

Local Government Authority in Supervising Land Lease Agreements for Billboards to Ensure the Fulfillment of the Principle of Proportionality

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Abstract: : A This article analyzes the intersection between public administrative authority and private autonomy regarding billboard land lease agreements in Surabaya. The purpose of this study is to examine the regulation of local government authority in supervising these agreements and to design an ideal supervisory framework that ensures the fulfillment of the principle of proportionality. Employing a normative legal methodology with statute, conceptual, case, and comparative approaches, this study evaluates the implementation of Surabaya Mayor Regulation Number 70 of 2024 and relevant judicial precedents. The findings reveal a significant normative gap; current local government oversight remains strictly formalistic and restricted to administrative compliance, leaving substantial contractual imbalances and adhesive clauses unaddressed until they escalate into litigation. To resolve this, the study proposes an ideal, integrated supervisory construction that harmonizes public administrative law with private contract law. This framework incorporates a pre-licensing administrative review of minimum contractual standards, unified inter-agency coordination, and non-binding balanced guidelines. Ultimately, this preventive approach effectively safeguards the public interest, ensures legal certainty, and protects the contractual equilibrium for all stakeholders without undermining the principle of freedom of contract.

Keywords: Administrative Supervision; Local Government Authority; Land Lease Agreement; Billboards; Proportionality Principle.

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1. Introduction

Billboard installation in Surabaya is not merely a promotional activity for business actors, but also a form of urban space utilization with economic, administrative, and social consequences. While it contributes to local revenue and shapes the city's aesthetics, the legal relationship in land lease agreements for billboards involves not only private subjects but also local government authority in regulating spatial planning to protect public interests. Surabaya Mayor Regulation Number 70 of 2024 provides the

legal basis for billboard management; however, its substance heavily focuses on administrative aspects such as licensing, technical requirements, and enforcement, leaving the balance of rights and obligations within the underlying land lease agreements unaddressed comprehensively, which often triggers practical legal issues (Ardiansah & Adillah, 2022).

Based on regional government regulations, the local authority is empowered to regulate and supervise billboard installation as part of public administration. Concurrently, land lease agreements reside within the realm of private law based on the principle of freedom of contract, as also reflected under the Indonesian Civil Code (KUHP/KUHPerdata). This dualism creates an intersection regarding the boundaries of government intervention in contractual relationships, prompting a crucial study on how far the government can ensure the fulfillment of the principle of proportionality without undermining the parties' freedom to determine their contract's content. Moreover, Law Number 1 of 2022 mandates advertisement tax as local revenue, which further strengthens administrative oversight, yet leaves the equilibrium of the contractual relationship underregulated (Kuhon et al., 2025).

The high economic value of land used for billboard locations significantly increases the potential for legal disputes. Conflicts often arise regarding land use, lease periods, contract renewals between landowners and tenants, and administrative non-compliance with local government regulations (Sakinah, 2019). Furthermore, upon contract expiration, the ownership and utilization of remaining advertising materials with economic value frequently pose additional legal challenges, demonstrating that billboard installation directly intersects both private interests and public policy (Peraturan Walikota Surabaya Nomor 70, 2024). In business practice, these leases commonly utilize standard contracts (*kontrak baku*) prepared unilaterally by the dominant party, limiting negotiation, causing an imbalance of rights and risks, and neglecting the principle of proportionality which demands a fair distribution of benefits and burdens.

Through Law Number 6 of 2023 regarding spatial planning and business licensing, the government has strengthened legal certainty for business activities, including land utilization for billboards (Undang-Undang Nomor 6, 2023). Under this framework, the state holds the responsibility to ensure that land use aligns with the principles of legal certainty, justice, and proportionality, consistent with Article 33 of the 1945 Constitution of the Republic of Indonesia which mandates that resource management must maximize public welfare (Azura & Joesoef, 2022). Previous literature by scholars like Agus Yudha Hernoko, Alfiandra, and Fachri has explored the local government's role in balancing contractual rights and handling unauthorized advertisements, yet

existing studies tend to isolate the principle of proportionality within private law without integrating it into local government administrative authority.

