

**Study on Urban Renewal Policies for the Urban Renewal Strategy Review**  
HKU Research Team  
**Progress Report 4**  
**As of March 31, 2009**

**Major tasks**

1. The research team had submitted the completed draft policy review report (English version) and the Chinese version will be submitted after the confirmation of the English version.
2. The research team had assisted in arranging the official Tokyo (8<sup>th</sup> to 11<sup>th</sup> Feb 2009) and Shanghai (26<sup>th</sup> to 28<sup>th</sup> March 2009) trips, and Dr. C.K. Law and Dr. Wong Yu Cheung had accompanied these trips respectively.

**Study Report**

3. The draft Chapters on the 6 Asian cities of the Policy Study Report have been circulated to Members in early January 2009 and initial thoughts on the lessons learnt have been presented to Members at the 22 January meeting of the Steering Committee on Review of the Urban Renewal Strategy.
4. A draft full report, with Members' views incorporated, is attached. Members are invited to note, in particular, Chapter 9 on Summary and Comparison of the six cities and Chapter 10 on Lessons learnt, conclusions and recommendations.
5. Subject to Members' comments and endorsement, the whole report will be uploaded to the website of the Review of the URS.

**Study Report**

**Urban Renewal Policies in Asian Cities**

**for the**

**Urban Renewal Strategy Review**

**March 2009**



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## **Chapter 1: Existing Urban Renewal Strategy in Hong Kong – Background and Issues**

### **Background of Study**

1 In mid-2008, The Development Bureau of the HKSAR Government has started the Urban Renewal Strategy (URS) review exercise. As part of the URS Review, a Research Team from the University of Hong Kong was engaged in August 2008 to conduct a study on a number of Asian cities, including Seoul of South Korea, Tokyo of Japan, Singapore, Taipei, Shanghai and Guangzhou with respect to their urban renewal strategies.

2 The main objective of this study is to identify lessons that can be learnt from the policies and practice experiences of the selected Asian cities and that may serve as references for the current URS review process in Hong Kong.

3 This research includes both documentary study and a study visit to each of the selected cities paid between October and November 2008. Interviews with the relevant urban renewal implementation agents, key stakeholders, academics, and affected parties were made in these visits.

### **Brief history of the development of urban renewal strategy in Hong Kong**

#### From the Land Development Corporation to the Urban Renewal Authority

4 In 1987, the Land Development Corporation Ordinance (LDCO) was enacted. Subsequently the Land Development Corporation (LDC) was established in 1988 with the objective, as spelt out in the LDCO, “to improve the standard of housing and the environment in Hong Kong by undertaking, encouraging, promoting and facilitating urban renewal” (Section 4, Cap 15).

5 In July 1995, the HK government issued a public consultation document on urban renewal which put forward a package of proposals to expedite the process of urban renewal. In June 1996, the HK Government published a policy statement entitled “Urban Renewal in Hong Kong” which proposed, amongst other things, the establishment of a new statutory authority.

6 In the 1999 Policy Address, the Chief Executive announced the establishment of the Urban Renewal Authority (URA) in 2000 to replace the Land Development Corporation (LDC) to implement a new rigorous and comprehensive approach to overcome the problem

of urban decay. The major reasons for setting up the URA to replace LDC were<sup>1</sup>:

- Scarcity of sites for profitable redevelopment
- Lengthy land assembly process
- Inadequate re-housing resources
- The statutory duty of LDC was to carry out redevelopment of buildings only without other functions of urban renewal such as rehabilitation.

### The Urban Renewal Authority White Bill

7 On 22 October 1999, the Government gazetted the Urban Renewal Authority White Bill for public consultation. A sub-committee was established under the House Committee of the Legislative Council (LegCo) to study the White Bill<sup>2</sup>. The Sub-committee recommended and the Administration accepted:

- To adopt a people-oriented approach and to minimize disruption to social network in the urban renewal process, the Administration should critically assess the need to undertake social impact assessment before launching a redevelopment project.
- That protection of heritage should be included<sup>3</sup>.

8 There was one diverse view expressed by depositions on the role of the URA, i.e. the “Government/URA should be more proactive and imaginative in terms of planning and resource utilization in solving urban deterioration” versus “the URA should only assume the role of a facilitator and promoter in urban renewal”. Apparently, the spirit of the White Bill was in line with the first approach.

9 There were a number of concerns raised by the Sub-committee and apparently such concerns still linger today. These concerns include:

- To allow the URA to sell land resumed under the Lands Resumption Ordinance to a private developer makes it difficult to reconcile with the cardinal principle to resume land for a public purpose.
- The level of compensation – the 10-year old standard used by the LDC and suggestions from 5-year old standard to a new flat.

10 The Sub-committee also noted the division of work between the Building Authority (BA) and the proposed URA, while the URA would be responsible for the urban renewal in the

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<sup>1</sup> Report for the House Committee meeting on 11 February 2000, “Report of the Subcommittee to study the Urban Renewal Authority White Bill”.

<sup>2</sup> *Ibid.*

<sup>3</sup> The Administration accepted the Legislative Council Members’ suggestion to revise the clause 5 of the White Bill to expressly provide for the preservation of historical, cultural and architectural sites and structures as one of the purposes. We noted that the emphasis was on the physical sites and structures.

nine action areas, the BA would be responsible for the implementation of a preventive maintenance strategy in other areas.

### The Urban Renewal Authority Bill

11 The URA Blue Bill was gazetted on 3 February 2000. The provisions of the Blue Bill were essentially the same as those of the White Bill except on some drafting and technical points. Again, the level of compensation was one of the hottest issues debated at the Bills Committee and at the resumption of second reading.

12 On June 26, 2000, the second reading of the URA Bill was resumed. LegCo members expressed the following wishes and concerns and, apparently, these issues still exist in the current discussion related to urban renewal:

- The level of compensation: most of LegCo members who had spoken commented on this issue and requested a higher level of compensation.
- The Chinese name of URA (市區重建局) suggested that the emphasis was still on redevelopment instead of a balance approach of urban renewal.
- More emphasis on preservation, e.g. instead of individual buildings, conservation of the whole street, whole area or whole terrace should be considered.
- Plot ratio transfer should be considered to make preservation of private buildings possible.
- While there were doubts about the possibility of completing 200 projects in 20 years, there were also demands for faster rate of redevelopment.
- The resettlement of residents in the same district particularly the old people.
- The resettlement of tenants, particularly those not meeting the eligibility criteria of the Housing Authority.
- The partnership between the URA and developers and the strengthening of the alleged image of “interest transfer” (官商勾結).
- The role of the URA, e.g. facilitator role only, assembling land and sell it to developers only, etc.
- Whether the self-financing principle is necessary or feasible.
- The composition of the URA Board, i.e. purely appointed by the Chief Executive.
- The inadequacy of appeal procedures for the URA projects.
- The transparency of the URA operations.

13 On third reading, the Bill was passed with only two objections from the Hon. Christine Loh and Hon. Leung Yiu-chung. Loh’s objection was primarily on the role of the URA. She preferred a more market-led approach of urban renewal instead of having a public body

to be “an equity risk partner in development.”<sup>4</sup> Leung’s dissatisfaction was mainly concerned with the coercive land resumption power spelt out in the URA Bill, the lack of an urban renewal strategy prior to passing the Bill, and the compensation package proposed by the Administration.

### **The Urban Renewal Strategy<sup>5</sup>**

14 Section 20 of the URAO (Chapter 563) requires the Secretary for Planning and Lands to consult the public before finalizing the Urban Renewal Strategy (URS). The consultation took place between August 1, 2001 and September 30, 2001. On the basis of the comments received from over a hundred submissions, the draft URS was revised and subsequently published in November 2001. It spells out the principles, objectives of urban renewal, and the targets, the role of URA, the land assembly process, the processing of projects including the social impact assessment, financial arrangement, parameters and guidelines. Lastly, it spells out that the “urban renewal strategy will be reviewed and updated regularly (every two or three years). The public will be consulted on the revised urban renewal strategy before it is finalized for implementation.”

15 The URS requires the URA to adopt a “comprehensive and holistic approach to rejuvenate older urban areas by way of redevelopment, rehabilitation and heritage preservation”<sup>6</sup>. Basing on the URS, the URA has established its 4Rs strategy, namely:

- to accelerate Redevelopment by replacing old buildings with new to provide a better living environment and neighbourhood;
- to enable and encourage the Rehabilitation of dilapidated buildings to prevent urban decay;
- to pReserve by maintaining and restoring buildings of historical and architectural value, and to sustain local characteristics;
- to Revitalise through enhancing and strengthening the socio-economic and environmental fabric for the benefit of our urban communities.

### **The key issues affecting the urban renewal process in Hong Kong**

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<sup>4</sup> Hanzard, Legislative Council, June 26, 2000.

<sup>5</sup> The terms “urban renewal” and “urban redevelopment” have been used quite interchangeably in Hong Kong and in many other countries. On the other hand, in the URS of Hong Kong, “urban renewal” includes redevelopment (paragraph 12-13), rehabilitation (paragraph 14-15), and heritage preservation (16-18). Thus, to avoid confusion, in this report, the term “urban renewal” is used in a broader sense, while “urban redevelopment” is one of the strategies in “urban renewal”.

<sup>6</sup> URS, paragraph 7.

16 As mentioned earlier, the objective of this study is to examine the overseas urban renewal experience and to identify lessons and options that are relevant and applicable to the Hong Kong context to address the urban renewal issues and problems to be used for discussion purposes during the public engagement stage. In identifying lessons to learn from overseas examples, this study should address the following issues:

The roles of the public sector, private sector, civic society, and the general public in urban renewal

17 The role of the URA in redevelopment has always been a matter of debate ever since the URA White Bill. For instance, on one end, there are advocates for the URA to simply play the role of a facilitator, i.e. enabling the public to redevelop their dilapidated buildings. Alternatively, the URA can perform a reactive or proactive land-assembly function or as it is now performing the planning, design and developer-partnership roles. On the other end, some considered that the URA should be even more proactive and should speed up the pace of redevelopment.

18 While under the principle of “small government, large market” no one would expect that the URA would take up the role of urban renewal solely on its own, not much attention has been paid to the extent to which the private sector or the market has been picking up its pace in urban renewal. While URA is brought in to deal with urban renewal issues when the market fails to deal with the relevant issues adequately, the setting up of the URA was not to address the relevant issues of the market within the private sector. The URA was set up to deal with some of the barriers faced by the LDC but not those of the private sector, though both the LDC and the private sector might have faced similar barriers. Overseas experience in dealing with similar issues faced by the private sector would be informative.

