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Evaluating Land Use Policy Governance: Reformulating Apartment Development Priorities in Indonesia's Investment Framework

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Abstract

Indonesia continues to face a significant housing backlog amid rapid urbanization and increasing land scarcity, particularly in major urban areas where apartment development has become an important strategy for providing affordable housing. Despite the existence of Law Number 25 of 2007 on Investment, Law Number 20 of 2011 on Apartments, Government Regulation Number 12 of 2021, and Presidential Regulation Number 38 of 2015, the current regulatory framework remains fragmented and insufficient to prioritize apartment development for low-income communities. This study aims to analyze

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the regulation of apartment development within Indonesia's investment legal framework and formulate a legal reform model capable of prioritizing sustainable vertical housing development. This research employs a normative juridical method using statutory and conceptual approaches. The analysis is conducted through the combined framework of Lawrence M. Friedman's Legal System Theory and Mochtar Kusumaatmadja's Development Law Theory. The findings reveal fragmentation in legal substance, legal structure, and legal culture, resulting in weak integration between investment incentives, balanced housing obligations, apartment regulations, and public-private partnership mechanisms. To address these shortcomings, this study proposes a Social Housing Partnership Model based on Integrated Vertical Balanced Housing, which integrates investment incentives, social housing obligations, availability payment mechanisms, and contractual governance within a unified legal-commercial framework. The proposed model strengthens legal certainty, improves project bankability, enhances risk allocation, and expands access to affordable apartment housing for low-income communities.

Keywords

Investment Law, Social Housing Partnership, Integrated Vertical Balanced Housing, Affordable Housing.

A. Introduction

The provision of flats as a solution for vertical land use has become a central issue in urban housing policy due to the dwindling availability of productive land due to urbanization and increasing land market pressures. Consequently, access to landed housing is becoming increasingly difficult for low-income communities, making vertical housing alternatives, including Simple Rental Flats (*Rusunawa*), a strategic option to address the housing deficit. Technical and planning studies indicate that flats can optimize land use and reduce urban sprawl when supported by consistent spatial planning and investment

policies.[1] However, the reality on the ground shows that the technical capability to build flats does not automatically align with legal investment instruments that guarantee housing priority for the community; therefore, normative alignment is crucial to ensure the realization of social benefits. Urban planning literature and feasibility studies confirm that physical designs without a strong normative framework have the potential to produce projects that fail to meet their social objectives.[2]

Within the national positive legal framework, there is an interaction between housing laws, implementing regulations for condominiums, and investment norms that govern incentives and ease of licensing for investors. Government regulations on condominium management and related technical provisions provide the legal basis for vertical development, but several analyses indicate a gap where these norms are not aligned with investment regulations governing capital flows. This normative gap creates opportunities for land allocation practices for commercial purposes, which reduce the availability of land for social housing programs. Therefore, normative reconstruction is needed to internalize social priorities into the investment incentive system. A comprehensive regulatory study requires a systematic understanding of the relationship between condominium technical regulations and investment regulations to avoid policy contradictions at the implementation level. Therefore, a doctrinal analysis that examines the *ius constitutum* and the possibility of *ius constituendum* is a crucial methodological step.

The normative argument for reformulating investment priorities is rooted in the understanding of law as an instrument of development: law not only maintains order but can also be directed to achieve specific socio-economic development goals. This perspective, which aligns with

[1]Utami Puspaningsih, "Tanggung Jawab Hukum Pengelola Apartemen Atas Penarikan Biaya Pengelolaan Yang Tidak Transparan," *DE LEGA LATA: Jurnal Ilmu Hukum* 6, no. 1 (2021): 1–15, https://doi.org/10.30596/dll.v6i1.4585.

[2]Rahmat Ramadhani and Ummi Salamah Lubis, "Model for Securing Muhammadiyah Land Assets That Do Not Have Rights in North Sumatra Province," *DE LEGA LATA: Jurnal Ilmu Hukum* 9, no. 1 (2024): 10–22, https://doi.org/10.30596/dll.v9i1.18059.

the tradition of development law theory, positions investment regulation as a means to direct capital to sectors that provide significant public benefits, including the provision of affordable housing. By adopting an instrumentalist approach, policymakers can design investment provisions that require investors' social contributions, for example, a proportion of apartment units for low-income families (MBR), or conditional fiscal incentives linked to the allocation of social housing. Such recommendations must be formulated with clear legal wording to meet the principles of legal certainty and effective implementation. Therefore, the theoretical foundation of development law serves as a reference in formulating pro-housing normative reforms.

Lawrence M. Friedman views law not simply as a collection of written norms, but as a social system that exists within society and operates through the relationships between rules, institutions, and social behavior. In his classic work, "*The Legal System: A Social Science Perspective*", Friedman explains that law is always influenced by social forces and, at the same time, influences societal behavior through the rules and commands it issues.[3] This view is important because it demonstrates that the effectiveness of law cannot be measured solely by its presence or absence, but also by how the law operates in social reality. Therefore, Friedman's theory is highly relevant for understanding legal issues related to investment and apartment development, as public policy in the housing sector always interacts with economic interests, social needs, and the direction of national development. This framework helps explain that the primary problem is not simply the lack of rules, but also how those rules operate within real social structures.

Lawrence M. Friedman divides the legal system into three main elements that interact dynamically: legal structure, legal substance, and legal culture. Legal structure encompasses the entire institutional framework, including the judiciary, law enforcement agencies, and formal procedures that enforce the law within a country. Legal substance, on the other hand, refers to the content of norms, laws, and

[3]Lawrence M Friedman, *The Legal System: A Social Science Perspective* (Russell Sage Foundation, 1975).

written policies that have legal binding power for all levels of society. On the other hand, legal culture encompasses a more sociological dimension such as attitudes, values, habits, and mindsets of society towards the law. Therefore, this cultural element is the main determinant of whether a legal product will be well-received, consciously obeyed, or simply ignored. Various recent studies that consistently use Friedman's theory prove that these three elements are still highly relevant and operational in analyzing the complexity of legal issues in Indonesia today, ranging from the dynamics of social change in the digital era, the implementation of the e-court system in courts, to ongoing efforts to reform national criminal law.[4] In a specific study of the social shift from the industrial to the digital era, for example, Friedman's conceptual framework is used in depth to demonstrate how changes in social structures can reshape legal culture and encourage increased public legal awareness in cyberspace.[5] Meanwhile, in the context of the e-court study, these three elements are used as evaluation instruments to assess whether the readiness of the judicial structure and the substance of existing regulations are aligned with the legal culture of legal practitioners and the general public as service users.[6] The integrity of these three elements is crucial because the failure of one element, such as a weak legal culture despite modern regulatory substance, will still result in a crippled overall law enforcement.[7] Therefore, Friedman's systemic approach provides a strong foundation for this study in

[4]Henny Saida Flora and Ratna Deliana Erawati, "The Orientation and Implications of New Criminal Code: An Analysis of Lawrence Friedman's Legal System," *Jurnal IUS Kajian Hukum Dan Keadilan* 11, no. 1 (2023): 113–25, https://doi.org/10.29303/ius.v11i1.1169.

[5]Izzy Al Kautsar and Danang Wahyu Muhammad, "Sistem Hukum Modern Lawrence M. Friedman: Budaya Hukum Dan Perubahan Sosial Masyarakat Dari Industrial Ke Digital," *Sapientia Et Virtus* 7, no. 2 (2022): 84–99, https://doi.org/\.

[6]Muhammad Rafif and Zakki Adlhiyati, "Tinjauan Penerapan E-Court Di Pengadilan Negeri Yogyakarta Berdasarkan Teori Hukum Lawrence M. Friedman," *Verstek* 11, no. 4 (2023): 685, https://doi.org/10.20961/jv.v11i4.76143.

[7]I Wijaya, Ketut Satya, and I Gede Agus Kurniawan, "The Lawrence Friedman's Construction of the Legal System Regarding Essential Equality Regulations in Trademark Rights," *Syiah Kuala Law Journal* 7, no. 2 (2023): 251–67, https://doi.org/10.24815/sklj.v7i2.38266.

analyzing how legal reform must be carried out comprehensively so as not to stop at just changing the text of the regulations.

In the context of this article, Friedman's theory is highly appropriate for assessing whether investment law in Indonesia has an adequate structure, substance that supports the community's housing needs, and a legal culture that supports the priority of apartment development. Structurally, this study can assess the roles of the central government, regional governments, investors, and licensing agencies in directing investment to the apartment sector. Substantively, this study assesses whether investment, housing, and spatial planning regulations have given real priority to vertical housing for the community, not just for commercial projects or specific groups. From a legal cultural perspective, this theory helps explain whether the community and stakeholders already view apartments as a public need worthy of prioritization amidst land constraints. Therefore, Friedman's theory provides a strong analytical basis for formulating investment policy reforms so that apartment development does not remain merely discourse but becomes an effective legal instrument and is accepted in social practice.

A policy evaluation approach based on policy utilitarianism, a consequence, provides a tool for assessing whether shifting priorities toward affordable housing will yield the greatest social benefits. Relevant utilitarian indicators in this context include the number of affordable units provided, slum reduction, land use efficiency per dwelling unit, and the welfare impact on the low-income population. Various case studies and feasibility studies have shown that well-designed and managed low-income housing developments can have broad welfare impacts, but only if combined with management mechanisms that ensure housing quality and social sustainability. However, such consequential assessments must also consider individual rights and legal protections to ensure that policies do not neglect distributive justice for vulnerable groups. Therefore, utilitarian

arguments must be complemented by safeguards of human rights and guarantees of legal certainty.[8]

Recent empirical evidence demonstrates variations in apartment implementation practices across regions: some projects successfully meet residents' basic needs to an acceptable standard, while others fail to maintain the quality of post-construction services, rendering housing unsustainable. Feasibility studies of facilities and infrastructure in several apartment buildings indicate that disaster mitigation, accessibility of public services, and management systems are key determinants of public acceptance of apartment buildings. These findings underscore that reformulating investment norms should not stop at unit allocation clauses alone, but must also include provisions regarding building quality, facility standards, and long-term management mechanisms. Therefore, investment laws and implementing regulations need to contain management requirements that can be enforced both administratively and judicially.[9]

The need for synchronization between investment policies and spatial planning is crucial if the goal of apartment development is to be achieved without creating land use conflicts. Zoning practices and strategic land reservations must be aligned with investment priority clauses so that areas with access to transportation and public facilities are allocated for social housing development when urgently needed. Experience with vertical housing programs in large cities shows that integrating TOD policies and conditional investment incentives can improve land use efficiency and lower residents' accessibility costs. Therefore, regulatory design must holistically combine fiscal, licensing, and spatial planning instruments so that apartment projects can contribute to sustainable urban development goals.[10]

Recent investment policy analysis indicates a normative opportunity to incorporate conditional incentive mechanisms into investment regulations, such as fiscal concessions granted only after

[8]Ramadhani and Lubis, "Model for Securing Muhammadiyah Land Assets That Do Not Have Rights in North Sumatra Province."
[9]Ramadhani and Lubis.
[10]Ramadhani and Lubis.

meeting the requirements for allocating low-income housing units or licensing incentives that are revoked if social obligations are not met. The latest Minister of Investment Regulation and the BKPM policy instrument provide administrative space for a public-private partnership model that covers part of the financing for social projects, but legal guarantee mechanisms for the fulfillment of these social obligations still need to be strengthened. Therefore, the drafting of pro-rusun investment norms must formulate measurable verification, reporting, and sanction mechanisms to ensure investor commitments are not merely formulaic. This is crucial for legal instruments to shift capital market behavior toward public objectives.

Institutional aspects and post-construction governance are often vulnerable points in the implementation of vertical housing; regulations regarding manager responsibility, cost transparency, and dispute resolution mechanisms are elements that influence the social sustainability of apartment. Legal studies on manager responsibility indicate that firm management regulations can protect residents from opaque fee-charging practices and minimize the potential for legal conflicts. Therefore, the proposed reformulation of investment law must be accompanied by provisions that enforce post-construction management arrangements as part of the investor's obligations, such as mandatory contributions to maintenance funds and the development of long-term management plans. Such provisions minimize the risk of apartment projects becoming a social burden after construction is complete.[11]

From the perspective of protecting the right to housing, the constitution and human rights norms affirm the state's role in ensuring access to adequate housing. However, normative implementation requires operational legal instruments: allocation obligations, cross-subsidy mechanisms, and strategic land acquisition policies for social purposes. A legal analysis of land rights security and dual ownership emphasizes the importance of legal certainty in protecting the interests of apartment residents and ensuring access to low-income housing.

[11]Puspaningsih, "Tanggung Jawab Hukum Pengelola Apartemen Atas Penarikan Biaya Pengelolaan Yang Tidak Transparan."

Therefore, reformulation of investment law must consider aspects of land rights, ownership security, and occupancy rights to ensure that pro-apartment policies do not encounter land issues that could hinder implementation.[12]

Comparison of international practices reveals several relevant models: countries that have been able to increase affordable housing stock often use a combination of unit allocation obligations, conditional fiscal incentives, land value capture, and blended financing. The model offers lessons that investment laws can be designed to remain attractive to investors while simultaneously enforcing social responsibility if there is a clear compensation formula and a credible monitoring system. Adapting international mechanisms to national contexts requires considering constitutional aspects, regional administrative capacity, and local property market structures to ensure the policy is feasible. This comparative approach will serve as the technical basis for the editorial options proposed in the recommendations section.

The development financing scheme through government-to-business partnerships (PPP) is also an important instrument in closing the infrastructure development funding gap in Indonesia.[13] The limited public budget for mass housing provision places the role of the private sector and partnership schemes as key elements in solving the housing backlog. However, private sector involvement is only effective if bound by legal norms that ensure contributions to public objectives; without binding obligations, PPP schemes have the potential to accommodate profit-seeking interests, thus undermining the goal of providing

[12]Abd Harris, Faradila Yulistari Sitepu, and Syarifa Lisa Andriati, "Analisis Yuridis Terhadap Dualisme Kepemilikan Hak Guna Bangunan Diatas Hak Pengelolaan Sebagai Aset Pemerintah Kota Medan (Sengketa Tanah Di Kecamatan Medan Petisah)," *De Lega Lata: Jurnal Ilmu Hukum* 6, no. 2 (2021): 339–51, https://doi.org/10.30596/dll.v6i2.5965.

[13]Mustafa Nahdi et al., "Examining Solicited Projects of Public–Private Partnerships (PPP) in the Initiative of Indonesian Government," *Buildings* 14, no. 6 (2024): 1870, https://doi.org/10.3390/buildings14061870.

affordable housing.[14] Therefore, draft pro-flag investment norms must include a fair distribution of the financial burden between the state and investors, as well as alternative financing mechanisms supported by a legal framework. Instruments such as land value capture can be a source of financing if regulated legally and transparently.[15]

Practically, the proposed legal wording needs to be operational: determining the minimum percentage of units for low-income residents (MBR), the incentive period, implementation verification mechanisms, administrative sanctions, and compensation formulas for investors subject to social obligations. Textual review and norm reconstruction will formulate concrete draft articles that can be included in amendments to the Investment Law, Ministerial Regulations, or other relevant implementing regulations. The draft norms must be tested against the principles of legal certainty, non-discrimination, and administrative efficiency to avoid creating new obstacles to productive investment. This normative-practical approach is the primary objective of this research.

The urgency of reformulation is also based on the latest field data demonstrating the need for rehabilitation and quality improvement of existing flats. Several feasibility studies conducted in 2024–2025 noted problems with disaster mitigation, supporting infrastructure, and management that degrade housing quality. These empirical facts confirm that increasing the quantity of flats without improving quality and management will not sustainably resolve the backlog. Therefore, reformulation of investment norms needs to incorporate quality standards and management requirements as an integral part of investor obligations. The sustainability of vertical housing, such as low-cost apartments (*Rusunawa*), inherently depends on occupant behavior and operational efficiency. To achieve true welfare goals, regulatory designs must directly address these behavioral aspects. Financial incentives alone

[14]Data Wardana et al., "Housing Policy Dynamics: Can The Government Meet Housing Needs For Low-Income Communities?," *CosmoGov: Jurnal Ilmu Pemerintahan* 9, no. 1 (2023): 79–93, https://doi.org/10.24198/cosmogov.v9i1.44779.

[15]Anggara and Wijaya, "Land Value Capture for Sustainable Urban Development in a Developing City: A Case of Bekasi City, Indonesia."

are insufficient; they must be paired with robust educational programs and monitoring mechanisms to secure lasting environmental and economic benefits.[16] Consequently, investment law should pivot from merely enforcing housing quotas to mandating operational support and resident education as core investor obligations, thereby embedding a vital socio-technical dimension into the legal framework.

More recent practical and policy studies (from 2022–2026) indicate concrete policy opportunities: integrating a flat priority clause into investment regulations, strengthening the role of local governments in oversight, and establishing reporting and audit mechanisms for projects receiving incentives. This combination of empirical evidence and legal studies supports the claim that norm reformulation is not only necessary but can also be designed to be applicable and measurable. Based on the latest data, the resulting legal recommendations are aimed at being implementable at the national and regional levels.

