

# Transit Oriented Development Area; An Element for Development of Jakarta's Urban Design and Opportunity for Investors

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Approaching the age of half a millennium, Jakarta is the capital city as well as the economic and business center of Indonesia. Jakarta's rapid population growth has resulted in an inadequate standard of living. According to the results of the 2020 Census released by the Central Statistics Agency (*Badan Pusat Statistik* or BPS) for the Special Capital Region (DKI) of Jakarta, the population of the capital city is 10.56 million people. This number is an increase of 954,000 people from the last census 10 years ago, or 88,000 people per year. Jakarta still attracts immigrants from other parts of Indonesia. Many workers in the capital city who cannot afford to find housing in the Jakarta area choose to live outside Jakarta, such as in Bogor, Depok, Tangerang and Bekasi, and drive to their workplaces by private car.

As a solution, the government, in this case the Local Government of DKI Jakarta, is trying to facilitate the community while continuing to carry out city development to improve the community's economy. One way of doing this is by developing Transit-oriented Development ("TOD") areas. TOD are an exciting fast-growing trend in creating vibrant, liveable, sustainable communities.

TOD area development is a pattern of urban planning development that is integrated with the transportation system to create an efficient city. By developing TOD areas, the Local Government of DKI Jakarta has as its goal providing an alternative solution to metropolitan growth that has a development-oriented pattern. This TOD concept integrates the transit network regionally and complements the existing environmental development strategy around the transit node whereby the TOD areas combine residential land use, trade, services, offices, open spaces, and public spaces, making it easier for the public and users to travel easily by walking, bicycle, or public transportation.

## Samples: TOD Areas in Other Countries

The TOD development in Curitiba, Brazil, built in the 1960s, is considered one of the world's earliest and is still considered one of the most successful integrations of densely-populated areas with mass transportation.

In Asia, one of the most successful TOD areas is Hong Kong, 90% of whose seven million population relies heavily on rail-based mass transportation every day. The Hong Kong government also often collaborates with the private sector for the Rail Plus Property program for the development of the TOD area and this makes property prices in this area continue to increase sustainably.

Another example of a country that has successfully implemented the concept of a TOD area is Singapore. The successful application of the concept of TOD area has pampered many Singaporeans with facilities and infrastructure, especially mass transportation which is integrated with housing and places of daily activities. With this TOD area concept, it has encouraged people to concentrate their daily activities around the transit station or at least in the transit corridor.

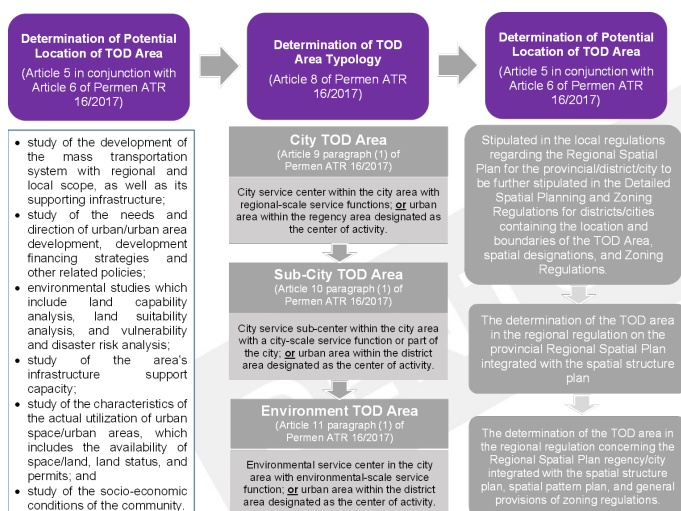
The vertical growth of the city also supports the success of the TOD concept in Singapore. The need for housing, which is then built vertically, creates a closeness between commercial areas and residential areas, so this is in accordance with the mixed-use land concept and the compact city concept. The efforts made by Singapore in implementing the TOD concept are proportional to the benefits obtained for its people. The quality of the clean environment and the lack of air pollution from motorized vehicles are felt by the community because people began to switch to mass transportation until now Singapore has been named one of the world's most sustainable cities.