19 Ever since the formation of the Sub-committee of the House Committee to study the URA White Bill, LegCo members had urged the government to involve the community in planning and implementing urban renewal programmes and it was accepted by the Administration that people-come-first approach should be adopted. While the URA has stepped up its community engagement process in the past few years, the community (civic society organizations, professional bodies, and people affected) is demanding for higher level of participation in the planning, design, implementation, and ownership of urban renewal process. On the other hand, owing to the significant financial interests in urban redevelopment projects, there is always a need to strike a balance between the confidentiality of the URA projects and public participation.



20 The role of URA in the rehabilitation of buildings is more assisting and facilitating. On the other hand, preservation efforts made by the URA had been more administratively directed with a growing community participation in recent efforts. It is apparent that the role of the public sector versus the roles of other sectors of the society may vary from one dimension of urban renewal to another, namely, redevelopment, rehabilitation, revitalization and preservation. In particular, the role of the public sector should be reviewed with respect to the different dimensions of urban renewal. Furthermore, these dimensions continue to develop over time, as evidenced by the increasing emphases in recent years that the community has placed on cityscape, streetscape, repair and maintenance of older buildings, preservation of existing social network as well as revitalization of local economies.

### Financing model

21 In line with the objective that the urban renewal programme should be self-financing in the long run, the Government has been providing support to URA in the forms of equity injection and land grants at nominal premium. However, public expectation has been changing and has significant impact on the future financing model of urban renewal.

22 The major source of income of the URA is derived from the tender value of the assembled land over and above the cost of the redevelopment projects including acquisition and other operating costs. With the increasing demand on lower development density, particularly on URA projects, this source of income would be likely diminished in the future.

23 The demand for heritage preservation, so as rehabilitation and revitalization, has been mounting. As evidenced in the LegCo debate during the second reading of the URAO in June 2000, the request for a much broader and extensive conservation efforts was articulated by a number of LegCo members. At present, preservation efforts done by the URA were considered to be more a “spending” item than a self-financing item. While during the establishment of the URA there were already worries about the ability of the URA to finance its operations expressed, together with the expected reduction in income from redevelopment and increased spending in preservation, rehabilitation, and probably revitalization, how the URA can maintain its position of self-financing will become an issue. Models of financing preservation in other cities could serve as an important reference.

24 Another side of the financial equation is the compensation policy: This has always been a contentious debate on this issue in HK as in elsewhere. This issue involved many other related issues such as public housing policy, land policy, development rights, etc. This has been the major issue in the formulation of the URAO back in 2000. At the time of the LDC,

the compensation was equivalent to a 10-year old flat and subsequently upgraded to a 7-year old flat as a political compromise made during the establishment of the URA. The request for “flat for flat”, “shop for shop” and “owners’ participation scheme” was mentioned from time to time. The issue of “fair and reasonable compensation” should be revisited during this URS review.

#### Diverse views on urban renewal

25 The majority view is not always obvious. While there are individuals and groups that fight against almost any form of demolition and would like to keep everything in their status quo as far as possible, there are also individuals and groups that favour redevelopment and emphasize efficiency of project implementation and economic value of land. Different stakeholders also hold different views as in many cases of urban redevelopment, e.g. owner-occupiers of residential units tend to prefer redevelopment while operators of shops prefer rehabilitation. Community engagement process and urban renewal policies that are conducive to ironing out these differences would be crucial for urban renewal to achieve its missions.

#### Sustainable urban development

26 The interrelatedness of the economic, social and environment concerns shape modern urban development and urban renewal policies, with the social dimension growing into almost equal importance as the economic and environmental dimensions. While the social impact assessment has been adopted as a prerequisite for URA projects, urban redevelopment programmes of the URA are still frequently seen as destroying the urban fabric and local character as well as the social network. The urban renewal strategy review should also take this issue into account.

#### The planning and redevelopment process

27 Many owners and tenants are also concerned about the relatively long time taken to go through the planning procedures before the URA commences the acquisition process, and in some existing URA projects, such process has taken several years. Some owners for other reasons cannot wait for that long and subsequently had to give up their flats before the URA makes an offer. Furthermore, it is frequently alleged that tenants were “kicked” out before the URA freezing survey began. There are calls from LegCo members and the public that the URA should start the acquisition process before beginning the planning process.

### The pace of urban decay

28 While the existing URS aims to redevelop 2,000 buildings in 20 years, URA has commenced redevelopment of 500 buildings in the past 7 years, i.e. substantially below the target. On the other hand, there would be on average 500 buildings in HK each year reaching its end of design life (i.e. 50 years<sup>7</sup>) in the next ten years. The pace of redevelopment in both the private and public sectors lags substantially behind the growing rate of aged buildings. This issue has to be addressed and the appropriate strategies to deal with this issue have to be derived in the coming review of URS.

### The coverage of the scope of work of the URA

29 At the time of setting up of the URA, nine target areas were identified and beyond which it would be the responsibility of the Building Authority to implement a preventive rehabilitation programme. On one hand, it is apparent that the issue of urban renewal is faced by all parts of urban Hong Kong to different extents. On the other hand, priority setting is always a matter of policy and administrative decision. The process of identification and selection of priority target areas could be an issue to be reviewed.

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<sup>7</sup> The design life of 50 years does not mean that the buildings can only last for 50 years. With proper maintenance, “life expectancy” of buildings can be substantially extended.

## **References**

Legislative Council (11 February 2000) “Report of the Subcommittee to study the Urban Renewal Authority White Bill”, LC Paper No. CB(1)939/99-00

Legislative Council (23 June 2000) “Report of the Bills Committee on Urban Renewal Authority Bill”, LC Paper No. CB(1)939/99-00

Legislative Council (June 26, 2000) Hanzard.

## **Chapter 2: Methodology and framework of study**

### **International Urban Renewal Policy and Practice**

30 The six cities selected in the study are Seoul of South Korea, Tokyo of Japan, Singapore, Taipei, Shanghai and Guangzhou of the Mainland. One reason that these cities are chosen is because of the proximity to Hong Kong and the frequent cultural exchanges among these cities historically.

31 While these cities share some similar cultural elements, particularly the ancient Chinese culture, yet these cities differ in terms of urban development history, political structure, political culture, institutional setup in urban renewal, land policy including land use strategy and land title policy. For instance, in terms of urban development history, Seoul, Shanghai, Guangzhou and Tokyo have a much longer history than that in Hong Kong. Yet, Seoul and Taipei similar to Hong Kong had undergone rapid development since World War II. Singapore and Hong Kong shared one important common characteristics in urban development, which is the massive public housing from the 60's to the 80's, with Singapore in an even much larger extent, i.e. 85% of the Singapore population living in public housing and with 90% ownership in public housing<sup>8</sup>. All the selected cities except Singapore have multiple levels of government with the city government subsumed under the national government.

32 Furthermore, urban renewal is seen very differently in the various cities. For example, Singapore sees it as part of nation development and Japan sees it more as an instrument of economic development.

### **Approach /methodology of the study and detailed programme**

33 Literature review: This is basically a desk-top study of existing research literature available in journals, conference proceedings, books, and material in the internet and websites.

34 The Research team was also engaged in the discussion with the Steering Committee of the URS review, the URA, and the Development Bureau.

35 Participating in the Public Engagement process: this Research Team also worked closely

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<sup>8</sup> In Singapore, public rental housing only constitutes a small part (i.e. about 10%) of the population within public housing managed by the Housing and Development Board.

with the Public Engagement Team throughout the whole URS review process. Specifically, the Research Team members served as observer in the focus groups organized by the Public Engagement Team, assisted in the planning of the overseas study visit, and participated in the organization and presentation of a whole day seminar on overseas experience hosted by the URA on December 15, 2008.

36 The Research Team made use of its existing and also established new contacts with the academic network in the various countries to assist in data collection.

37 Field visits to each of the city were conducted by the research team. As not all the policy documents can be obtained via the internet or email communications with the relevant parties, particularly in the case of Tokyo and Seoul where documentations that are available in English or in Chinese can be quite limited, study visit is quite essential. The visits also enabled the collection of documents that are not available online. In these visits, interviews with various stakeholders were conducted. Photos of selected urban renewal projects can also be taken to illustrate the visual impact of urban renewal on the project sites. Various stakeholders include:

- the key officials of implementation agency (public sector): these involved two to four individuals from more than one public body/bureau/department depending on the complexity of the institutional set-up
- the key stakeholders: it involved several individuals or groups including academics, professionals, key personnel of advocacy groups in the area of urban renewal, representatives from the private sector participating in the chosen urban renewal projects.
- affected parties: representatives of residents or business operators affected in a chosen urban renewal project. Depending on the types of urban renewal programmes in the city chosen, one or more urban renewal projects were chosen, e.g. a revitalization, a rehabilitation and a redevelopment programme, etc depending on the representativeness and significance of the project.

38 In both the literature review and study visit, the following areas were studied:

- Institutional arrangements in formulating and implementing urban renewal policies;
- Statutory and executive power of implementation agencies and its composition of the board and public accountability;
- Land law and administration related to land ownership/tenure in the context of planning and development, the policy approach and powers to enable property acquisition or resumption;
- Financial model of urban renewal, financial arrangement of implementation

- agencies, and other financial instruments (e.g. tax relief or tax incentives);
- Relative emphasis on different types of urban renewal (i.e. redevelopment, rehabilitation, revitalization and preservation);
  - Role of the public sector (planner/facilitator/developer/etc.), business sector, NGOs, and the affected bodies;
  - Approaches used in different types of urban renewal including initiation of project, community participation, and financing;
  - Approaches used in various types of urban renewal (e.g. voluntary/statutory)
  - Compensation and re-housing policies;
  - Community engagement processes (statutory/non-statutory); and
  - Community involvement in shaping the content, mode, land use, conservation, development intensity and scale of urban renewal projects.

39 Apart from identifying “what” the above answers are and “how” the above can be achieved, it is also important to find out “why” these are done and can be done. The value basis, the political structure and culture in these cities, and the dynamics and power relationship among various stakeholders are important dimensions that we have to look into before we can assess the extent to which these overseas examples can serve as reference of urban renewal in HK.