This research has been carried out several times before, including, firstly, research entitled "*Optimalisasi Pengelolaan Rusunawa di Kota Semarang*" which is written by Boy Pardamean Mahulae & Sunarti. This article thoroughly examines the management of low-cost rental apartments (*Rusunawa*) in Semarang, which is currently considered suboptimal. Various indications of this ineffectiveness are clearly visible in the physical condition of the buildings, which are beginning to deteriorate in many areas and the declining quality of the surrounding environment. Furthermore, there are findings of various violations of the rental system and building utilization committed by certain residents. This research confirms that the root of the problem stems from the role and function of the management institution, which has not been operating according to its mandate. Therefore, more systematic and integrated management improvements are needed to

[16]Gilang Dewi Rahayu and Maria Immaculata Ririk Winandari, "Perilaku Efisiensi Energi Penghuni Rumah Susun Sederhana Sewa (Rusunawa) Di DKI Jakarta," *Arsitektura: Jurnal Ilmiah Arsitektur Dan Lingkungan Binaan* 23, no. 2 (2025): 215–26, https://doi.org/10.20961/arst.v23i2.105936.

ensure the sustainability of this vertical housing for the community.[17] In a comparative context, there are fundamental similarities between these findings and your article on housing provision instruments for the community. Both scientific papers position apartments as a vital solution to meet the pressing housing needs in urban areas. The focus of both discussions remains based on the principle that flats management cannot be separated from the state's responsibility to the public interest. This demonstrates a shared vision regarding the urgency of providing decent, safe, and affordable housing for low-income groups. This shared perspective provides a strong theoretical foundation for further discussion of housing issues in Indonesia. Despite their shared vision, these two articles offer different perspectives on solutions to the problems of apartment complexes. Mahulae and Sunarti's article focuses more on the operational and technical management aspects of apartment complexes (*Rusunawa*) at the field level. In contrast, this study takes a more strategic approach by focusing on the regulatory dimension through a reformulation of investment law policy direction. The primary focus of this research is to ensure that apartment development becomes a national priority to reach a wider segment of society. Thus, these two perspectives complement each other, evaluating practical governance and strengthening a more visionary legal framework.

Second research is entitled "*Pemukiman Vertikal Sebagai Upaya Mengatasi Kepadatan Penduduk di Indonesia*" by Fadel Ikrar Jamika, Fitrya Monica, Marisa Meliana Fitri, Zulhendra Syafardi, Eri Barlian, Indang Dewata, Iswandi Umar, & Nurhasan Syah. This article explains in depth how the phenomenon of population density and massive urbanization has created significant pressure on land availability in urban areas. This limited horizontal space has then driven the urgency of developing vertical housing as the most rational alternative solution to address the current housing crisis. The authors of this study also critically highlight the various pros and cons that have emerged along

[17]Boy Pardamean Mahulae and S Sunarti, "Optimalisasi Pengelolaan Rusunawa Di Kota Semarang," *Jurnal Pengembangan Kota* 9, no. 2 (2021): 245–58, https://doi.org/10.14710/jpk.9.2.245-258.

with society's transition to a vertical housing lifestyle. The discussion covers the significant impact of flats on residents' quality of life, from aspects of transportation accessibility to ease of internal mobility. Furthermore, the article explores the potential of cross-subsidy schemes as a strategy to maintain affordability for low-income communities.[18] When compared, there are significant points of agreement between Jamika et al.'s article and this study in viewing the future of urban housing. Both papers share a common vision in viewing vertical housing not merely as an architectural trend, but as a real solution to the increasingly suffocating land crisis in large cities. This similarity also lies in the recognition that uncontrolled population density requires more efficient and spatially integrated housing interventions. Both this study and Jamika et al.'s study agree that utilizing air space is a strategic step to prevent the spread of slums due to land limitations. Thus, these two articles provide strong justification that the landed housing model is no longer adequate to accommodate the future population explosion. Although based on similar concerns, fundamental differences emerge in the depth of analysis and methodological approaches used by each author. The article by Jamika et al. tends to remain at the descriptive-sociological level, examining social realities on the ground and general government policies at a macro level. In contrast, this study goes much deeper into the juridical-normative realm, examining legal aspects that often hinder development. This research's primary focus lies on how investment law reform must be implemented immediately so that apartment development receives top priority within the national legal framework. This legal approach provides a more specific contribution to designing regulatory instruments capable of attracting investors while guaranteeing the rights of the wider community.

The third research is entitled "*Value-for-Money Drivers in Public-Private Partnerships in Affordable Housing in Indonesia: An Analytic Network Process Perspective*" by Andreas Wibowo & Dewi Hartiati. This article examines in-depth the factors that drive value for money (VfM)

[18]Fadel Ikrar Jamika et al., "Pemukiman Vertikal Sebagai Upaya Mengatasi Kepadatan Penduduk Di Indonesia," *Jurnal Kependudukan Dan Pembangunan Lingkungan* 4, no. 1 (2023): 9–17, https://doi.org/10.24036/jkpl.v4i1.176.

in public-private partnership schemes for the provision of affordable housing in Indonesia. The study's findings indicate that effectiveness is the most critical VfM criterion for ensuring the success of any housing project. To maximize public objectives, these projects must be able to deliver livable housing units for the community. In addition to physical feasibility, another key indicator of success is the availability of rental rates that remain affordable for low-income groups in the long term. This focus on effectiveness aims to ensure that state budget allocations deliver tangible and sustainable social impacts. The study also successfully mapped thirteen key factors into five strategic clusters that influence the success of public-private partnerships. The first cluster emphasizes the importance of private sector capacity, while the second cluster demands a transparent and competitive procurement process. Furthermore, equitable risk allocation and guaranteed returns are key concerns in the third cluster to attract investors. The public sector's capacity to manage coordination and regulation is also a determining factor, discussed in depth in the fourth cluster. Finally, the study highlights the nature of long-term contracts as the fifth element whose stability must be maintained for the continued operation of housing.[19] The similarity between Wibowo and Hartiati's study and this research lies in their shared focus on investment and capital for affordable housing. Both papers view the availability of efficient financing as key to addressing the growing housing backlog. However, there is a fundamental difference: Wibowo and Hartiati's article places greater emphasis on the economic and technical efficiency of implementing Public-Private Partnership (PPP) schemes. This study, on the other hand, goes further by emphasizing the need for a more substantive reformulation of priorities within national investment law. The primary objective of this study is to ensure that the development of public apartments truly becomes a key agenda item in all future investment legal policies.

[19]Andreas Wibowo and Dewi Hartiat, "Value-for-Money Drivers in Public-Private Partnerships in Affordable Housing in Indonesia: An Analytic Network Process Perspective," *Journal of Construction in Developing Countries* 28, no. 2 (2023): 101–19, https://doi.org/10.21315/jcdc-07-22-0137.

The fourth is entitled "*Evaluasi Pasca Huni Rusunawa Manis Jaya Kota Tangerang*" byMuhammad Rayhan Fadillah, I Nyoman Suluh Wijaya, & Wisnu Sasongko. This article examines the post-occupancy conditions of the Manis Jaya Flats (Rusunawa Manis Jaya) located in Tangerang City. The primary focus is on capturing the building's functional status after being officially occupied by residents for a specified period. This analysis shifts attention from the physical construction process to a concrete evaluation of the residents' daily quality of life. This is done to ensure that the flats truly function as decent, safe, and humane housing. Furthermore, the sustainability of management is a crucial focus so that the benefits of these vertical housing units can continue to be felt in the long term. The fundamental similarity between Fadillah et al.'s study and this research lies in the selection of flats as the primary, crucial subject of analysis.[20] Both papers depart from the premise that vertical housing is an absolute solution to the needs of urban communities amidst land constraints. There is explicit agreement that the provision of flats is a strategic responsibility to address the housing crisis in large cities. Both view flats as more than just physical structures, but rather social spaces that must be able to ensure the well-being of their residents. Thus, these two studies support each other in arguing for the importance of strengthening the public housing sector in Indonesia. Significant differences emerge in the dimensions of the approach used, where Fadillah et al.'s article focuses more on evaluating operational performance in the field. That study focused more on technical aspects of building maintenance and user satisfaction after the project was completed. In contrast, this study dives into a more fundamental area, examining legal policy aspects at the upstream level. The focus of the discussion lies in the urgency of restructuring investment law so that the development of flats for the wider community becomes a top state priority. Through strengthening these regulations, it is hoped that investment policy will be more

[20]Muhammad Rayhan Fadillah, I Nyoman Suluh Wijaya, and Wisnu Sasongko, "Evaluasi Pasca Huni Rusunawa Manis Jaya Kota Tangerang," *Planning for Urban Region and Environment Journal (PURE)* 13, no. 3 (2024): 217–26, https://purejournal.ub.ac.id/index.php/pure/article/view/721.

oriented towards fulfilling the right to public housing from the very beginning of the policy planning stage.

The last one is entitled "*Policy Mapping for Direction on Green Vertical Housing Development in Indonesia*" by Dewi Larasati, F. A. Wilis, Dewi Nurhayati, Roiswahid Dimas Pangestu, Allis Nurdini, & Arnott Ferels. This article maps green building regulations closely related to vertical housing development in Indonesia. The authors employ a systematic review of the Scopus literature and conduct an in-depth mapping of thirty-six regulatory documents. Furthermore, the study includes a comparison of policies drawn from six different countries to enrich the analysis.[21] The study's findings formulate four key policy priorities, including enhancing stakeholder engagement and integrating technical standards. Other priorities include enforcing green building compliance for large structures and providing financial and non-financial incentives for developers.[22] The fundamental similarity between the aforementioned article and this study lies in their shared focus on vertical housing legal policy. Both seek to provide a theoretical and practical foundation for the development of flats as a solution to overpopulation in Indonesia. The focus on regulatory aspects demonstrates that both Larasati et al.'s article and this study view law as a key instrument of change. Both also analyze how existing norms need to be evaluated to achieve more effective development goals. Thus, these two papers make significant contributions to the public policy literature on the national housing sector. Despite having similar formal objectives, there are substantial differences in the policy orientations proposed by the two studies. The article by Larasati et al. focuses discussion on environmental sustainability issues through the implementation of strict green building policies. In contrast, this research focuses more on reformulating the priorities for apartment development within the investment legal framework. The primary

[21]Larasati et al., "Policy Mapping for Direction on Green Vertical Housing Development in Indonesia."

[22]Dewi Larasati et al., "Policy Mapping for Direction on Green Vertical Housing Development in Indonesia," *Nakhara: Journal of Environmental Design and Planning* 24, no. 3 (2025): 522, https://doi.org/10.54028/NJ202524522.

objective of this research is to ensure that national investment policy aligns more with the needs of the broader community. This focus is crucial for addressing the increasingly pressing urban land crisis through reforming the investment legal structure.

From the five articles reviewed previously, it is clear that the discourse on apartment buildings in Indonesia actually covers a fairly broad spectrum. These studies have explored technical issues ranging from operational management to the impact of population density in urban areas. Furthermore, there is a strong emphasis on financing schemes through public-private partnerships to address state budget constraints. Several studies have also focused on post-occupancy evaluations to ensure the sustainable quality of life for residents in vertical housing units. Finally, the issue of green building policy has emerged as a strategic effort to integrate environmental sustainability into housing development.

Despite the wide variety of discussions on low-cost apartments (*Rusunawa*), no study has specifically positioned this issue within the framework of reformulating investment law priorities. Much of the current literature ignores how national investment law should be structured to effectively address the land availability crisis. Furthermore, there is no in-depth analysis that ensures that low-cost apartment development has a clear legal standing as a public investment priority at the national level. This lack of focus has resulted in investment policies often remaining general in nature and failing to substantively address the root causes of housing problems. Consequently, there remains a gap in the literature that does not directly link investment law mandates to resolving the urban land crisis.

This is where this research offers novelty and originality in enriching the body of legal and public policy scholarship in Indonesia. This research views apartments not merely as an ordinary housing policy object, but as a key object in fundamental investment law reform. The study focuses on normative approaches to ensure the national legal system is able to encourage investment allocation that is fully oriented toward the interests of the wider community. Through this juridical approach, it is hoped that legal certainty will be created that prioritizes

vertical housing development over other commercial interests. Thus, this research makes a strategic contribution to improving the national legal system to make it more responsive to the basic need for housing.

Based on the above background, the researcher will discuss: (1) How are the priorities for apartment development regulated within the current investment legal framework in Indonesia, and to what extent do these regulations support the fulfillment of housing needs for the community amidst land constraints? And (2) What model of norm reformulation within investment law can prioritize apartment development to ensure access to housing for the community and support the optimization of sustainable land use?

This research employs a normative legal method with a doctrinal orientation, focusing on the examination of legal norms governing the reformulation of housing policy priorities within Indonesia's investment legal framework. The study is designed to analyze how existing laws and regulations address the development of vertical housing, particularly public apartment blocks for the broader community, and to identify whether the current legal arrangement sufficiently supports the redistribution of investment priorities toward land-efficient housing provision. The primary legal materials consist of statutory instruments related to investment, housing, apartment regulation, spatial planning, and land administration. These include constitutional provisions, laws, government regulations, ministerial regulations, and other relevant legal instruments that directly or indirectly govern housing investment and land use policy. Secondary legal materials are drawn from scholarly books, peer-reviewed journal articles, legal commentaries, and academic writings discussing investment law, housing policy, legal reform, the theory of legal development, and utilitarian legal reasoning. Tertiary legal materials, such as legal dictionaries and encyclopedias, are used when necessary to clarify conceptual terms and legal terminology.

The research adopts several analytical approaches. The statutory approach is used to examine the coherence, hierarchy, and substantive content of the relevant legal rules. The conceptual approach is applied to explore key legal concepts such as investment priority, public

interest, vertical housing, land scarcity, and the right to adequate housing, particularly in evaluating whether the law functions as an instrument of social progress and broad public welfare. In addition, the research uses a systematic interpretation method to read legal provisions as an integrated legal system rather than as isolated rules, thereby allowing the identification of normative gaps, inconsistencies, and regulatory overlaps.

Data collection is conducted through library research, namely by gathering and reviewing legal documents and academic literature available in printed and electronic form. The collected materials are then processed through qualitative legal analysis, which emphasizes interpretation, comparison, classification, and legal reasoning rather than statistical measurement. The analysis proceeds by examining the current legal structure, identifying deficiencies in the prioritization of housing investment, and constructing a normative argument for policy reform. The final objective is to formulate a legal basis for repositioning public vertical housing as a strategic investment priority in response to Indonesia's growing land constraints and the need for socially oriented housing development.

B. The Priorities For Apartment Development Regulated Within The Current Investment Legal Framework in Indonesia

The implementation of low-cost apartments (Rusunawa) demonstrates the complexity between the social goal of providing housing for low-income residents (MBR) and often suboptimal post-construction management practices. Empirical studies in several cities reveal operational issues, ranging from physical maintenance and rental mechanisms to institutional management, which, if left unaddressed, will undermine the social function of low-cost apartments as decent housing.[23] These issues impact the legitimacy of public policy regarding investment in the vertical housing sector, as investors and policymakers are concerned about project sustainability if management aspects are

[23]Mahulae and Sunarti, "Optimalisasi Pengelolaan Rusunawa Di Kota Semarang."

neglected. Therefore, any proposed reformulation of investment norms must include concrete management provisions so that projects receiving investment facilities guarantee sustainable services for residents. Normative measures that fail to consider post-construction aspects risk creating an unsustainable supply for low-income residents (MBR).

Vertical housing has been identified as a technical strategy to address limited urban land and rising land price pressures; however, its effectiveness depends on how regulations promote accessibility and affordability. A journal review emphasizes that policy design must integrate architectural technical aspects and incentive policies to ensure that low-cost apartments become a real solution for low-income residents, not simply a product of the commercial property market.[24] In this context, investment law needs to provide a clear signal: incentives are provided only if there is a guarantee of affordable unit allocation and a verification mechanism. Without harmonization of incentives and obligations, investment tends to favor products that benefit the upper-middle class, leaving gaps for low-income residents. Therefore, normative reformulation must address the causal relationship between incentive design and spatial utilization outcomes.

The legal framework governing apartment development in Indonesia cannot be examined solely from the perspective of housing policy because apartment projects simultaneously constitute investment activities, commercial transactions, and proprietary arrangements involving multiple legal relationships. Apartment development requires substantial capital commitments, long-term financing structures, land utilization rights, contractual cooperation among public and private actors, and legal certainty regarding ownership and transferability of property rights. Consequently, the position of apartment development within Indonesia's investment regime must be analysed through the interaction between Law Number 25 of 2007 concerning Investment and Law Number 20 of 2011 concerning Apartments. These statutes collectively determine the extent to which apartment projects are

[24]Jamika et al., "Pemukiman Vertikal Sebagai Upaya Mengatasi Kepadatan Penduduk Di Indonesia."

capable of attracting investment while simultaneously fulfilling their social housing function within rapidly urbanizing regions.

The normative foundation of Indonesia's investment regime is established through Article 3 paragraph (1) of Law Number 25 of 2007, which provides that investment shall be conducted based on the principles of legal certainty, openness, accountability, equal treatment, togetherness, efficiency with justice, sustainability, environmental awareness, independence, and balance in national economic progress and unity. Furthermore, Article 3 paragraph (2) states that investment activities aim to promote economic growth, create employment opportunities, encourage sustainable economic development, enhance technological capability, strengthen national economic competitiveness, increase community welfare, and transform economic potential into actual economic strength. At first glance, these provisions demonstrate that Indonesian investment law is not exclusively concerned with capital accumulation but also recognizes broader social and developmental objectives. The inclusion of sustainability, public welfare, and equitable development suggests that investment activities are expected to contribute to addressing structural socio-economic challenges, including the provision of adequate housing.

However, a closer reading of Article 3 reveals that these principles remain largely declaratory and do not establish any operational mechanism capable of translating such objectives into sector-specific investment priorities. Although apartment development directly contributes to urban sustainability, efficient land utilization, and public welfare, the provision does not expressly recognise vertical housing as a strategic investment sector. Consequently, apartment projects are legally positioned alongside other commercial sectors competing for investment capital without receiving any specific normative preference. In practice, this means that investment decisions continue to be governed primarily by profitability calculations, market demand, and risk assessments rather than by statutory mechanisms directing capital towards sectors capable of advancing the public welfare objectives expressly recognized by Article 3. As a result, the provision fails to

bridge the gap between the declared objectives of investment law and the practical realities of investment allocation.

This omission becomes increasingly significant when viewed from a private and commercial law perspective. Apartment developments generally involve longer capital recovery periods, higher regulatory compliance costs, affordability obligations, and greater exposure to public policy intervention compared to conventional commercial projects. Without specific legal mechanisms that reduce these commercial burdens or compensate investors for undertaking socially beneficial projects, rational investors are likely to favour sectors offering higher returns and lower regulatory risks. Consequently, the principles contained in Article 3 function primarily as interpretative aspirations rather than enforceable legal instruments capable of prioritizing apartment development within the national investment framework.

