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Building Rights, Management Rights, and the Limits of Horizontal Separation Principle in the Sultan Hotel Case Based on UUPA and PP 40/1996

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Abstract. *This paper studies the complexity surrounding the Hotel Sultan dispute by examining the legal status of the building rights. The dispute holds tension between PT Indobuildco as the HGBs (building rights) holder and the State Secretariat as the HPL (management rights) holder. Using normative-juridical analysis, this paper analyzed the application of the horizontal separation principle under Indonesia's Basic Agrarian Law (UUPA) and Government Regulations No. 40 of 1996. This paper finds that without the HPL holder consent, the Sultan Hotel's HGBs extension was legally invalid despite PT Indobuildco longstanding hotel development as they continuously failed to renew their HGBs after both expired in 2023. The legal situation challenges investor confidence and tenure security in the face of regulatory clarity and administrative discretion. In addition, this paper argues that this case illustrates the absence of indemnity clauses and conflict resolution further showcase Indonesia's legal and institutional vulnerabilities in managing public assets. This case highlights the necessity of a stronger legal safeguard and standardized procedures in land governance.*

Keywords: *Building; Horizontal; Management; Principle; Separation.*

1. Introduction

Indonesia faces unceasing contentious issue concerning legal status of land rights over state-controlled properties, in particular concerning private investment that intersect with public asset management. One of the prominent cases is the ownership control dispute of the Hotel Sultan between PT Indobuildco and the Government of Indonesia. The Hotel Sultan is a luxury hotel located in Gelora Bung Karno (GBK), one of the most strategic areas in Jakarta. Initially the hotel was built through two building rights titles (Hak Guna Bangunan or HGB) numbered 26/Gelora and 27/Gelora in 1973. The rights over the land have overlapping claims with the state's issuance of land management rights (Hak Pengelolaan Lahan or

HPL) ot the Ministry of State Secretariat in 1989, making the land become the subject of prolonged legal controversy since then.

The land dispute of the Hotel Sultan introduces a possibility to assess the practical implications of the horizontal separation principle (asas pemisahan horizontal) set within Indonesia's Basic Agrarian Law (UUPA). This principle asserts how land and buildings constructed on a land regarded as distinct legal objects, thus allowing different parties to have respective ownerships. However, this principle frequently encounters limitations when it concerns state assets, particularly related to the Sultan Hotel case where HGBs were issued over HPL land. The case brings unresolved doctrinal and regulatory issues to attention such as: (1) the legitimacy of HGB issuance prior to HPL release, (2) provincial land offices (KANWIL BPN) extended such rights without central government approval, and (3) the affects for private investors when the HGB extensions are denied.

Sequentially, the HGBs of a land over Block 15 in the GBK area for Sultan Hotel was granted in 1973. The HGBs issued a full sixteen years ownership rights before the HPL 1/Gelora was issued to the Ministry of State Secretariat in 1989. Such inversed situation where buildings preceded land control caused a legal equivocality in this case. The complexity increases when KANWIL BPN DKI Jakarta granted an extension of the HGBs in 2002 for an additional 20 years allegedly without the consent from the HPL holder. Through this extension, the HGBs expired in March and April 2023, which couldn't be renewed as the government officially refused further continuation. Following legal actions brought by PT Indobuildco were unsuccessful to reverse the government's decision. Verdicts affirmed the state's claim over the land and asserted that PT Indobuildco no longer could retain its legal standing to occupy Sultan Hotel (Decision 71/G/2023/PTUN.JKT (2023).

Unavoidable public and political significance beyond the substantial legal conflict also arise through this dispute. Notably because the land in dispute is part of Jakarta's strategic areas for central sports and government complex. This case delves into deeper issues concerning not only state asses utilization and land registration authority, but also investor protections in Indonesia. Long-term investment requires legal certainty, remarkably in real estate development. However, ambiguities in regulations of land rights such as presented in this case may discourage private sector engagement and diminish trust to public institutions.

