation movement in Penang seems to have gained a most important supporter – the Chief Minister Tan Sri Dr Koh Tsu Koon. He has, often enough, spoken eloquently of the urgency of preserving for posterity the rich local heritage and quality of life."

Born in Ventnor, Isle of Wight, England, Alan Flux M.A., studied at the Royal College of Art, London. He works in fashion, costume and interior design, and travels widely to paint and lecture. He will donate 15% of the sales from the exhibition to the PHT.

WORKSHOP

LIME PLASTER & STUCCO WORKSHOP
A Professional Training Course
sponsored by:
the Government of France
organized by:
The Heritage Centre Penang
supported by:
The State Government of Penang and Local Government & Housing Ministry
date:
30 June – 11 July 1997
venue:
The Heritage Centre Penang
registration Fee:
RM480 per person
for further details contact:
Chin Phoy Him
Tel: 04 - 261 6606, Fax 04 - 261 6605

FUNDRAISING DINNER

Loo Pun Hong
Annual Dinner
venue:
Loo Pun Hong
Love Lane
time:
7.30 pm
tickets for the dinner:
RM50 per head
Promoting the restoration of the Loo Pun Hong or Penang Carpenters Guild is a main activity of the PHT. The dinner, organised by the Guild at its temple building in Love Lane, is part of the Guild's efforts to participate in the fund-raising.
You can get your tickets at the PHT office:
Tel/Fax: 04 - 226 1358

New Members
We welcome the following as members of the PHT. They can take part in any of its activities.
Life members: Sonny Ho Kiong Chan
Ordinary members: Khaw Veon Szu
Dr Ahmad Md Noor Mdm Danny Picot
Rent Control Repeal -
Time Runs Out for Old Penang

The historic city of Georgetown, Penang, has one of the largest pools of prewar buildings in Southeast Asia. This treasure is being threatened by the imminent repeal of Rent Control announced by the Malaysian Cabinet recently. The repeal is expected to be tabled in March and take effect in June 1997.

In the absence of a Conservation Act, rent control has been largely responsible for preserving most of the prewar buildings in the country. In the past, the Act has inhibited redevelopment by making the process of removing existing tenants rather difficult and expensive.

In the climate of Malaysia’s development boom, the repeal means that old towns like Georgetown, Malacca, Muar in Johor, and Taiping and Ipoh in Perak will suffer great losses in their built heritage.

Rent control tenants have been paying rents way below the market levels. This has caused much bitterness among property owners who feel that they have been suffering for too long. Practically every city in the world faced with this kind of situation has planned for a gradual phasing out of rent control. But Malaysia’s Housing and Local Government Ministry wants an overnight repeal.

A few years earlier, the Penang Heritage Trust had proposed to the State Government that the Act be amended so that decontrol could be used as an incentive for the restoration of heritage buildings, as had been done in certain conservation areas in Singapore. Instead of, or in addition to, financial incentives, the State Government would have free “carrots” to dangle before the owners of heritage properties.

The golden opportunity may have already been forgone, unless the Penang State Government succeeds in its appeal to the Federal Government to allow Penang to phase out the Act with selective decontrol over five years instead of implementing an sudden repeal.

The State Government is also worried about the social repercussions of the repeal which will affect an estimated 60,273 people in the state. This estimate - only five persons per unit - may be far too conservative.

The Penang government has lately given serious thought to introducing some kind of conservation policy for Georgetown. Penang’s economic growth had hitherto been powered by the rapid expansion of its manufacturing sector. But with industrial expansion levelling out, the state is looking at investing some of its resources in cultural tourism development.

In October 1996, the Penang government had announced a temporary "five-storey freeze" for the inner city of Georgetown, pending the adoption of urban design guidelines for conservation areas. This was welcomed by pro-heritage and tourism organisations but provoked a rabid reaction from a handful of developers. Most parties agree that some bulk of Georgetown should be conserved. The question, for a historic area with more than 8,000 prewar buildings, is how much?