The issue of legal certainty becomes more apparent when examining Article 21 of Law Number 25 of 2007, which provides that, in addition to investment facilities, the Government may grant conveniences relating to land rights, immigration facilities, and import licensing facilities required for investment activities. The provision recognizes that legal certainty concerning access to land constitutes a fundamental prerequisite for investment protection and economic development. Nevertheless, Article 21 focuses primarily on administrative facilitation and does not regulate the substantive legal consequences arising from complex ownership structures commonly associated with apartment developments. While administrative convenience may reduce procedural barriers to investment, it does not necessarily resolve questions relating to proprietary certainty, ownership continuity, or the allocation of rights among multiple stakeholders within apartment projects.

The limitations of Article 21 become clearer when read together with Article 22, which regulates the granting and extension of land rights such as Business Use Rights (*Hak Guna Usaha*), Building Use Rights (*Hak Guna Bangunan*), and Use Rights (*Hak Pakai*), for investment purposes. The provision seeks to enhance investment certainty by providing longer periods of land utilization, thereby

allowing investors to undertake projects requiring substantial capital commitments and extended operational horizons. However, these provisions were largely formulated with conventional investment models in mind, where investors maintain direct control over the land throughout the duration of the project. Apartment developments differ fundamentally because ownership is divided between the underlying land and individual apartment units, creating a more complex proprietary structure involving developers, landholders, apartment purchasers, financial institutions, and government authorities.

This distinction is particularly important in apartment projects implemented through Public-Private Partnership (PPP) mechanisms on government-controlled land. In such projects, investors frequently obtain derivative land rights while apartment purchasers acquire ownership rights through the strata title system recognized under apartment legislation. Neither Article 21 nor Article 22 explicitly addresses the legal consequences arising when underlying land rights, cooperation agreements, or concession arrangements expire. More importantly, these provisions do not clarify whether the expiration of such arrangements affects the legal position of apartment owners who have acquired individual proprietary rights through the purchase of apartment units. The absence of a clear statutory framework governing this relationship constitutes a significant normative gap because it concerns the continuity and security of proprietary rights that form the foundation of apartment transactions.

From a commercial law perspective, uncertainty regarding ownership continuity creates significant transactional risks. Apartment units derive a substantial portion of their economic value from the certainty and enforceability of the ownership rights attached to them. Financial institutions rely upon such certainty when providing mortgage financing, while developers depend upon market confidence to secure project funding and maintain sales performance. Where the legal relationship between underlying land rights and strata title ownership remains unclear, apartment units may become less attractive as collateral, financing costs may increase, and investors may demand higher risk premiums to compensate for legal uncertainty.

Consequently, the absence of explicit regulation concerning these issues directly affects project bankability, investment attractiveness, and the overall commercial feasibility of apartment developments.

Additional regulatory limitations can be identified in Article 25 of Law Number 25 of 2007, which requires investment activities to be conducted through legally recognized business entities and further provides that investors must obtain the necessary licences through an integrated one-stop service mechanism. Although the provision aims to simplify administrative procedures and improve investment efficiency, it does not establish any specialized licensing framework capable of encouraging apartment developments that fulfill social housing objectives. Apartment developers remain subject to obligations arising under apartment and housing legislation, yet these obligations are not integrated into a coordinated investment facilitation mechanism that rewards socially beneficial housing projects through enhanced legal or economic incentives. Consequently, investment regulation and housing regulation continue to operate as separate legal regimes rather than as mutually reinforcing instruments.

The interaction between Law Number 25 of 2007 and Law Number 20 of 2011 therefore reveals a structural imbalance between investment promotion and housing obligations. While investment law seeks to facilitate commercial activity through legal certainty and administrative efficiency, apartment law simultaneously imposes social responsibilities intended to ensure wider access to housing and the fulfilment of housing needs. Neither statute provides a comprehensive mechanism for reconciling these competing objectives through contractual safeguards, ownership guarantees, risk-sharing arrangements, or incentive structures specifically designed for apartment development. As a result, the current legal framework generates uncertainty regarding risk allocation, property rights protection, investment incentives, and the commercial viability of apartment projects. These deficiencies demonstrate that apartment development remains only indirectly accommodated within Indonesia's investment regime, thereby necessitating a more coherent normative framework capable of integrating investment objectives with the

proprietary and commercial realities of contemporary vertical housing development.

1. Normative Gaps in Article 3 of Law Number 25 of 2007 Concerning Investment

Article 3 paragraph (1) of Law Number 25 of 2007 concerning Investment provides that investment activities shall be implemented based upon the principles of legal certainty, openness, accountability, equal treatment, togetherness, efficiency with justice, sustainability, environmental awareness, independence, and balance in national economic progress and unity. Furthermore, Article 3 paragraph (2) stipulates that investment activities aim to increase economic growth, create employment opportunities, encourage sustainable economic development, improve technological capacity and capability, strengthen people's economic participation, transform economic potential into real economic strength, and ultimately improve community welfare. Collectively, these provisions establish the philosophical foundation of Indonesia's investment regime and demonstrate that investment law is intended to function not only as an instrument for attracting capital but also as a mechanism for advancing broader developmental and welfare objectives.

From a doctrinal perspective, Article 3 performs an important normative function because it provides the interpretative principles that guide the formulation and implementation of investment policies. The provision recognizes that investment activities should contribute to sustainability, social welfare, and equitable economic development rather than merely generating private profits. In this regard, apartment development appears to fall squarely within the objectives contemplated by Article 3. Vertical housing contributes to efficient land utilization, supports sustainable urban development, reduces urban sprawl, and directly addresses housing shortages experienced by growing urban populations. Consequently, apartment development possesses a stronger nexus with the public welfare objectives recognized under Article 3 than many conventional commercial investment sectors.

Nevertheless, despite establishing broad developmental objectives, Article 3 does not contain any normative mechanism through which those objectives are translated into concrete investment priorities. The provision identifies public welfare, sustainability, and economic development as desired outcomes but remains silent regarding the sectors through which those outcomes should be pursued. As a result, apartment development receives no explicit legal recognition as a strategic investment activity despite its direct contribution to several objectives expressly identified within the provision. This omission creates a normative gap because the law articulates the goals of investment policy without providing corresponding legal instruments capable of directing investment towards sectors that most effectively advance those goals.

The deployment of affordable vertical housing reveals that performance indicators must be established at the planning stage to legally bind investors to specific social outcomes. Ensuring regulatory efficacy requires objective, measurable Key Performance Indicators (KPIs) such as low-income housing (MBR) occupancy rates, infrastructure maintenance quality, and resident satisfaction levels.[25]Investment regulations that grant public facilities must therefore condition these benefits on strict compliance with social KPIs, backed by enforceable administrative sanctions. By shifting the investment matrix from a narrow focus on financial Internal Rate of Return (IRR) to public welfare outcomes, this framework justifies the formalization of dedicated low-cost apartment priority clauses within the foundational principles of investment law.

The absence of such a prioritization mechanism has significant implications from a private and commercial law perspective. Investors generally allocate capital according to expected returns, regulatory certainty, transaction costs, and risk exposure. In the absence of statutory provisions that distinguish apartment development from other commercial sectors, investment decisions continue to be governed predominantly by market considerations rather than by the social

[25]Jamika et al., "Pemukiman Vertikal Sebagai Upaya Mengatasi Kepadatan Penduduk Di Indonesia."

objectives recognized under Article 3. Consequently, sectors capable of generating faster returns frequently attract greater investment than apartment projects, which often involve substantial upfront capital requirements, longer recovery periods, affordability obligations, and increased regulatory oversight. The current formulation of Article 3 therefore fails to create a legal environment in which the developmental objectives of investment law are capable of influencing investment behaviour in a meaningful manner.

Achieving genuine sustainability in vertical housing requires integrating strict environmental standards directly into housing investment requirements. Fiscal incentives must expand beyond mere quantitative quotas for low-income units; they must be legally tied to compliance with sustainability standards, such as energy efficiency and stormwater management.[26] Embedding these green criteria into investment norms simultaneously elevates housing quality and lowers operational costs for residents.[27] Consequently, regulatory revisions to the investment framework should prioritize permits and additional incentives for projects that meet green building indicators, thereby fulfilling the environmental mandate of the law.

The normative deficiency becomes more apparent when Article 3 is examined in conjunction with Law Number 20 of 2011 concerning Apartments. While apartment legislation imposes various obligations intended to ensure the social function of housing and broaden access to residential units, the investment regime does not provide a corresponding framework capable of encouraging investors to undertake such obligations. In effect, apartment developers are expected to contribute to public welfare objectives without receiving any explicit recognition within the investment law framework that would compensate for the additional costs and risks associated with socially oriented housing development. This creates a structural

[26]Larasati et al., "Policy Mapping for Direction on Green Vertical Housing Development in Indonesia."

[27]Aisyah Zakiah, "Green Building Implementation Challenge for Housing from Developer Perspective in Indonesia," *Arsitektura: Jurnal Ilmiah Arsitektur Dan Lingkungan Binaan* 21, no. 1 (2023): 39–50, https://doi.org/10.20961/arst.v21i1.60298.

imbalance between the objectives pursued by apartment law and the incentives provided by investment law.

Accordingly, the principal normative gap contained in Article 3 lies not in the absence of welfare-oriented principles, but in the absence of legal mechanisms capable of operationalizing those principles within strategic sectors such as apartment development. The provision successfully articulates the objectives of investment law but fails to establish a normative bridge between those objectives and the allocation of investment resources. Consequently, apartment development remains legally treated as an ordinary commercial activity rather than as a sector that directly advances the sustainability, welfare, and developmental goals expressly recognized by the investment regime. This deficiency ultimately limits the capacity of investment law to function as an effective instrument for directing capital towards the provision of vertical housing in urban areas.

2. Normative Gaps in Articles 21 and 22 of Law Number 25 of 2007 Concerning Investment

Article 21 of Law Number 25 of 2007 concerning Investment provides that, in addition to investment facilities, the Government may grant conveniences relating to land rights, immigration facilities, and import licensing facilities required for investment activities. This provision reflects the legislature's recognition that legal certainty concerning access to land constitutes a fundamental prerequisite for attracting and maintaining investment. The provision is further complemented by Article 22, which authorizes the granting and extension of land rights, Business Use Rights (*Hak Guna Usaha*), Building Use Rights (*Hak Guna Bangunan*), and Use Rights (*Hak Pakai*), in order to support investment certainty and facilitate long-term economic activities. Collectively, these provisions seek to reduce legal risks associated with land utilization and thereby enhance the attractiveness of Indonesia as an investment destination.

From a textual perspective, Articles 21 and 22 are principally designed to address conventional investment models in which investors maintain direct control over land throughout the duration of the investment period. The underlying assumption embedded within these

provisions is that legal certainty can be achieved by ensuring the continuity of land utilization rights held by investors. Such an approach may be adequate for industrial estates, plantations, manufacturing facilities, logistics infrastructure, and other forms of investment where land remains under the control of a single business entity. However, apartment development differs significantly from these conventional investment structures because it involves the fragmentation of proprietary interests through the transfer of ownership rights to individual apartment purchasers.

The distinction becomes particularly important when apartment developments are implemented through Public-Private Partnership (PPP) schemes involving state-owned or regionally controlled land. In such arrangements, investors frequently obtain derivative rights over land for the purpose of developing apartment projects, while individual purchasers subsequently acquire ownership rights over apartment units through the strata title system recognized under Law Number 20 of 2011 concerning Apartments. Consequently, apartment projects generate a multilayered ownership structure involving government entities, developers, apartment owners, financial institutions, and management bodies. Despite the complexity of these legal relationships, Articles 21 and 22 remain silent regarding the interaction between investment-related land rights and the proprietary rights subsequently acquired by apartment owners.

PPP models for affordable housing demonstrate variable outcomes: some projects successfully add social value, while others prioritize investor profitability at the expense of affordability. Analytical studies of Value-for-Money (VfM) factors in PPPs indicate that success depends on contract design, aligned incentives, and fair risk-sharing mechanisms between the public and private sectors.[28] From an investment law perspective, this means the need for contractual clauses and regulations that stipulate socially-aligned requirements in PPP contracts, such as the percentage of low-income housing units that must be provided as a tender requirement. Furthermore, VfM

[28]Wibowo and Hartiat, "Value-for-Money Drivers in Public-Private Partnerships in Affordable Housing in Indonesia: An Analytic Network Process Perspective."

evaluation mechanisms must be programmed into regulations so that fiscal incentives are only awarded when social outcomes are measurable. Without clear contractual arrangements, PPPs risk becoming instruments of commercial market subsidies.

The normative gap becomes evident because neither provision expressly regulates the legal consequences arising from the expiration of underlying land rights, cooperation agreements, or concession arrangements upon which apartment developments are established. More specifically, Articles 21 and 22 do not clarify whether the expiration of Building Use Right, Use Right, or other derivative rights affects the continuity of ownership rights held by apartment purchasers through Certificate of Ownership Rights for Flat Units (SHMSRS). This omission is particularly significant in apartment projects developed on land subject to Management Rights (HPL) or PPP arrangements, where the duration of land utilization rights may not necessarily correspond with the duration of ownership expectations held by apartment purchasers. As a result, the current investment framework provides certainty regarding investor access to land but fails to provide comparable certainty regarding the long-term security of proprietary interests arising from apartment ownership.

From a private law perspective, uncertainty concerning the continuity of proprietary rights undermines one of the fundamental characteristics of ownership, namely legal certainty regarding the enjoyment, transfer, and protection of property. Apartment purchasers generally acquire units with the expectation that their ownership rights will remain secure and enforceable throughout the useful life of the property. However, where the legal relationship between underlying land rights and strata title ownership remains insufficiently regulated, questions arise regarding the extent to which apartment ownership rights can survive the expiration of investment-related land arrangements. Such uncertainty has the potential to generate disputes concerning ownership continuity, management authority, and the allocation of rights and obligations among the parties involved in apartment developments.

The implications of this normative deficiency extend beyond proprietary concerns and directly affect commercial transactions within the apartment sector. Financial institutions commonly require clear and enforceable property rights before recognizing apartment units as acceptable collateral for mortgage financing or project lending. Likewise, investors evaluate legal certainty regarding ownership structures as a critical factor affecting project feasibility and marketability. Where uncertainty exists regarding the continuity of apartment ownership rights, financing costs may increase, project bankability may decline, and investors may demand higher returns to compensate for legal risks. Consequently, the current formulation of Articles 21 and 22 provides legal certainty for investment activities only at the level of land utilization rights while failing to address the more complex proprietary and commercial realities associated with contemporary apartment development projects. This demonstrates that the existing investment framework remains insufficiently equipped to accommodate the unique ownership structures and transactional characteristics inherent in vertical housing development.

3. Normative Gaps in Article 25 of Law Number 25 of 2007 Concerning Investment

Article 25 of Law Number 25 of 2007 concerning Investment provides that investment activities shall be carried out through business entities established under Indonesian law, while foreign investment must be conducted through a limited liability company (*Perseroan Terbatas*) domiciled within the territory of the Republic of Indonesia. The provision further requires investors to obtain the necessary approvals and licences through the integrated service system established by the Government. At the normative level, Article 25 seeks to create administrative certainty by ensuring that investment activities are conducted through legally recognized entities operating within a structured licensing framework. Through this approach, the provision aims to facilitate business activities while maintaining regulatory oversight over investment operations.

From a commercial law perspective, Article 25 performs an important function because it establishes the legal infrastructure

through which investment transactions are organized and supervised. Legal entity requirements create a framework for contractual relations, asset ownership, liability allocation, financing arrangements, and dispute resolution mechanisms. By requiring investors to operate through recognized legal entities, the provision promotes legal certainty and enhances the enforceability of commercial transactions. Furthermore, the integrated licensing mechanism is intended to reduce administrative burdens that could otherwise impede investment activities and increase transaction costs.

However, despite its role in facilitating investment activities, Article 25 does not contain any specific provisions addressing the unique regulatory characteristics of apartment development projects. The licensing framework established by the provision applies generally to all investment sectors regardless of their social, economic, or strategic significance. Consequently, apartment developments that contribute directly to housing provision, sustainable urbanization, and public welfare are subjected to the same procedural framework applicable to ordinary commercial projects. This regulatory neutrality creates a normative gap because the law fails to distinguish between investments that merely generate economic value and investments that simultaneously fulfill important social functions. The current legal architecture of investor obligations fails to account for the socio-economic dimensions of affordable housing. Effective vertical housing requires regulatory flexibility that mandates diverse unit typologies, flexible sizing, and dedicated spatial allocations for residents' informal economic activities.[29] Article 25 of Law Number 25 of 2007 must expand its definition of investor compliance beyond financial and administrative reporting. It must integrate minimum, community-centric design standards as an inseparable part of the pro-rusun investment obligation package to prevent the proliferation of mismatched, underutilized housing units.

[29]Putri Arumsari et al., "Identifikasi Karakteristik Perumahan Rakyat Melalui Analisis Triangulasi," *JMTS: Jurnal Mitra Teknik Sipil*, 2024, 807–18, https://doi.org/10.24912/jmts.v7i3.28229.

The implications of this omission become more evident when Article 25 is examined in conjunction with Law Number 20 of 2011 concerning Apartments. Apartment developers are subject to a variety of obligations arising from the social function of housing, including requirements relating to accessibility, habitability, ownership structures, and the provision of housing opportunities for broader segments of society. Compliance with these obligations frequently increases development costs and extends project implementation periods. Nevertheless, the licensing regime established under Article 25 does not provide any specialized mechanism capable of compensating developers for these additional burdens through accelerated approvals, priority processing, or other forms of regulatory facilitation specifically tailored to apartment projects.