2. Research Methods

This study strives to delve into three core legal issues: (1) the validity of the HGBs issuance and their extensions by regional authorities in view of national agrarian law, (2) the implementation and legal consequences of the horizontal separation principle when Sultan Hotel is situated on state-owned land, and (3) the implications of this dispute for business confidence, as well as legal projection for the protection of buildings ownership rights once the HGBs expired. The analysis is based on a normative juridical method using statutory and case law approaches. It aims to shed light on legal position of both state and private sectors with the national land administration governance. Ultimately, this research aims to contribute to academic discourse and policy discussions surrounding horizontal separation discourse, land governance, and state-private partnerships. Through analyzation of legal anatomy of the Hotel Sultan dispute, this study underlines the urgency for a more specific procedural safeguards in Indonesia's legal landscape.

3. Results and Discussion

3.1. Legal and Conceptual Frameworks

a. The Horizontal Separation Principle in the Basic Agrarian Law (UUPA)

Indonesian land law contains a foundational principle that allows for the separation between land rights (Hak Atas Tanah) and rights over buildings or other objects constructed upon the land. This principle is known as the horizontal separation principle (asas pemisahan horisontal, horisontale scheiding beginsel) (Fauzi Janu Amarrohman and Onang Onang Fadjar Witjaksono, 2021). It enables individuals or legal entities to construct and own buildings on land owned by another party, in accordance with governing land law provisions. This principle serves as a crucial legal instrument for the state. The government can promote private sector development by enabling construction on land it controls, while still retaining authority over strategic areas (Muwahid Muwahid,2016).

The horizontal separation principle finds its legal basis in Law No. 5 of 1960 on Basic Agrarian Law (Undang-Undang Pokok Agraria, UUPA). Its emphasis is reflected in Article 4 paragraph (1), which states:

"On the basis of the State's right to control as referred to in Article 2, it is determined that there are various kinds of rights to the surface of the earth, called land, which can be given to and owned by people, either alone or together with other people and legal entities (Law No. 5 of 1960)."

This confirms the State's control over land, upon which other rights such as the Right to Build or building rights (HGB) may be granted. This is further specified in Article 35 paragraph (1) of the UUPA:

"The right to build is the right to construct and possess buildings on land not owned by the right holder, for a maximum period of 30 years (Law No. 5 of 1960)."

This right enables the establishment of buildings by a person or legal entity on land not privately owned by them, while still receiving legal protection. It reflects the practical implementation of the horizontal separation principle. While the land may belong to the state, the ownership of the building above it can still be owned by the private party.

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The time limit for building rights and their renewal is regulated further in Article 35 paragraph (2), which states:

"Upon request of the right holder and with due regard to the needs and condition of the buildings, the period referred to in paragraph (1) may be extended for a maximum of 20 years (Law No. 5 of 1960)."

This provision is significant because it confirms that the HGB is not automatically renewable after its initial 30-year term. In addition to procedural application, other considerations such as spatial policy, land allocation, and building conditions may affect whether an extension is granted.

The management of state-controlled lands often become the subject of regulatory tension in the horizontal separation principle as a consequence of dual legal ownership between land and structure. Hence through this framework, the state role is to ensure the social function of land. It is mandated by Article 6 of the UUPPA which specify:

"All rights on land have a social function (Law No. 5 of 1960)."

The article stipulates that legal rights of land cannot be purely for private benefit that contradict state planning policy or broader common good. From this regard, lays the foundation for lawful state intervention that include revocation of land rights for the public benefit as affirmed in Article 18 UUPA:

"For the public interest, including the interests of the nation and state as well as the common interest of the people, land rights may be revoked, with fair compensation, and in accordance with procedures regulated by law (Law No. 5 of 1960)."

