



Masyarakat Profesi Penilai Indonesia
Indonesian Society of Appraisers

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Valuation for Compulsory Land Acquisition for Public Use

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Introduction

- Logically a person would give up his/her rights if the compensation he/she receives is fair.
- We often have a situation that the land owner is happily given up his land to some private company, i.e. developer,
- This selling price is higher than the market value, because the buyers are forced to buy.



Problem

The main problem is not on whether the land owners is willing to give up their rights but how much is the fair compensation so that the land owner is willing to give up their rights.



Valuation Concept - Market Value

- Market Value based on Indonesian Valuation Standards (SPI) and International Valuation Standards (IVS):
 - *“The Estimated amount of money for which a property should exchange on the date of valuation, between willing buyer and willing seller in the arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.”*

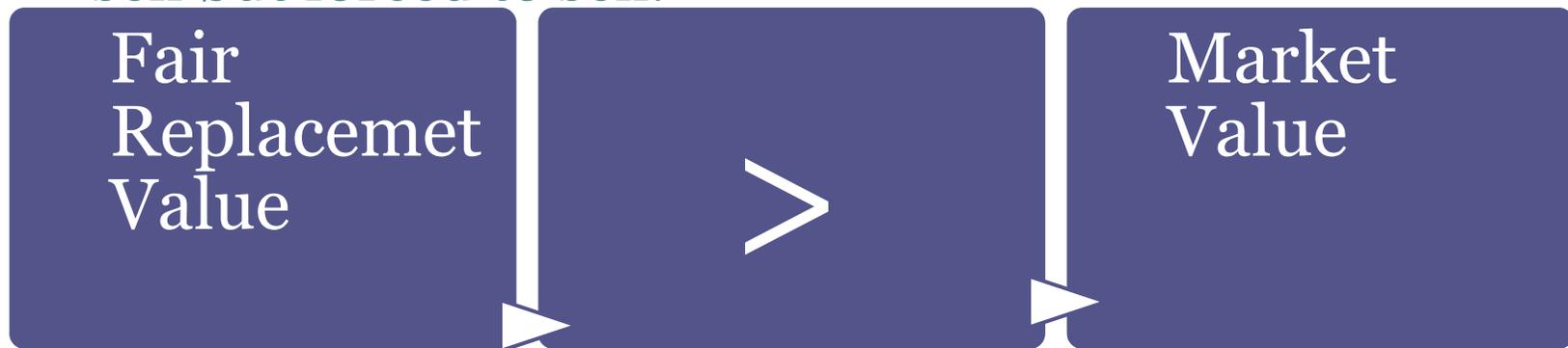


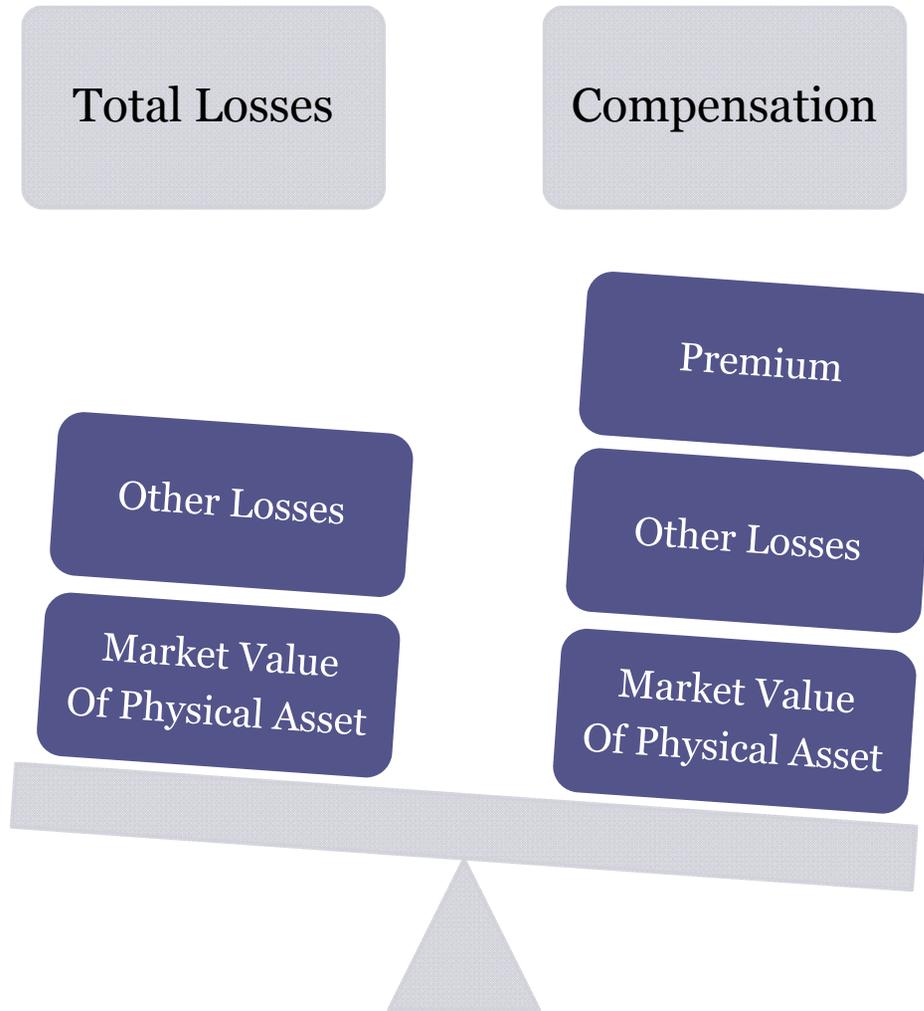
- principles of Market Value:
 - Willing Buyer and Willing Seller
 - Buyer and Seller have the knowledge about the property's use/benefit
 - Proper marketing
 - Without compulsion



Valuation Concept - Fair Compensation

- Compulsory land acquisitions should at least possess these following distinctive features:
 - Buyer (in this case the Government) is willing to buy; even forced to buy.
 - Sellers (in this case the Land Owners) are not willing to sell but forced to sell.







- Fair Replacement Value is defined as:
 - *“Value to the owner equivalent with Market Value of the property with consideration of the extraordinary condition of non physical losses caused by the acquisition of the property.”*



Government Policy and Regulation

- Act No.2/2012 “Land Acquisition For Development For Public Interest” is a breakthrough that will boost the infrastructure development. Government of Indonesia was very serious in supporting this new Act, supporting regulations have been published.



No.	Type of Regulation	
