

Comparison of Development Control Process for Serviced Apartment (Commercial) and Residential Apartments. Case Study: Shah Alam City Council

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Abstract. The development of serviced apartments has increased throughout the years in Malaysia. However, the lack of knowledge on the development control process of serviced apartments and residential apartments has causes developers took advantage by placing unreasonable house prices in respect to profits generation. In order to overcome this issue, the difference of the development control process between serviced apartments and residential apartment must be identified. Hence, the aim of this study is to compare the serviced apartment and residential apartment in Shah Alam from the development control aspect, and the impact of the development post certification. Analysis is done based on the data obtained from relevant Acts, Manuals, Checklists and interviews with personnel that is involved in the process. The results of the study indicates differences between these two development in terms of land matters, legal matters, development requirements, development charges, development application and approval process, assessment rates and utility rates.

1. Introduction

Serviced apartments are often regarded as ‘trendy’ as it suites current modern contemporary lifestyle. Equipped with facilities such as swimming pool, gymnasium and retail outlets, serviced apartments become more of popular choice among young professionals. Sometimes, serviced apartment development is incorporated with office tower or shopping complex as a mixed development which further adds to its value. It also provides extra security and cleanliness as it is maintained by a designated management body. Now, in the era where the internet is a necessity, the service apartment will incorporate the most sophisticated communication system for the users.

Serviced apartments popularity rises around the 1970s in South East Asia and around late 1980s in Malaysia. But at that point of time serviced apartments are only used for temporary stay mainly as tourism attractions. The concept is similar to hotel, where investors or owners will buy the property and fully furnish the rooms to rent it to expatriates or tourists. Many prefer serviced apartments because it is considered cheaper than staying in a hotel. But since the property crisis in 2008 and the rise of housing selling price continues, majority of the low to medium income group opted to purchase a smaller and cheaper property, in this case one of the choice being serviced apartments. Therefore, serviced apartments were purchased as residential units - for them to live in. Due to this factor, the popularity of the service apartments increases the demand for this property. Hence, the developers begin to develop



more serviced apartments over time. Simultaneously, the local authority plays a huge role in the development control process, most importantly to set requirements for submission for Planning Permission and Building Plan (BP) approval for service apartments.

This research will cover the approval process, procedures, and the statutory requirements of the Serviced apartments and the Residential Apartment in the study area, which is Majlis Bandaraya Shah Alam (MBSA). Due to its 'commercial' title, developers would instruct planners or architects to propose a mixed development, where the serviced apartment has to be built on a podium with shopping complex below, or merge the service apartment with office blocks and retails. Residential Apartment, on the other hand is exclusively built on 'Residential' titled land for residential use only. Hence, it is important to study and differentiate between Serviced apartments and Residential Apartment in terms of design guidelines, planning and building standard from the development control aspect.

2. Literature Review

2.1 Development Control in Malaysia

The understanding of the key aspects of development control which includes the development requirements, the submission and approval process and procedures, land matters, legal matters, and development charges are important for the development of the Serviced Apartment and Residential Apartment. According to Section 2 (1) of the Town and Country Planning Act 1976 (Act 172), development control is define as “the carrying out of any building, engineering, mining, industrial, or other similar operation in, on, over, or under land, the making of any material change in the use of any land or building or any part thereof, or the subdivision or amalgamation of lands; and “develop” shall be construed accordingly” [1]. Meanwhile, control means the process of exercising power over ones’ area of jurisdiction. The laws, procedures and guidelines pertaining to the land and property development process in Malaysia are quite extensive. Some of the main written land policies and laws to guide the land development activities as derived from the Malaysian Constitution are the National Land Code - Act 56 (1965), an Act to amend and consolidate, ensuring uniformity of law and policy relating to land and land tenure, registration of titles and collection of revenue and matters connected therewith, Land Acquisition Act which describes compulsory purchase and compensation, and Town and Country Planning Act – Act 172 which contains planning and related development regulations.