Until now, a large measure of laissez-faire development has been tolerated, instead of tighter controls, extra densities and concessions are more often than not awarded to developers of high-rise developments. Piling works for new developments have been allowed to damage prewar properties with impunity, with the City invariably placing the onus of proof on the victims.

With the imminent repeal of rent control, time is running out for old Georgetown, its built heritage, its historic communities and its ancient urban traditions. It will take more than a half-hearted policy to introduce the necessary controls to save the historic city.

The Rent Control Act 1966 (Revised 1988) covers privately-owned premises built before 31 Jan, 1948 in Peninsular Malaysia. It was a piece of legislation introduced to freeze rents due to the acute shortage of buildings as little new development had taken place during and immediately after the war years.

A 1994 census showed that Penang has 12,453 rent control premises, with 8,259 located in the heart of Georgetown, 2,395 outside Georgetown and the rest in Province Wellesley. The state of Penang has the largest number of rent control premises in the country, followed by Johor (5,659), Perak (5,531), Malacca (4,135) and the Federal Territory (2,500). The repeal will affect a total of 36,499 rent control premises in Peninsular Malaysia.

Penang needs help and advice on how to manage the repercussions of the repeal. Anyone who has experience in this matter, please contact:
Khoo Salma Nasution
AWPNUC Secretariat, 19 Kelawei Road, 10250
Penang, Malaysia
Tel 604-2620123 Fax 604-2633970
E-mail lubisksn@tm.net.my
Repeal of Rent Control Act should have come much earlier

THF Penang Government may think otherwise but not everyone is convinced that it will be able to effectively contain problems caused by the repeal of the Rent Control Act 1968 (Repeal Act) in June 1997.

Chief Minister Tan Sri Dr Koh Teng Koon says it has formulated strategies to tackle such problems. Although State executive councilor Dr Toh Teik Wee, who heads a State committee overseeing the rent control problem, was eloquently about arrangements by the State Government to soften the blow, the 60,000 affected people are worried.

What is going to happen to those who are not rich, including petty traders and those dealing in lower-end consumer products operating from rent control premises? What will happen to the poor who pay low rentals and reside in these buildings, some of which have not been repaired for years? Given that Penang has the largest number of buildings under rent control in the country — 12,577 — the ramifications are both ominous and enormous.

How many will have to be located far away from their present premises and be forced to change their lifestyles? How many traders and businessmen will be forced to go elsewhere and start anew?

Toh says the State Government is committed to seeking a pragmatic solution to the problem and has been working hard over the past few years to do so. It has carried out five studies on this problem to seek better solutions.

It has urged the owners of rent control premises to “have a heart” in dealing with their tenants. The corporate owners of premises have apparently indicated they will do so, according to him. He adds that the State Government has, through the Penang Development Corporation, the Penang Island Municipal Council and private developers, been building more low and medium cost houses. For instance, Toh says, 1,864 units of low-cost houses are under construction in the State by the private sector while the PDC will contribute 3,742 low-cost units, 2,496 medium-cost units and 290 commercial units.

Those displaced by the repeal of the Act and who are eligible for such housing will get priority here. But, as Kampung Kook Assemblyman Lim Gom Siim laments, the projects are almost all outside the affected area. Lim did not mince his words when he said all this talk about studies and plans for the affected by the State Government is “just for publicity.”

He is angry that except for two commercial property development projects near his constituency, which holds 23 per cent of the premises under rent control, the rest are far away, many of them on the mainland.

These businesses are doing well precisely because they are located here.

Many Penang residents do not doubt that the face of the city is set to change a few years down the road as most of the smaller traders and businessmen who add so much colour to the area are expected to be forced out by high rentals once market rates are applied.