In addition, Singaporeans do not hesitate to move about using the existing pedestrian paths because the pedestrian paths are built with comfortable facilities and clean air quality for activities. No wonder Singapore has its status as one of the countries with the best mass transportation concept and TOD concept in the world.

## TOD Area in DKI Jakarta

According to Minister of Agrarian and Spatial Planning/Head of National Land Agency No. 16 of 2017 concerning Guidelines for TOD Area Development ("**Permen ATR 16/2017**"), a TOD area is a mixed-centered area that is integrated with transportation modes with an area radius of 400 meters to 800 meters from the transportation center.

Permen ATR 16/2017 provides that the determination of a TOD area location in the Regional Spatial Plan is to be made by the following steps:



Specific to DKI Jakarta, there is Governor of DKI Jakarta Regulation No. 67 of 2019 concerning Implementation of TOD Area as amended by Governor of DKI Jakarta Regulation No. 50 of 2021 ("**Pergub DKI 67/2019**"). Under this Pergub 67/2019, the TOD area operator will be region owned enterprises or state owned enterprises which implement rapid mass transportation, which for DKI Jakarta means PT MRT Jakarta (Perseroda) ("**PT MRT Jakarta**") and PT Kereta Api Indonesia (Persero) ("**PT KAI**").

According to Presidential Regulation No. 55 of 2018 concerning Jabodetabek Transportation Master Plan, to date there are 54 (fifty four) potential TOD locations in the Jabodetabek area.

Article 38 paragraph (3) of Governor of DKI Jakarta Regulation No. 53 of 2017 concerning Assignment to PT MRT Jakarta for the Implementation of Mass Rapid Transit Infrastructure and Facilities states that in order to carry out the exploitation of mass rapid transit infrastructure and facilities in the form of developing TOD areas, PT MRT Jakarta must obtain an approval from the Governor of DKI Jakarta.

Further, under Governor of DKI Jakarta Regulation No. 15 of 2020 concerning Assignment of PT MRT Jakarta as Manager of TOD Area of North-South Corridor of Mass Rapid Transit Jakarta as amended by Governor of DKI Jakarta Regulation No. 65 of 2021 ("**Pergub 15/2020**"), the Provincial Government of DKI Jakarta has assigned PT MRT Jakarta as the TOD Area Manager in the MRT Jakarta North-South Corridor for Phase I for the following TOD areas:

- a. Dukuh Atas;
- b. Istora and Senayan;
- c. Blok M and Sisingamangaraja;
- d. Fatmawati;
- e. Lebak Bulus; and
- f. Bundaran Hotel Indonesia.

Aside from the foregoing, Article 3 paragraph (2) of Pergub 15/2020 also provides that in implementing its role as TOD Area Manager, PT MRT Jakarta may assign subsidiaries and/or cooperate with other parties (including private entities) based on the principles of good corporate governance and in accordance with the provisions of laws and regulations based on TOD Urban Design by involving the relevant local authorities.

## Potential Business Opportunities for Investors

Since this TOD area will involve various projects (such as apartments, housing, parks & retail, malls, etc), it is a promising business opportunity for investors such as the following:

- a. **for developers:** the developers can invest and participate by cooperating with PT MRT Jakarta or PT KAI as TOD Area managers in DKI Jakarta or with any other third party who is assigned by PT MRT Jakarta (as referred to in Article 3 paragraph (2) of Pergub 15/2020) to build any mixed-used buildings, housing, parks & retail, malls, or apartments;
- b. **for financiers / investors:** the financiers / investors may cooperate with PT MRT Jakarta or PT KAI as TOD Area managers in DKI Jakarta or the project owner to provide financing in the relevant projects; and

- c. **for building management, operator and supporting services:** the investors may cooperate with PT MRT Jakarta or PT KAI as TOD Area managers in DKI Jakarta or the project owner to provide supporting services.

It is worth noting that to date Pergub DKI 67/2019 and Pergub 15/2020 do not include a provision related to business schemes and steps for cooperations with investors. Therefore, the arrangements can still be made by a business to business arrangement with PT MRT Jakarta or PT KAI as TOD Area managers in DKI Jakarta or the project owner based on each of PT MRT Jakarta's and PT KAI's principles of good corporate governance and procurement & cooperation procedures.

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*The article above was prepared by Dentons HPRP's lawyers.*

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