2.2 Definitions of Residential apartments and Service Apartments

Nowadays, houses not only perceived as physical shelter but also become symbol of urbanization, social acceptance, and achievement [2]. The types of houses are ranging from terraced houses to semi-detached houses, bungalows, and apartments to serviced apartments. According to Marcus, apartment is defined as;

“[A] uniquely urban form of housing that combine a relatively private spaces of an individual apartment units with a common spaces of shared entrances, staircases, and part walls, the apartment house embodied the continuity between domestic and urban, private and public spaces” [3].

Hirsh claimed that;

“Over the past 30 years, serviced apartment complexes have become one of the defining architectural typologies of Asian urbanization. Relatively unknown before the 1980s, these complexes are designed to accommodate foreign business people, knowledge workers and students for a fixed period, typically three to six months. But since the turn of the 21st century, the fastest-growing segment of the serviced apartment industry has been facilities serving what might be called an expanding class of migrant workers: mid-level employees whose jobs require frequent relocation, creating a new professional class of nomads” [4].

This statement explains the evolvement of serviced apartments in other countries across Asia, where serviced apartments is meant for stay for a fixed period of time before the 1980s but became more a temporary stay after the millenium. In Malaysia, the serviced apartment is one of the terms for 'apartment' but located in the 'commercial' land use zoning. In the *Manual Garis Panduan dan Piawaian Perancangan Negeri Selangor*, Serviced Apartment is defined as 'a concept of commercial development that embodies features of residential furnished with designated facilities packages for each unit' [5]. To date, there is only definition for Serviced apartments in the official documents. But in Malaysia, there are more terms with similar definition, but only used as developers' marketing strategies which is SOHO - Small Office Home Office, SOFO - Small Office Flexible Office or Flexi-Office, and SOVO - Small Office Versatile Office. The demand of this types of houses is influenced by purchasers preferences after high level of decision making process [6]. In fact, home buyers are more concerned on the quality characteristics of a house such as modern and trendy facilities [7,8].

3. Research Methodology

This study used a case study method and in-depth interview to investigate the approval process, procedures, and the statutory requirements of the serviced apartments and the residential apartments in Shah Alam City Council.

3.1 Case Study

In order to conduct a thorough analysis, one residential apartments and two serviced apartments located in Shah Alam are chosen as case study, as follows:

1. Menara U1 - located in Section 13, Shah Alam on commercial land use zone and is classified as Service Apartment.
2. Plaza Azalea - located in Section 14, Shah Alam. It is also located on commercial land use zone. It is a flexi-office or SOFO.
3. Pangsapuri Danaumas - Residential Apartment located in Section 7 Shah Alam. The apartment has obtained its Strata Title.

All apartments in this study is located in Blok Perancangan Kecil (BPK) 1 in the MBSA Local Plan. Figure 1 shows the location of these apartments.

3.2 Semi Structured Interview

In order to obtain the related information to this study, the semi-structured interview were conducted with 7 representative from MBSA from respective departments (Table 1).