The absence of such integration creates a structural imbalance between investment regulation and apartment regulation. While apartment law imposes obligations intended to advance public welfare objectives, investment law continues to treat apartment development as an ordinary commercial activity without recognizing the additional responsibilities assumed by developers. As a result, apartment developers frequently bear higher compliance costs than investors operating in purely commercial sectors while receiving no corresponding procedural advantages within the investment licensing framework. This situation weakens the capacity of investment law to function as an instrument capable of directing capital toward apartment development despite the acknowledged importance of housing provision within rapidly urbanizing areas.

The enduring sustainability of vertical housing developments depends heavily on post-occupancy institutional management, specifically the structural clarity of residents' associations and management bodies. Active community involvement and a defined institutional hierarchy directly reinforce tenant compliance and facility preservation.[30] To prevent social decay in these developments, Article 25 of the Investment Law must expand investor obligations to include

[30]Arumsari et al., "Identifikasi Karakteristik Perumahan Rakyat Melalui Analisis Triangulasi."

mandatory post-construction institutional development, structured resident participation, and accessible dispute resolution mechanisms. Codifying these requirements transforms affordable housing from a speculative real estate asset into a legally protected basic right, drastically reducing the risk of systemic project failure.

The normative deficiency becomes even more significant when viewed through the lens of contractual and commercial risk allocation. Apartment projects commonly involve multiple contractual relationships among developers, financiers, contractors, government entities, apartment purchasers, and management bodies. Delays in licensing procedures, overlapping regulatory requirements, and uncertainty regarding administrative approvals may increase transaction costs and affect project timelines. Because Article 25 does not provide a dedicated regulatory pathway for apartment developments that fulfill broader social objectives, the additional risks associated with compliance remain concentrated upon developers and investors. Consequently, the current formulation of Article 25 contributes to a legal environment in which apartment development is expected to satisfy both commercial and social objectives without receiving a corresponding level of regulatory support within the investment framework. The long-term effectiveness of low-cost apartment programs hinges directly on robust initial policy design and local government monitoring. Operational success requires seamless lease administration, consistent maintenance, and active community governance.[31] Therefore, investment law must mandate periodic implementation reports and independent audits for projects benefiting from public incentives. These accountability mechanisms do not merely ensure compliance; they establish vital baselines for long-term policy evaluation, making binding monitoring tools an indispensable component of investor obligations under Article 25.

Furthermore, the interaction between Article 25 and the broader investment regime reveals that the current legal framework lacks a mechanism capable of linking investment facilitation with housing

[31]Fadillah, Wijaya, and Sasongko, "Evaluasi Pasca Huni Rusunawa Manis Jaya Kota Tangerang."

policy objectives. While the investment law framework seeks to simplify business operations through administrative efficiency, it does not establish any normative connection between licensing advantages and the fulfilment of apartment development obligations. As a result, the law provides limited incentives for investors to allocate capital toward apartment projects despite their direct contribution to sustainable development, efficient land use, and public welfare. This disconnect ultimately reinforces the perception of apartment development as a higher-risk sector relative to other investment opportunities that are not burdened with comparable social obligations.

Accordingly, the principal normative gap within Article 25 lies in its failure to differentiate apartment development from ordinary commercial investment activities. Although the provision successfully establishes a general framework for investment administration and licensing, it does not accommodate the distinctive legal, social, and commercial characteristics of apartment projects. Consequently, the existing licensing framework remains insufficiently responsive to the realities of vertical housing development and provides limited support for directing investment toward apartment projects capable of advancing both economic and social objectives. This deficiency demonstrates the need for a more integrated regulatory approach capable of aligning investment facilitation mechanisms with the specific challenges and obligations associated with apartment development.

4. Normative Gaps in the Financing Framework of Apartment Development under Investment, Apartment, and Public-Private Partnership Regulations

Financing is one of the biggest obstacles to providing affordable housing; mechanisms such as Land Value Capture (LVC) offer a promising financing alternative when coupled with a strong legal framework and a pro-public revenue allocation mechanism. Studies of LVC in urban contexts demonstrate the potential to reclaim a portion of land appreciation for social housing funding, provided that the legal formula for benefit sharing and transparency in fund utilization are

clearly regulated.[32] Integrating LVC into the investment framework requires changes to binding norms, such as the obligation to allocate a percentage of LVC proceeds to affordable housing projects. Without legal certainty, such fiscal instruments are difficult for regions to operationalize and have the potential to become politicized. Technical studies on LVC practices and TOD planning provide evidence that synchronizing spatial and fiscal policies can increase the feasibility of affordable apartment projects.[33] Investment laws governing fiscal incentives need to be linked to zoning regulations so that land within strategic zones is prioritized for use in social housing. Without such integration, fiscal incentives will only encourage land use for commercial purposes that offer higher financial returns. Therefore, the reformulation of norms must be cross-sectoral and regulate the linkage of incentives to spatial planning zones.

The financing dimension of apartment development constitutes one of the most critical yet underexamined aspects of Indonesia's regulatory framework governing vertical housing. Unlike conventional commercial projects that may rely upon relatively straightforward financing arrangements, apartment developments involve substantial capital expenditures associated with land acquisition, construction, infrastructure provision, licensing compliance, and long-term management obligations. The commercial viability of apartment projects therefore depends not only upon market demand and construction capacity but also upon the existence of a legal framework capable of ensuring financing certainty throughout the project lifecycle. From a private and commercial law perspective, financing is fundamentally connected to contractual certainty, risk allocation, creditor protection, security interests, and investment recovery

[32]Nur Aida Islamiya and Dian Arlupi Utami, "Kajian Standar Pelayanan Publik: Sebuah Studi Pada Rumah Susun Sederhana Sewa Dupak Bangunrejo Kota Surabaya," *Jurnal Inovasi Administrasi Negara Terapan* 2, no. 2 (2024): 134–47, https://journal.unesa.ac.id/index.php/innovant/article/view/33437.

[33]Aang Anggara and Nurrohman Wijaya, "Land Value Capture for Sustainable Urban Development in a Developing City: A Case of Bekasi City, Indonesia," *The Indonesian Journal of Planning and Development* 9, no. 1 (2024): 1–14, http://dx.doi.org/10.14710/ijpd.9.1.1-14.

mechanisms. Consequently, an assessment of apartment development within Indonesia's investment regime cannot be confined to questions of land rights or licensing procedures but must also examine whether the existing legal framework provides sufficient support for sustainable project financing and investment participation.

The importance of financing is expressly recognized within Law Number 20 of 2011 concerning Apartments. Article 91 paragraph (1) provides that funding and financing systems are intended to ensure the availability of funds and sustainable long-term affordable financing for the implementation of apartment development and ownership. This provision demonstrates legislative recognition that apartment development requires a stable and continuous financing framework rather than ad hoc funding arrangements. The significance of financing is further reflected in Articles 92 through 94, which permit apartment funding to originate from various sources, including the State Budget (APBN), Regional Budgets (APBD), state-owned enterprises, regional-owned enterprises, private business entities, financial institutions, and other lawful sources. Furthermore, the legislation requires the Government and regional governments to facilitate apartment financing systems through the development of financing institutions, funding mobilization mechanisms, and financial assistance programs. Collectively, these provisions indicate that the Apartment Law acknowledges the strategic importance of financing in supporting apartment development and seeks to ensure the availability of financial resources necessary for expanding housing provision.

Nevertheless, a closer examination of these provisions reveals that the financing framework established under the Apartment Law remains predominantly oriented toward housing accessibility and social welfare objectives rather than toward the commercial realities of project finance. Although the statute identifies potential sources of funding and emphasizes the importance of long-term financing availability, it does not provide detailed legal mechanisms addressing matters that are central to commercial investment decision-making. The legislation does not comprehensively regulate issues such as project bankability, revenue security, lender protection, refinancing structures, investment recovery

mechanisms, or the allocation of financing risks among governments, developers, financiers, and apartment purchasers. As a consequence, the Apartment Law primarily functions as a social housing financing framework designed to facilitate housing provision rather than as a commercial financing framework designed to attract and protect large-scale private investment in apartment development.

A different regulatory orientation is evident within Law Number 25 of 2007 concerning Investment. As discussed in the preceding sections, the Investment Law seeks to encourage capital formation through legal certainty, administrative facilitation, equal treatment of investors, and investment protection. The underlying assumption of the investment regime is that private capital will be attracted to sectors where legal risks are manageable and investment returns remain commercially attractive. However, despite its emphasis on investment promotion, the statute contains no specific provisions addressing the financing challenges uniquely associated with apartment development. Apartment projects are therefore required to comply with various social obligations arising under apartment legislation while relying upon a general investment framework that was primarily designed for ordinary commercial sectors. This creates a regulatory disconnect whereby apartment development is expected to fulfill broader public objectives without receiving financing mechanisms specifically calibrated to accommodate the additional costs and risks associated with those objectives.

The commercial dimensions of apartment financing become considerably more apparent when examined through the lens of Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities in Infrastructure Provision. Unlike the Apartment Law, which primarily approaches financing from a social welfare perspective, the PPP framework adopts a project finance orientation that places significant emphasis upon investment recovery, contractual certainty, and risk allocation. Article 3 of the Presidential Regulation identifies the creation of a conducive investment climate and the promotion of private sector participation as central objectives of the PPP framework. Furthermore, the project preparation process

requires a comprehensive assessment of financing structures, sources of funding, contractual arrangements, and investment return mechanisms before a project may proceed to implementation. This approach reflects a recognition that the long-term sustainability of infrastructure projects depends not merely upon the availability of funding but also upon the existence of legally reliable mechanisms ensuring that private investors are capable of recovering their investments and obtaining commercially reasonable returns.

The significance of the PPP framework lies in its explicit recognition of concepts that are fundamental to private and commercial law, including risk allocation, government support, government guarantees, availability payment mechanisms, and investment return structures. Rather than treating financing solely as a matter of resource mobilization, the PPP framework recognizes that financing arrangements are inseparable from contractual risk management. Investors, lenders, and project sponsors must be able to evaluate how risks relating to construction delays, regulatory changes, demand fluctuations, land acquisition issues, and operational performance will be distributed among project participants. The regulatory emphasis on risk allocation reflects one of the foundational principles of modern project finance, namely that risks should be allocated to the parties best positioned to manage them while ensuring that the allocation of risk remains proportionate to the expected return on investment. Consequently, the PPP framework offers a substantially more sophisticated approach to financing than the financing provisions contained within the Apartment Law.

When the Apartment Law, Investment Law, and PPP framework are examined collectively, a significant normative gap becomes apparent. The Apartment Law conceptualises financing primarily as a mechanism for fulfilling housing needs and advancing social welfare objectives. The Investment Law focuses upon facilitating capital formation and encouraging investment activity through legal certainty and administrative efficiency. Meanwhile, the PPP framework approaches financing through the principles of project bankability, contractual certainty, and investment recovery. Despite addressing

different dimensions of development finance, these legal regimes operate largely in isolation from one another and fail to provide an integrated financing framework specifically designed for apartment development. The absence of coordination among these regulatory instruments means that apartment developers frequently find themselves operating within multiple legal regimes that impose overlapping obligations without providing corresponding mechanisms for reducing commercial risk.

From a private and commercial law perspective, the consequences of this fragmentation are substantial. Apartment developers may be required to comply with affordability obligations, social housing commitments, and other regulatory requirements that increase project costs and reduce profit margins, yet there is no corresponding legal mechanism ensuring access to enhanced financing support or investment recovery protections. Financial institutions evaluating apartment projects may encounter uncertainty regarding the interaction between social housing obligations and project revenue streams, thereby affecting credit assessments and financing terms. Likewise, investors may perceive apartment developments as carrying greater legal and regulatory risks than other investment sectors because the allocation of responsibilities, financing burdens, and investment protections remains insufficiently coordinated across the applicable legal framework. These conditions have the potential to increase transaction costs, elevate financing expenses, reduce project bankability, and ultimately discourage private participation in apartment development.

From an administrative standpoint, predicting rental payment reliability and mitigating public credit risk are critical to the financial stability of affordable housing projects. Managing these risks necessitates clear statutory regulations on prospective tenant verification, cross-subsidy mechanisms, and robust guarantee schemes for social investors.[34] Consequently, the financing framework under investment law must integrate administrative mandates and targeted

[34]Mangapul Siahaan and Balinda Oca Rosalia, "Prediksi Kelancaran Pembayaran Sewa Rusunawa Menggunakan Metode Naive Bayes Classifier," *Jurnal Teknologi Informasi* 8, no. 2 (2022): 183–90, https://doi.org/10.52643/jti.v8i2.2603.

subsidy structures to ensure projects maintain long-term financial viability while executing their social objectives. Without explicit administrative norms, projects that appear feasible on paper inevitably flounder due to operational bottlenecks like chronic rent arrears, proving that administrative safeguards must be embedded directly into the housing investment priority package.

Accordingly, the principal normative deficiency within the existing financing framework lies not in the absence of financing provisions themselves, but in the absence of legal integration between housing finance objectives, investment facilitation mechanisms, and project finance principles. While the Apartment Law seeks to ensure housing accessibility, the Investment Law seeks to attract capital, and the PPP framework seeks to safeguard commercial viability, none of these regulatory instruments provides a comprehensive mechanism capable of aligning social housing obligations with investor protection, financing certainty, and sustainable investment returns. Consequently, the current legal framework remains insufficiently equipped to support apartment development as both a public necessity and a commercially viable investment activity, thereby limiting the effectiveness of apartment development as a strategic component of Indonesia's broader investment and urban development agenda.

5. Normative Conflict Between Investment Promotion and Housing Obligations in Apartment Development

The interaction between Law Number 25 of 2007 concerning Investment and Law Number 20 of 2011 concerning Apartments reveals a fundamental normative tension that has not been adequately addressed within Indonesia's legal framework governing apartment development. Although both statutes operate within the broader context of national development, they pursue substantially different regulatory objectives and employ different legal approaches in achieving those objectives. The Investment Law is primarily designed to attract capital, increase economic growth, facilitate business activities, and provide legal certainty for investors. By contrast, the Apartment Law is principally concerned with fulfilling the social function of housing, expanding access to residential accommodation, and ensuring that

housing development contributes to public welfare. While these objectives are not inherently incompatible, the absence of a legal mechanism capable of harmonizing them creates significant uncertainty regarding the rights, obligations, and economic expectations of the parties involved in apartment development projects.

This divergence becomes apparent when Article 3 of the Investment Law is compared with the broader regulatory framework of the Apartment Law. The Investment Law recognizes legal certainty, efficiency, sustainability, and public welfare as guiding principles of investment activities. However, these principles are primarily directed toward the creation of a favourable investment climate rather than the imposition of substantive social obligations upon investors. Conversely, the Apartment Law approaches apartment development through the lens of housing policy and imposes a range of obligations intended to ensure that apartment projects contribute to broader social objectives. As a result, apartment developers frequently operate within a regulatory environment where they are expected to fulfil social responsibilities that extend beyond the ordinary expectations associated with commercial investment activities. The law therefore creates a situation in which apartment development is simultaneously treated as a profit-oriented business activity and a social welfare instrument without clearly defining how these competing objectives should be reconciled.

The tension becomes particularly significant when viewed through the framework of risk allocation. Under conventional principles of commercial law, risks and obligations associated with a project should generally be allocated in a manner that remains proportionate to the anticipated economic benefits. Investors are ordinarily willing to assume greater risks where the legal framework provides corresponding opportunities for investment recovery and profit generation. However, apartment developers are frequently required to comply with obligations arising from the social function of housing while receiving limited legal assurances regarding compensation, investment incentives, or risk-sharing mechanisms. Consequently, the regulatory burden associated with fulfilling housing objectives often falls disproportionately upon developers and investors

despite the fact that the benefits generated by such projects are intended to be enjoyed by society as a whole.

A similar inconsistency can be observed in relation to financing and investment recovery mechanisms. As discussed in the preceding section, the Apartment Law acknowledges the importance of financing but approaches the issue primarily from the perspective of housing accessibility and social welfare. The Investment Law, meanwhile, focuses upon encouraging capital formation through legal certainty and investment facilitation. Neither statute provides a comprehensive framework explaining how apartment developers should recover the additional costs associated with fulfilling social housing obligations. This omission becomes particularly problematic in apartment projects involving significant affordability commitments, infrastructure requirements, or public service obligations. In the absence of a clearly articulated investment recovery mechanism, developers remain exposed to heightened commercial risks that may ultimately reduce the attractiveness of apartment development as an investment sector.

The regulatory fragmentation is further compounded when apartment development is undertaken through Public-Private Partnership arrangements. The PPP framework contained in Presidential Regulation Number 38 of 2015 adopts a commercially oriented approach that emphasizes project bankability, contractual certainty, risk allocation, and investment return mechanisms. In contrast, neither the Investment Law nor the Apartment Law provides detailed guidance concerning how social housing obligations should be incorporated into PPP contractual structures. Consequently, project participants are frequently required to rely upon individual contractual negotiations to determine the allocation of risks and responsibilities that are not expressly addressed by legislation. Such reliance on contractual solutions may provide flexibility, but it also increases transaction costs and creates the potential for inconsistent outcomes across different projects.

From a property law perspective, the conflict is equally evident. Apartment developments create complex legal relationships involving land rights, strata title ownership, management obligations, financing

arrangements, and long-term proprietary interests. The Investment Law primarily focuses upon facilitating investor access to land through provisions relating to land utilization rights, whereas the Apartment Law concentrates on the ownership and management of individual apartment units. Neither statute comprehensively addresses how these proprietary interests should interact when apartment projects are developed through long-term investment structures, PPP schemes, or projects situated on government-controlled land. As a result, important questions concerning ownership continuity, management authority, and the protection of apartment purchasers remain insufficiently regulated.