This study addresses this gap by combining public administrative law and contract law perspectives to examine local government supervision over billboard land lease agreements as an instrument to enforce the proportionality principle. Without adequate supervisory mechanisms, standardized contracts in public spaces will continue to create inequities that harm landowners, tenants, and the public. Therefore, this research aims to provide academic and practical contributions by designing a structured supervisory framework that fosters fair, transparent, and balanced contractual relations while ensuring legal certainty for all stakeholders.

In conclusion, ensuring the principle of proportionality within billboard land lease agreements requires a clear legal formulation regarding the limits and methods of local government intervention in private contracts. Based on the background described above, this study formulates two main research questions: first, how is the regulation of local government authority in supervising land lease agreements for billboards to ensure the fulfillment of the principle of proportionality? Second, what is the ideal construction of local government supervision to guarantee the fulfillment of the principle of proportionality in land lease agreements for billboards?.

2. Method

This study employs a normative legal research method, examining law as a cohesive system of norms, statutes, principles, and doctrines that govern contractual arrangements and public spatial utilization, rather than focusing on empirical facts. This method is utilized to evaluate the local government's authority in ensuring equitable contractual relations and applying the principle of proportionality to billboard land lease agreements (Nikhio et al., 2023). By synthesizing statutory frameworks and scholarly doctrines, this approach provides a solid legal foundation to balance private agreements with public interests (Fawa'id & Huda, 2020). To achieve this, four complementary approaches are applied: the *statute approach* examines legal synchronization and potential norm vacuums within the Indonesian Civil Code, Law No. 23/2014, Law No. 1/2022, Law No. 26/2007, and Surabaya Mayor Regulation No. 70/2024 (M. I. R. et al., 2019), the *conceptual approach* draws from public administration and contract law theories to establish parameters for evaluating government oversight (Sinaga, 2019), the *case approach* reviews court decisions and practical disputes regarding outdoor advertising to contrast *das sollen* (what the law mandates) with *das sein* (legal reality) (Susanto et al., 2021), and the *comparative approach* analyzes structural variations between Surabaya's frameworks and other regions to model an effective supervisory construction (Yatini et al., 2023).

The research systematically incorporates and categorizes legal data into primary, secondary, and tertiary sources to establish a rigorous normative foundation (Amalia & Prasetyawati, 2019). Primary materials consist of legally binding instruments, including the Indonesian Civil Code (specifically Articles 1320–1338 on contract validity and Article 1548 on leases), regional governance laws, fiscal decentralization statutes, and relevant court rulings. Secondary materials provide academic interpretation through legal textbooks, dissertations, and scholarly articles drawing significantly on Prof. Agus Yudha Hernoko's theories on the principle of proportionality while tertiary materials encompass legal dictionaries, encyclopedias, and statutory indexes to clarify technical terminology (Djadjuli, 2018). Eschewing empirical field data, the collection technique relies on a structured literature review where sources are systematically indexed by type and relevance (Fauzie, 2022). Primary legal provisions and judicial precedents are compiled comprehensively (Hernoko, 2016), secondary and tertiary materials are gathered step-by-step through digital academic databases like Google Scholar, Garuda, and SINTA, (Yatini et al., 2023) and the entire data inventory is executed progressively from legal issue identification to data classification.

3. Result & Discussion

3.1. Local Government Authority in Supervising Land Lease Agreements for Billboards to Ensure the Fulfillment of the Principle of Proportionality

Land lease agreements for billboards possess a distinct legal character compared to general leases. While the contractual relationship is born out of private consensus under the Indonesian Civil Code (KUHPdata), its execution strictly hinges upon public administrative approvals and zoning regulations. Consequently, local government actions such as the rejection, suspension, or revocation of a billboard permit directly impact the contract's efficacy; although the private contract is not automatically voided *de jure*, it factually loses its economic utility because the leased object can no longer be utilized (Britniantini & Prathama, 2023).

Under public authority theory, local governments may only act within the explicit powers allocated by statutory law. In billboard management, this attribution of authority originates from Law Number 23 of 2014 regarding Regional Government, which empowers local authorities to govern spatial planning, licensing, and public order (Djadjuli, 2018). However, this public mandate historically does not extend to intervening in the substance of private contractual relations, leaving a critical normative gap between private autonomy and public spatial management.