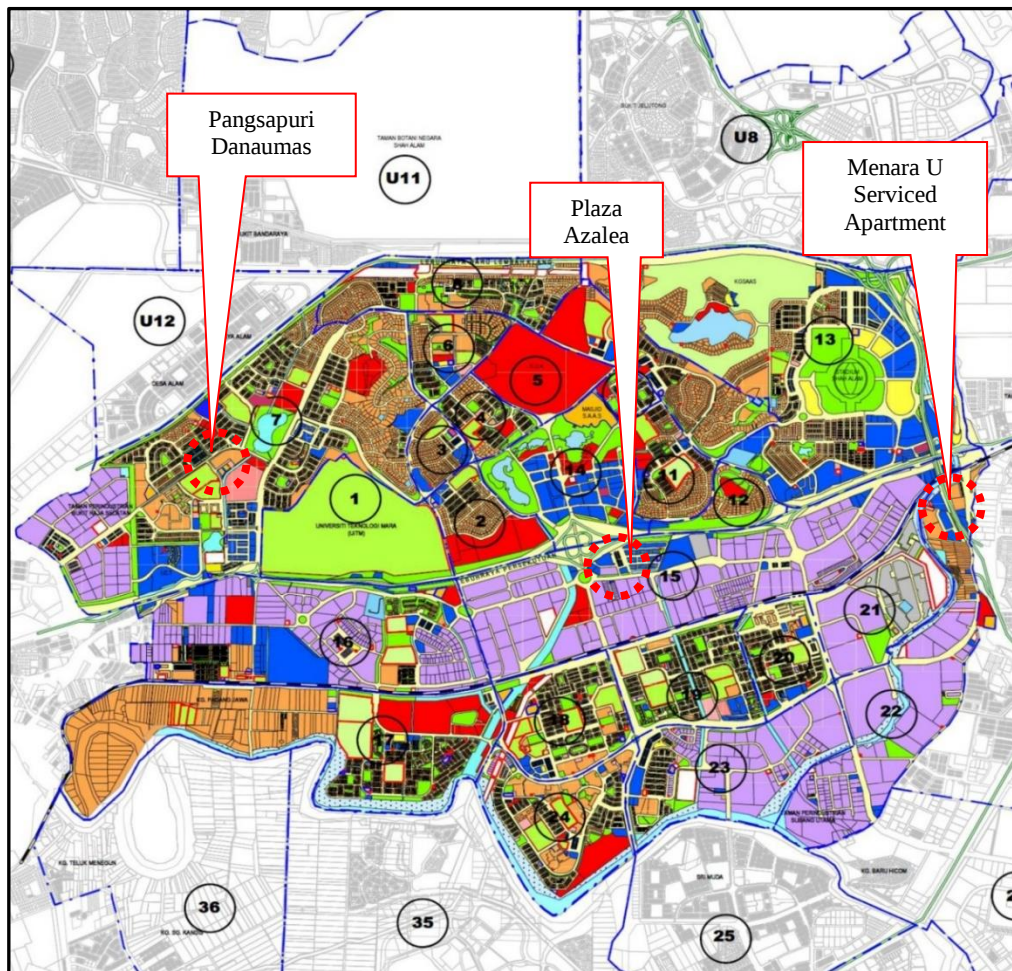
Table 1. List of Interviewees from MBSA

No	Department	Designation	Experience
1	OSC	Officer	7 Years
2	OSC	Technical Assistant	9 Years
3	Planning	Officer	14 Years
4	Planning	Technical Assistant	8 Years
5	Building	Architect	7 Years
6	Building	Technical Assistant	16 Years
7	Valuation	Evaluation Officer	11 Years

Interviews are also conducted with representatives from the management bodies of the serviced apartments to obtain information on the management of the serviced apartments (Table 2).

Table 2. List of Interviewees from the Apartment Management

No	Management	Apartment
1.	Joint Management Body (JMB)	Menara U1
2.	Joint Management Body (JMB)	Plaza Azalea
3.	Management Corporation (MC)	Pangsapuri Danaumas

**Figure 1.** Location of Menara U1, Plaza Azalea, and Pangsapuri Danaumas

Source: Shah Alam Local Plan, 2012 [5]

In addition, interviews are also conducted with experienced consultants and project managers to obtain additional information on the difficulties to comply with the requirements and the developers strategies for the development of Serviced Apartments (Table 3)

Table 3. List of Interviewees from consultant and developer firms

No	Designation	Firm
1.	Land Surveyor	PerundingUkur Iman
2.	Project Manager	I&P Group SdnBhd
3.	Project Manager	PermodalanNegeri Selangor Berhad
4.	Architect	PertubuhanArkitek Malaysia and Rehda Committee Member

3.3 Content Analysis

Content analysis was used as the primary analysis technique of the collected data. This technique extracted and categorized information from documents that provides new insights, increases a researcher's understanding of a particular phenomena, or informs practical actions. In this study, analysis was conducted by extracting the secondary data obtained from data collection, i.e. mainly from the laws, acts, and submission checklists (Table 4).