Vertical housing regulations should provide design and regulatory flexibility to accommodate the diverse socio-economic realities of low-income groups, including varying family sizes and informal livelihoods. Long-term housing efficacy depends heavily on adequate unit sizing, designated spaces for small-scale economic activities, and seamless access to public services. Therefore, investment laws cannot solely focus on quantitative construction quotas; they must stipulate minimum design standards tailored to the residents' socio-economic dimensions. Failing to couple quantity with quality results in uninhabitable spaces, making comprehensive design standards an inseparable component of investor obligations in the affordable housing sector.

The cumulative effect of these inconsistencies is the emergence of a fragmented regulatory environment in which apartment development is expected to satisfy both commercial and social objectives without the existence of a coherent legal framework capable of balancing those objectives. Developers are expected to function simultaneously as commercial actors seeking investment returns and as instruments for the implementation of housing policy. Investors are encouraged to participate in apartment development but are provided with limited legal guidance regarding the manner in which social obligations should be reflected within project financing and risk allocation structures. Financial institutions are expected to support apartment development despite continuing uncertainty concerning ownership structures, revenue predictability, and regulatory obligations. These conditions

collectively undermine legal certainty and increase the complexity of apartment development transactions.

Accordingly, the principal normative conflict does not arise because the objectives of the Investment Law and the Apartment Law are mutually incompatible. Rather, the conflict arises because the existing legal framework lacks a regulatory bridge capable of integrating investment promotion objectives with housing obligations in a manner that remains commercially sustainable. The absence of such integration creates uncertainty regarding financing structures, risk allocation mechanisms, property rights protection, and investment recovery. Consequently, apartment development continues to occupy an ambiguous position between public welfare regulation and commercial investment activity, thereby highlighting the need for a more coherent legal framework capable of reconciling these competing dimensions within a single regulatory model.

6. Private and Commercial Law Implications of the Existing Regulatory Framework for Apartment Development

The foregoing analysis demonstrates that the existing regulatory framework governing apartment development in Indonesia extends beyond questions of housing policy and investment promotion and directly affects a wide range of private and commercial legal relationships. The interaction between Law Number 25 of 2007 concerning Investment, Law Number 20 of 2011 concerning Apartments, and Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities establishes a complex legal environment involving developers, investors, financial institutions, apartment purchasers, management bodies, and government entities. However, because these regulatory instruments pursue different objectives and remain insufficiently integrated, apartment development projects frequently operate within a fragmented legal framework that generates uncertainty concerning property rights, financing structures, contractual obligations, and investment recovery mechanisms. As a consequence, the legal issues surrounding apartment development should not be viewed solely as matters of public administration or housing regulation but also as

matters of private and commercial law affecting the allocation of rights, obligations, risks, and economic benefits among project participants.

One of the most significant implications of the existing regulatory framework concerns legal certainty in relation to proprietary rights. Apartment development creates a distinctive ownership structure in which individual unit owners acquire ownership rights over apartment units while simultaneously sharing collective interests in common property and relying upon underlying land rights supporting the entire development. As discussed previously, the interaction between land rights regulated under investment law and ownership rights regulated under apartment law remains insufficiently addressed within the current legal framework. This uncertainty becomes particularly significant in apartment projects developed on land subject to Management Rights or implemented through Public-Private Partnership arrangements. In such circumstances, ambiguity regarding the continuity of underlying land rights may ultimately affect the long-term security of ownership rights held by apartment purchasers. From a property law perspective, this situation undermines legal certainty concerning ownership, transferability, inheritance, and the enjoyment of proprietary interests, all of which constitute fundamental attributes of property rights within private law.

The regulatory deficiencies identified in the preceding sections also generate substantial implications for contractual relations. Apartment development projects typically involve multiple interrelated contractual arrangements, including land acquisition agreements, construction contracts, financing agreements, public-private partnership agreements, unit sale and purchase agreements, property management contracts, and various ancillary commercial arrangements. The effectiveness of these contractual relationships depends upon a predictable legal framework capable of providing clarity regarding the rights and obligations of each party. However, where legislation fails to clearly regulate matters relating to financing structures, ownership continuity, or investment recovery mechanisms, project participants may be required to address these uncertainties through contractual negotiation. Although contractual flexibility may permit tailored

solutions, excessive reliance upon private contracting to compensate for legislative deficiencies increases transaction costs and may result in unequal bargaining positions among the parties involved.

The fragmented nature of the current regulatory framework likewise affects the allocation of commercial risks within apartment development projects. Under established principles of commercial law, risks should generally be allocated to the parties best positioned to manage them while ensuring that such allocation remains proportionate to anticipated benefits. Nevertheless, apartment developers frequently bear a disproportionate share of regulatory and financial risks arising from compliance with social housing obligations, affordability requirements, licensing processes, and financing constraints. At the same time, neither investment law nor apartment law provides a comprehensive mechanism ensuring that these additional burdens are balanced by corresponding investment protections or financial incentives. Consequently, the existing framework creates conditions in which private actors may be required to absorb risks associated with public policy objectives without receiving adequate legal assurances concerning commercial sustainability.

These conditions have direct implications for project financing and bankability. Financial institutions evaluating apartment developments typically consider factors such as revenue certainty, collateral enforceability, ownership stability, regulatory predictability, and investment recovery mechanisms. The absence of clear legal provisions governing the interaction between apartment ownership rights, land tenure arrangements, financing obligations, and public-private partnership structures may increase perceived project risk from the perspective of lenders and investors. Such uncertainty may influence lending decisions, increase financing costs, reduce the availability of long-term credit facilities, and ultimately affect the economic feasibility of apartment projects. In commercial practice, projects characterized by legal uncertainty frequently encounter higher transaction costs because lenders and investors seek additional contractual safeguards to compensate for regulatory risks that are not adequately addressed through legislation.

The implications of the existing framework extend further to investor confidence and market participation. One of the principal objectives of investment law is to establish a legal environment capable of encouraging private capital formation by reducing uncertainty and enhancing predictability. However, where apartment development remains subject to overlapping obligations, fragmented financing arrangements, and unresolved questions concerning proprietary rights, investors may perceive the sector as carrying greater regulatory and commercial risks than alternative investment opportunities. Such perceptions may discourage private participation in apartment development despite the growing demand for vertical housing in urban areas. The resulting reduction in investment interest may ultimately undermine broader policy objectives relating to housing provision, urban development, and sustainable land utilization.

From the perspective of apartment purchasers, the existing regulatory framework also raises concerns regarding consumer protection and transactional security. Purchasers enter into apartment transactions with the legitimate expectation that ownership rights acquired through legally recognized instruments will remain secure and enforceable throughout the useful life of the property. However, uncertainty regarding land tenure arrangements, project financing structures, and long-term management responsibilities may affect the practical enjoyment of these rights. Consequently, deficiencies within the regulatory framework have implications not only for investors and developers but also for individual purchasers whose proprietary and contractual interests depend upon the legal stability of the broader apartment development regime.

Collectively, these considerations demonstrate that the current legal framework governing apartment development generates consequences that extend well beyond the sphere of public housing policy. The regulatory gaps and normative conflicts identified throughout this study directly affect property rights, contractual relationships, risk allocation mechanisms, financing structures, investor confidence, and transactional security. These issues lie at the core of private and commercial law and therefore justify a reassessment of the

existing regulatory framework from a perspective that integrates housing objectives with principles of commercial sustainability and legal certainty. Accordingly, the deficiencies identified in the current framework provide a strong normative basis for the reformulation of investment and apartment regulations, which will be examined in the following section.

C. Model of Norm Reformulation Within Investment Law for Prioritizing Apartment Development to Ensure Access to Housing for the Community and Support the Optimization of Sustainable Land Use

1. Theoretical Foundations of the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing

The formulation of the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing is grounded in the combined analytical framework of Friedman's Legal System Theory and Mochtar Kusumaatmadja's Development Law Theory. The utilization of these theories is particularly relevant because the regulatory challenges surrounding apartment development in Indonesia cannot be adequately understood solely as issues of statutory interpretation. Rather, the problems identified throughout the preceding sections demonstrate broader deficiencies within the legal system governing apartment investment, housing provision, financing arrangements, and public-private cooperation. Consequently, a comprehensive reformulation requires not only the amendment of specific legal provisions but also the reconstruction of the legal framework through an integrated model capable of reconciling social housing objectives with commercial sustainability.

PPP frameworks should pivot toward VfM standards that prioritize social outcomes over mere fiscal austerity. Traditional procurement processes that exclusively award tenders to the lowest bidder inherently risk producing financially cheap but socially dysfunctional housing. Therefore, the theoretical design of PPP tenders for vertical housing must evaluate proposals based on their capacity to deliver affordable units, sustainable long-term management, and

operational durability. Procurement scoring matrices must explicitly integrate socio-environmental indicators, establishing equitable risk-sharing formulas and strict contract termination clauses if social targets are unmet. Contractual designs anchored in social VfM maximize the probability of achieving long-term, structurally sustainable public housing.[35]

According to Friedman's Legal System Theory, the effectiveness of a legal system depends upon the interaction of three interrelated components, namely legal substance, legal structure, and legal culture. Legal substance refers to the body of legal norms and regulations governing social relations. Legal structure concerns the institutions responsible for implementing and enforcing those norms. Legal culture encompasses the values, expectations, and behavioural patterns that influence how legal rules are understood and applied in practice. The theory emphasizes that legal reform cannot be achieved merely through legislative amendment because deficiencies within one component of the legal system frequently undermine the effectiveness of the others. Therefore, a functional legal system requires coherence among legal norms, institutional arrangements, and societal expectations.

From the perspective of legal substance, the analysis conducted in the previous sections demonstrates that Indonesia's regulatory framework governing apartment development remains fragmented across multiple legal instruments. Law Number 25 of 2007 concerning Investment seeks to facilitate capital formation and investment certainty, while Law Number 20 of 2011 concerning Apartments emphasizes the fulfilment of housing needs and the social function of residential development. Furthermore, Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities adopts a project-finance approach based upon risk allocation and investment recovery, whereas Government Regulation Number 12 of 2021 introduces mechanisms relating to balanced housing obligations and alternative fulfilment schemes. Although these regulations address related issues, they operate largely in isolation and fail to establish a

[35]Wibowo and Hartiat, "Value-for-Money Drivers in Public-Private Partnerships in Affordable Housing in Indonesia: An Analytic Network Process Perspective."

coherent legal framework capable of integrating investment objectives, housing obligations, financing mechanisms, and commercial sustainability. As a result, the existing legal substance generates normative gaps, regulatory fragmentation, and legal uncertainty affecting developers, investors, financial institutions, and apartment purchasers.

The deficiencies of the existing framework are equally apparent from the perspective of legal structure. Apartment development involves a complex network of actors, including local governments, investors, developers, financial institutions, apartment owners, management bodies, and lower-income communities (MBR). Despite the interdependence of these actors, current regulations do not provide a comprehensive institutional mechanism capable of coordinating their respective rights, obligations, and responsibilities within a single legal framework. Instead, the implementation of apartment development is dispersed across multiple administrative, contractual, and regulatory arrangements that frequently operate independently from one another. Consequently, many issues concerning financing, project implementation, investment recovery, and social housing provision must be resolved through fragmented contractual negotiations rather than through an integrated institutional structure specifically designed to support sustainable apartment development.

The shortcomings of the existing legal system further extend to the dimension of legal culture. Historically, housing provision in Indonesia has largely been viewed as either a governmental responsibility financed through public expenditure or a private commercial activity subject to social obligations imposed upon developers. This dichotomous understanding has created a persistent tension between public welfare objectives and commercial investment considerations. On one hand, apartment development is expected to contribute to the fulfilment of housing rights and broader social objectives. On the other hand, investors and developers are expected to bear significant financial and operational risks while maintaining project profitability. Such a legal culture often treats social obligations and commercial interests as competing objectives rather than complementary components of

sustainable urban development. Consequently, the existing legal culture has not fully adapted to contemporary models of collaborative housing provision that require active cooperation between public and private actors.

The fragmentation identified across the dimensions of legal substance, legal structure, and legal culture demonstrates that the challenges surrounding apartment development are systemic rather than isolated. Therefore, addressing these challenges requires a model capable of integrating the various components of the legal system into a coherent regulatory framework. In this regard, Friedman's theory provides the analytical basis for identifying the deficiencies of the current framework and explains why piecemeal regulatory amendments are unlikely to produce meaningful improvements in apartment development outcomes. A more comprehensive approach is necessary to ensure that legal norms, institutional arrangements, and stakeholder expectations operate in a mutually reinforcing manner.

While Friedman's theory explains the structural deficiencies of the existing legal framework, the normative justification for reform is provided by Mochtar Kusumaatmadja's Development Law Theory. According to this theory, law should not merely function as an instrument for maintaining social order but should also serve as a means of directing and facilitating social and economic development. Legal reform therefore becomes an essential component of national development strategies, particularly where existing legal frameworks are incapable of responding to evolving social and economic needs. In the context of apartment development, this perspective suggests that investment law, housing law, and public-private partnership regulations should be designed not only to regulate existing activities but also to actively encourage development models capable of advancing public welfare while maintaining commercial viability.

Viewed through the lens of Development Law Theory, apartment development possesses a strategic significance extending beyond the provision of residential accommodation. Vertical housing contributes to efficient land utilization, sustainable urbanization, infrastructure optimization, and the reduction of housing backlogs in densely

populated urban areas. However, these objectives cannot be achieved if the legal framework continues to impose social obligations without providing commercially sustainable mechanisms capable of attracting long-term private investment. Consequently, legal reform should seek to create a regulatory environment in which social housing objectives and investment incentives operate in a complementary rather than contradictory manner. Such an approach is consistent with the developmental function of law envisioned by Mochtar Kusumaatmadja, whereby legal institutions are utilized to facilitate social transformation and economic progress simultaneously.

Based on these theoretical foundations, this study proposes the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing as a legal framework designed to integrate the fragmented elements of Indonesia's apartment development regime. The proposed model seeks to harmonize housing obligations, investment facilitation, project financing principles, and public-private cooperation within a unified legal structure. By combining the balanced housing concept recognized under Government Regulation Number 12 of 2021, the availability payment mechanism developed within public-private partnership practice, and the principles of commercial risk allocation reflected in Presidential Regulation Number 38 of 2015, the model aims to establish a sustainable framework through which apartment development may simultaneously fulfil social objectives and remain commercially attractive to private investors.

Accordingly, the Social Housing Partnership Model should be understood not merely as a contractual arrangement or financing mechanism, but as a comprehensive legal reconstruction intended to address deficiencies within the substance, structure, and culture of Indonesia's existing apartment development framework. Through this approach, the proposed model seeks to transform the relationship between government, investors, developers, financial institutions, and housing beneficiaries from a fragmented collection of regulatory obligations into an integrated partnership capable of advancing both social welfare and commercial sustainability. This theoretical

foundation provides the basis for the institutional design of the proposed model, which will be discussed in the following section.

2. Normative Foundations of the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing

The proposed Social Housing Partnership Model Based on Integrated Vertical Balanced Housing is not formulated in a legal vacuum. Rather, it derives its normative legitimacy from various existing legal instruments governing investment, apartment development, balanced housing obligations, and public-private partnerships. The model therefore does not seek to replace the existing legal framework entirely but instead aims to integrate regulatory elements that currently operate in a fragmented manner. As demonstrated in the previous sections, the principal weakness of the current legal framework lies not necessarily in the complete absence of legal regulation, but in the absence of legal integration among investment law, apartment law, balanced housing regulations, and project financing mechanisms. Consequently, the proposed model should be understood as an effort to harmonize existing legal instruments into a coherent framework capable of simultaneously advancing housing provision, investment sustainability, and commercial certainty.

One of the most important normative foundations of the proposed model can be found in Government Regulation Number 12 of 2021 concerning Amendments to Government Regulation Number 14 of 2016 on Housing and Settlement Areas. In particular, Articles 21F through 22N introduce a significantly more flexible approach to the implementation of balanced housing obligations. Unlike the traditional balanced housing paradigm, which emphasized the physical construction of different housing categories in separate locations, the amended regulatory framework recognizes multiple methods through which developers may fulfil their balanced housing obligations. These mechanisms include direct construction, alternative fulfilment arrangements, and conversion schemes approved by the Government. Such provisions represent a significant shift in regulatory philosophy because they demonstrate that balanced housing should no longer be

understood solely as a construction obligation but rather as a broader social obligation capable of being fulfilled through various legally recognized mechanisms.

The significance of Articles 21F through 22N lies in their recognition that the ultimate objective of balanced housing policy is not the physical act of constructing housing units itself, but the achievement of equitable access to housing across different socioeconomic groups. This distinction is particularly important because it allows the legal framework to focus upon social outcomes rather than rigid compliance mechanisms. From this perspective, balanced housing becomes a regulatory instrument designed to promote housing inclusion and social integration rather than merely a quantitative obligation imposed upon developers. Such an interpretation provides a normative basis for reimagining balanced housing within a vertical development context, thereby creating opportunities for more efficient land utilization and more sustainable housing delivery mechanisms in urban areas.

The proposed Social Housing Partnership Model builds upon this regulatory development by transforming the conventional concept of balanced housing into an Integrated Vertical Balanced Housing framework. Instead of requiring separate residential developments for different income groups, the model proposes the integration of upper-income, upper-middle-income, middle-income, and lower-income residential units within a single vertical development. Through this approach, balanced housing obligations are fulfilled within one integrated development ecosystem that also incorporates commercial facilities and public service infrastructure. Such integration not only improves land-use efficiency but also addresses long-standing concerns regarding social segregation and unequal access to urban opportunities. Accordingly, the model represents an evolutionary development of the balanced housing concept already recognized within Government Regulation Number 12 of 2021.

A second normative foundation of the proposed model is derived from Presidential Regulation Number 38 of 2015 concerning Government Cooperation with Business Entities in Infrastructure

Provision. This regulation establishes the legal basis for Public-Private Partnership arrangements and introduces several concepts that are essential to the commercial viability of long-term infrastructure projects. Among the most significant of these concepts is the principle of risk allocation, whereby project risks are allocated to the parties most capable of managing them. The regulation further recognizes various investment return mechanisms designed to ensure the financial sustainability of projects involving private sector participation. Through these provisions, the PPP framework seeks to reconcile public service objectives with commercial investment considerations by creating contractual structures capable of supporting long-term cooperation between government entities and private investors.