1.	Presidential Regulation No.71/2012	Implementation Of Land Acquisition For The Development Of The Public Interest
2.	Presidential Regulation No.40/2014	Amendments Presidential Regulation No.71/2012 Implementation Of Land Acquisition For The Development Of The Public Interest
3.	Presidential Regulation No.99/2014	Amendments Presidential Regulation No.71/2012 Implementation Of Land Acquisition For The Development Of The Public Interest
4.	Head of BPN Regulation No.5/2012	Technical Guidelines For Land Acquisition
5.	Minister of Finance Regulation No. 13/PMK.02/2013	Operating Costs and Supporting Cost of Implementation of Land Acquisition for Development of Public Interest That Source From The State Budget
6.	Interior Minister Regulation No.72/2012	Operating Costs and Supporting Cost of Implementation of Land Acquisition for Development of Public Interest That Source From The Local Government Budget



- Act No.2 of 2012 stated that “Compensation is compensation that **reasonable** and **fair** for the land owners in the process of Land Acquisition”.
- The Decree also has several principles which are:
Humanity, Fairness, Usefulness, Certainty,
Transparency, Agreement, Participation, Welfare,
Sustainability, and Harmony



Object of Valuation

Physic (Market Value)

- land
- space above ground and underground
- building
- plant
- objects relating to land

Non Physic

- losses due to lost of business
- loss of a job
- the cost of resettlement
- the cost of changing professions
- residual value of property



Terms and Reference for Valuation

Basis of Value	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 <p><i>“compensation that reasonable and fair for the land owners in the process of Land Acquisition”</i></p>
Object of Valuation	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012Head of BPN Regulation No.5/2012 <p><i>“Physical and Non Physical for individual assets”</i></p>
<u>Date of Valuation</u>	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“Location Confirmation Date”</i></p>
Valuer Appointment, Assignor	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“Land Institution (BPN)”</i></p>
<u>Data Provider</u>	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“Land Institution (BPN)”</i></p>