### **Limitations of Study**

40 The issues covered in this study and the areas of specialized knowledge related to urban renewal are quite vast. Though the Research Team members have been involved in urban renewal studies in Hong Kong for a number of years, the study of urban renewal policies and practices of the selected Asian cities would demand comprehension of the social, cultural, historical, legal, political, economic aspects and the urban planning in these cities. This is the major challenge faced by the research team.

41 In the case studies of Seoul and Tokyo, the Research Team faced the issue of language. While literature in English is rather limited in these two cities, in the literature available in English, both official publications and academic publications, many of the English translations are not used quite consistently. The Research Team has tried its best effort to triangulate the information from various sources to ensure, first that they are referring to the same entity, and second to identify the most common factor of the different descriptions.

42 Similarly, interviews with the various stakeholders in Seoul and Tokyo have to be conducted via translators, and the translators are not trained in any way related to urban

renewal issues. The validity of the information obtained in this process would depend on the extent to which these translators can translate the various concepts of urban renewal in two different social and cultural contexts.



## Chapter 3: The Case of Singapore

### Background

#### Brief history

43 Singapore Island was the site of a Malay fishing village at the mouth of the Singapore River and an outpost of the Sumatran Srivijaya Empire founded in the 3<sup>rd</sup> century until the 13<sup>th</sup> century. Following the occupation of Singapore by the Portuguese and Dutch in the 16<sup>th</sup> and 17<sup>th</sup> century respectively, Singapore was under the control of Sultan Hussein Shah, until 1824, when the island became a British colony.

44 Singapore was occupied by the Japanese forces between February 1942 and September 1945. After the end of the war, Singapore was reverted back to British Rule. In 1959, Singapore became a self-governing state within the British Empire. In 1963, Singapore, alongside the Federation of Malaya, Sarawak and British North Borneo (Sabah) formed Malaysia. In 1965, Singapore became an independent state. Since 1959 self-governance, the People's Action Party (PAP) had won control of the Parliament in every election.

45 In mid-2008, the population of Singapore was 4.84 million<sup>9</sup>, out of which 25% were non-residents<sup>10</sup>.

#### Urban Renewal

46 With post-war population growth, substandard housing, hygiene problem, together with shortage of housing in general, demolition and reconstruction was clearly the general direction of urban development in the early years of Singapore

47 In 1964, the first urban renewal policy was formulated and in 1966, the Urban Renewal Department (URD) was established under the Housing and Development Board<sup>11</sup>.

48 In April 1974, the URD was turned into an independent statutory body, the Urban Redevelopment Authority (URA). The preservation of Singapore's historical and architectural heritage was first written into the objectives of the newly formed URA<sup>12</sup>. However, the focus was clearly on the clearance of slums and the redevelopment of the

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<sup>9</sup> Monthly Digest Statistics Singapore, Nov. 2008

<sup>10</sup> In Singapore, "residents" include citizens and permanent residents.

<sup>11</sup> HDB Annual Report, 1967.

<sup>12</sup> URA Annual Report, 1974/75, pp 2-3.

central Singapore area in the early years of URA.

49 In 1989, the URA merged with the Planning Department and Research & Statistic Unit of the Ministry of National Development. In the same year, with the enactment of the Planning Act, the URA officially became the national conservation and central planning authority.

### Land tenure

50 While theoretically all land belongs to the state, land tenure in Singapore can exist in different types, mainly, freehold, 999- years leasehold, and 99 years leasehold. There can be other variations such as 30 years, 50 years, 75 years, etc. depending on considerations such as a shorter period of tenure that will enable a coherent long term development plan in the area to be implemented in a future date. Freehold and 999 years' leasehold have become increasingly rare whilst the 99 years' leasehold has become the most common tenure in Singapore.

51 According to the Singapore Land Authority, expired land lease will normally not be renewed unless an extension is supported by the URA on the ground that it will be conducive to the achievement of long term development goals in a particular area.

### Housing in Singapore

52 In 2007, 81%<sup>13</sup> of the Singapore resident population<sup>14</sup> were living in public housing managed by the Housing and Development Board (HDB). While 95% of the public housing units were owned by the residents, 79% of the resident population lived in self-owned public housing and only 2% of the Singapore resident population<sup>15</sup> were tenants in public housing. In comparison, 18% of the Hong Kong residents were living in self-owned subsidized housing (provided by Housing Authority and Housing Society), and 31% were living in public rental housing.

53 The private housing stock of Singapore was relatively small constituting 21% of the

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<sup>13</sup> Year Book of Statistics Singapore, 2008

<sup>14</sup> These figures did not include 25% of the Singapore population who were neither citizens or permanent residents of Singapore. These 25% of the Singapore population probably lived in private housing or as domestic helpers in the residence of the Singapore residents.

<sup>15</sup> Please note the 81% and 2% figures are related to Singapore resident population, while the 95% figure is related to housing units, i.e. the 5% of public housing units housed 2% of the Singapore resident population, while the 95% of public housing units housed 79% of the Singapore resident population. In other words, the average household size of those living in public rental housing was very much smaller than that of those living self-owned public housing.

total housing stock in terms of number of housing units. Condominium was the most common form of private housing constituting about 46% of the private housing stock. Apartments constituted only a quarter of the private housing stock. We noted that condominium and apartments in Singapore were relatively new and their building started in the late 1970's.

**Table 3.1 Housing Stock in Singapore, 2007**

Housing & Development Board public housing	883,448
All private housing units	234,812
Houses (detached, semi-detached, terrace)	68,460
Apartments and condominiums	166,352

### **Redevelopment in Singapore**

54 Owing to the fact that condominiums and apartments in Singapore only began to be built some 30 years ago, the issue of dilapidation of multi-storey apartment buildings was basically not on the public agenda. Most of the redevelopment in Singapore was primarily related to the public housing managed by the HDB.

55 For private buildings, redevelopment is primarily privately led as long as the proposed redevelopment is consistent with the Concept Plan and Master Plan<sup>16</sup> under the URA.

56 There are basically three measures used by the Singapore Government in facilitating redevelopment in private housing, namely, lifting of rent control, En Bloc Sale, and waiver of building premium.

#### Lifting of Rent Control

57 Rent Control was introduced in 1947 to restrict a landlord's right to increase the rent of or remove the tenant from a rent-controlled property. This was to protect tenants from unscrupulous landlords during the housing shortage of post-war years<sup>17</sup>.

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<sup>16</sup> The Concept Plan is Singapore's strategic land use and transportation plan to guide development in the next 40 to 50 years. The Concept Plan is reviewed every 10 years. It ensures there is sufficient land to meet anticipated population and economic growth, and to provide a good living environment. The most recent Concept Plan is the 2001 version. The Master Plan is the statutory land use plan which guides Singapore's development in the medium term over the next 10 to 15 years. It is reviewed every five years and translates the broad long-term strategies of the Concept Plan into detailed plans to guide development. The Master Plan shows the permissible land use and density for every parcel of land in Singapore. The most updated version of the Master Plan was approved in November 2008.

<sup>17</sup> Ministry of National Development, Press Release, February 23, 2001.

58 However, rent control also reduces the incentive for owners to maintain the buildings when they see little return on additional investment. This has gradually led to dilapidation of buildings.

59 In 1970, the Controlled Premises (Special Provisions) Act was introduced to allow a landlord to recover his rent-controlled property for purposes of redevelopment by compensating the tenants for vacating the premises. The landlord had to apply to the Tenants' Compensation Board to recover the rent controlled property. The Board might require the landlord to compensate his tenants if they were eligible for such compensation. At the same time, the government had also provided public housing for eligible tenants. This change in legislation was seen as a step to remove some of the restrictions imposed by rent control.

60 On April 3, 1997, the Singapore Government announced its intention to abolish rent control by April 2001. On February 23, 2001, the Control of Rent (Abolition) Bill was introduced in the Singapore Parliament, and within a month the relevant law was enacted in March 2001. The Bill, in effect, abolished the Control of Rent Act and the Controlled Premises (Special Provisions) Act. The Tenants' Compensation Board was subsequently phased out upon completion of all work commenced before the abolition of the relevant Acts.

### En Bloc Sale

61 Collective sale (En Bloc) first appeared in Singapore in 1994 (Christudason, 2003<sup>18</sup>) for buildings with multiple owners. En Bloc sale led to the redevelopment of private residential or commercial buildings. At that time, a 100% consensus among existing owners was required. Proposal to lower the required percentage was made in 1998 and the amendment to the Land Titles (Strata) Act (LTSA) was effective from October 1999.

62 From then on, for buildings less than 10 years old, the owners of not less than 90% of the share values, share in land, or notional share in the land and not less than 90% of the total area of all lots (excluding the area of any accessory lot) or flats must agree in writing to sell all the units and common property or land to a purchaser under a sale and purchase agreement<sup>19</sup>. For buildings 10 years or older, the required percentage is 80%. We noted that there is no provision made in the LTSA requiring the STB to consider the conditions of the building (such as dilapidation) as required in Hong Kong. The LTSA empowers the STB to reject the application if it is not made in good faith.

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<sup>18</sup> Christudason, A (2003) "Optimisation of land use through innovative legislation in Singapore", Proceedings From The Prres Conference, Ninth Annual Conference, 19th to 22nd January 2003, Brisbane, Australia

<sup>19</sup> Land Titles (Strata) Act Sections 84A(1), 84D(2), 84E(3) and 84FA(2).

63 The “Strata Titles Board” (STB) is administered under the Ministry of National Development. It is constituted under Part VI of the Building Maintenance and Strata Management Act to hear applications

- for orders for collective sales under Part VA of the LTSA; and
- relating to certain types of dispute or matters relating to the strata units or the strata development including the common property<sup>20</sup>.

64 En Bloc sales had its own issues:

- There remain controversies in the LTSA. One of the recent legal challenges was related to the case of Horizon Towers<sup>21</sup>, where the minority owners appealed against the approval made by the STB to allow collective sale. The major challenge was made on constitutional ground, specifically the constitutional right that “no person shall be deprived of his life or personal liberty save in accordance with the law”, and “all persons are equal before the law and entitled to the equal protection of the law”. Hence, the minority owners should have equal rights as the majority owners to choose where to live and residence to own. The High Court of Singapore dismissed the appeal on July 17, 2008.
- There were reports that some owners tended to stop investing in maintaining their buildings when they were not sure if there would be En Bloc sale coming up, particularly when buildings of similar age in the vicinity had undergone En Bloc sale.
- Vandalism against dissenting owners had been reported at times (reg. Figure 3.1)
- Complaints from tenants affected by En Bloc sales were reported from time to time, as there was no provision in the LTSA for any compensation to the affected tenants.