Table 4. List of contents to be analyzed

No	Matter	Content
1.	Land Matters	NLC 1965, Land Title
2.	Legal Matters	HDA 1966, STA 1986, SMA 2013
3.	Development Requirements	Manual Garis Panduan Dan Piawaian Negeri Selangor Edisi 3 2016, Manual OSC MBSA, Senarai Semak Cadangan Baru Jabatan Bangunan MBSA
4.	Utility & Assesment Charges	MBSA Valuation Department Website, Assesment Receipts, TNB Website, SPAN Website, IWK Website

After obtaining the data relevant to the development of Serviced Apartment and Residential Apartment, comparative study is done to compare the two types of apartment.

4. Discussion and Findings

As mentioned earlier, the four key elements of development control aspect that is analyzed are the legal matters, the development requirements, the submission and approval process, the legal matters, and the charges involved in the development of serviced apartments and residential apartments. In the legal aspect, the category of the two types of apartments are the same, but the expressed condition or implied condition stated the different building use, whether to be used as commercial or serviced apartment or for residential use only. The main difference between this two types of apartments are the development requirements. In terms of design guideline and planning standard, the main difference can be distinguished by the land use zone, where the serviced apartments i.e. the serviced apartment, SOHO, SOVO, and SOFO are in the commercial land use zone and the residential apartments are in the residential land use zone.

Besides that, the difference between the apartments is the development form. Serviced apartments can be developed as a part of mixed development, as a free standing building, or within a shopping complex, whereas residential apartment should contain residential units only except the required facilities for the residents. The retails or facilities for residential apartment are for the residents only and not allowed for public use. By looking at the development form, the developers can benefit more from building the serviced apartments because they are able to develop more properties within one site. The developers can profit from the sales and operations of shopping complex, retails, or other facilities that they can provide at the podium level at the same time profit from the sales of serviced apartment units.

The height control for commercial-type apartments is determined by the plot ratio calculation, whereas the height for residential apartments are determined by the density. The allowable plinth area are the same for both types of apartments which is 60%. Accordingly, the plot ratio requirements will result in more number of units compared to the density calculation. Therefore, the developers will gain more profit by developing the serviced apartments or SOHO compared to residential apartments. As for the classification, in the *Manual Garis Panduan dan Piawaian Perancangan Negeri Selangor* [5], serviced apartments and SOHO is located on different type of development but still belongs to commercial development zone. Therefore, the submitting person will submit the planning permission and building plan application following the requirements for 'office' instead of for serviced apartments or SOHO which is more specific.

The residential apartment, on the other hand, is divided into four types, which is the Low Cost, Low Medium Cost, Medium Cost, and High End Apartment. These four types of residential apartments' requirements are same in terms of development form, service road widths, and building setbacks. The

only difference is the minimum floor area and the parking requirements. The minimum floor area for low cost units is 700 ft², 750 ft² for low-medium and medium cost apartments, and 850 ft² for high end apartments. Only one car parking lot required for low cost apartment whereas minimum 2 car parking lots are required for low-medium, medium, and high end apartments.

Requirements for serviced road width for residential apartments is 66', which are more than serviced apartments which only requires 55' width. Minimum ingress and egress road width are 50' for residential apartments but not specified for serviced apartment and SOHO. Requirements for setbacks are different between commercial apartment and residential apartment. Commercial apartments are usually consists of 1 building per site or connected by a podium at ground floor level whereas residential apartments are consists of separate buildings or blocks within one site. The residential apartment buildings may be at the same height or differs to one another. Therefore, there are additional requirements for setbacks in between buildings within the same site. This will result in lesser permissible plinth for development of residential apartment due to more setbacks and minimum road width requirements.

Some of the supporting facilities i.e. praying area, mini library, restaurants or food court, management office, and refuse chamber are required for serviced apartments. Exclusive requirements for SOHO and serviced apartment also differ to the exclusive requirements for SOFO and SOVO. This is due to the commercial-type apartments has dual usage because it is usually within a mixed development or above shopping complexes, therefore there must be a differentiation of usage between the public or commercial customers with the residents of the apartment above. Exclusive facilities are intended to provide specifically for the residents' use. Provisions for open space and recreation and perimeter planting are the same between Commercial Apartment and Residential Apartment.