Hence, the horizontal separation principle through UUPA provisions intersect the state's sovereign authority and policy objectives rather than simply a technical legal mechanism. Notably for lands where public interest and strategic land use are involved. Furthermore, this principle also based a long-regulated land tenure coming from adat (customs) legal traditions that shapes the mechanism of land and buildings separation thus it also intersects with customs in Indonesia (Firman Muntaqo et al., 2024).

b. The Rights to Build (HGB) on State Land (HPL)

Under the Indonesian agrarian law regulated in Article 16 (1) of the UUPA, the Right to Build (HGB) is a crucial legal instrument that acknowledges a range of limited land rights (Law No. 5 of 1960). HGB permits a person or legal entity to build and own buildings on land without holding ownership to the land itself. In line with the horizontal separation principle, HGB becomes a derivative right with approval from both state and the Right of Management (HPL) holder when conducted on state land.

In accordance with Article 35 (1) of the UUPA, the initial period of HGB is up to 30 years and can be extended for an additional 20 years (Law No. 5 of 1960). However, it must be noted that the government law does not permit automatic extension. The Government Regulation (PP) No. 40 of 1996 rules the applicable regulation for both extension and renewal of HGB. Article 26 (2) of PP No. 40/1996 asserts that any extension or renewal of HGB under HPL must receive prior consent from the HPL holder:

"Building Use Rights for land Management Rights are extended or renewed upon the application of the Building Use Rights holder after obtaining approval from the Management Rights holder (Government Regulation No. 40 of 1996)."

In the Hotel Sultan case, the rightful HPL holder of HPL 1/Gelora is the State Secretariat (Setneg) casu quo (cq) PPKGBK (Dana Aditiasari, 2023). Thus, without this approval, any extension of Sultah Hotel's HGB is invalid administratively.

In addition, regarding extension or renewal applicable regulations ruled in Article 27 (1) on the PP No. 40/1996 assert that requests must be submitted two years before the expiry of HGB (Government Regulation No. 40 of 1996). Failure to comply will terminate the HGB under Article 35 (1) and Article 37 (1), with rights returning to the rightful HPL authority (Government Regulation No. 40 of 1996).

The current rules that govern HGB is the PP No. 18 of 2021, however it retains provisions regarding termination and renewal from the PP No. 40 of 1996 which reinforce the doctrinal continuity (Government Regulation No. 18 of 2021). Mahfud and Chin note the importance of consistencies in land rights classifications in the agrarian law as it will affect any legal certainty in property regulations (Muh. Ifan Mahfud and Sia Chin Chin, 2024). Professor Boedi Harsono also asserts how procedural compliance in land registration under UUPA is needed to prevent any conflicting administration decisions concerning land statuses and rights (Boedi Harsono, 2003). Hence, compliance to formal legal mechanism for HGB extension or renewal continue to be essential.

Despite this, academic studies highlight the discretionary nature on HGB and HPL that rises risks due to its interpretative and administrative powers granted only to the HPL holder and land office. Regardless of compliance, without HPL holder consent, HGB extension or renewal is invalid. Rahman and Tista argue that this nature can cause prolonged uncertainty for HGB holders (Muhammad Ghazali Rahman and Adwin Tista, 2025). This argument is further asserted by Kesel et al. who agree that legal frictions often happened due to how HGB extended or terminated are ambiguous (Praisy Chantika Anastasya Kesek et al., 2024).

c. Business and Investment Law Perspectives on State Asset Disputes

To create a sustainable investment, a legal certainty is essential to support such environment. Legal certainty rights are mandated to the government in Article 4

Paragraph (2) Point (b) of the Investment Law (UU No. 25 Year 2007), which stipulates:

"Guarantee legal certainty, business certainty, and business security for investors from the licensing process until the end of investment activities in accordance with statutory provisions (Law no. 25 of 2007, Article 4 Paragraph (2) Point (b) and Article 14 Point (a))."