Figure 3.1 Vandals on En-Bloc sale



Source: The Straits Times, Jul 26, 2008

### Waiver of building premium

65 The Singapore Government used to charge both a land premium and a building premium when extending a lease<sup>22</sup>. This practice constituted a disincentive to either maintain or

<sup>20</sup> Extracted from the STB website on November 31, 2008: <http://www.mnd.gov.sg/stb/abtus1.html>.

<sup>21</sup> The Horizon Towers case had been in dispute for some time. Initially, the STB dismissed the application of En Bloc sale by the majority owners due to a technical error in August 2007. But the High Court ruled in favour of the majority owners in October 2007.

<sup>22</sup> The building premium was included in the land premium and usually not quite transparent to the public.

redevelop a site close to the end of its leasehold, for at the end of the lease, if the building was demolished, there would be theoretically no building premium to be paid at the time of the extension.

66 In September 2008, the building premium was waived for all types of building including residential buildings<sup>23</sup>. The aim was to remove a potential hindrance to owners for upkeeping, improving or redeveloping an ageing property nearing the end of its lease.

### The case of One Shenton Way

67 This case is chosen, not because of its typicality, but because it is illustrative of the effort of the URA to implement a plan of revitalizing the central business district (CBD) and how approval of redevelopment projects has to be consistent with such plan.

68 One Shenton Way is situated in the CBD of Singapore within a short distance from the Marina Bay. The existing CBD is basically a dead district at night with hardly any activities going on. The URA planned to revitalize the CBD by moving population back to the area, i.e. increasing the existing 3% of Singapore population in the CBD to 7% in the next 30 years.

Figure 3.2 The future of One Shenton Way



Source: <http://Lushhomemedia.wordpress.com>

69 On the site, the previous Robina House was built in 1975<sup>24</sup>. The developer City Developments (CityDev) planned to redevelop the site in 2000 as a new office building and had obtained approval. However, owing to the downturn of the economy and lack of projected profitability, the plan was abandoned. In 2005, CityDev planned to redevelop the site into a two-tower apartment building<sup>25</sup> supplying 360 residential units with retail units provided at the ground level to create vibrancy and life at the street level. The total plot ratio approved was 11.2. As this plan was consistent with the URA plan for the CBD, the leasehold was allowed to be topped-up to 99 years from the remaining 63 years to make it more attractive to the developer and, future

<sup>23</sup> The Straits Times 2-9-2008, "Part of lease extension levy waived".

<sup>24</sup> The leasehold was 99 years starting from 1969. By 2005, 63 years of leasehold still remained.

<sup>25</sup> The higher tower would be 50 storeys high.

apartment buyers.

70 At the time of the study, the site was still under construction, though the CityDev has already pre-sold the apartments starting from late 2006.

### Conservation in Singapore

71 The Preservation of Monuments Board was established in 1971 under the Preservation of Monuments Act enacted on 29 January 1971. At present, it operates under the Ministry of Information, Communications and Arts (MICA)<sup>26</sup>. Its major objective is to preserve monuments and related data of historic, traditional, archaeological, architectural or artistic interests. It also seeks to protect and augment the amenities of monuments, as well as to stimulate public interest and support in the preservation of monuments.

72 As mentioned earlier, the formulation of the URA in 1974 had already included the elements of preservation. In 1976, the URA had initiated studies involving conservation and rehabilitation of whole areas. Chinatown was the most prominent among the large areas under study<sup>27</sup>. However, these studies remained exploratory in nature.

73 Owing to the decrease in tourists to Singapore, the Singapore government had set up a Tourism Task Force in 1984 to study the underlying problems, and to recommend appropriate measures. The recommendations of the Task Force were incorporated into the Singapore's first tourism master plan called the Tourism Product Development Plan. The Plan included the conservation of the ethnic enclaves including Chinatown, Little India and Kampong Glam.



Figure 3.3 Tourists and Street stalls in Chinatown

74 At the same time, the URA had conducted more detailed studies for Chinatown, Singapore River, Little India and Kampong Glam in 1985<sup>28</sup>. Results of these studies were

<sup>26</sup> Also under the MICA, National Heritage Board (NHB) was formed in 1993 to promote public awareness, appreciation and understanding of arts, culture and heritage, as well as explore the present heritage and nationhood of Singaporeans in the context of their ancestral cultures, via the collection, preservation and display of objects and records.

<sup>27</sup> URA Annual Report, 1976/77, pg 31.

<sup>28</sup> URA Annual Report, 1984/85, p. 3.

consolidated in the first Conservation Master Plan published by the URA in 1986.

75 In 1989, a new Planning Act was passed to provide URA with the power to designate conservation areas, and the power to issue guidelines for the conservation of buildings or land in a conservation area. Subsequently, in the 1989 Conservation Plan, designated areas including Chinatown, Little India, Kampong Glam, Singapore River - including Boat Quay and Clarke Quay - as well as residential areas like Emerald Hill, Cairnhill, Blair Plain, and secondary settlements like Joo Chiat and Geylang were given conservation status<sup>29</sup>.

76 One obvious question raised by Hong Kong readers would be whether there would be any compensation given to the affected property owners once a building or area is designated to be conserved by the URA for any possible loss of “development potential”. The Singapore government does not provide any compensation. When the Research Team asked for the views from Singapore government officials and other informants, their answers consistently were “Singaporean is very obedient”. We noted that in a questionnaire survey conducted in three conservation areas, namely Chinatown, Kampong Glam and Little India in October 1991 (Kong and Yeoh, 1994<sup>30</sup>), almost half of the respondents (49.1% per cent) agreed that the state should be pre-eminent in deciding what to conserve and how conservation should be carried out as against only 8% who felt that the voice of the property owners and residents of the affected buildings should be given a say<sup>31</sup>. However, it does not mean that there is no objection. The Research Team did find blogs in the internet expressing discontent from affected owners and residents, though hardly any newspaper reports on such objections could be found.

77 While the law requires the URA to consult the affected owners, the final decision is made by the Minister.

78 According to sources in the URA, conservation in Singapore would at present include anything that is 30 years old or more.

#### Measures to facilitate conservation

79 Currently, the URA adopts several measures to encourage or facilitate conservation:

- Waiver of development charges: Development charges were levied in Singapore on any enhancement in land value resulting from the government approval. The URA

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<sup>29</sup> Retrieved from the URA website: <http://www.ura.gov.sg/about/ura-intro.htm>, October 31, 2008.

<sup>30</sup> Kong, L, & Yeoh, B.S.A. (1994) “Urban Conservation in Singapore : A Survey of State Policies and Popular Attitudes”, *Urban Studies*, 31(2):247-265

<sup>31</sup> The other percentages went for the general public, interest groups, and professional groups.



would waive the development charges if any development of land within a conservation area is for the conservation of the buildings on the land and all the requirements of URA for conservation are fully complied with.

- The Preservation of Monuments Board administers the "Tax Exemption Scheme for Donations to National Monuments" to help raise funds used to restore and maintain monuments<sup>32</sup>. Donors to the scheme are entitled to double-tax exemption (twice the donation value) for donations on or after 1 January 2002.
- Waiver of car park deficiency charge: In planning standards of Singapore, car park provision has to be made otherwise car park deficiency charge would be levied. For conservation projects, such charges are waived.
- Gross Floor Area Incentive (2004) - For sites with plot ratio control, the scheme entitles owners of heritage bungalows to exclude the existing Gross Floor Area of their bungalows in the calculation of the floor area permitted in the Master Plan. This is an incentive primarily given to bungalow owners to preserve their buildings.
- To promote quality restoration, the URA launched the annual URA Architectural Heritage Awards in January 1995 to recognize owners, professionals and contractors who have gone beyond the basic essentials to restore monuments and conservation buildings to their former glory for today's use.

### Voluntary Conservation in Singapore

80 While the URA takes the major initiative to conserve historical areas and buildings, individual owners can apply on voluntary basis to conserve their own buildings.

81 The applications are made to the URA and will be assessed according to individual merits. Up to the time of this study, 18 individual buildings and 5 street-blocks have been accepted as conservation buildings because their owners volunteered to do so<sup>33</sup>.

82 While the Research Team was not quite sure of why people in Singapore would volunteer to conserve their properties, a source in the URA reckons that there are some people who are passionate about preserving the memories and heritage that come with physical properties.

### The case of Chinatown

83 As mentioned earlier, the initiative of conservation of Chinatown began with the

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<sup>32</sup> The Singapore Government does not invest any fund for the preservation of privately owned monuments.

<sup>33</sup> Information provided to the Research Team by the correspondent in Singapore URA.

recommendations of the Tourist Task Force in 1984. Its conservation status was designated in 1989 subsequent to the enactment of the Planning Act and the 1989 Conservation Plan.

Figure 3.4 An operator still operates in the original site after conservation



84 The sites were cleared by the Singapore Land Authority. Resumption was done either at the expiration of leasehold or acquisition at market price. Residents were given opportunities to be resettled by the HDB. Basically, all the residents were resettled elsewhere except for a few operators who returned to the shops in the Chinatown.<sup>34</sup> However, according to one of the operator interviewed by the Research Team, they had lost most of their original customer

base, as the original residents had been resettled elsewhere.

85 Within Chinatown, the URA carried out pilot conservation projects in Kreta Ayer and Tanjong Pagar. Acquisition was conducted by the Singapore Land Authority. In these pilot projects, the URA conducted the restoration work. In other sites, e.g. the Far East Square, the site was tendered out and restoration work was conducted by the successful tenderer according to the specifications spelt out in the tender document and conservation guidelines issued by the URA.

Figure 3.5 Tourist taking photos of the restored shop houses in China Town



86 Although adaptive re-use was chosen as the basic approach to conserving in Chinatown, criticisms of the preservation efforts were frequently heard. Many interviewees met by the Research Team would use words like “faked”, “superficial”, and “body without a soul” to describe the conservation of Chinatown. The literature consulted by the Team has been equally critical. For instance, the analysis of Chinatown by Chang and Yeoh (1999<sup>35</sup>) states

<sup>34</sup> The Research Team at the time of writing of this report has not yet confirmed the fact about how these operators returned to the original site.