This regulatory disconnect is highly visible in Surabaya Mayor Regulation Number 70 of 2024. Although this regulation strengthens administrative oversight regarding licensing, technical specifications, and tax compliance, its orientation remains strictly

formal (Peraturan Walikota Surabaya Nomor 70, 2024). It treats the underlying land lease agreement as an isolated private domain. Consequently, as long as administrative criteria are met, billboard permits continue to be issued even if the contract's clauses distribute rights, obligations, and risks in a highly disproportionate or unilateral manner.

Ideally, administrative supervision should incorporate both repressive and preventive functions. In practice, however, preventive oversight in Surabaya is restricted to verifying formal checklists rather than evaluating whether the underlying contract disrupts contractual equilibrium or violates public policy. Because the current framework lacks a normative mechanism to evaluate the contract before permit issuance, most substantial contractual imbalances remain unaddressed by the state and are only adjudicated after deteriorating into civil lawsuits (Mytaros et al., 2022).

From a private law perspective, Article 1338 of the KUHPerdata guarantees freedom of contract, yet this freedom is inherently restricted by Article 1337 (public order and morality) and the mandate of good faith. Currently, local governments lack the legal basis to deny a permit solely because a private contract lacks economic proportionality (Fatimah & Asyiah, 2025). Therefore, state intervention must not dictate economic terms like rent prices, but should instead enforce minimum protective standards to ensure that public space utilization does not facilitate the abuse of dominant bargaining positions.

This legal friction stems from a structural misalignment between private law, which protects individual autonomy, and administrative law, which secures public interest. Because billboard leases inevitably affect public safety, urban aesthetics, and local revenue, the private contract and the public permit are functionally interdependent (Wibowo & Sumriyah, 2025). Resolving this mismatch requires a harmonized framework where administrative compliance is explicitly linked to the preservation of the principle of proportionality within the contract, transforming supervision from a reactive measure into a proactive safeguard (Bagaskara, 2025).

3.2. The Ideal Construction of Local Government Supervision to Guarantee the Fulfillment of the Principle of Proportionality in Land Lease Agreements for Billboards

The judicial dispute in Judgment Number 123/G/2020/PTUN.Sby serves as a vital benchmark illustrating the systemic flaws of isolated rule-enforcement approaches in regional administration. In that case, the local authority enforced a sudden moratorium and subsequently demolished a billboard structure despite the operator having consistently fulfilled its tax and regional retribution obligations (Saleh & Firmansyah, 2025). By prioritizing aggressive enforcement over procedural certainty, the state

placed the business actor in an untenable legal position, proving that a purely formal administrative focus fails when it completely disregards the pre-existing private contractual relationships underlying public space utilization.

To prevent such institutional failures, the ideal construction of local government supervision must be built upon a systematic integration between public administrative law and private contract law. These two legal regimes have historically operated in isolation, with private law protecting individual autonomy and administrative law securing public order (Patta, 2022). However, because billboard leases directly affect urban aesthetics, spatial planning, and public safety, they cannot be treated as purely private matters. The proposed model positions these two regimes as complementary instruments designed to achieve legal certainty and ensure contractual equilibrium.

This integrated framework does not authorize the state to arbitrarily rewrite commercial terms or override party autonomy. The principle of freedom of contract, as guaranteed under Article 1338 of the KUHPerdata, remains the bedrock of contractual relations, meaning local governments cannot dictate specific rental prices or profit-sharing percentages (Handayani, 2023). Instead, the boundary of government intervention is strictly limited to public interests and legal protection, ensuring that the contracts used as the basis for permit applications do not contain clauses that systematically strip a weaker party of fundamental legal rights.

Structurally, this ideal model requires shifting the regional government's orientation from a reactive, repressive mechanism to a proactive, preventive system. Currently, supervision in cities like Surabaya only occurs after a billboard is erected or when physical and administrative violations are detected in the field (Alrasidy, 2022). This traditional approach causes state intervention to appear only after disputes have escalated. A preventive model, conversely, integrates supervision into the pre-licensing stage, requiring an administrative assessment of the lease agreement before a billboard permit is formally issued.