This article is also strengthened by Article 14 Point (a) of UU No. 25/2007 which affirms further that investors have rights to receive legal protection and certainty (Law no. 25 of 2007, Article 4 Paragraph (2) Point (b) and Article 14 Point (a). Hence, state has a normative obligation to create an investment environment that can be sustainable and to not be a subject of discretionary revocation. Notably for lands with HGB over HPL that often have complex tenure systems.

Legal certainty in business and investment is also linked through the agrarian law perspective with Article 13 Paragraph (1) and (4) of the UUPA affirms the duty to organize land use in order to increase state's productivity and to ensure protection of labor and investment actors (Law no. 5 of 1960, Article Article 13 Paragraph (1) and (4)). From both investment and agrarian law, it is clear that state's own mandate for legal stability where business and investment can flourish with productive land use in the face of legal ambiguities of HGB renewal and extension which can cause land dispute.

Based on OECD's 2020 report on Investment Policy Review, Indonesia has major deterrents to both foreign and domestic investors due to tenure insecurity and unpredictable licensing outcomes (OECD, OECD Investment Policy Reviews - Indonesia., 2020). It creates barriers to investment entry and continuity because land-regulated inefficiencies are flagged as repeated cases. With the Hotel Sultan dispute on display, it embodies business and investment risks in Indonesia where regardless longstanding private sector management of the site, HGB renewal is still a subject to administrative discretion by the HPL holder.

Hutagalung in his study also affirms this by arguing that HGB renewal over HPL has lack of codified procedures, making the relationship between state agencies and private investors unequal (Maltus Hutagalung, 2025).. Such result weakens investor confidence in state-controlled lands due to risks of legal unpredictability.

3.2. The Hotel Sultan Case Analysis

a. Chronology of HGB and HPL on the Sultan Hotel Land

The conflicting land rights between PT Indobuildco's HGB and the later-established HPL granted to the Ministry of State Secretariat (Setneg) become the roots of land dispute surrounding the Sultan Hotel. PT Indobuildco made a cooperation with the Indonesian Government in 1971 to build and operate a hotel in GBK area.

Following two years later in 1973, HGB No. 26/Gelora and HGB No.27/Gelora were issued by the Jakarta Land Office with validity for 30 years of each HGBs (Arie S S Surayya, 2010). This HGB implied that PT Indobuildco was the sole holder of building rights over the land as there was no HPL had yet been issued at that time.

The HPL soon issued 16 years later in 1989 with HPL No. 1/Gelora to Setneg as the HPL holder over the same land parcel on which PT Indobuildco built the Sultan Hotel (Kementerian Sekretariat Negara, 2025). An overlap happened between the new HPL and the preceding HGBs which become the core of the legal dispute in 30 years after when the initial HGBs were due to expire in 2003. As the building rights were due, PT Indobuildco filed for an extension which granted for 20 years by the Regional Office of BPN DKI Jakarta (KANWIL BPN) until 2023 (F. Hardiman, 2023). However, there was an issue with the extension. The extension of HGB over HPL land explicitly mention the need of the consent from the HPL holder under Article 26 Paragraph (2) of PP No. 40/1996 (Article 26 Paragraph (2) on PP No. 40 of 1996). The extension was issued by the KANWIL BPN DKI Jakarta was without the recommendation of Setneg cq. PPPKGBK, thus legally invalid (PK Decision No. 276 PK/Pdt/2011., 2011).