<u>Time Limit</u>	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“30 days”</i></p>
Report Submission, intended user	<ul style="list-style-type: none">Act No.2/2012 ; Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“Land Institution (BPN)”</i></p>
<u>Explanation of Valuation Process</u>	<ul style="list-style-type: none">Presidential Regulation No.71/2012 <p><i>“Preparation Team form by Governor”</i></p>
<u>Explanation of Value Conclusion</u>	?
<u>Function of Value</u>	<ul style="list-style-type: none">Act No.2/2012 <p><i>“As basis for negotiating form and ammount of compensation”</i></p> <ul style="list-style-type: none">Presidential Regulation No.71/2012 ; Head of BPN Regulation No.5/2012 <p><i>“As basis for negotiating form of Compensation”</i></p>



Valuation Standard

- Indonesian Society of Appraisers (MAPPI) have issued Valuation Standard 306 “Valuation in the Context of Land Acquisition for Development for Public Interest”
- **Concept of Fair Replacement Value in Valuation Standard**
 - Valuation for purposes of compensation include:
 - Replace the physical losses of land and / or buildings and / or plants and / or other objects pertaining to the land.
 - Replace the non-physical damages include among other things replacement against losses waiver of the owner of the land that would be given in the form of money (premium) under the provisions of legislation in force, as well as other losses that can be calculated include transaction costs, interest (compensation period wait), the loss of the remaining land and other physical damage (if any).



- This value can be understood as a value which is based to:
 - The value to the owner, can be interpreted possession or ownership of a property;
 - For some of the property which has a limited market data or there is no market data, then the market value referred to its potential uses, without considering the benefit of land acquisition plan.
 - Extraordinary elements related to non-physical harm; could due to the necessity for property owners to waive his right. Non-physical losses are other losses as defined in the Act No. 2 of 2012 article 33 letter f .
 - Property ownership; is not limited only to ownership of rights only, but can be interpreted in possession of a property according governed by regulations applies.



Valuation Object	Basis of Valuation	Valuation Approach	Notes
Physic:			
· Land	Market Value and Non Market Value	· Market Approach · Income Approach	
· Building	Adjusted Replacement Cost	· Cost Approach	Depreciation only for adjustment of physical condition
· Crop/Plant	Market Value	· Income Approach	Discounted Cashflow for one cyclus
		· Market Approach	For non commercial crop, using reference from related government institution
		· Cost Approach	For immature plant



Valuation Object	Basis of Valuation	Valuation Approach	Notes
Non Physic:			
· Transaction Cost	moving expenses and corresponding taxes	· Cost Approach	Based of Social Ecomonic Study by Expert or based on regulation
· Payment Schedule	Risk free rate or Time Deposit Rate of StateBank		Base on existing regulation if any
· Remaining Land	Market Value	· Market Approach	Base on existing regulation if any
· Other Physical Damages	Cost of Repairment	· Cost Approach	Base on existing regulation if any
· Compensation to the landowner due to compulsory aqcuisition which considered as premium : -- Loss of job or business, including change of profession -- Emotional Loss (solatium)	Pasar dan nonpasar Additional that calculated percentage of the physical loss Example: 10% - 30% from physical loss	· Income Approach · Cost Approach	Base on existing regulation if any Economic damage cause by Closing of the business. Example; farming, fishery, restaurant, workshop.



Availability and Capacity of Independent Appraisers

Member Status	2007	2008	2009	2010	2011	2012	2013	2014	2015
Certified Member	303	300	322	322	343	376	402	441	461
Accredited Member	981	880	884	884	952	977	1.158	1.268	1.405
Associate Member	822	554	726	858	946	1.143	1.557	2.295	2.723
Affiliate Member				68	520	906	882	1.376	1.495
Honorary Member	5	7	23	10	10	10	10	10	10
Total	2.111	1.741	1.928	2.142	2.771	3.412	4.009	5.390	6.094