Under this preventive paradigm, the local government implements a structured administrative review focused on a defined set of minimum legal standards within the contract. This review verifies baseline parameters, including the clear legal capacity of the contracting parties, verifiable proof of land ownership, and complete synchronization between the lease duration and the statutory permit periods (Kasim & Kamal, 2024). Additionally, the state ensures that the contract explicitly details the distribution of responsibilities regarding maintenance, dismantling costs, and structured dispute resolution mechanisms.

Furthermore, this ideal construction necessitates the structural integration of fragmented regional agencies. Currently, billboard governance is scattered across multiple institutions, including spatial planning offices, licensing boards, regional revenue agencies, and the municipal police (Satpol PP), frequently resulting in contradictory administrative. The proposed framework introduces a unified, joint-review pipeline where spatial, fiscal, and contractual elements are evaluated simultaneously, ensuring that a business operator who has fulfilled obligations to one agency receives equal legal certainty from the others.

To operationalize this model without infringing upon the freedom of contract, local governments must expand their public service function by providing formal, non-binding administrative guidelines for billboard leases. These guidelines would serve as an educational benchmark for landowners and advertising operators, outlining balanced clauses regarding risk distribution, force majeure, and regulatory shifts (Amalia, 2023). By providing an accessible template for equitable risk allocation, the state actively minimizes the prevalence of adhesive standard contracts (*kontrak baku*) that typically penalize the party with lower bargaining power.

In accordance with the principle of proportionality developed by Agus Yudha Hernoko, this administrative review does not demand absolute mathematical equality, but rather a rational distribution of benefits and burdens based on each party's role. The landowner provides an economically valuable asset, while the operator bears construction, permitting, and maintenance costs. The government's role is simply to act as an objective supervisor, verifying that the contract does not contain predatory clauses that shift all operational and regulatory risks onto one party without fair compensation.

The necessity for a balanced risk-distribution clause becomes especially evident when changes in government policy disrupt ongoing contracts, as observed during administrative moratoriums. An ideal contract must include a comprehensive force majeure framework that explicitly addresses regulatory changes or spatial rezonings that obstruct billboard utilization through no fault of the contracting parties. When such administrative shifts occur, the supervisory model should encourage structured contract renegotiation regarding lease periods or payment adjustments rather than permitting unilateral contract termination.

To maintain this contractual equilibrium throughout the life of the lease, the ideal construction must also incorporate a mechanism for periodic administrative evaluation. Local government oversight should not terminate once a permit is granted; instead, it must include a streamlined reporting system where parties notify the state of significant changes, such as land title transfers, lease assignments, or budding civil

disputes (Sugiantoro et al., 2023). This continuous flow of information provides the local authority with a reliable empirical basis before executing subsequent administrative actions.

Furthermore, local governments must establish clear Standard Operating Procedures (SOPs) that govern enforcement timelines when contract-related violations are identified. Before moving directly to heavy sanctions like demolition, the state must verify the root cause of the non-compliance, distinguishing whether it arises from willful operator neglect, an unresolved private contractual dispute, or an administrative delay caused by the government itself (Guci, 2021). Handling each violation according to its specific character prevents arbitrary enforcement and protects the economic utility of the contract.

Ultimately, this ideal supervisory model anchors itself on the core principles of administrative transparency and accountability, rectifying the procedural deficits highlighted in past litigation. Any administrative intervention whether it involves a permit denial, an application delay, or an enforcement action must be accompanied by explicit legal reasoning detailing its impact on the active lease. By synthesizing preventive contract reviews, multi-agency coordination, and clear enforcement protocols, the local government successfully safeguards public space while upholding the principle of proportionality.

4. Conclusion

Ensuring the principle of proportionality within billboard land lease agreements requires a structural shift from a reactive, formalistic rule-enforcement approach to an integrated, preventive supervisory framework that harmonizes public administrative law with private contract law. By utilizing a pre-licensing administrative review of minimum contractual standards, establishing unified inter-agency coordination, and providing non-binding standardized guidelines, the local government can effectively safeguard the public interest and prevent contractual imbalances without violating the principle of freedom of contract. Ultimately, this idealized construction transforms regional oversight into a mechanism that guarantees legal certainty, fosters transparent and accountable administration, and protects the economic utility of contracts for all stakeholders

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