Following 20 years of the HGB extension in 2023, the government proclaimed that there would not be further renewal for PT Indobuildco, declaring and asserting that the land must return to state control. This claim further prolonged the land disputes with PT Indobuildco contested the government's refusal. However, following several lawsuits, the court rulings result to rejection and confirming that its land rights had expired (Decision Number 667/Pdt.G/2023/PN Jkt.Pst., 2023). This dispute has evolved over five decades and illustrated how overlapping land tenure management is yet with clarity.

b. HGB Validity and Administrative Defects

While the 2002 HGB extension over plots 26/Gelora and 27/Gelora was issued by the KANWIL BPN DKI Jakarta, the absence of consent from the HPL holder becomes the essential procedural flaw. Article 26 Paragraph (2) of PP No. 40/1996 explicitly rules that the approval of any extension over HPL land is dependent on the HPL holder's permission (Government Regulation No. 40 of 1996). Although the 2002 extension was deemed as legally valid on the latest court rulings before the first judicial review (Putusan PK No. 276 PK/Pdt/2011), later the court determined that it has no legal validity (PK Decision No. 276 PK/Pdt/2011). The extension is fundamentally flawed because the mandatory requirement of holding the HPL holder's consent was not fulfilled.

Due to the land plots strategic status and size, argument has been raised about the official authority who should have issued the extension in between the Ministry of Home Affairs or KANWIL BPN DKI Jakarta. However, based on court rulings and judicial review, the issuing authority has not treated as a substantive legal defect. In accordance to Article 47 of PP No. 24 of 1997, any extension issued by “authorized officials” is valid during Sultan Hotel extension period in 2002 (Government Regulation No. 24 of 1997). Hence, the focus of the HGB’s extension legitimacy is toward whether all legal prerequisites are met, in particular the consent of the HPL holder.

Consequently, after Putusan PK No. 276 PK/Pdt/2011, the following court rulings of judicial reviews regarded the 2002 extension of HGB over the Sultan Hotel land as invalid due to lack of procedural compliance. This embodied how pivotal is state assets management with regulatory requirements within the agrarian legal framework. It is also argued by Rahmatika et al., that in formal administrative structure, there should be an alternative dispute resolution as a safeguard for overlapping land conflicts (Nur Auliya Rahmatika et al., 2025).. On the other hand, Suharyono in his study also found the lack of firm procedural safeguards in Indonesia’s land registration (Suharyono Suharyono, 2019). He explains that with safeguards, it could validate or challenge any rulings related to HGB decisions in order to help in land dispute and prevent legal vulnerabilities like what is illustrated in the Sultan Hotel case.

c. The Horizontal Separation Principle in the Sultan Hotel Dispute

The UUPA specified that land and buildings are regarded as separate legal objects, thus authorizing different parties to hold land rights over each. Article 4 Paragraph (1) and Article 16 Paragraph (1) affirm the concept of horizontal separation principle where land ownership does not necessitate ownership of structures built on top of it (UU No. 5 Tahun 1960, Article 4 Paragraph (1) and Article 16 Paragraph (1)). However, this principle has a complexity in practice principle when the buildings are constructed on state land governed by HPL holder.

In the case of Sultan Hotel, the issuance of HPL 1/Gelora to Setneg is 16 years after the HGBs were granted to PT Indobuildco in 1973. This caused an overlapping control due its unusual sequence the state included the existing private rights into its land rights (Surayya). Furthermore, study by Andari affirm that land under public control, particularly one where the HPL holder is a state will limit the validity of horizontal separation principle (Cicilia Andari, 2020). This finding is similar to Dwiyatmi’s study that highlight state’s role as land manager can diminish the building owner’s legal independence (Sri Harini Dwiyatmi, 2020). It creates a tension in which a lack of conflict resolution standard and lack of clear land categorization affect agrarian disputes to remain unsolved or prolonged (Saim Aksnudin, 2023).

The legal standing of PT Indouildco over the hotel building was affectively nullified after the HGBs expiration in 2023. Nevertheless, the legal status of the hotel building is questioned. Using the interpretation of horizontal separation principle,

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the buildings could be retained by PT Indobuildco, unless the building purposes are overriding common good concerns (Kesek et al).