The repeal provides the State Government the golden opportunity of ensuring better planned development in the areas affected, in particular traffic system improvements. A University of Malaya study of the rent control premises completed in 1993 shows that about 68 per cent of these buildings are located in Georgetown, 18 per cent outside Georgetown and the rest on mainland.
Developers of Prangin Mall get 20 conditions

By Marina Emmanuel

PENANG, Sat. — The State Government, lifting the stop-work order on the controversial Prangin Mall project in Georgetown today, has set 20 conditions for its developers.

Prangin Mall Technical Advisory Committee chairman Datuk Dr Hilmi Yahaya said developers Geotaran Ungul Sdn Bhd and Idris Hydraulic Properties Sdn Bhd were expected to start work on Monday.

The order, issued on the RM200 million project by the Penang Island Municipal Council on Jan 31 this year, was lifted following a State Executive Council decision on May 6.

"The decision was based on advice given by Kumpulan Ekram Sdn Bhd and the technical advisory committee," Dr Hilmi said.

Crack activity in the affected buildings and water table levels have also found to have stabilised since May 6.

He added that the decision was not final and work could be suspended if the developers did not meet the conditions.

Among the conditions include a RM2.3 million bond to guarantee the carrying out of necessary repair works to affected buildings in the vicinity of the project area; notifying the council and suspending work if water levels drop below the threshold water table of one metre below the present measured ground water level or if significant crack formation of the buildings or large-scale structural damages occur.

"The developers are also required within a month of beginning earthworks and building works to jet-grout to seal at locations of short and non-interlocking sections at the third row of sheetpiles installed so as to sufficiently reduce any possibility of water seepage into the project site," Dr Hilmi said.

Jet-grouting is a process where cement is injected into the ground to form a firm foundation.

The project contractors for the eight-storey and two basement level project is Penas Construction Sdn Bhd, a subsidiary of the Penang-based Penas Group of Companies.

Excavation work on the mall is believed to have resulted in the migration of water underground which had led to the instability of the ground, resulting in the emergence of serious cracks on buildings and pavements in the vicinity.

The 139,350-square-metre build-up area of the Prangin Mall is located in Phase Four of the Komtar Urban Development Project.

About 2,000 people live in the surrounding areas of the mall.

The project was identified by Ikram as the "most probable main cause" of the soil subsidence which has led to cracks in the surrounding area.

Strong objections to 'annual fee' to enjoy Botanic Gardens

By ANG SU CHING

PENANG: The public strongly objects to the state's proposal of introducing annual smartcards at RM12 for locals patronising the 113-year-old Botanic Gardens.

They said the move was uncalled for and it was not to compel people to pay to enjoy the simple things in life such as clean air and greenery.

Penang Consumers Association president S. M. Mohd Idris said CAP had received numerous complaints from the public regarding the proposal.

He said the Botanic Gardens had always been a public park and should remain so. He also expressed concern over the state's proposal to commercialise the gardens.

"So far, the state has not informed the public clearly on the development plans for the gardens," he added.

State Tourism, Culture and Arts and Women Affairs Committee chairman Datuk Kee Phaik Cheen said at the state assembly recently that annual smartcards at RM12 may be introduced when the proposal to expand the gardens to eight times its present size was approved.

She said tourists would however have to pay an entrance fee and that the smartcards were strictly for locals.

A concerned reader S.T. Tan said the proposal as unfair since the gardens was one of the few public places left where the public could visit for free.

"It is necessary for the people to have a venue to relax, get fresh air and bring their families for outings, and the Botanic Gardens is just one of the few remaining places for such activities," he said.

What is the point of having high growth rate when we can't even enjoy simple things, like this free, she said.

Tan Kok San, leader of a jogging group Old and Young Jogging Team, said only foreign tourists should be charged entrance fees.

"Locals should be allowed to enter free as they are already paying in the form of taxes, and snow rent for such public facilities," he said adding that his team members included state and national runners.

Malaysian Nature Society Penang branch chairman Dr. Ho Siew Chye said the people should not be charged for merely appreciating the gardens and flowers.

He said the Botanic Gardens development plan should be reviewed as it had been proposed many years ago.