Particularly relevant to the proposed model is the concept of Availability Payment, which has become one of the most widely utilized payment mechanisms within contemporary PPP practice. Under this mechanism, government payments are not linked directly to the completion of construction activities but rather to the continuous availability of services that satisfy predetermined performance standards. Consequently, the object of payment is not physical infrastructure itself but the sustained provision of public services. This distinction is fundamental because it shifts the focus of project financing from asset delivery to service delivery, thereby creating stronger incentives for long-term operational performance and maintenance. Availability Payment has therefore emerged as a mechanism capable of balancing public accountability with investor certainty in sectors characterized by significant social objectives.

The relevance of Availability Payment to apartment development becomes apparent when housing provision is viewed not merely as a matter of construction but as the continuous delivery of habitable residential services. Within the proposed Social Housing Partnership Model, the government does not compensate investors for constructing apartment buildings. Instead, government payments are linked to the availability and quality of residential units allocated to low-income households (MBR). Investors therefore receive compensation only when designated housing units remain available, habitable, properly

maintained, and compliant with established service standards. This approach aligns public expenditure with measurable social outcomes while simultaneously providing investors with a predictable revenue stream capable of enhancing project bankability and financing certainty.

The normative foundations of the model are further supported by the provisions of Law Number 25 of 2007 concerning Investment. As previously discussed, the Investment Law seeks to establish legal certainty, encourage capital formation, and promote sustainable economic development. Although the statute does not specifically regulate social housing partnerships, its underlying principles support the creation of investment mechanisms capable of balancing economic efficiency with broader public welfare objectives. The proposed model therefore does not contradict the objectives of investment law but rather seeks to operationalize them within the specific context of apartment development. By creating a contractual framework capable of reducing uncertainty, improving investment recovery mechanisms, and facilitating long-term private sector participation, the model advances the fundamental objectives of the Investment Law while simultaneously addressing housing needs.

Similarly, Law Number 20 of 2011 concerning Apartments provides an important normative foundation for the proposed framework. The Apartment Law recognizes housing as both an economic asset and a social necessity, thereby reflecting the dual nature of apartment development as a commercial activity with significant public welfare implications. The statute further acknowledges the importance of financing mechanisms, private sector participation, and sustainable housing provision. However, as demonstrated in the previous sections, the law does not provide a comprehensive institutional mechanism capable of integrating these objectives within a commercially sustainable framework. The Social Housing Partnership Model seeks to address this deficiency by creating a legal structure through which housing obligations, financing arrangements, and investment incentives may operate in a mutually reinforcing manner.

Accordingly, the proposed Social Housing Partnership Model should be viewed as the product of normative convergence among multiple legal instruments rather than as an entirely new regulatory concept. Government Regulation Number 12 of 2021 provides the basis for flexible and outcome-oriented balanced housing obligations. Presidential Regulation Number 38 of 2015 supplies the contractual and financing principles necessary to sustain long-term public-private cooperation. Law Number 25 of 2007 establishes the broader framework for investment certainty and private sector participation, while Law Number 20 of 2011 provides the substantive housing objectives that the model seeks to fulfil. By integrating these regulatory foundations within a single legal framework, the proposed model seeks to overcome the fragmentation identified throughout this study and establish a commercially sustainable mechanism for prioritizing apartment development in Indonesia.

3. The Social Housing Partnership Model Based on Integrated Vertical Balanced Housing

Building upon the theoretical and normative foundations discussed in the preceding sections, this study proposes the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing as a legal and institutional framework designed to reconcile housing obligations, investment sustainability, and commercial certainty within apartment development projects. The proposed model is intended to address the fragmentation currently existing between investment law, apartment law, balanced housing regulations, and public-private partnership mechanisms. Rather than treating social housing obligations and commercial investment objectives as competing interests, the model seeks to integrate both dimensions within a single contractual and financing framework capable of generating sustainable benefits for governments, investors, and housing beneficiaries alike.

At the core of the proposed model is the principle that local governments and private investors should contribute different resources according to their respective institutional capacities. Local governments contribute strategic public assets, while investors contribute capital,

expertise, technology, and operational management capabilities. Consequently, the first stage of the model involves the provision of foundational assets by local governments, particularly land, existing apartment buildings, or other publicly owned assets designated for housing development. These assets remain legally classified as regional property (Barang Milik Daerah) and are not transferred to private ownership. Instead, the government grants utilization rights through a long-term partnership arrangement. This approach enables governments to retain ownership and control over strategic public assets while simultaneously attracting private investment capable of improving housing quality and increasing development capacity.

The second stage of the model involves the establishment of a long-term Social Housing Partnership Agreement between the local government and the private investor. Unlike conventional procurement contracts that focus primarily on construction activities, the proposed agreement functions as an integrated contractual framework governing the entire project lifecycle. The agreement regulates rights and obligations relating to development, operation, maintenance, financing, performance standards, risk allocation, payment mechanisms, default procedures, step-in rights, and asset reversion upon termination. Through this arrangement, the contractual relationship becomes the central legal instrument through which public objectives and commercial interests are reconciled. From a private law perspective, the agreement provides legal certainty by clearly allocating risks and responsibilities among the parties. From a commercial perspective, it establishes predictable revenue mechanisms capable of supporting long-term project financing and investment recovery.

The substantive innovation of the proposed model lies in the implementation of Integrated Vertical Balanced Housing. Unlike conventional balanced housing policies that frequently result in spatial segregation between different income groups, the proposed framework requires the integration of multiple socioeconomic categories within a single vertical development. Under this model, approximately twenty percent of the residential units are allocated to upper-income households, twenty percent to upper-middle-income households,

twenty percent to middle-income households, and twenty percent to lower-income households. The remaining portions of the development consist of commercial areas and public service infrastructure, including green open spaces and supporting public facilities. By integrating these functions within a single development, the model seeks to transform balanced housing from a fragmented construction obligation into an inclusive urban development strategy that promotes social integration and more efficient land utilization.

The integration of different housing categories within a single building generates important commercial advantages. Upper-income, upper-middle-income, and middle-income residential units create revenue streams through sales, lease arrangements, or lease-to-own mechanisms. Simultaneously, commercial facilities such as retail spaces, food courts, coworking areas, financial service centres, laundry facilities, and small business premises generate additional sources of recurring income. These commercial revenues provide investors with diversified income streams capable of supporting project sustainability over extended operational periods. More importantly, the existence of multiple revenue sources allows a portion of project income to be utilized as an internal cross-subsidy mechanism supporting lower-income housing units without undermining overall project viability.

Notwithstanding its commercial dimensions, the proposed model preserves the social objectives underlying balanced housing policy. Investors remain obligated to provide and maintain residential units allocated to lower-income communities (MBR). These obligations extend beyond the initial construction phase and encompass ongoing management responsibilities, including maintenance, operational services, building safety, and habitability standards. Consequently, the model recognizes that the provision of affordable housing should not be measured solely by the number of units constructed but also by the quality and continuity of housing services delivered throughout the duration of the partnership. This service-oriented approach reflects contemporary developments within infrastructure governance, where public value is increasingly assessed according to long-term service outcomes rather than merely physical asset creation.

A central feature distinguishing the proposed model from conventional apartment development schemes is the incorporation of an Availability Payment mechanism adapted specifically for social housing provision. In traditional public-private partnerships, Availability Payments are made in exchange for the continuous availability of infrastructure services meeting predetermined performance indicators. The proposed model applies this principle to apartment development by linking government payments to the availability and quality of residential services provided to lower-income households. Accordingly, local governments do not compensate investors for constructing apartment buildings. Instead, payments are made only when designated MBR units remain available, habitable, properly maintained, and compliant with agreed service standards. Through this mechanism, public expenditure is directly connected to measurable social outcomes while simultaneously creating a stable revenue stream capable of strengthening project bankability.

The incorporation of Availability Payment generates significant legal and commercial benefits. From the perspective of project finance, predictable government-backed revenue streams improve investor confidence and facilitate access to long-term financing. Financial institutions generally favour projects characterized by stable and contractually secured income because such arrangements reduce revenue uncertainty and improve debt repayment capacity. At the same time, governments benefit from enhanced accountability because payments are contingent upon performance. If residential units fail to meet agreed standards, payments may be reduced or suspended in accordance with contractual provisions. Consequently, the mechanism aligns public and private incentives by ensuring that investors remain financially motivated to maintain service quality throughout the operational phase of the project.

Strict pre-qualification criteria must also bind investors prior to the issuance of any development permits within this partnership model. The systemic failure of affordable housing developments typically originates not from physical construction flaws, but from post-

operational governance decay.[36] Consequently, mandatory administrative prerequisites must include a comprehensive post-occupancy management plan, the establishment of a fiduciary maintenance endowment fund, and structured resident participation channels. Mandating these governance documents and periodic reporting mechanisms ensures that developments maintain their social utility and do not devolve into public liabilities once operational.

The proposed model further incorporates step-in rights as a safeguard designed to protect project continuity and public interests. Step-in rights permit creditors, substitute operators, or designated entities to assume operational control where the original investor becomes insolvent, commits a material breach of contract, or otherwise fails to perform its obligations. The inclusion of step-in rights is particularly important in apartment development because housing services constitute essential public services whose interruption may significantly affect residents, especially lower-income households. From a commercial perspective, step-in rights enhance lender protection by preserving project continuity and reducing default risks. From a social perspective, they ensure that housing beneficiaries do not lose access to essential residential services due to investor failure.

The final stage of the proposed model involves the reversion of project assets to the local government upon expiration of the partnership period, which may range between twenty-five and thirty-five years depending upon project characteristics. Consistent with the principles underlying Build-Operate-Transfer and Public-Private Partnership arrangements, assets must be returned in a functional condition, free from third-party encumbrances, and capable of continued operation. Through this mechanism, governments ultimately regain full control over strategic housing assets while benefiting from private sector investment, expertise, and operational management during the partnership period. Investors, meanwhile, obtain sufficient time to recover investments and generate commercially

[36]Fadillah, Wijaya, and Sasongko, "Evaluasi Pasca Huni Rusunawa Manis Jaya Kota Tangerang."

reasonable returns through diversified revenue streams and performance-based payments.

The operational architecture of this housing partnership model relies on an incentive system strictly conditioned upon measurable social outcomes. Under this framework, fiscal and non-fiscal facilities are unlocked incrementally, tied directly to verifiable milestones such as low-income housing unit quotas, construction quality indices, and formalized post-occupancy governance plans.[37] To prevent public subsidies from degrading into commercial windfalls, compliance verification must utilize independent auditors and mandatory public disclosure platforms.[38] This conditionality forces investors to internalize resident welfare during the initial design phase rather than treating social obligations as an afterthought, creating a legal mechanism where performance directly dictates facility disbursement.

Accordingly, the Social Housing Partnership Model Based on Integrated Vertical Balanced Housing represents a comprehensive legal framework integrating balanced housing obligations, public-private partnership principles, investment facilitation mechanisms, and long-term housing service delivery within a single institutional structure. By combining internal cross-subsidisation, availability-based payments, contractual risk allocation, step-in rights, and asset reversion mechanisms, the model seeks to overcome the fragmentation identified within Indonesia's current apartment development regime. More importantly, it demonstrates that social housing objectives and commercial sustainability need not be viewed as mutually exclusive goals but may instead be reconciled through a carefully designed legal and contractual framework capable of generating value for governments, investors, and housing beneficiaries simultaneously.

4. Reformulation of Investment and Apartment Regulations to Institutionalise the Social Housing Partnership Model

[37]Annissa Salsabilla Salsa, Winny Astuti, and Lintang Suminar, "Analisis Tingkat Kelayakahunian Rumah Susun Sederhana Sewa (Studi Kasus: Rusunawa Begalon, Jurug, Mojosongo, Dan Mangkubumen Kota Surakarta)," *Journal Of Plano Studies* 2, no. 1 (2025): 41–54, https://doi.org/10.36982/jops.v2i1.5356.

[38]Wibowo and Hartiat, "Value-for-Money Drivers in Public-Private Partnerships in Affordable Housing in Indonesia: An Analytic Network Process Perspective."

1) Reformulation of Article 3 of Law Number 25 of 2007 on Investment

Article 3 paragraph (1) of Law Number 25 of 2007 concerning Investment establishes the fundamental principles governing investment activities in Indonesia. The provision stipulates that investment shall be conducted based on the principles of legal certainty, openness, accountability, equal treatment, togetherness, efficiency with justice, sustainability, environmental awareness, independence, and balance in national economic progress and unity. Normatively, these principles constitute the philosophical foundation of Indonesian investment policy because every investment-related facility, incentive, licensing mechanism, and governmental policy must ultimately be interpreted in accordance with these principles. Consequently, Article 3 occupies a strategic position within the structure of the Investment Law because it functions not merely as a declaratory provision but as a normative compass directing the overall orientation of national investment policy. Nevertheless, despite its fundamental character, the provision does not contain any explicit reference to housing provision, affordable apartment development, or the fulfilment of housing needs as a strategic national investment objective. The absence of such recognition is significant because it influences how government institutions interpret investment priorities and allocate regulatory support across competing sectors.

From a normative perspective, the omission of housing-related objectives within Article 3 creates a substantial legal gap in the current investment framework. The existing provision implicitly assumes that all investment sectors possess relatively equal normative status, thereby placing affordable housing projects in the same legal category as purely commercial investments whose primary objective is profit generation. As a result, apartment development for low-income communities does not receive any special normative protection or preferential treatment within the investment regime. This condition becomes problematic in the context of Indonesia's increasing urbanization, shrinking land

availability, and persistent housing backlog. Although housing is recognized as a constitutional necessity and a component of social welfare, investment law has not yet translated this constitutional commitment into a concrete investment priority. Consequently, investors are encouraged to pursue commercially attractive projects, while affordable apartment development remains dependent upon fragmented sectoral policies and limited governmental intervention.

Using Lawrence M. Friedman's Legal System Theory, this condition demonstrates a weakness within the substantive component of Indonesia's legal system. Legal substance refers to the body of norms, rules, and legal principles that determine the direction of legal regulation. In the context of apartment investment, the existing legal substance fails to establish an integrated relationship between investment objectives and housing obligations. Investment law continues to operate primarily as an economic instrument, whereas housing law functions separately as a social welfare instrument. The absence of normative integration between these two sectors has generated regulatory fragmentation and reduced the effectiveness of government efforts to mobilise private capital for affordable housing provision. Consequently, the legal system lacks the substantive coherence necessary to direct investment flows toward socially beneficial housing projects.

The need for reform becomes even more apparent when examined through Mochtar Kusumaatmadja's Development Law Theory. According to this theory, law should not merely preserve order but must actively function as a means of social engineering capable of directing development toward socially desirable outcomes. Within this framework, investment law should not be understood solely as a mechanism for attracting capital but also as an instrument for achieving broader developmental objectives, including housing provision, social inclusion, and equitable urban growth. Therefore, maintaining a neutral investment principle that does not differentiate between socially productive and purely commercial investments is inconsistent with the developmental role that law is expected to perform within a modern welfare-oriented

legal system. A reorientation of Article 3 is therefore necessary to ensure that investment regulation contributes directly to solving Indonesia's housing crisis.

The proposed Social Housing Partnership Model requires precisely such a normative reorientation. As discussed in the previous sections, the model seeks to integrate investment incentives, balanced housing obligations, public-private partnership mechanisms, and affordable apartment provision into a unified legal framework. However, the implementation of this model would remain vulnerable if the fundamental principles of investment law continue to ignore housing objectives. For this reason, the recognition of social housing fulfilment as a guiding investment principle becomes an essential prerequisite for institutionalising the Social Housing Partnership Model. Such recognition would provide legal justification for preferential treatment, fiscal incentives, and regulatory facilities directed specifically toward apartment projects that contribute to public housing objectives.

Accordingly, Article 3 should be reformulated to expressly incorporate social housing fulfilment and integrated vertical housing development as recognized investment objectives. The proposed provision may be formulated as follows: "Investment activities shall be implemented based upon the principles of legal certainty, sustainability, equitable development, and the fulfilment of social housing needs through the promotion of integrated vertical housing development for low-income communities." The inclusion of this provision would transform apartment development from a sectoral housing concern into a strategic investment priority recognized at the highest normative level of the investment regime. Furthermore, such reformulation would strengthen legal certainty for both public authorities and private investors by providing a clear statutory basis for prioritizing affordable apartment development within national investment policy.

2) Reformulation of Articles 21 and 22 of Law Number 25 of 2007 on Investment

Articles 21 and 22 of Law Number 25 of 2007 on Investment constitute the principal legal basis for the provision of investment facilities and incentives in Indonesia. Article 21 authorizes the Government to grant various forms of fiscal and non-fiscal incentives to investors, including income tax facilities, import duty exemptions, accelerated depreciation, land rights facilities, immigration facilities, and licensing conveniences. Meanwhile, Article 22 regulates the granting of land rights in the form of Right to Cultivate (HGU), Right to Build (HGB), and Right of Use (*Hak Pakai*) for investment purposes. Collectively, these provisions are intended to enhance Indonesia's competitiveness in attracting domestic and foreign investment by reducing regulatory burdens and increasing legal certainty for investors. However, despite their strategic position within the investment regime, neither Article 21 nor Article 22 establishes any substantive linkage between the granting of investment incentives and the achievement of specific social objectives, including the provision of affordable housing for low-income communities.