However, the current released court rulings only addressed and asserted that PT Indobuildco no longer has any legal rights over the buildings. No court rulings have specifically stated the status of the building, whether PT Indobuildco could retain it or not, as the dispute is still taking happening. Nevertheless, Setneg has released a press release that PT Indobuildco must vacate the Sultan Hotel (Kementerian Sekretariat Negara, 2025). The government has consistently reinforced that Setneg cq. PPKGBK is HPL land manager and have rights over the land once HGBs expired. Hence, the horizontal separation becomes constrained in the Sultan Hotel case due to being confronted with state ownership claims. However, as this case is still ongoing, PT Indobuildco's attorney has also been challenging this claim by citing law expert Prof. Boedi Harsono who have stated that plots land where the Sultan Hotel stands are not HPL, instead, the hotel stands in free state land (CNN Indonesia, 2025). Thus, they assert that government should not govern the Sultan Hotel's land under the government's HPL.

3.3. Legal Implications

a. Business and Investment Risks Implications

The legal business perspective sees a primary risk in tenure insecurity and the nature of HGB renewals that is not automatic through the Sultan Hotel case. In particular the risk is stronger when there are vague administrative discretions. Although Law No. 25/2007 on Investment assert legal and business certainty under Article 4 (2) (b) and Article 14 (a), the Sultan Hotel faced with administrative discretion upon their renewal after 30 years of HGBs and its 20 years extension (UU No. 25 Tahun 2007, Article 4 Paragraph (2) Point (b) and Article 14 Point (a)). Investors supposed to have legal rights on certainty and security for their business. In this case, the 20 years extension in 2002 deemed flawed due to the absence of consent from the HPL holder (Setneg cq. PPPKGBK) although PT Indobuildco did not do any misconduct on the extension's prerequisites based on Article 26 Paragraph (1) on PP No.40/1996 (PP No. 40 Tahun 1996, Article 26 Paragraph (2)).

A regulatory risk is clearly illustrated from this case where investors can have massive consequences when state or regional agencies have procedural missteps. The Sultan Hotel has been operated by PT Indobuildco for decades, but its legal position weakened due to the absence of compliance to have the HPL holder consent for HGBs extension in 2002. This procedural misstep ultimately leading to state's power to reclaim both land and buildings from PT Indobuildco as the rightfully HPL holder. Apriani and Bur further explain that as Indonesia's current land registration model is founded on a negative publication system, there are legal rights vulnerabilities because the model is weak to evidentiary force and not giving automation legal protection for the land right holders (Desi Apriani and

Arifin Bur, 2020). The case implies that protection investments in Indonesia often dependent on administrative interpretation and bureaucratic relationship rather than only based on statutory law. Hence, what Prof. Boedi Harsono notes is very important, that state institutions need to avoid any contradictory interpretations of land status to uphold legal certainty in land registration under UUPA, particularly in significant dispute such as the Sultan Hotel case (Harsono).

Furthermore in this case, the impact to human resource in this case is also overlooked. There are residential and commercial tenants alongside the hotel staff which clearly faced uncertainty due to this dispute. Especially post-eviction orders. There is lack of transparent procedure over the humane transition which caused uncertainty over their employment, residency, and business, albeit PPKGBK has emphasized that they have considered and will ensure appropriate solutions and mechanisms to protect the interest and rights of affected parties of this dispute (Alifian Asmaaysi, 2023).

Furthermore, this case also exemplifies unclear boundaries between public land management and private development rights despite the long-term nature of the investment. This highlight Indonesia's Agrarian Law's vulnerability for business sectors, which has also been mentioned by OECD through their reports about unclear land licensing and tenure insecurity as a discouragement for both foreign and public investors (OECD, OECD Investment Policy Reviews – Indonesia., 2020).

