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BY KAMARUL AZHAR

Kuala Lumpur's low-cost flats are in a dilapidated condition due to the lack of a maintenance culture, which has rendered the housing scheme set up for the city's poor less than desirable to live in.

These flats are a far cry from Singapore's famed HDB flats developed by the city-state's Housing Development Board (HDB), which are the main choice of living space for most Singaporeans.

While the HDB flats solve the housing needs of the citizens of one of the most expensive cities in the world, the flats in Kuala Lumpur are an eyesore and a breeding ground for social ills.

So, what went wrong? After all, the KL housing scheme and its Singaporean counterpart started at around the same time, in the 1960s. While one became a model of public housing for the rest of the world, the other became part of the city's underbelly.

In an exclusive interview with *The Edge*, the Mayor of Kuala Lumpur, Datuk Kamarulzaman Mat Salleh admits that the flats are not fit to live in and need to be redeveloped.

However, the reason for their deplorable state is not due to the failure of Dewan Bandaraya Kuala Lumpur (DBKL), which owns most of the flats and is responsible for their maintenance, but rather their design, as well as unsustainable rents.

“You cannot say the flats are not well maintained, it is just that the flats are not maintained to the level that you have at condominiums. We do provide maintenance and repairs, such as when the lifts break down, we do repair them.”

“The flats are just around 500 sq ft in size, so they are no longer suitable for habitation. They used to be suitable, but not any more. That is why the government is moving towards the Madani housing scheme now,” says Kamarulzaman.

However, it is no secret that the maintenance provided by DBKL is far from satisfactory, even at the most basic level. Cleanliness and the upkeep of basic infrastructure such as corridor lights, are neglected for lengthy periods.

One thing that the mayor does get right is that the rents are not sustainable. Averaging at RM124 a month, the rent is not even enough to cover the maintenance cost.

“The maintenance cost is roughly RM250 a month,” says Kamarulzaman, adding that this is only for basic maintenance, not including major repairs such as broken lifts or burst pipes and water tanks, which when totalled could amount to more than RM300 per month per unit.”

There are about 60,000 DBKL flats all over the city. This means if all residents paid their rent (some units are sold to the residents), DBKL's collection from the flats should reach RM89.28 million a year.

However, this is not the case, as there is at least RM60 million of outstanding rent on DBKL's books, says Kamarulzaman. This means that even at RM124 per month, there are tenants who are living rent-free in the low-cost flats.

According to Kamarulzaman, DBKL cannot do much to enforce the rent because if it enforced the collection of rent aggressively, it would become a political issue, something the politicians in office try to avoid.

It is also not easy for DBKL to raise the rent. Any decision that affects the tenants, especially when it comes to how much they

have to pay to live in DBKL flats, has to be taken to the cabinet.

Note that unlike in many countries, DBKL is not an independent local government whose policies and actions are made at the city hall level. Instead, it is an agency under the Federal Territory Department or ministry.

In the current government, the Federal Territory Department is under the purview of Prime Minister Datuk Seri Anwar Ibrahim himself, although it is headed by Dr Zaliha Mustafa, the former Minister of Health and MP for Sekijang, Johor.

The RM124 per month rent has been the rate for quite some time, at least 20 years, says Kamarulzaman. It was sustainable back then as the maintenance cost was much lower in the early years, he says.

Unsustainable public housing model

According to DBKL's 2020 Annual Report, the city hall registered total income of RM3.06 billion that year, about 41% or RM1.25 billion of which came from assessment tax.

Its other major income came from gains from disposed assets (RM463.97 million), realised allocations from development projects (RM393 million) and payments for services rendered (RM306.47 million).

DBKL collected RM21.7 million in housing rent in 2020, with the budgeted RM30.86 million. However, it spent RM164.08 million on the management of public housing during the year.

This resulted in a shortfall of RM142.38 million between DBKL's collection and how much it spent on the management of the projects. City Hall also spent RM49.37 million on maintenance and the upgrading and renovation of buildings under its purview.

It is clear that the public housing scheme is not a sustainable model for City Hall. However, Kamarulzaman concedes that there is not much that DBKL can do as it can neither raise the rent nor charge a higher maintenance fee.

Be that as it may, in 2020, DBKL spent a total of RM2.44 billion on its operations and the maintenance and development of the city.

It reported a surplus of RM617.08 million during the year, double that of RM270.9 million in 2019.

The higher surplus could be due to the Covid-19 pandemic in 2020. During the year, DBKL's development and maintenance expenditure fell 61.8% to RM289.8 million, compared with the preceding year's RM758.3 million.

As at Dec 31, 2020, DBKL had accumulated a surplus of RM2.38 billion while its reserves stood at RM14.57 billion. This raises the question as to whether City Hall has been effective in managing the city.

The 2020 Annual Report was only released in 2023.