<sup>35</sup> Chang, T.C., & Yeoh, B.S.A. (1999) “‘New Asia – Singapore’: communicating local cultures through global tourism”, in *Geoforum*, 30(2), pp 101-115.

that “the government’s strategy of landscape enhancement has been largely superficial, focusing on visual aesthetics and architectural elements appealing to the time-strapped tourist, rather than the complexities of local living cultures. This, in turn, has led to grassroots rejection of Chinatown as a ‘place for Singaporeans’”.

### Far East Square

87 Far East Square situated within the China Square adjacent to the north-eastern corner of Chinatown and the CBD was chosen to illustrate how the private sector had been brought into the arena of conservation.

88 The site itself was tendered out as a vacant site in 1995. The Far East Organization<sup>36</sup> won the tender. According to both interviewees at URA and the Far East Organization, one major reason for Far East Organization winning the bid was its idea of bringing some of the original shop operators<sup>37</sup> in the area back to the Square although this requirement was not specified in the tender<sup>38</sup>. The restoration project was completed in 1998. This project obtained a Certificate of Merit in the 24<sup>th</sup> International Design and Development Awards (2000) organized by the International Council of Shopping Centers and it has also won the FIABCI (The International Real Estate Federation) award in 2001. We noted that both awards were very much related to the commercial nature of the project.

Figure 3.6 The open space within Far East Square covered by a glass and steel canopy



89 Within the site, there are two national treasures, namely a Chinese temple converted to a street museum Fuk Tak Chi Museum and the oldest Chinese free school in Singapore, Chui Eng Free School converted to a dinner theater run by a local drama group. Moreover, an open air stage where Chinese operas used to be performed was converted into a glass-and-steel-covered pavilion for performances and entertainment. A total of 61 shophouses are conserved within the square. Apart from the glass and steel canopy covering the original streets between the rows of shophouses, the major new structure is the 322-bay car park built right outside the perimeter of the square.

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<sup>36</sup> The Far East Organization is a member of the Sino Group, one of the largest property developers in Hong Kong.

<sup>37</sup> Similar to the case of Chinatown, one of the shop operators who returned to the original site commented that they had lost their original customers who had been resettled elsewhere.

<sup>38</sup> According to the source in Far East Organization, to attract some of the original shop operators to come back to the square, it required personal persuasion and rent incentive.

90 According to a source in the Far East Organization, the reasons for taking up this project were profitability, though limited, and the passion for the preservation of heritage of Singapore.

91 The major themes of the Far East Square are food and entertainment. The open space within the square is frequently used for festival events, particularly those related to traditional Chinese festivals (e.g. mid-autumn festival).

92 While during lunch time, the Far East Square is pretty crowded with diners coming from nearby offices, it is difficult for the Square to maintain the same vibrancy in the evenings as the nearby CBD became almost dead at night.

### **The case of Little India**

93 Initially, the Research Team did not choose Little India as a case study. However, in the process of the study visit, many interviewees compared the conservation approaches used in Little India and in Chinatown. The Research Team subsequently paid a visit to Little India and collected some basic information.

94 Little India was originally a division of colonial Singapore under the Raffles Plan of Singapore where Indian immigrants would reside. Little India is an ethnic neighbourhood, particularly conspicuous in terms of trade and food industry. Historically, Little India was a place where Indians from India used to visit to buy things produced in Singapore, particularly gold ornaments. Today, the neighbourhood enjoys the patronage of all ethnicities who wish to buy goods specific to Indian culture or just to savour the taste of authentic Indian curry. Gold ornament shops are still very popular in Little India.

Figure 3.7 A street scene in Little India with tourists cramping in the narrow pavement



95 While the adaptive re-use approach used in Chinatown conservation was considered by many as artificial with only the physical structures being conserved whilst previous lifestyles and social fabrics were “demolished”, the approach used in Little India was considered by many to be more organic.

96 However, the Research Team noted that in the Little India Conservation Plan<sup>39</sup> the policy was similar to that spelt out for Chinatown, i.e. “to retain and restore buildings of historical and architectural significance; improve the general physical environment and introduce appropriate new features to further enhance the identity of the area; retain and enhance ethnic-based activities while consolidating the area with new and compatible activities; and involve both the public and private sectors in carrying out conservation projects”.

97 While, as mentioned earlier, many considered the approach in Little India has been more organic, the issue is, in fact, debatable. Sim (1996)<sup>40</sup> considered that the conservation in Little India had successfully retained traditional trades and a sizeable proportion of the incumbent resident population. On the other hand, Chang (2000)<sup>41</sup> pointed out that conservation had turned Little India into a “visitor-oriented district with shops and restaurants catering to a culture of consumption”. “Rents here are extremely high and many traditional activities have moved elsewhere”. Indeed, shops such as those which sold household items and groceries with lower turnover have been gradually phased out. It is quite evident that local visitors and tourists are the main patrons of Little India, while local residents suffer from the loss of shops/services which once catered to their everyday needs. In his study, Chang further illustrated how Chinese merchants have come in to occupy the refurbished shophouses while the Indians dominated the pre-conservation shophouses. The presence of chain-stores, such as the Body Shop and 7-eleven, is also becoming quite conspicuous.

98 Many authors (e.g. Henderson, 2008<sup>42</sup>) attributed the difference in the impact of conservation on Little India and Chinatown to the fact that conservation was done in Chinatown before Little India, i.e. the authorities (namely URA) had realized, because of the objections related to what had happened in Chinatown, the drawbacks of excessive intervention and overuse of theme-tourism. Though the version described in the Wikitravel<sup>43</sup>, i.e. “While a rather sanitized version of the real thing, Little India retains its distinct identity without degenerating into a mere tourist attraction and is one of the most colorful and attractive places to visit in Singapore”, was perhaps an over statement about the authenticity in Little India, a casual tourist would probably agree with it.<sup>44</sup>

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<sup>39</sup> URA. (1995) *Little India Historic District*

<sup>40</sup> Sim, L.L. (1996) “Urban Conservation Policy and the Preservation of Historical and Cultural Heritage”, *Cities*, 13(6): 399-409

<sup>41</sup> Chang, T.C. (2000) “Singapore’s Little India: A Tourist Attraction as a Contested Landscape”, *Urban Studies*, 37(2): 343-366

<sup>42</sup> Henderson J.C. (2008) “Managing Urban Ethnic Heritage: Little India in Singapore”, *International Journal of Heritage Studies*, 14(4): 332-346

<sup>43</sup> [http://wikitravel.org/en/Singapore/Little\\_India](http://wikitravel.org/en/Singapore/Little_India) retrieved on October 31, 2008.

<sup>44</sup> The Research Team, while agreed with the vibrancy and colorfulness descriptions of the place, could not help to wonder if the clear presence of non-Indian merchants and chain stores in the area are signs of

## **Rehabilitation of old buildings**

99 Rehabilitation of old buildings was not the focus of the study in the case of Singapore. However, the Research Team noted that

- The Singapore Government sees the responsibility of rehabilitation as primarily the responsibility of owners. There is currently no incentive or assistance programmes aimed at encouraging maintenance and rehabilitation of old buildings.
- The lifting of the rent control in 2001 was aimed at giving incentives to owners to invest in maintaining and improving their properties.
- The waiver of the Building Premium in September 2008 was aimed at reducing the disincentive of maintaining buildings, particularly, those sitting on sites where leasehold is about to expire.

## **Lessons learned in Singapore**

100 One of the most impressive parts of the study on urban renewal in Singapore is the institutional set-up and the overall planning in urban redevelopment. The URA of Singapore is both the planning and conservation authority in Singapore. Though there are also other institutional set-ups in Singapore, such as the Building and Construction Authority which deals with building codes and standard, and the monitoring and approval of building applications; the Strata Title Boards which deals with the approval of En Bloc Sale of private strata-title properties; the Land Authority which deals with land lease, acquisition, and land sale; the fire services under the Singapore Civil Defence Force, etc. the URA is seen to be central coordination body and authority for conservation. Support from the URA and compliance with its Master Plan are required for most applications made to other government agencies which are related to conservation and redevelopment.

101 Within this institutional framework, the overall planning as reflected in the Concept Plan and Master Plan is apparently very important for a privately led redevelopment in the private sector and the extensive conservation adopted by the Singapore Government.

102 While the Singapore Government does not play an active part in redevelopment by the private sector, to facilitate such process, it has used three major instruments:

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“modernization” and gentrification in the area. Furthermore, while in HK, we were quite aware of the fact that among people in the Indian Sub-continent there are Indians, Pakistani, Bangladeshi, Sri Lankans, etc., the term “Indian” or “Little India” appeared to the Research Team as something colonial. However, owing to the fact that in all official figures of Singapore used the label “Indians” through out, the Research Team was not able to find out and definitely not knowledgeable enough to tell if there is any diversity in ethnicity behind the label of “Indian”.

- Reduce required % of consent, in 1997, for, En Bloc sale from 100% to 90% for buildings less than 10 years and 80% for buildings 10 years or more
- Gradually phased out rent control (between 1988 and 2001)
- The waiver of building premium

103 Though conservation was written into government policy and the objectives of the URA upon its formation in 1974, conservation really made its mark in the mid-1980s. Most studies would concur that conservation was kick-started in 1984 because of the downturn in tourist number between 1983 and 1984. In fact, there were two other important factors: one was the reclamation of a large piece of land adjacent to the CBD, and the other was the relative success in clearing slums and the public housing programme of Singapore in the 1970s and 1980s. Both factors had reduced the pressure of redevelopment in the older part of the city to allow for more preservation. The Research Team noted that the former factor (reclamation of land adjacent to the CBD) is not available to Hong Kong.

104 Interest in the development of conservation and tourism can be seen as both a positive and negative factor. The interest in developing the tourist industry is basically concurrent with the preservation of heritage and hence adds to the support of conservation. On the other hand, over-emphasis on theme-tourism has led to criticisms related to the fakeness or lack of authenticity in conservation, and also conflict of interests between local residents and local visitors or tourists, particularly when economic vibrancy has led to gentrification, and the driving out of the traditional shops and services that originally served the needs of the local residents.

105 The apparent growing demand on authenticity in conservation is conspicuous in Singapore as in elsewhere.

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## Chapter 4: The Case of Tokyo

### **Background**

106 Tokyo evolved from a small fishing village named Edo. In 1869, Emperor Meiji moved to Edo and the city of Tokyo was established.

