



Huayan Policy Institute

Policy Research Report

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**Assessment of the Draft Urban Renewal Act: Balancing Development Needs
with Citizen Rights**

1. Introduction: The Urgency and Challenges of Urban Renewal in Malaysia

As Malaysia's urbanization accelerates, its major cities, including Kuala Lumpur and Penang, face severe challenges. Aging infrastructure, scarce land resources, and deteriorating living conditions are common problems in older urban areas. These issues not only impact residents' quality of life but also hinder national development, making urban renewal an urgent priority.

Urban renewal is more than just physical reconstruction; it is a complex process involving social, economic, and cultural dimensions that requires balancing the interests of diverse stakeholders. Against this backdrop, the Malaysian government has proposed a draft Urban Renewal Act, expected to be tabled in Parliament in July 2025.

The Act aims to provide a legal framework for the orderly implementation of renewal projects. However, the draft has sparked widespread public concern, primarily due to a significant lack of supervision and accountability mechanisms. There are fears that without effective checks and balances, the process will heavily favor developers' interests at the expense of residents' rights, especially those of low-income groups. This summary analyzes the draft Act, assesses its potential social impact, and draws on international best practices to propose recommendations for a fairer, more transparent, and sustainable law.

2. The Necessity and Core Provisions of the Act

The Need for a Renewal Policy

The Urban Renewal Act is a necessary measure to address current urban challenges. Many old residential areas suffer from failing infrastructure and unsafe building structures, posing a direct threat to public safety. Furthermore, current laws often require 100% owner consent for the renewal of private properties, a threshold that is nearly impossible to meet in practice and has stalled many vital projects.

A clear policy for urban renewal can also help curb urban sprawl by promoting more efficient land use within existing city limits, thereby mitigating traffic congestion and environmental degradation. Economically, renewal projects can stimulate investment, drive growth in



related industries like construction and design, and create significant employment opportunities.

Key Provisions of the Draft Act

The draft Act establishes a legal framework with the following core components:

- **Four Types of Renewal:** It defines four distinct renewal paths: Urban Development, Urban Regeneration, Urban Revitalization, and Urban Conservation. This allows projects to adopt the most suitable approach based on their specific context, avoiding a one-size-fits-all strategy.
- **Executive and Supervisory Body:** The Act proposes the formation of an executive committee composed of federal and state government representatives to approve and oversee all renewal projects.
- **Owner Consent Thresholds:** To break the current deadlock, the draft lowers the owner consent requirement. For buildings under 30 years old, 80% consent is needed, while for buildings over 30 years old, the threshold is 75%. For abandoned or dilapidated structures, the requirement could be as low as 51%.
- **Social Impact Assessment (SIA):** The draft acknowledges the importance of an SIA to consider a project's impact on community structure and residents. However, it fails to provide clear, detailed regulations on how to implement public participation or execute the assessment, leaving it vague and unenforceable.

3. Public Apprehension: A Trust Deficit and Historical Lessons

Despite its stated goals, the draft Act has met with significant skepticism and opposition from the public, particularly from low and middle-income communities. These concerns are rooted in past experiences and a deep-seated distrust of project execution.

The Real Concerns of the People

The public's anxiety stems from a "trust deficit" in the government's ability to manage such projects fairly and effectively. Malaysia has a history of failed urban renewal initiatives, including "abandoned projects" that left residents' hopes for better living conditions unfulfilled. In other cases, projects originally planned as affordable housing were later converted into high-end luxury properties, pricing out the original residents who were supposed to benefit.

These negative precedents have cast a lingering shadow in the public's mind. In those cases, residents commonly reported a lack of transparency and participation in the decision-making process. Unclear and unfair compensation standards often left low-income families in more difficult circumstances after relocating. Therefore, the public's greatest fear is that the Urban Renewal Act will repeat these past mistakes, becoming a tool to sacrifice the interests of ordinary residents to serve the economic goals of developers and the government.



