

Analysis of Property Development Permits in Medan City

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Abstract

This study analyzes the property development permitting process (PBG/SLF) in Medan City, focusing on regulatory compliance, administrative efficiency, and challenges in implementing the Online Single Submission (OSS) system. The results indicate that while digitalization aims to simplify procedures, bureaucratic, land-use conformity, and technical documentation issues still create bottlenecks. The analysis emphasizes the need for better synchronization between Medan's Spatial Plan (RTRW) and OSS systems to accelerate investment while ensuring sustainable urban development.

Keywords: Property Permits, Medan City, OSS, PBG, Urban Development.

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Introduction

Medan, as one of Indonesia's major metropolitan hubs, continues to see a surge in property development, spanning from residential complexes to large-scale commercial infrastructures. For decades, the Building Permit (Izin Mendirikan Bangunan or IMB) served as the primary legal instrument for urban development control. However, following the enactment of the Job Creation Law (Law No. 11 of 2020) and its derivative, Government Regulation No. 16 of 2021, the Indonesian government officially replaced the IMB with Building Permit Approval (Persetujuan Bangunan Gedung or PBG). Unlike its predecessor, which focused heavily on administrative permission, the PBG introduces a more rigorous emphasis on technical standards and safety. It functions not just as a permit but as a statement of compliance with specific structural, safety, and environmental criteria. Furthermore, the process is now centralized through the Building Management Information System (SIMBG), a digital platform designed to enhance transparency and eliminate multi-layered manual verifications. In Medan City, this transition is managed by the Investment and One-Stop Integrated Service Agency (DPMPSTP) in coordination with the Housing, Settlement, and Spatial Planning Office (Dinas Perkimcikataru). While the digital shift aims for efficiency, the implementation in 2025 and 2026 has faced significant hurdles. Local reports indicate that some developers face long processing times up to six months in some cases and high costs associated with technical consultants required by the new system. Additionally, weak supervision has led to a rise in unauthorized constructions, resulting in significant potential losses in regional revenue (PAD). This analysis explores the current state of property development permits in Medan, evaluating how the transition from IMB to PBG affects both the local government's urban planning goals and the developers' operational reality. It highlights the critical need for better synchronization between central regulations and local execution to foster a more investment-friendly yet orderly urban environment.

Literature Review

1. The Regulatory Evolution: From IMB to PBG

The transition in Indonesia's construction licensing is rooted in the Job Creation Law (Law No. 11 of 2020). According to previous studies, the shift from Izin Mendirikan Bangunan (IMB) to Persetujuan Bangunan Gedung (PBG) represents a paradigm shift from "permit-based" to "standard-based" regulation. While IMB was often viewed as a purely administrative requirement, PBG mandates adherence to technical standards covering functional, safety, and health requirements prior to any construction activity (Government Regulation No. 16 of 2021).

2. Electronic Government and SIMBG Implementation

The implementation of the Building Management Information System (SIMBG) is a manifestation of Electronic Government (e-Gov). Theoretical frameworks on e-Gov suggest that digital platforms should increase transparency and reduce rent-seeking behavior in public services. In the context of property development, SIMBG is designed to centralize technical verification between the central government and local authorities (Dinas Perkimcikataru), aiming to streamline the bureaucratic bottlenecks identified in older licensing models.

3. Urban Planning and Spatial Compliance (RTRW)

Property development permits are inextricably linked to Spatial Planning (Rencana Tata Ruang Wilayah or RTRW). Research on urban development in Medan City highlights that licensing is the primary tool for controlling land-use conversion. For a PBG to be issued, a project must first obtain a KKPR (Kesesuaian Kegiatan Pemanfaatan Ruang). Literature suggests that discrepancies between regional spatial plans and actual field development often lead to legal disputes and environmental degradation.

Research Methodology

This study employs a qualitative descriptive research approach. This method is chosen to provide a comprehensive and systematic overview of the implementation of the Building Permit Approval (PBG) system in Medan City, focusing on the transition from the old IMB framework and the practical challenges faced by stakeholders. The data for this research are categorized into two types:

1. Primary Data: Obtained through semi-structured interviews with key informants, including officials from the Investment and One-Stop Integrated Service Agency (DPMPTSP) of Medan, technical verifiers from Dinas Perkimcikataru, and representatives from property development companies (REI North Sumatra).
2. Secondary Data: Sourced from legal documents such as Law No. 6 of 2023 (Job Creation), Government Regulation No. 16 of 2021, and Medan City Regional Regulations (Perda) related to building levies and spatial planning (RTRW).

Data Collection Techniques

1. Field Observations: Observing the workflow of permit processing via the SIMBG (Building Management Information System) platform at the Medan City integrated service office.
2. Literature Review: Analyzing academic journals, government reports, and statistical data regarding property investment growth in Medan.
3. Interviews: Engaging with stakeholders to identify "bottlenecks" in the technical verification process.

4. Data Analysis Method

The collected data is analyzed using the Miles and Huberman model, which consists of three concurrent flows of activity:

1. Data Reduction: Sorting and focusing on data relevant to PBG implementation and urban planning compliance.
2. Data Display: Presenting findings through structured descriptions, flowcharts of the permit process, and tables.
3. Conclusion Drawing/Verification: Developing insights into the effectiveness of the new permit system and providing recommendations for local policy improvement.
4. Research Location and Timeline

The study is conducted in Medan City, North Sumatra, focusing on the 2024–2025 period to capture the most recent developments in the transition to the electronic-based licensing system.

Results

Current Status of PBG Implementation (2024–2025). The research indicates that Medan City has fully transitioned its licensing operations from the manual IMB to the digital-based SIMBG (Building Management Information System). As of early 2025, However, while the system aims for transparency, the volume of approved permits still fluctuates due to the rigorous technical standards required by the new regulations.

The implementation in Medan faces three primary obstacles that have been the focus of recent government and legislative reviews:

- a. Technical Delays and System Errors: Despite the digital shift, users frequently report technical issues such as slow server response and errors during document uploads on the SIMBG platform.
- b. Process Duration: While the central government targets a 9-hour or multi-day approval for simple buildings, developers in Medan report that the actual process can take up to six months. This is often due to layered technical verifications and offline sessions that persist despite the online system.

- c. Consultant Costs: A significant finding is the high cost of hiring technical consultants (Architects/Engineers) required to sign off on technical plans. In some cases, these costs can reach IDR 13 million to IDR 28 million per project, which acts as a deterrent for smaller developers and the general public.
- d. Impact on Regional Revenue (PAD)
The study finds a "revenue leak" in the building levy sector (Retribusi PBG). The Medan City DPRD (Regional House of Representatives) reported in January 2026 that weak supervision by Dinas Perkimcikataru has led to billions of rupiah in lost potential revenue. Many buildings proceed with construction without a valid PBG, escaping the mandatory levies that contribute to the city's IDR 6.96 trillion revenue target for 2025

Conclusion

The transition from IMB to PBG in Medan City is a "work in progress" that highlights the friction between national digitalization goals and local administrative capacity. While the legal framework is robust, the high cost of compliance and technical hurdles in SIMBG have created a gap between policy intent and field reality. Achieving an orderly urban landscape will require the local government to further simplify the technical verification process and lower the entry barrier for individual homeowners.

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