107 Currently, Tokyo (東京都) is one of the 47 prefectures (都道府縣) of Japan<sup>45</sup>. There are 23 special wards (特別區), 26 cities (市), 5 towns (町), and 8 villages (村) within Tokyo and each has a local government. Within each city and special ward, there is a mayor and a council. In October, 2007, the population of Tokyo stood at 12.8 million.

108 The major disasters that Tokyo has faced in history were the Great Kanto earthquake of 1923 and the World War II during which, in 1945, the bombing of Tokyo destroyed half of the city. Rebuilding of Tokyo began after the war and the 1964 Olympics had been one of the driving forces that gave Tokyo to the world as a showcase.

### **Urban Development in Japan**

109 Japan has become a modernized advanced industrial country since its Meiji Restoration in the 19<sup>th</sup> Century. Urban development has been spectacular especially in the Tokyo Metropolis. However, due to frequent earthquake and destruction in the Second World War, many of the old buildings had already been demolished. The post-war Japanese government has also launched systematic slum clearance on those old dilapidated buildings during the 1960s, for the sake of safety and environmental improvement. Thus, urban renewal in Japan in the contemporary scene is mostly related to economic revitalization and further improvement in the urban infrastructure as well as prevention of disasters (e.g. fire) and alleviation of the possible destructive effects caused by earthquakes. In Japan, this is known as ‘市街地再開發事業’.

110 Land in Japan is primarily freehold. Historically, land in Japan is owned by numerous small land owners, with each lot being small and irregular in form, thus making most of the access roads narrow in many of the traditional urban areas. This has resulted in the congestion of small buildings with difficult access and vulnerable to fire hazards. This also explains the need for urban renewal for improvement of urban infrastructure, safety and public access.

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<sup>45</sup> There are 8 regions and 47 prefectures in Japan.

111 Recently, there are also parcels of public land used to be owned by the government, e.g. sites of metropolitan housing<sup>46</sup> in Tokyo, that were released after reconstruction of metropolitan housing and subsequently tender out to private developers under fix-term leasehold.

112 The evolution of Japan's changing urban (re)development strategy can also be contextualized in Japan's urban planning system which in itself is also related to Japan's economic development in the contemporary era.

113 From the late 1980s to the early 1990s, Japan experienced the 'Bubble Economy' that was sustained by excessive private investments in real estate and stock inflation. As a result, the traditional townscapes were changed in central Tokyo owing to the inflow of a huge amount of speculative money injected into the property market that spurred pervasive trends of redevelopment where old buildings were demolished and small vacant lots mushroomed pending subsequent redevelopment projects.

114 However, ever since the burst of the 'Bubble Economy' in the late 1980s, Japan experienced a very slow growth for more than a decade. In an attempt to rescue the economy and rectify the problems, the Japanese government put in place the policy of the 'Urban Renaissance' since 2001. This was meant to be a challenge to structural reform in order to induce real investments into the cities in view of restoring the economy. In the midst of globalization and more intense international competition, the Urban Renaissance Policy of the Japanese government is a strategy to revitalize Japan's overall competitiveness and enhance people's quality of life, by emphasizing the role of urban development. This may probably explain why the Japanese government has in the recent decades been taking a more proactive and supportive stance in promoting urban (re)development.

115 Since the mid-1990s a boom of inner-city construction activity has occurred despite a slowing down economy and its concomitant decrease in land price, stimulating developers to launch development projects. It is also spurred by the pent-up demand for better housing in inner city areas after a period of suburbanization hollowing out the inner city. The development industry is politically and financially powerful and is keen to support local governments in pro-development projects (Fujii et al., 2007:248). They usually have the expertise, information, and financial resources to prepare development plans, make applications, follow judicial procedures etc. well in advance of the local citizens groups.

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<sup>46</sup> There were about 260,000 metropolitan housing units with a total area of about 1,900 hectares in Tokyo served as a safety net for low-income families. Priorities are given to families with elderly, mentally and/or physically disabled persons, and to single parent families and large families. (Bureau of Urban Development, Tokyo Metropolitan Government, (2007), *Urban Development in Tokyo*).

116 The governments at both municipal and national levels coincide with the large corporations in promoting urban (re)development, especially when such projects generate property taxes and a larger population that enables local governments to receive higher grants from central government. The municipal government and many inner city wards (i.e. districts) also would like to encourage such development to rescue the slackening economy. For instance, the Tokyo Metropolitan Government increases its Floor Area Ratio (FAR) bonus in this direction.

117 The central (national) government also resorts to deregulation in relaxing some of the statutory requirements for development e.g. land use restriction and building standards, to promote development, especially for inner-city intensification of land-use in the name of economic revitalization. The enactment of Special Urban Regeneration Act (i.e. *Urban Renaissance Special Measure Law*) in 2002 signifies this central government initiative. Most importantly, this and other central government initiatives prevail over local (municipal) government ordinances (e.g. in District Plan ordinance). The relaxation or changes to the Building Standards law allows increased FAR. All these result in the construction of larger and taller buildings.

118 This chapter outlines the evolution of the statutory and institutional frameworks governing the urban planning mechanism and urban renewal of Japan in general and of Tokyo in particular as well as the mechanisms and models adopted in urban renewal projects.

119 It should firstly be pointed that in Japanese language, 'City Planning' does not connote planning of 'cities', but more accurately implies 'physical planning in urbanizing or urbanized areas'. City planning in Japan stipulates the basic provisions for the planned development of urban areas. They include (i) the types and standards of city planning, (ii) planning procedure, (iii) planning control and (iv) urban development projects. Details of regulations and planning practices are specified in separate legislation (Hari Srinivas, n.d.). For instance, the Building Standard Act regulates building activities in accordance with the zoning plan, and the Land Consolidation Act provides legal procedures for land consolidation projects on sites specified in the authorized city plans (Hari Srinivas, n.d.).

### **Statutory and institutional framework of urban planning and renewal**

120 The following section provides a cursory review of the evolution of the urban planning mechanism in Japan. Table 4.1 shows the chronology of the enactment of relevant laws.

Year	Law enacted
1888	Tokyo Urban Renewal Ordinance ( or named Tokyo Urban Area Improvement Law)
1899	Agricultural Land Consolidation Act
1919	Building Standards Act, City Planning Act
1923	Special City Planning Law for Tokyo
1946	Special City Planning Post-war Law
1950	Comprehensive National Land Development Act
1954	Land Readjustment Law
1963	New Residential Area Development Law
1968	New City Planning Law
1969	Urban Renewal Law (2/3 consent of interested parties - landowners)
1980	revision of New City Planning Law and Urban Renewal Law
1995	Earthquake Disaster Prevention: Special measures
2002	Urban Renaissance Special Measure Law

121 Urban renewal in Japan, like any other advanced urban societies, is part and parcel of the larger mechanism of urban or city planning<sup>47</sup>. The earliest attempts of urban renewal in Japan could be traced back to late 19<sup>th</sup> Century with the establishment of the Urban Renewal Bureau in the year 1880 at the Tokyo Metropolitan Government, after the outbreak of a series of disastrous fires in the urban slums of Tokyo (Ishizuka, 1979). The then attempts of renewal were concerned about preventing fire hazards, as well as improving living conditions in terms of hygiene, crowdedness and more so, in improving road systems. Such attempts also laid the groundwork for subsequent developments in instituting urban planning legislation and mechanisms.

122 The Japanese planning system started in 1888 with the enactment of the Tokyo Urban Area Improvement Law (or named ‘Tokyo Urban Renewal Ordinance’; Jacobs, 2002). It was a national program toward the modernization of the imperial capital of Tokyo. It lays the foundation for Japan’s subsequent development of its urban planning institutional framework. From then onwards, the ‘urban planning’ powers tend to concentrate in the central government bureaucracy (Watanabe 2007), which is only gradually devolved to the municipal level in the recent decades (to be detailed in subsequent sections).

<sup>47</sup> As revealed in the literature, even within those ‘official’ sources like government ministry/department websites, there are inconsistent uses of the two pairs of words i.e. ‘urban’ and ‘city’ planning and ‘renewal’ and ‘redevelopment’ in the related discussion and even in the names of the related legislations. In this chapter, the two words will be used interchangeably which carry the same meaning.

123 In 1919, the City Planning Law<sup>48</sup> (or named ‘Urban Planning Act’) was enacted that expanded ‘city planning’ to cities other than Tokyo. It established Japan’s first legal framework for control over urban land use, in terms of setting up a land classification system and providing guidelines for the provision of urban infrastructure and public facilities.

124 In the same year of 1919, the Urban Building Law (or named ‘City Building Code’, or ‘Building Standards Act’) was also enacted in the same year to regulate on the construction of buildings, zoning, setbacks, height limitations, and the demolition of dilapidated structures in all Japanese municipalities (Jacobs, 2002; Watanabe, 2007). These were the first legislations to go beyond the local government level and achieved the status of a national law (Ishizuka, 1979).

125 The *Comprehensive National Land Development Act* of 1950 required the Japanese government to periodically formulate a Comprehensive National Development Plan. In 1954, the Land Readjustment Law was also enacted to regulate on development projects using the ‘land readjustment’ model.

126 In 1968 the *New City Planning Law* was passed that actually revised the original 1919 ordinance to more clearly prescribe City Planning Standards. Those standards require that city planning should be in accordance with various national and regional plans of the central government and that the planning of the municipality should be in accordance with that of the prefecture. This new law also serves to reduce control by delegating city planning powers to prefectures and municipalities.

127 With specific reference to urban renewal, the *Urban Redevelopment Law* was enacted in 1969 to provide overall policy directives on urban redevelopment in Japan. This also provides the statutory requirement of two-third consent of landowners in initiating redevelopment projects.

128 In 1974, the National Land Agency was established by the enactment of relevant law, to create a national land planning system and to unify and coordinate the various existing agencies and plans for metropolitan area and the regions (Sorensen, 2002:226).

129 In 1980, with the revision of the City Planning Law, the District Plan that was introduced at the municipal level which is the mechanism that enables citizen participation in

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<sup>48</sup> Within the Japanese City Planning framework stipulated in the City Planning Law, Land Use Planning mainly deals with lands for buildings. Areas for urban infrastructure, such as roads and parks, are planned differently as the Urban Facility Planning framework and are not within the scope of Land Use Planning.

the urban planning process at the district level. The municipal administration is responsible for drafting the plan that must include the collection of opinions from relevant people. The municipal assembly can enact local level ordinances (i.e. municipal ordinances, as supplement to national ones) that serve to govern the District Plan system (Akashi, 2007).