Building standards which are the set of requirements for Building Planning Approval follows closely the requirements stated in the design guideline and planning standard. But, in the Shah Alam City Council Building Department Checklist for Building Submission, the Principal Submitting Person/Submitting Person (PSP/PSP) are only required to follow the requirements for 'apartment' in general. There are no specific requirements for serviced apartments, SOHO or residential Apartment. This situation may cause inconsistency in requirements set by the Department of Town and Country Planning and the Building Department. Some PSP/SP may refer to the JPPD guideline and some may refer to the Shah Alam City Council Building Department's checklist. Usually the officers in the Building Department will only refer to the Building Requirements Checklist alone. This checklist is more lenient compared to the guidelines by Department of Town and Country Planning, therefore developers may be able to avoid certain requirements. Procedures of submission to obtain the planning permission and building plan approval are the same for both serviced apartments and residential apartment. The submission procedures is not only the same for both type of apartments, but for any type of development in the Shah Alam City Council designated area. This is due to Shah Alam City Council as local authority only follows to the procedures as per stated in the Street, Drainage and Building Act (Act 133), TCPA (Act 172) and Uniform Building By-Law Selangor 1986. Moreover, as the implementation of new standardized submission procedure OSC 3.0 introduced, the same submission procedure is implemented all over Malaysia.

As for the legal matters, residential apartments and serviced apartments belongs to the stratified development because both types are 'shared' properties. The development of both properties are vastly affected by the implementation of Strata Management Act and amendment of Housing Development (Control and Licensing) Act in July 2015 where the developers must issue Strata Title together with the handover of Vacant Possession together with the issuance of Certificate of Completion and Compliance (CCC) and signing of Sale and Purchase. The residential apartment, serviced apartment and SOHO are bound to the Housing Development (Control and Licensing) Act therefore the developers for these three types of developments have to obey the procedures for application of the Advertising Permit and Developers License. Assessment rates and utility bills are higher for serviced apartments because they follow the commercial rates. Owners of commercial properties will use the property to allocate and operate business premises or firms. The owners will obtain profits from the businesses therefore the

rates are considered reasonable. But in this case of commercial apartment, the owners use the apartments as residents, therefore they are burdened by the high utility bills and assessment rates.

5. Conclusions and Recommendations

Comparative study has been done to compare the development control process for commercial apartments and residential apartments. Shah Alam City Council being the local authority of Shah Alam is the administrator the planning permission and building plan application. In this study, it is recognized that the planning permission and building plan application process and building standard are similar for both types of development, it cannot be avoided due to regulations stipulated in Act 133 and Uniform Building By-Law Selangor 1986 under the OSC 3.0.

From the analysis and comparative study, it is discovered that the development of serviced apartment brings more benefit to the developers, especially through the development of flexi-offices such as SOFO and SOVO. This is proven to be beneficial to the developers because they are able to avoid stringent development requirements for housing development, i.e. the minimum floor area, usage of density calculation. The developers are able to construct more units and at the same time benefit more from the construction of mixed development. Simultaneously, due to the required location for commercial apartments which happens to be near the central business district area or public transportation enable developers to sell the properties for higher price. In contrast to the advantages that the developers benefit, from the analysis and comparative study it is discovered that the commercial apartment burdened the residents through higher assessment rates and utility charges. Accordingly, it is timely for the government to review and revise the Acts, rules, and requirements. This can be seen through the review of the third edition of *Manual Garis Panduan dan Piawaian Negeri Selangor* whereby the provisions for SOHO is included in the guidelines. The government's effort towards improvement of the development control can also be seen from the revision of Strata Title Act and Strata Management Act.

Acknowledgements

The authors would like to thank Universiti Teknologi MARA (UiTM) for the support and partly funding the study and publication through the LESTARI research grant (600-IRMI/MYRA 5/3/LESTARI (K) (237/2017)). The authors are also thankful to all the departments, organisations, and individual who had contributed to this study.

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