This normative construction reflects a conventional understanding of investment law in which the primary function of incentives is to stimulate capital inflows and economic activity. Under the existing framework, investors may receive substantial fiscal facilities regardless of whether their projects contribute to social welfare, housing accessibility, sustainable urban development, or other public interest objectives.[39] Consequently, the legal regime treats all investment projects as normatively equivalent despite the fact that their social impacts differ significantly. An investor constructing luxury apartments exclusively for upper-income

[39]Amelia Tri Widya, Hanson E Kusuma, and Hanifatul A Lubis, "Exploring Housing Quality Perception and Attitude Groups through Annoyance on Vertical Public-Housing: Online User Review: Case Study—Apartment in Bandung City, Indonesia," *Journal of Housing and the Built Environment* 38, no. 3 (2023): 1651–88, https://doi.org/10.1007/s10901-022-10001-1.

groups may receive the same legal facilities as an investor undertaking affordable housing projects intended to address housing shortages among low-income households. Such an approach creates a regulatory imbalance because public resources are allocated without any mechanism ensuring that public benefits are generated in return.

The weakness of the existing provisions becomes particularly apparent when viewed in relation to Indonesia's housing backlog and increasing urban land scarcity. Apartment development for low-income communities requires significantly higher initial investment, longer return periods, and greater regulatory involvement than conventional commercial property projects. As a result, purely market-based incentives tend to favour projects with the highest profitability rather than projects with the highest social value. Investors are naturally encouraged to allocate capital toward premium residential developments, mixed-use commercial projects, or speculative real estate ventures that generate superior returns within shorter periods.[40] Affordable apartment development therefore becomes structurally disadvantaged because the legal framework does not compensate investors for the additional obligations associated with social housing provision. Consequently, investment law fails to perform a distributive function capable of directing private capital toward sectors that generate broader societal benefits.

From the perspective of Lawrence M. Friedman's legal system theory, this condition demonstrates a deficiency within the substantive component of the legal system. The legal substance embodied in Articles 21 and 22 provides incentives but does not determine the social direction of those incentives. In other words, the law facilitates investment but remains neutral regarding the societal outcomes produced by investment activities. Such

[40]Raphael Bertrand Mayaka and Baidhowi Baidhowi, "Apartment Management Model: A Comparative Study between Pekunden Semarang and Singapore Rusunawa," *Law Research Review Quarterly* 11, no. 4 (2025): 1303–34, https://doi.org/10.15294/llrq.v11i4.38295.

neutrality may be appropriate in ordinary commercial sectors; however, it becomes problematic when applied to housing, which possesses both economic and social dimensions. Housing is not merely a commodity traded within the market but also a fundamental necessity closely connected to welfare, social stability, and human dignity.[41] Therefore, a legal framework that ignores the social consequences of investment allocation risks perpetuating market failures and exacerbating housing inequality.

The inadequacy of the current framework is further revealed when examined through the lens of Development Law Theory. According to Mochtar Kusumaatmadja, law should function as a means of directing development toward socially desirable objectives rather than merely facilitating economic transactions. Investment law therefore cannot be confined to the role of attracting capital; it must also guide capital toward activities that support national development priorities. In the context of Indonesia's housing crisis, this means that investment facilities should be structured in a manner that actively encourages apartment development for low-income communities. If legal incentives remain detached from developmental objectives, the law effectively relinquishes its role as an instrument of social transformation and becomes merely a mechanism for economic liberalisation.

The proposed Social Housing Partnership Model seeks to address precisely this deficiency through the adoption of an outcome-based regulatory approach inspired by the Availability Payment mechanism commonly used in Public-Private Partnership projects. Under the Availability Payment framework, government compensation is not determined by the completion of physical construction alone but by the continuing availability and performance of public services according to predetermined

[41]Tamarine Camalia and Taupiqqurrahman Taupiqqurrahman, "Status Tanah Ulayat Atas Hak Guna Usaha Yang Telah Berakhir (Berdasarkan Peraturan Pemerintah Nomor 18 Tahun 2021)," *De Lega Lata: Jurnal Ilmu Hukum* 6, no. 2 (2021): 423–32, https://doi.org/10.30596/dll.v6i2.7784.

standards. This principle can be adapted to apartment development by linking investment incentives to measurable housing outcomes. Rather than rewarding investors solely for committing capital, the legal framework should reward investors for delivering affordable housing units, maintaining occupancy by eligible low-income households, preserving building quality, and ensuring effective post-construction management. In this manner, investment facilities become instruments for achieving public objectives rather than merely stimulating private investment.

Accordingly, Articles 21 and 22 should be reformulated to incorporate a performance-based incentive mechanism within the investment regime. Fiscal and non-fiscal facilities should only be granted, maintained, or expanded when investors demonstrate compliance with predetermined social housing indicators. These indicators may include the proportion of apartment units allocated to low-income households, affordability standards, occupancy rates, maintenance performance, environmental sustainability requirements, and long-term management obligations. Such an approach would transform the legal character of investment incentives from unconditional economic privileges into conditional instruments of social development. More importantly, it would align investment law with the constitutional obligation of the State to facilitate access to adequate housing while preserving commercial feasibility for private investors.

Therefore, a new provision should be inserted into Articles 21 and 22 stating that investment facilities for apartment development projects may be granted based upon verified social housing performance outcomes achieved through the Social Housing Partnership framework. Through this reformulation, the granting of tax incentives, land rights facilities, licensing advantages, and other governmental support measures would become directly linked to measurable public benefits. Such a mechanism would simultaneously enhance accountability, improve the effectiveness of public expenditure, strengthen investor certainty through transparent performance standards, and establish a more coherent

relationship between investment regulation and housing policy. Ultimately, this reformulation would position investment incentives not merely as tools of economic promotion but as legal instruments capable of advancing sustainable, inclusive, and socially oriented urban development.

Article 21 (Additional Paragraph)

"(...)Investors undertaking apartment development projects under the Social Housing Partnership Scheme shall be eligible to receive fiscal and non-fiscal incentives upon verification of compliance with social housing performance indicators, including affordable housing allocation, occupancy by low-income households, housing quality standards, and long-term management obligations."

Article 22 (Additional Paragraph)

"(...) The granting, extension, and renewal of land rights facilities for apartment development projects shall be subject to continuous compliance with affordable housing obligations and other social housing performance indicators stipulated under the Social Housing Partnership Scheme."

3) Reformulation of Article 25 of Law Number 25 of 2007 on Investment

Article 25 of Law Number 25 of 2007 concerning Investment regulates the implementation of investment activities and the obligations of investors in conducting their business operations within Indonesia. The provision essentially requires investors to carry out investment activities in accordance with approved business licences and prevailing laws and regulations. In addition, investors are expected to comply with administrative requirements, reporting obligations, and other regulatory standards established by the Government. From a regulatory perspective, Article 25 functions as the operational bridge between investment approval and investment implementation because it determines the legal responsibilities that arise once an investor begins carrying out business activities. Nevertheless, despite its strategic role within the Investment Law, Article 25 remains predominantly administrative

in nature and does not contain any substantive obligation requiring investors to contribute to the fulfilment of housing needs or other social development objectives.

The absence of such obligations creates a significant normative gap within the existing investment framework. Although the Government may provide various fiscal and non-fiscal incentives under Articles 21 and 22, the law does not establish a corresponding obligation requiring investors to generate measurable social outcomes in exchange for those benefits. Consequently, the relationship between investment incentives and public welfare remains largely indirect. Investors may obtain substantial regulatory facilities while directing investment activities exclusively toward profit-maximizing projects that contribute little to the fulfilment of public housing needs. This condition is particularly problematic in the apartment sector, where market forces naturally favour the development of luxury and middle-upper-income residential projects due to their higher profitability and faster return on investment. As a result, affordable apartment development remains dependent upon government intervention rather than becoming an integrated component of the national investment framework.

From the perspective of legal system theory, this condition reflects an imbalance between rights and obligations within the substantive dimension of investment law. The current framework provides numerous benefits for investors but imposes relatively limited obligations regarding the social consequences of investment activities. Such asymmetry reduces the capacity of investment law to function as a regulatory instrument capable of directing economic activity toward public welfare objectives. In practice, the law facilitates investment but does not sufficiently guide investment toward sectors that generate broader social value. Consequently, apartment development for low-income communities remains structurally disadvantaged because it competes with more profitable forms of property development within a legal framework that does not recognize their differing social significance.

The deficiency of Article 25 becomes even more apparent when viewed through the lens of Development Law Theory. Mochtar Kusumaatmadja emphasised that law should function as an instrument of development capable of directing social and economic change. Under this approach, legal obligations should not merely regulate procedural compliance but should also promote substantive developmental objectives. In the context of Indonesia's housing crisis, investment law should therefore impose obligations that encourage investors to contribute to housing provision, particularly where public incentives and government support are involved. Without such obligations, investment law risks becoming disconnected from broader development goals and incapable of addressing structural problems such as housing shortages, land scarcity, and spatial inequality.

The Social Housing Partnership Model seeks to overcome this weakness by introducing the concept of a Social Housing Obligation. Under the proposed model, investors receiving investment facilities, access to strategic land, availability payment support, or other forms of governmental assistance would be required to contribute directly to affordable apartment provision. Rather than treating social housing as a voluntary corporate responsibility programme, the model repositions housing provision as a legally enforceable obligation integrated into the investment process itself. This approach is consistent with the evolving concept of balanced housing obligations reflected in Government Regulation Number 12 of 2021, which recognizes that developers possess responsibilities extending beyond purely commercial objectives. The difference is that the Social Housing Partnership Model integrates those obligations directly into investment regulation, thereby creating a more coherent legal framework.

Furthermore, the proposed obligation should not be limited to the physical construction of apartment units. One of the weaknesses of existing housing policies is their tendency to measure compliance solely through construction outputs. Such an approach often produces housing projects that formally satisfy regulatory

requirements but fail to achieve meaningful social outcomes due to poor management, inadequate maintenance, or ineffective targeting mechanisms. Therefore, the Social Housing Obligation should be formulated as a continuing obligation extending throughout the operational period of the project. Investors should remain responsible for maintaining affordability requirements, ensuring occupancy by eligible low-income households, preserving housing quality standards, and supporting long-term project sustainability. In this manner, compliance is measured not only by the number of units constructed but also by the extent to which those units continue to fulfil their intended social function.

Accordingly, Article 25 should be reformulated by introducing a specific provision governing Social Housing Obligations within apartment development projects. The proposed provision may be formulated as follows:

Article 25A

"(1) Investors undertaking apartment development projects under the Social Housing Partnership Scheme shall allocate a minimum proportion of residential units for low-income households in accordance with statutory requirements and shall maintain such allocation throughout the operational period of the project.

(2) Investors shall ensure the continued affordability, habitability, management, and accessibility of such units through performance standards determined by the Government.

(3) Failure to comply with social housing obligations may result in the suspension, limitation, or revocation of investment facilities granted under this Law."

The introduction of such a provision would fundamentally transform the relationship between investment law and housing policy. Apartment development would no longer be treated solely as a commercial activity governed by market considerations but would become part of a broader legal framework designed to reconcile investment sustainability with social welfare objectives. More importantly, the proposed reformulation would establish a

clear legal basis for the implementation of the Social Housing Partnership Model by creating enforceable obligations that balance the extensive rights and incentives granted to investors under the Investment Law. In doing so, the reform would strengthen legal certainty, enhance accountability, and ensure that public support provided to investors generates measurable benefits for low-income communities and sustainable urban development.

4) Reformulation of Articles 91–94 of Law Number 20 of 2011 on Apartments

Articles 91 to 94 of Law Number 20 of 2011 concerning Apartments regulate various forms of governmental support for apartment development, particularly apartments intended to fulfil public housing needs. These provisions recognise the responsibility of both central and regional governments in facilitating apartment development through incentives, administrative support, land provision, financing assistance, and other forms of governmental intervention. Normatively, the provisions demonstrate the legislature's awareness that apartment development cannot be left entirely to market mechanisms because housing constitutes a basic social necessity requiring active governmental involvement. Consequently, Articles 91–94 function as the primary legal basis for public participation in apartment development and reflect the social welfare orientation embedded within Indonesian housing law.

Despite their importance, however, these provisions remain largely facilitative and administrative in character. The Apartment Law authorizes governmental support but does not establish a comprehensive legal framework governing how such support should be integrated with private investment participation. In particular, the provisions do not define the institutional relationship between government entities, private investors, housing operators, financial institutions, and apartment occupants within a unified development framework. As a result, government support mechanisms operate independently from investment regulation, while investment activities remain governed primarily by

commercial considerations. This separation has produced a fragmented regulatory environment in which housing policy and investment policy pursue related objectives but through different legal mechanisms and institutional structures.

The fragmentation becomes increasingly problematic when examined in the context of contemporary urban housing challenges. The development of affordable apartments requires substantial financial resources, long-term operational commitments, professional management structures, and sustainable revenue mechanisms. Government institutions often possess the regulatory authority necessary to facilitate housing provision but lack sufficient fiscal capacity to independently finance large-scale apartment development. Conversely, private investors possess financial and managerial capabilities but frequently lack incentives to participate in affordable housing projects due to lower profit margins and longer investment recovery periods. The existing Apartment Law does not adequately address this structural mismatch because it assumes governmental facilitation without establishing a legal framework capable of integrating public objectives with private investment interests.

From the perspective of Lawrence M. Friedman's legal system theory, this condition reflects deficiencies not only within legal substance but also within legal structure. While the Apartment Law recognizes the importance of apartment development, it fails to create an institutional mechanism capable of coordinating the various actors involved in housing provision. The legal structure remains fragmented among ministries, local governments, investors, financial institutions, and housing managers, each operating according to different legal mandates and regulatory objectives. Consequently, the effectiveness of apartment development depends heavily upon ad hoc cooperation rather than a formally recognized institutional framework. Such fragmentation reduces regulatory certainty, increases transaction costs, and creates implementation risks that discourage long-term private investment.

The weakness of the current framework is further evident when viewed through Development Law Theory. Mochtar Kusumaatmadja emphasized that legal reform should not merely amend individual legal provisions but should establish institutional arrangements capable of supporting developmental objectives. In this context, the challenge facing Indonesian housing law is not simply the absence of incentives or financing mechanisms but the absence of a legal institution capable of integrating existing regulatory instruments into a coherent development framework. Investment incentives exist under the Investment Law. Public-Private Partnership mechanisms exist under Presidential Regulation Number 38 of 2015. Balanced housing obligations exist under Government Regulation Number 12 of 2021. Apartment development obligations exist under the Apartment Law. However, these instruments continue to operate separately and therefore fail to produce an integrated housing delivery system. The principal challenge is therefore institutional rather than merely regulatory.

The proposed Social Housing Partnership Model addresses this institutional deficiency by creating a unified legal framework that integrates previously fragmented regulatory instruments. Under the proposed model, apartment development for low-income communities would no longer be viewed as a unilateral governmental responsibility or a purely commercial private activity. Instead, housing provision would become a collaborative legal undertaking involving government institutions, investors, financial institutions, housing operators, and community beneficiaries. The model combines balanced housing obligations, investment incentives, availability payment mechanisms, and long-term operational responsibilities into a single legal framework designed to ensure both commercial sustainability and social effectiveness. In doing so, the model transforms apartment development from a fragmented regulatory activity into a structured legal partnership supported by clearly defined rights and obligations.

The need for explicit legal recognition of such partnerships is further strengthened by developments within Government

Regulation Number 12 of 2021. As discussed previously, Articles 21F through 22N demonstrate a significant evolution in Indonesia's housing policy by recognizing alternative methods of fulfilling balanced housing obligations. The introduction of apartment construction, conversion mechanisms, alternative fulfilment arrangements, and compensation funds indicates that the law has already begun moving away from a purely construction-based approach toward a more flexible outcome-oriented framework. Nevertheless, these provisions do not establish a comprehensive institutional mechanism through which such obligations may be implemented. Consequently, while the regulatory foundation exists, the institutional architecture remains incomplete. The Social Housing Partnership Model fills this gap by providing the legal structure necessary to operationalize these emerging policy directions.

Accordingly, Articles 91–94 should be reformulated to explicitly recognize Social Housing Partnerships as a legally authorized mechanism for apartment development. Such reformulation would not replace existing governmental support provisions but would strengthen them by establishing a formal institutional framework capable of coordinating public and private participation. The proposed provision may be formulated as follows:

Article 91A

"Apartment development for low-income communities may be undertaken through a Social Housing Partnership Scheme involving the Central Government, Regional Governments, investors, financial institutions, housing operators, and other relevant stakeholders.

The Social Housing Partnership Scheme shall be implemented through integrated cooperation aimed at ensuring the availability, affordability, accessibility, and sustainability of apartment housing for low-income communities."

Additionally:

Article 91B

"Social Housing Partnership projects may utilize financing mechanisms including Public-Private Partnerships, Availability Payment arrangements, balanced housing obligations, compensation funds, government support measures, and other lawful financing instruments.

The utilization of such mechanisms shall be conducted in accordance with principles of transparency, accountability, affordability, and long-term sustainability."

Furthermore:

Article 91C

"Rights, obligations, risk allocation, performance standards, monitoring procedures, and dispute resolution mechanisms within Social Housing Partnership projects shall be governed through agreements executed by participating parties in accordance with prevailing laws and regulations."

5) Harmonization with Government Regulation Number 12 of 2021

The proposed reformulation of investment and apartment regulations should not be understood as introducing an entirely new legal concept into the Indonesian legal system. Rather, the Social Housing Partnership Model represents an effort to harmonize and integrate regulatory instruments that already exist within various sectors of Indonesian law but currently operate in a fragmented manner. As demonstrated in the preceding discussion, the Investment Law, the Apartment Law, Government Regulation Number 12 of 2021, and Presidential Regulation Number 38 of 2015 each contain regulatory elements capable of supporting affordable apartment development. However, these instruments were enacted for different regulatory purposes and consequently have not yet been consolidated into a coherent legal framework capable of directing investment toward sustainable vertical housing development. The principal challenge therefore lies not in the absence of legal norms but in the absence of legal integration.