130 In 1992 the City Planning Amendment Law was enacted to introduce the emphasis on citizen participation in the planning process. This 1992 Law requires that all the municipalities should prepare a Master Plan through public participation (Watanabe, 2007).

131 In 2002, the City Planning Law of Japan was further amended to add the provisions on statutory procedure in the planning proposals of the private sector. The provisions allow the land owners, nonprofit organizations, and private development companies with the concurrence of two-thirds of the land owners to propose amendments to the plan. The planning authority, on the other hand, has to decide promptly on the submitted proposals and whether to begin the amendment procedure or not. If the authority rejects the proposal, it has to ask the opinion of the City Planning Committee before notifying the applicants about the decision and the reasons for it (Akashi, 2007).

### **Urban Renaissance**

132 In May 2001, the Japanese national government set up the Urban Renaissance (UR) Headquarters. The UR is a high-level institutional structure established within the Cabinet chaired directly by the Prime Minister, with the Chief Cabinet Secretary and the Minister of Land, Infrastructure and Transport as the deputy chief. It carries the objective of promoting 21st century projects for urban rebirth from environmental, disaster prevention and internationalization perspectives among others, as well as comprehensively and boldly advancing measures for urban rebirth, such as more effective land use (Urban Renaissance Headquarters website). It is also the Japanese government's strategy to implement urban regeneration projects, with a view to attract private sector investment and stimulate national economic recovery (The Cabinet Public Relations Office of the Cabinet Secretariat, 2006b, cited in Tong 2008).

133 The Urban Renaissance is a policy that is aimed at advancing city functions including economic, cultural, environmental and residential aspects, which ultimately enhances people's standard of living in cities (The Cabinet Public Relations Office of the Cabinet Secretariat, 2006b, cited in Tong, 2008).

134 In 2002, the *Urban Renaissance Special Measure Law* 都市再生特別措施法 was

enacted and its corresponding Basic Policies for Urban Renaissance was formulated in 2004 the general goal of which is to revitalize Japanese cities. This special law was enacted to increase efficiency by reducing the negotiation time (ideally to 7-8 years), as the administration was wary of the long duration of time taken in negotiation in previous redevelopment projects that could take 15 to 20 years (Endoh, personal communications). This law also aims at encouraging private developers to carry out redevelopment project through increasing the plot ratio and thus the profit generated in the project.

#### Urban Renaissance Agency (UR都市機構)

135 The Urban Renaissance Agency<sup>49</sup> (UR Agency) was established in July 1, 2004 by restructuring the Urban Development Corporation, a semi-government organization.

Table 4.2 The historical development of the UR Agency<sup>50</sup>

1955	Japan Housing Corporation (日本住宅公団)
1975	Land Development Corporation (宅地開発公団) and the Japan Regional Development Corporation (地域振興整備公団) were formed replacing the Japan Housing Corporation
1981	The Housing and Urban Development Corporation (住宅・都市整備公団) was formed replacing the Land Development Corporation
1999	The Urban Development Corporation (都市基盤整備公団) was formed replacing the Housing and Urban Development Corporation The Japan Regional Development Corporation became the Regional City Development Division (地方都市開発整備部門) of the government
2004	The UR Agency was formed merging the Urban Development Corporation and the Regional City Development Division of the government

136 There are four major ‘fields’ or ‘business areas’ conducted by the UR Agency: 1) urban renaissance (甦) 2) living environment (住) 3) disaster redevelopment (興) and 4) suburban environment (活). More specifically, the four fields are related to, respectively, promoting urban renaissance through cooperation with private and local public organizations; provision of affluent living space overcoming the pain incurred from earthquake disaster and moving towards a vitalized city; and finally creation of a ‘new suburbanhabitation space’.

137 Within the field of Urban Renaissance, there are five major objectives for the UR Agency

- Revival of idle land into multipurpose communities
- Creation of new bases for the upcoming generations in which people, produces and

<sup>49</sup> To illustrate the size of the UR Agency: its capital as at March 31, 2006 was ¥848.3B (approximately HK\$70B), and had 4,308 employees as at April 1, 2006.

<sup>50</sup> Retrieved from the website of the UR Agency: <http://www.ur-net.go.jp/>

culture are entwined

- Realization of safe cities withstanding earthquakes and file
- Realization of comfortable living with work and living spaces in close proximity
- Renewing cities and lifestyles by reconstructing old housing

138 The UR Agency has recently reduced its direct role in actual UR project development and implementation (i.e. including land acquisition and construction) and focuses more on its facilitating role in urban renewal<sup>51</sup>. It provides help to the public and private sector in 4 ways:

- To clear out and effectively use of vacated land (such as factory land) – the UR Agency helps to communicate and coordinate with local public bodies, and helps to establish a land utilization plan for the vacated land and a proposal for revision of urban planning as well as an early determination of development conditions and development schedule.
- To reenergize and revitalize the city – the UR Agency utilizes its experience and network to support local public bodies and local people by conducting various investigations related to the renovation of cities including compilation of an urban renaissance development plan, assistance for reaching agreement among interest parties, stimulating the participation of private businesses, etc.
- To promote redevelopment projects: the UR Agency, as a neutral body, backs up operations such as the formulation of agreements among interest parties, stimulate the participation of private businesses and establish a business promotion system, business plan, etc.
- To promote road development: the UR Agency backs up the efforts of local public bodies to revitalize the cities from the initial planning stage and also to develop public facilities such as roads and parks on behalf of local public organizations.

139 The UR Agency, at present, works on a more flexible model and depending on individual case, its role and level of participation can be very different.

#### The Bureau of Urban Development (東京都都市整備局)

140 Within the Tokyo Metropolitan Government (TMG), urban renewal is part of the work of the Bureau of Urban Development (BUD), which is responsible for the housing policies, infrastructure development, city planning and urban area development. As noted earlier, though metropolitan housing is not within the scope of this study, the reconstruction of

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<sup>51</sup> Information retrieved from the website of the UR Agency on February 11, 2009  
<http://www.ur-net.go.jp/profile/english/producer/index.html>



metropolitan housing has released land used for promoting urban redevelopment via the involvement of the private sector<sup>52</sup>.

141 The BUD is also responsible for the planning and implementation of the land readjustment<sup>53</sup> and redevelopment of urban areas.

### **Different levels of plans**

142 In Japan's urban planning mechanism, there are different levels of plans governing the national, regional, prefectural and municipal levels of urban development.

143 At the national level, the Ministry of Land, Infrastructure, Transport and Tourism (former National Land Agency) is vested with the responsibility of preparing the 'national plan'. In 1998 the Ministry prepared the *Grand Design for the 21st Century* that eventually has become the Comprehensive National Plan of Japan that puts emphases on the need to redevelop, rehabilitate, and preserve the economic and social vitality of major cities.

144 According to the Comprehensive National Plan<sup>54</sup>, Japan is divided into 8 multi-prefecture regions. As stipulated by the National Development Act, these regions are required to adopt their own development laws and policy plans that are consistent with the Comprehensive National Plan.

145 At the prefecture level, as in the case of the Tokyo, relevant government departments have to devise long-range comprehensive plans relevant to their constituent administrative sub-regions, smaller multi-municipal metropolitan zones, and city planning areas.

146 Each prefecture has to establish a 'city (urban) planning council' vested with the authority to monitor the designation of urban growth and control areas i.e. the 'Area Division' system, and to ensure that all local comprehensive master plans and urban development projects are consistent with the respective prefectural development policies and plans.

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<sup>52</sup> For example, the Minamiaoyama 1-chome apartment complex reconstruction project, the Konan 4-chome third apartment complex reconstruction project, the Kachidoki 1-chome district project, and the Higashimurayama City Honcho district project all involved the use of land released from reconstruction of metropolitan housing, and subsequently tendered out to private developers under fix-term leasehold for redevelopment.

<sup>53</sup> Land readjustment will be explained in greater details later in this Chapter.

<sup>54</sup> The Basic Land Use Master Plan based on the National Land Use Planning Law classifies the land in Japan into five areas, namely: urban area, agricultural area, forest area, natural parks, and nature conservation area. City Planning Areas are equivalent to Urban Areas within the National Land Use Planning framework.

## **Area Division System: UPAs and UCAs**

147 The City Planning Law was amended in 1968 to include the establishment of provisions on the Area Division System. The designation of the Area Division was implemented in the City Planning Areas including cities with more than 100,000 residents. Since then, the Area Division has been periodically reviewed and revised. The City Planning Law stipulates that the prefectures are responsible for carrying out the Basic City Planning Surveys every five years. These Surveys are the basis of the revision of the City Planning including the Area Division. The Area Division system, commonly called the “line-drawing system”, aims at preventing urban sprawl and ensuring efficiency of public investments by controlling expansion pressure of urbanized area. Most of the prefectural capital cities have adopted this Area Division.

148 The Area Division system has a ‘national’ goal of ensuring food security and self-sufficiency by protecting productive farmlands against urbanization, as well as enabling major infrastructure development, disaster prevention, efficient transportation, industrial development, natural environment, and especially agriculture and forestry. Thus, the national government has the ultimate authority to approve (by the Ministry of Land, Infra-structure and Transport, MLIT) such Area Division which is initially decided by the prefecture based upon drafts prepared by the municipalities.

149 City Planning Areas are divided into Urbanization Promotion Areas (UPAs) and Urbanization Control Areas (UCAs).

150 UPAs are defined as “areas that are already urbanized and prioritized for development within 10 years or so.” Public investments, such as the development of urban infrastructure, are promoted in accordance with the plan. UPAs must be covered with Land Use Zones, which regulate uses, density, shapes of buildings, and so forth.

151 UCAs are defined as “areas where urbanization should be restricted.” General development activities, such as for residential and commercial uses, are restricted in these areas. UCAs are not covered by Land Use Zones and are not a priority for public investments.

152 At the municipal level, relevant government bodies then have to develop their own municipal master plans in accord with the prefectural plans. Furthermore, at the city level, there is also the ‘district plan’ which was introduced in 1980 under the provision of the City Planning Law. In Japan a ‘district’ refers to the size of a neighborhood that can range from 1 to 100 hectares. The District Plan System has two major purposes: one is a comprehensive

planning approach on a district scale, and the other is the participation of land owners and residents in planning or community development. The City Planning Law stipulates that District Plan shall include provisions on public facility improvement, building construction and other land use, and shall be prepared to ensure the urban functions concerning disaster prevention, safety, public health and so forth, and shall be prepared in a way the characteristics of the district are enhanced and the rational use of land will be exercised in order to create or preserve the quality of environment (Akashi, 2007).