Hutagalung in his study has also explained that imbalance in power between investor and state due heavy dependency on the discretion of government agencies could rise unpredictable legal guarantees (Hutagalung). This situation could ultimately undermine a broader goal to foster business-friendly investment environment in Indonesia. For investors who consider long-term capital deployment in strategic locations involving state land such as GBK, this dispute evidently weakens Indonesia's business confidence. In particular, the investors' perception of legal reliability in Indonesia. Diab et al. mention safeguarding for consumers in order to give business protection is by upholding legal transparency, in this study context is to sustain transparency on land-based commercial licensing in order to protect fair business environments against unpredictable output due to legal dispute (Ashadi L Diab et al., 2023).

b. Absence of Indemnity Agreement Implications

A critical gap in the prolonged dispute encircling the Sultan Hotel case is the absence of a clear indemnity agreement between the HPL holder and the HGB title holder, which is PT Indobuildco. This gap due to omission illustrate complexities in both legal and practical ways on, particularly when the usage of rights was expired. As stated in Article 35 Paragraph (1) of Law No. 9 of 2004 about the State Administrative Court (UU PTUN), which stipulates:

"A person or civil legal entity who feels that their interests have been harmed by a State Administrative Decision may submit a written lawsuit to the competent court containing a demand that the disputed State Administrative Decision be declared null and void or invalid, with or without a demand for compensation and/or rehabilitation (Law No. 9 of 2004)."

This article lucidly affirm that a private legal entity is entitled to file a lawsuit to demand any cancellation of the court decision and optionally request a compensation. It creates a foundation for PT Indobuildco to claim compensation following the court rulings post-HGBs over Hotel Sultan were expired. However, there is no acknowledgement of an indemnity clause that obligate the state to give PT Indobuildco a compensation throughout the dispute's court rulings. In point of fact, Court Decision Number 341/B/2024/PT.TUN.JKT in September 2024 stated the following:

"...and there is no direct loss to the interests of the Appellant/former Plaintiff with the issuance of a quo disputed object (Decision Number 341/B/2024/PT.TUN.JKT)."

This court rulings reaffirm what Setneg and PPKGBK have maintained, which is after HGBs are expired without renewal rights, the state has no obligation to warrant a compensation (Almadinah Putri Brilian, 2023). It reflects further how agrarian related law stipulate no indemnity upon land rights expiry over state-controlled lands, particularly in this case, is when the rights were not extended lawfully. In a legal comparison study between Indonesia and Malaysia, Sudiyana and Mohd find that during land tenure transitions, investment law in Malaysia has a clearer indemnity standard and structured investor protections (Sudiyana Sudiyana and Zahir Zamre Mohd Zahir, 2025). It further illustrates Indonesia's regulatory gap in protecting investors, in particular business that intersects with state-controlled land.

As this absence of indemnity agreement is portrayed through the Sultan Hotel case, it imposes risk for investors who aim to have long-term projects in state-controlled land. Rahman and Tista emphasize that such risk may diminishes investor trust in public-private land arrangements due to weak legal predictability (Rahman and Tista). Helmi further suggests in his study that robust legal instruments are needed for the commercialization of state land in order to increase investment security (Happy Hayati Helmi, 2019).

4. Conclusion

The dispute over The Sultan Hotel illustrates structural weaknesses in Indonesia's land governance, particularly in the extension of Right to Build (HGB) over Management Rights (HPL). The extension of HGB No. 26/Gelora and HGB No. 27/Gelora by the National Land Agency regional office in 2002 without approval from the State Secretariat of the Republic of Indonesia violated Government Regulation No. 40 of 1996 and created legal uncertainty despite formal registration. The case also exposes limitations in applying the horizontal separation principle when HGB exists on HPL-controlled strategic land, generating overlapping authority between the state and private rights holder. Beyond an agrarian dispute, the conflict highlights investor vulnerability due to the absence of indemnity mechanisms, weak administrative coordination, and regulatory ambiguity. Therefore, this study emphasizes the urgency of agrarian law reform through standardized indemnity clauses in HGB-over-HPL agreements and the integration of agrarian commercial risk safeguards into investment regulation to strengthen legal certainty, protect strategic assets, and maintain investor confidence.

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