The Lack of Supervision and Accountability

Public concern points directly to the draft's most critical flaw: the absence of a robust system for supervision and accountability. The proposed oversight body is an internal government committee, lacking an independent third party to provide checks and balances. This "player and referee" model raises legitimate fears of power abuse and conflicts of interest, with no clear channels for residents to appeal or seek redress.

4. Lessons from International Best Practices

To create a more effective law, Malaysia can learn from successful urban renewal models around the world.

- **Singapore's Model:** Singapore's urban renewal is government-led, with agencies like the Urban Redevelopment Authority (URA) ensuring that public interest remains the top priority. Schemes such as the Selective En bloc Redevelopment Scheme (SERS) provide fair and transparent compensation and resettlement options for residents, including the right to return to the renewed site, thus minimizing social disruption.
- **Hong Kong's Model:** Hong Kong established an independent statutory body, the Urban Renewal Authority (URA), to manage its renewal projects. Its approach emphasizes comprehensive regional planning over piecemeal redevelopment and uses fair mechanisms like the "relative exchange" option to protect residents' housing rights.
- **Other International Practices:** Berlin's "Urban Soft Renewal" approach favors refurbishing existing buildings over large-scale demolition, preserving community character and cultural heritage. In London, a rigorous Social Impact Assessment (SIA) is mandatory for major projects to identify and mitigate potential negative social consequences before they occur.

5. A Critical Assessment and Recommendations for the Act

Based on this analysis, the draft Urban Renewal Act, while well-intentioned, contains critical flaws that must be addressed.

Flaws in the Draft Act

1. **Lack of an Independent Supervisory Body:** This is the Act's most fatal weakness, as an internal committee cannot effectively prevent conflicts of interest.
2. **Vague Compensation and Resettlement Clauses:** The Act lacks specific, legally binding provisions for compensation, leaving residents' rights unprotected.
3. **Inadequate Public Participation:** The Act does not mandate public participation, leaving residents' right to be informed and involved without legal backing.
4. **Non-Mandatory Social Impact Assessment:** The SIA is not compulsory and lacks detailed guidelines, making it likely to become a mere formality.



Recommendations for Improvement

1. **Establish an Independent Supervisory Body:** The Act must create an independent regulatory authority, separate from the government's executive committee. This body should be empowered to oversee the entire renewal process, handle resident complaints, and ensure transparency.
2. **Strengthen Public Participation and the SIA:** The Act must make a comprehensive SIA mandatory for all projects, with the findings made public. It should also legislate formal public participation mechanisms, such as hearings and community meetings, at all stages of a project.
3. **Define Clear Compensation and Resettlement Standards:** The law must include clear, fair, and legally enforceable standards for compensation and resettlement, with special protections for low-income and vulnerable groups. Priority should be given to "on-site" or "nearby" resettlement options.
4. **Focus on Sustainability and Conservation:** The Act should encourage the use of green building technologies and the preservation of historical and cultural heritage, promoting sustainable urban development.

6. Conclusion

The Urban Renewal Act is a necessary step for Malaysia to address its urban challenges. However, the success of any law depends not only on its goals but also on the fairness of its procedures and outcomes. The current draft's serious deficiencies in supervision, transparency, and resident protection are its greatest threats.

Without fundamental amendments, the Act risks exacerbating social conflict rather than resolving it. Only by incorporating lessons from abroad—by establishing an independent regulator, mandating public participation, and guaranteeing residents' rights—can urban renewal in Malaysia improve the urban landscape while enhancing the well-being and happiness of its people. This is the only path toward achieving harmonious, sustainable, and equitable development.

This report is part of the “Malaysia Social Policy Research Project” conducted by the Huayan Policy Institute. The article was written by Mr Chiong Yoke Kong, a research fellow on special appointment.

Huayan Policy Institute is a social policy research unit under the Centre for Malaysian Chinese Studies (CMCS). The Centre was established in 1985 to serve as a community-funded research and resource centre. It is dedicated to the pursuit of research, the promotion of understanding and to play a meaningful role in serving the nation.