DBKL's income statement

| (RM MIL) | FY2020 | FY2019 |
|---|-----------------|-----------------|
| Income | | |
| Assessment tax | 1,251 | 1,290 |
| Government assistance | 40.5 | 34.84 |
| Realised development project allocations | 393 | 391.43 |
| External receipts realised | 4.47 | 4.73 |
| Fines | 27.81 | 33.11 |
| Licences | 56.85 | 58.78 |
| | 1,773.94 | 1,812.92 |
| Services rendered | | |
| Services and payment of services | 306.47 | 533.83 |
| Income from sale of goods | 4.27 | 3.25 |
| Interest from investments | 224.5 | 259.37 |
| Housing rents | 57.38 | 59.23 |
| Other rents | 61.53 | 62.4 |
| Income from privatisation projects | 26.1 | 49.35 |
| Gains from disposal of assets | 463.97 | 145.05 |
| Income from the operations of corporatised bodies | 24.32 | 23.75 |
| Other incomes | 113.1 | 221.43 |
| Total income | 3,056 | 3,171 |
| Expenditure | | |
| Operational expenditure | | |
| Staff cost | 503.28 | 518.45 |
| Supply and services | 1,024.89 | 866.58 |
| Fixed charges and payments | 128.06 | 83.67 |
| Depreciation of property, plant and equipment | 326.94 | 217.12 |
| Losses from the disposal of assets | 6.66 | 16.05 |
| Finance costs | 4.58 | 4.55 |
| Expenditure of corporatised bodies' operations | 22.06 | 62.76 |
| Other operational expenditure | 132.23 | 372.2 |
| Development and maintenance expenditure | 289.8 | 758.31 |
| Total expenditure | 2,438.50 | 2,899.67 |
| Surplus for the year | 617.08 | 270.9 |

However, Kamarulzaman says DBKL's operational cash flow was in deficit although the situation was manageable. He also reveals that there are RM600 million in arrears that have not been collected by DBKL.

Perhaps, due to its huge surplus and reserves, DBKL could not get the government's consent to raise the rent for the low-cost flats. Nevertheless, the model is unsustainable as the rent is insufficient to cover the maintenance costs.

“What can I say, I cannot give my own opinion [about what to

do with the outstanding rent and maintenance cost]. In other countries, their city halls are powerful and use their power. Here, we are very understanding,” says Kamarulzaman.

Would the residents be amenable to a higher rent had the flats been better maintained is anyone's guess.

No more low-cost houses

Meanwhile, successive governments have moved away from building low-cost houses in the city and pushed for affordable housing schemes, such as Perumahan Rakyat 1Malaysia (PR1MA), Residensi Wilayah (formerly known as Rumah Wilayah Persekutuan, or RUMAWIP) and the latest being Residensi Madani.

All these schemes are aimed at providing affordable housing in the range of RM200,000 to RM450,000, with sizes ranging from 750 sq ft to 1,089 sq ft, complete with amenities and facilities. These units are for sale, which means their maintenance will be the responsibility of the residents themselves.

Each strata development will have to come up with its own joint management body (JMB) that will set the maintenance fees and sinking fund of the project and undertake maintenance and repairs.

While these are viable projects that will provide affordable housing to citizens of Kuala Lumpur, the issues of the existing low-cost flats still need to be addressed. It seems that the approach by the government is to get them redeveloped into new projects.

The Ministry of Housing and Local Government (KPKT) is finalising the bill for the Urban Renewal Act, which seeks to lower the threshold needed for the redevelopment of strata projects in Malaysia.

At the moment, under the Strata Title Act 1985, a unanimous resolution needs to be achieved before any termination of the strata titles of a subdivided building can take place.

As a result, cases of a stratified building being acquired by a developer and redeveloped are few and far in between. In most cases, efforts to get all the owners to agree to sell their units to a developer ended up with a few holding out.

Therefore, KPKT is seeking the threshold of consent from strata owners to be lowered to 80%. The ministry targets to submit the bill to parliament in November this year. It is said that the redevelopment of Kuala Lumpur is about 30 years behind other major Asian cities.

Some 139 sites in Kuala Lumpur with high-rise buildings (both DBKL flats and private high-rises) have been identified with the potential to be redeveloped. According to KPKT minister Nga Kor Ming, these sites have a potential gross development value of RM332.5 billion.

While this could give a new lease of life to public housing in the city, can the poor maintenance culture be changed? Or will the same situation where buildings are left to disrepair due to a mismatch between collected rent and fees and the cost of maintaining the building prevail?

This is because if a DBKL flat is redeveloped, the residents might want to live in the new development, as the compensation could be in the form of an exchange of units. If the residents of DBKL flats were given free units or units for rent in the redeveloped site, would they be willing to pay the actual cost of maintaining the building?



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