A particularly important development can be found in Government Regulation Number 12 of 2021 concerning

Amendments to Government Regulation Number 14 of 2016 on Housing and Settlement Areas. Through Articles 21F to 22N, the Government introduced significant modifications to the traditional concept of balanced housing obligations. Historically, balanced housing policies were implemented through mandatory physical construction requirements, whereby developers were expected to build different housing categories according to predetermined ratios. Such an approach was primarily construction-oriented and frequently generated implementation difficulties, especially in urban areas characterized by high land prices and limited land availability. As a consequence, compliance with balanced housing obligations often became economically burdensome and administratively difficult to supervise.

Government Regulation Number 12 of 2021 fundamentally altered this regulatory approach by recognizing alternative methods of fulfilling balanced housing obligations. Developers are no longer restricted exclusively to conventional construction mechanisms but may satisfy their obligations through public apartment development, conversion schemes, alternative fulfilment arrangements, and compensation fund mechanisms. This regulatory evolution is highly significant because it demonstrates an implicit shift from a construction-based paradigm toward an outcome-based paradigm. The focus of regulation gradually moves away from the mere production of physical housing units and toward the achievement of broader social housing objectives. In other words, what becomes legally relevant is not simply whether a developer has constructed a particular building but whether the developer has contributed effectively to the provision of housing opportunities for low-income communities.

This transformation provides an important normative foundation for the proposed Social Housing Partnership Model. The model adopts and further develops the logic already embedded within Government Regulation Number 12 of 2021 by positioning affordable apartment provision as a social outcome that may be achieved through multiple legal and financial instruments.

Consequently, the model does not seek to replace the balanced housing framework but rather strengthens its implementation by integrating investment incentives, contractual mechanisms, public financing instruments, and long-term operational responsibilities into a unified legal structure. The Social Housing Partnership Model therefore represents a continuation and institutionalisation of regulatory developments that have already begun within Indonesia's housing sector.

The need for harmonization becomes even more evident when Government Regulation Number 12 of 2021 is examined alongside Presidential Regulation Number 38 of 2015 concerning Public-Private Partnerships in Infrastructure Provision. Presidential Regulation Number 38 of 2015 establishes the legal framework governing cooperation between government entities and private investors in infrastructure development. The regulation recognizes that public infrastructure objectives frequently require the participation of private capital and expertise because governmental resources alone are often insufficient to meet growing development demands. To address this challenge, the regulation provides various cooperation mechanisms, including risk-sharing arrangements, government support measures, and Availability Payment schemes designed to improve project bankability while maintaining public accountability.

From a legal and commercial perspective, the Availability Payment mechanism constitutes one of the most relevant foundations for the Social Housing Partnership Model. Under this mechanism, government payments are not primarily linked to the completion of physical construction works but to the availability and performance of services provided in accordance with predetermined standards. The legal logic underlying Availability Payment therefore differs significantly from conventional procurement arrangements because compensation depends upon continuing operational performance rather than merely upon project completion. Such an approach creates a direct relationship

between financial incentives and public service outcomes, thereby improving accountability and long-term service quality.

This principle closely corresponds to the evolving philosophy of balanced housing obligations under Government Regulation Number 12 of 2021. If balanced housing is increasingly understood as an obligation to achieve social housing outcomes rather than merely to construct physical buildings, then Availability Payment provides a suitable financing mechanism through which those outcomes may be sustained over time. Within the Social Housing Partnership Model, government support would therefore be directed not toward subsidising construction alone but toward ensuring the continued availability of affordable apartment units for low-income communities. Investors would be rewarded not simply because they have built apartment buildings, but because they continue to provide habitable, affordable, and properly managed housing in accordance with agreed performance standards.

Viewed through Lawrence M. Friedman's legal system theory, the proposed harmonization simultaneously addresses deficiencies within legal substance, legal structure, and legal culture. At the level of legal substance, the model integrates fragmented norms contained within investment law, housing law, and public-private partnership regulations. At the level of legal structure, the model establishes a coordinated framework linking government institutions, investors, financial institutions, housing operators, and beneficiaries through clearly defined legal relationships. At the level of legal culture, the model encourages a shift away from the traditional assumption that housing provision is solely a governmental responsibility and promotes a new understanding in which housing development constitutes a shared obligation supported by both public and private actors.

Similarly, from the perspective of Development Law Theory, the proposed harmonization reflects the role of law as an instrument of social and economic transformation. Rather than creating isolated amendments to individual statutory provisions, the

reform seeks to construct an integrated legal framework capable of directing investment toward socially desirable outcomes. The objective is not merely to increase investment flows or accelerate apartment construction, but to ensure that legal institutions actively contribute to solving structural housing problems while preserving commercial feasibility and investor confidence. In this regard, the Social Housing Partnership Model embodies the developmental function of law by reconciling economic growth, social welfare, and sustainable urban development within a single regulatory framework.

Accordingly, the proposed reformulation should be understood as a process of legal harmonization rather than legal replacement. The Social Housing Partnership Model does not introduce regulatory principles that are foreign to Indonesian law. Instead, it consolidates and operationalises principles that already exist within the Investment Law, Apartment Law, Government Regulation Number 12 of 2021, and Presidential Regulation Number 38 of 2015. Through this harmonization process, fragmented regulatory instruments are transformed into a coherent legal-commercial framework capable of institutionalising Integrated Vertical Balanced Housing and ensuring the sustainable provision of affordable apartment housing for low-income communities.

5. Legal and Commercial Implications of the Social Housing Partnership Model

The institutionalisation of the Social Housing Partnership Model within Indonesia's investment and apartment regulatory framework is expected to generate significant legal and commercial implications extending beyond the housing sector itself. As demonstrated in the preceding discussion, the proposed model is not merely a financing mechanism for apartment development but rather an integrated legal framework that combines investment regulation, apartment law, public-private partnership principles, and balanced housing obligations into a unified system. Consequently, the implementation of the model would strengthen regulatory coherence by reducing the fragmentation currently characterizing Indonesia's housing and investment regime.

Through the integration of these previously disconnected legal instruments, apartment development for low-income communities would no longer depend solely upon sectoral housing policies but would become an integral component of national investment policy. This integration is particularly important because the existing framework frequently separates housing obligations from investment incentives, resulting in inconsistent policy implementation and limited private-sector participation. By contrast, the Social Housing Partnership Model establishes a direct legal relationship between investment facilitation and social housing provision, thereby ensuring that investment activities contribute more effectively to broader developmental objectives. In this respect, the model reflects a more holistic approach to legal regulation in which economic growth, housing accessibility, and social welfare are pursued simultaneously through coordinated legal mechanisms.

From the perspective of property law, the proposed model is expected to strengthen legal certainty regarding land tenure, apartment ownership, and the long-term preservation of the social function of residential property. One of the recurring challenges in apartment development is the lack of integration between land rights, investment rights, and social housing obligations. While investors may obtain land rights in the form of Building Use Rights (*Hak Guna Bangunan*/HGB) or other legally recognized rights, the existing framework does not adequately ensure that these rights continue to support affordable housing objectives throughout the operational lifecycle of the project. Consequently, apartment developments intended to address housing shortages may gradually shift toward purely commercial objectives once construction has been completed. The Social Housing Partnership Model addresses this problem by linking investment incentives and housing obligations to long-term performance requirements. Through this mechanism, the allocation of apartment units for low-income communities becomes a continuing legal obligation rather than a one-time development commitment. Furthermore, the model provides a more coherent relationship between land utilization rights, apartment ownership rights, and housing accessibility objectives, thereby reducing

uncertainty concerning the legal status and future use of affordable apartment units. Such certainty is essential for both investors and beneficiaries because it creates a more predictable legal environment capable of supporting sustainable apartment development over an extended period.

Integrating LVC mechanisms into investment approvals fundamentally alters the commercial and legal dynamics of transit corridor developments. This mechanism converts real estate appreciation driven by public infrastructure into a self-sustaining funding stream for affordable housing maintenance. Implementing LVC requires precise profit-sharing formulas, clear fiduciary rules, and explicit statutory authority enabling regional governments to levy special assessments or betterment taxes.[42] To maintain commercial legitimacy and investor trust, LVC regulations must establish transparent methodologies for calculating value uplift, strict ring-fencing of funds for public housing use, and mandatory public audits. The financial viability of this instrument depends entirely on this high degree of regulatory precision and institutional transparency.

The proposed model is also expected to generate substantial implications within the sphere of contract law. Unlike conventional housing policies, which rely predominantly upon administrative regulation and governmental programmes, the Social Housing Partnership Model is fundamentally structured around legally enforceable relationships among multiple stakeholders. Government institutions, investors, financial institutions, housing operators, and project beneficiaries become interconnected through a framework of contractual rights and obligations designed to ensure the long-term sustainability of apartment projects. As a result, housing provision is transformed from a purely regulatory objective into a legally structured arrangement supported by contractual accountability. Such an approach enhances legal certainty because the rights, responsibilities, performance standards, monitoring procedures, and dispute resolution

[42]Pasha and Setyono, "Skema Land Value Capture Sebagai Alternatif Pembiayaan Penanganan Permukiman Kumuh (Studi Kasus: Kelurahan Kaligawe, Kota Semarang)."

mechanisms applicable to each stakeholder can be clearly defined from the outset of the project.[43] In addition, the contractual nature of the model facilitates the incorporation of sophisticated commercial arrangements commonly utilized in public-private partnership projects, including risk-sharing mechanisms, performance obligations, default provisions, and long-term management commitments.[44] The existence of these contractual safeguards reduces legal ambiguity and strengthens investor confidence by ensuring that project implementation is governed by clearly defined legal relationships rather than discretionary administrative decisions. Consequently, the model contributes not only to housing development but also to the advancement of contractual governance within public-interest investment projects.

The commercial implications of the Social Housing Partnership Model are equally significant. One of the principal barriers to affordable apartment development is the perception that social housing projects involve higher risks and lower profitability compared with conventional real estate investments. Investors frequently view affordable housing as commercially unattractive because of uncertain revenue streams, extensive regulatory obligations, and lengthy investment recovery periods. As a result, private capital tends to flow toward premium residential projects and other forms of property development offering more predictable returns.[45] The proposed model addresses this concern by establishing a legal framework capable of improving project bankability and revenue certainty. Through the integration of investment incentives, balanced housing obligations, availability payment mechanisms, and long-term contractual guarantees, the model

[43]Fadillah, Wijaya, and Sasongko, "Evaluasi Pasca Huni Rusunawa Manis Jaya Kota Tangerang."

[44]Mashur Hasan Bisri Hasan and Sinollah Sinollah, "Implementasi Kebijakan Program Keluarga Harapan Sebagai Upaya Pemberantasan Kemiskinan," *Journal of Indonesian Rural and Regional Government* 8, no. 2 (2024): 103–27, https://doi.org/10.47431/jirreg.v8i2.453.

[45]Fery Safaria, Najid, and Carunia Mulya Firdausy, "Land Value Capture as Breakthrough of Financing Scheme In Urban Railway Development in Indonesia," *International Journal of Critical Infrastructures* 20, no. 1 (2024): 56–71, https://doi.org/10.1504/IJCIS.2024.136287.

creates a more stable and predictable investment environment. In particular, the adaptation of availability payment principles enables public support to be linked to the continued provision of affordable housing services rather than merely to project construction. This approach generates a more sustainable revenue structure while simultaneously maintaining accountability regarding social housing outcomes. Furthermore, the model facilitates more efficient risk allocation by distributing construction risks, financing risks, regulatory risks, and operational risks among the parties most capable of managing them. Such an arrangement reflects established principles of commercial law and contributes to greater efficiency, financial sustainability, and investor confidence within affordable apartment projects.

Beyond its legal and commercial dimensions, the Social Housing Partnership Model is expected to contribute to broader social and developmental objectives by promoting a more inclusive and sustainable approach to urban housing provision. The traditional implementation of balanced housing policies has frequently resulted in spatial segregation, urban sprawl, and inefficient land utilization due to the physical separation of different housing categories. By contrast, the Integrated Vertical Balanced Housing approach underlying the proposed model encourages the development of mixed-income apartment projects within strategic urban locations. This approach not only improves access to housing for low-income communities but also promotes social integration, reduces infrastructure costs, and supports more efficient utilization of increasingly scarce urban land.[46] At the same time, the model reduces dependence upon direct governmental housing construction programmes by mobilising private investment to support public housing objectives. Consequently, housing provision becomes more financially sustainable while remaining consistent with constitutional commitments concerning the right to adequate housing. Ultimately, the Social Housing Partnership Model demonstrates that

[46]Zyan Aditia Nugraha and Siska Sasmita, "Implementasi Kebijakan Program Rusunawa: Studi Kasus MBR Di Kota Padang," *Jurnal Administrasi Pemerintahan Desa* 6, no. 2 (2025): 1–9, https://doi.org/10.47134/villages.v6i2.315.

social welfare objectives and commercial sustainability need not be treated as competing interests. Through appropriate legal design, both objectives can be reconciled within a coherent legal-commercial framework capable of supporting sustainable apartment development, strengthening investor confidence, and expanding access to affordable housing for low-income communities.

Furthermore, the legal implications of the Social Housing Partnership Model may also be examined through the structural dimension of Lawrence M. Friedman's legal system theory. One of the primary weaknesses identified within the existing apartment investment regime is the absence of an institutional mechanism capable of coordinating the diverse actors involved in housing provision. Government agencies, local governments, investors, financial institutions, housing operators, and beneficiaries currently operate within separate legal and administrative frameworks, resulting in fragmented implementation and limited accountability. The proposed Social Housing Partnership Model addresses this deficiency by establishing an integrated institutional structure through which the rights, obligations, and responsibilities of all participating actors are clearly defined and coordinated. Consequently, the model strengthens the structural component of the legal system by transforming previously fragmented institutions into a collaborative framework capable of supporting sustainable apartment development and long-term housing provision for low-income communities.

From the perspective of legal substance, the Social Housing Partnership Model contributes to the harmonization of regulatory norms that are presently dispersed across multiple legal instruments. As demonstrated throughout this study, provisions concerning investment incentives, apartment development, balanced housing obligations, and public-private partnerships currently exist within separate regulatory regimes and frequently operate without sufficient integration. This fragmentation creates legal uncertainty and reduces the effectiveness of regulatory implementation. Through the proposed reformulation of the Investment Law and Apartment Law, supported by the normative foundations contained in Government Regulation Number 12 of 2021

and Presidential Regulation Number 38 of 2015, the model establishes a more coherent body of legal norms capable of reconciling social housing obligations with commercial sustainability. In this regard, the Social Housing Partnership Model strengthens the substantive dimension of the legal system by creating a clearer and more integrated regulatory framework for apartment investment and development.

Equally important is the model's contribution to the cultural dimension of the legal system. Friedman's concept of legal culture emphasizes the attitudes, expectations, and behavioural patterns that influence how legal norms operate within society. Historically, housing provision in Indonesia has largely been viewed either as a governmental responsibility fulfilled through public housing programmes or as a private commercial activity driven by market considerations. Such a dichotomy has often limited opportunities for meaningful collaboration between public and private actors.[47] The Social Housing Partnership Model promotes a different legal culture by encouraging the perception that affordable housing provision constitutes a shared responsibility involving government institutions, investors, financial institutions, and society as a whole. Through this shift, apartment development is no longer understood solely as a profit-generating activity or an administrative obligation but as a legitimate developmental partnership balancing social welfare and commercial interests. Accordingly, the proposed model contributes not only to regulatory reform but also to the gradual transformation of the legal culture surrounding housing provision in Indonesia, thereby supporting a more inclusive, collaborative, and sustainable approach to urban development.

D. Conclusion

This study concludes that the current regulation of apartment development within Indonesia's investment legal framework remains

[47]Alfin Ramadhan, "Investment Contracts in The Context of Foreign Direct Investment as One of The Solutions to Achieve The Development of a New National Capital City," *PAMALI: Pattimura Magister Law Review* 5, no. 1 (2025): 1–9, https://doi.org/10.47268/pamali.v5i1.2544.

fragmented and insufficient to prioritize vertical housing development for low-income communities. Although Law Number 25 of 2007 on Investment, Law Number 20 of 2011 on Apartments, Government Regulation Number 12 of 2021, and Presidential Regulation Number 38 of 2015 collectively provide legal instruments capable of supporting apartment development, these regulations operate within separate normative frameworks and lack effective integration. The analysis demonstrates that investment incentives under the Investment Law are not linked to social housing outcomes, while the Apartment Law primarily emphasizes governmental facilitation without establishing an institutional mechanism capable of integrating public objectives with private investment participation. Furthermore, although Government Regulation Number 12 of 2021 has introduced more flexible approaches to fulfilling balanced housing obligations and Presidential Regulation Number 38 of 2015 has provided a legal basis for outcome-based financing through Public-Private Partnership mechanisms, neither regulation has been fully incorporated into a unified apartment investment framework. From the perspective of Friedman's legal system theory, this condition reflects deficiencies in legal substance, legal structure, and legal culture, resulting in regulatory fragmentation, institutional disconnection, and limited private-sector participation in affordable apartment development. Accordingly, this study proposes the Social Housing Partnership Model based on the concept of Integrated Vertical Balanced Housing as a legal-commercial framework capable of integrating investment incentives, balanced housing obligations, availability payment mechanisms, and apartment development regulations within a single institutional structure. Constructed upon the combined analytical framework of Friedman's legal system theory and Mochtar Kusumaatmadja's Development Law Theory, the model seeks not merely to amend isolated statutory provisions but to reconstruct the relationship between housing policy and investment policy through the reformulation of Article 3, Articles 21–22, and Article 25 of Law Number 25 of 2007, as well as Articles 91–94 of Law Number 20 of 2011. Through these reforms, apartment development is repositioned from a sectoral housing programme into a

strategic investment priority supported by performance-based incentives, contractual governance, long-term risk allocation, and integrated public-private cooperation. Consequently, the Social Housing Partnership Model strengthens legal certainty, enhances project bankability, improves regulatory coherence, expands access to affordable apartment housing for low-income communities, and reinforces the role of law as an instrument of social and economic development capable of balancing commercial sustainability with social welfare objectives.

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