153 District Plans are decided by the municipality and are often drafted with initiative by land owners and residents. A District Plan consists of two components: 1) the vision statement and 2) the district improvement plan which includes the planning details. Originally, the Land Use Zones regulation set minimum standards of buildings in accordance with the Building Standard Law. However, the municipal government, with the incorporation of the landowners' demands and opinions, may enact a local ordinance to facilitate the approval by the building authority according to the District Plan. That is, the Land Use Zones regulations are replaced by the regulations of the District Plan, as a minimum standard on the specific district.

154 Overall speaking, the national and regional plans set the general policy framework and the prefectural and municipal plans guide the local economic and land development (Jacobs, 2002).

### **Urban Renewal Policy Structure**

155 The Urban Renewal Law is a law for the systematic and practical implementation of policies to renew existing built-up areas of large cities and to promote a rational, sound and efficient use of land. The Urban Renewal Law stipulates the Urban Renewal Program as an integral part of the municipal level Master Plan framework. The Law also authorizes the designation of 'Effective Land Utilization District' and allows the District Plan Systems that provides regulatory incentive measures. Within this institutional and legal framework the 'Urban Redevelopment Projects' serve as the platform for the actual implementing of urban renewal.

### **Urban Renewal Program**

156 The Urban Renewal Program is included within the Master Plan framework that promotes urban redevelopment. It indicates and authorizes specific areas for redevelopment with the corresponding strategies to promote them. In the process of program preparation and

formulation, problems and ideal visions are presented to residents to facilitate consensus building among residents.

### **Urban Redevelopment Project**

157 In order to promote and facilitate the implementation of Urban Redevelopment Projects, special tax measures on property right exchange are given and the cost of research and design, demolition of existing buildings, public facility development, and common use structure development are subsidized by the public sector including the national government.

158 The Urban Redevelopment Projects are available only in three types of districts: 1) the Efficient Land Utilization Districts, 2) the Redevelopment Promotion Districts, and 3) the Special Districts for Urban Renaissance. In addition, another condition is required such as 1) the percentage of wooden structures is so high that the condition incurs threats to environmental health and fire safety, or 2) the actual floor area ratio is too low to optimize potential utilization.

159 The ‘Efficient Land Utilization’ policy is devised to improve the unfavorable conditions found in the midst of metropolitan areas in Japan where small wooden structures congest densely, which is conducive to fire hazards and the land utilization is economically inefficient. The policy enables the demolition of the small structures and construction of high-rise buildings and provision of open spaces as well as improvement of infrastructure in the concerned areas. In this light, the government provides incentive systems such as deregulation for the purpose of inducing forms of high-rise buildings by private investments. These include raising floor-area ratio according to contribution to improvement of the quality of urban environment in terms of providing public amenity, such as constructing a plaza or sidewalks

160 The ‘Redevelopment Promotion District’ (previously called ‘Special District Plan for Redevelopment’) is a strategic planning system to induce converting abandoned sites of old factories and railway yards to high-density mixed-use development areas. The designation of such districts is based on the consideration on the potential contribution in improving urban infrastructure and urban design. The projects are mainly used as large-scale urban redevelopment projects carried out by the private enterprises.

161 The ‘Special District for Urban Renaissance’ was introduced by the Special Law for Urban Renaissance in 2002. This system is available only in the specific areas, i.e. the ‘Urgent Improvement Areas for Urban Renaissance’ designated by the National Government.

This system is closely related with national policy initiatives. The purpose of the policy is to regain the nation's competitiveness by stimulating economic energy as well as creating new attractiveness in urban areas (Akashi, 2007). Its most significant feature is the introduction of a statutory obligation for local governments to abide by a deadline (of six months) in making planning decisions as in response to the planning proposal made by private enterprises. According to this scheme, private developers are allowed to make flexible plans for the Special Districts for Urban Renaissance. In this case, existing planning regulations will not be adopted. After the proposed plan is filed, the local government is required to make their decision in consultation with the City Planning Council.

### **Enforcement of Urban Land Use Regulations and authorization of (re)development projects**

162 There are two mechanisms in ensuring compliance to land use planning in urban (re)development projects. Firstly, the 'Land Development Permission' - which approves urban development or subdivision for the purpose of construction of buildings, with the intentions of securing certain qualities on development sites and controlling urban development activities in the Urbanization Control Areas (UCA), in accordance with technical standards prescribed by the City Planning Law.

163 Secondly the 'Building Confirmation' - which reviews the design of buildings according to the provisions of relevant laws and certifies the compliance of building applications in terms of land use, density, height and shapes of buildings according to the regulations stipulated by the City Planning and the Building Standard Law. Local governments are responsible for reviewing and approving the applications for carrying out the developments (Akashi, 2007).

164 In accordance with the city planning law, interested parties (including original land owners and/or developers) who intend to start (re)development projects that would involve changes in the urban characteristics are required to obtain authorization from relevant authorities. Projects that involve an area of 500 m<sup>2</sup> or more within 'urbanization promotion areas' and all developments regardless of size within 'urbanization control areas' would have to submit applications for authorization. Projects that involve 0.3 hectares or more of land in 'city planning areas' that are not divided into either a 'promotion' or 'control' area, and those that involve one hectare or more in sites outside 'city planning areas' are also subject to authorization. Exemption is provided to such projects as public works, development projects initiated by the public authority based on city planning decisions, emergency on disaster prevention, and small developments in the Urbanization Promotion Areas.

## Models of urban redevelopment

165 In Japan, there can be two major approaches in undertaking urban redevelopment, namely, the ‘right conversion formula’ and the ‘land purchase formula’. The ‘conversion’ mode is actually the ‘land readjustment’ approach (detail below), while the ‘purchase’ mode allows private developers to purchase land rights from original landowners, while the local government only serves a supervisory role in protecting the interests of all stakeholders involved.

166 In the public-private partnership (PPP) mode, as in the case of land adjustment, redevelopment project is carried out with the participation of local governments, the private sector and the local landowners. The financing model is also a tripartite strategy in which the private developer covers the construction and planning cost, the local landowners contribute their land or buildings in return for a new plot of land, building or floor rights after the redevelopment, and finally local government provides some subsidies or financial incentives in various ways<sup>55</sup> especially when such projects involve the construction and/or provision of public facilities like roads, parks, etc.

167 As of March 31, 2008, the majority (57.6%) of the completed redevelopment projects were led by Redevelopment Associations (i.e. formed by participating land owners and developers) constituting 43.2% of the redeveloped land in Japan<sup>56</sup>.

Table 4.3 Completed projects by different implementation agencies as of March 31, 2008

Implementation Agency	Projects	Areas (ha)
Local public bodies	119	427.48
Redevelopment Associations	413	454.65
Redevelopment companies	3	5.34
UR Agency	39	70.33
Local housing cooperatives	10	11.72
Individuals	133	82.10
Total	717	1,051.62

## Land readjustment

168 Land re-adjustment or alternatively known as ‘land consolidation’ in the literature is widely practiced in Japan, Taiwan and Korea (Agrawal, 2000). In general, this approach is

<sup>55</sup> To be explained in greater details later in this Chapter.

<sup>56</sup> According to the data provided by Fukushima, Takaharu, Urban Renewal Association of Japan to a delegation from Hong Kong (10-2-2009).

participatory in nature and places emphasis on *in situ* development with voluntary contribution of private assets by affected landowners. Specifically the area concerned may be in need of improvement in infrastructure and basic services that provides the impetus for initiating the redevelopment (Agrawal, 2000:311). In Japan, the land re-adjustment is used very extensively whenever multiple land owners are involved<sup>57</sup>. (Sorensen, 1999).

169 In such typical redevelopment projects, land that belongs to the original owners is not ‘purchased’ by the developer, but will continually exist as a new title in a modified form, usually as a fractional or strata title of the new development. The landowners can also get some cash compensation in the first instance. This provides incentive for the landowners to enter into collaborative development with the developers that initiates the redevelopment. On the other hand, the incentive for developers is gain of ‘reserve floors’ (or alternatively called ‘excess land’; Fukushima, 2007), i.e. the extra floor areas obtainable from the redevelopment as approved by the government’s raising of the ‘Floor Area Ratio (FAR)’, and the right to operate and manage the redeveloped project and thus generate profit from it (Sakamoto, 1998).

170 There are obvious advantages in this approach including: a) development of areas without any dislocation and thus avoiding conflict and grievances; b) avoiding land acquisition which might incur enormous costs and dispute; c) preservation of land titles of the original landowners thus soliciting their willing participation; d) provision of urban infrastructure and facilities through voluntary contribution of land; and e) financing project cost covered by contributing [reserve land] for commercial use (Sorensen, 1999).

171 According to Agrawal (2002)<sup>58</sup>, in Japan, the great majority (70%) of land readjustment projects are private-sector led and carried out through individuals and cooperatives while the remaining are undertaken by the public sector i.e. central or local government agencies in cooperation with the private sector.

172 On the other hand, most land readjustment projects are subsidized either by the national government or by local governments. For those projects without government subsidies, 70% of costs are recovered from sale of [reserve] lands, while the remainder is mainly covered by shared defrayal of public facilities by the management authority (Agrawal, 2000).

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<sup>57</sup> Sorensen, A. (1999). “Land readjustment, urban planning and urban sprawl in the Tokyo Metropolitan Area”. *Urban Studies*. 36(13):2333-60

<sup>58</sup> Since 1919, with the enactment of the City Planning Law, land readjustment was expanded to allow public bodies to be the initiator of Land Readjustment (LR) projects. Before that, only the private land owners (especially those farmland owners) were allowed to initiate LR projects (Sorensen, 2002).

## **Legal provisions and institutional framework for Land Readjustment / Right Conversion**

173 The *Tokyo Urban Renewal Ordinance* in 1888 first recognized the concept of land readjustment as a legal urban development tool. Against the background of rapid post-Second World War re-urbanization and reconstruction, the Land Readjustment Law was enacted in 1954 to govern the implementation of land readjustment. The Law stipulates requirements and procedures for the establishment and organization of co-operatives, procedures for valuation of land prices, for public participation, consultation and decision-making and implementation of projects.

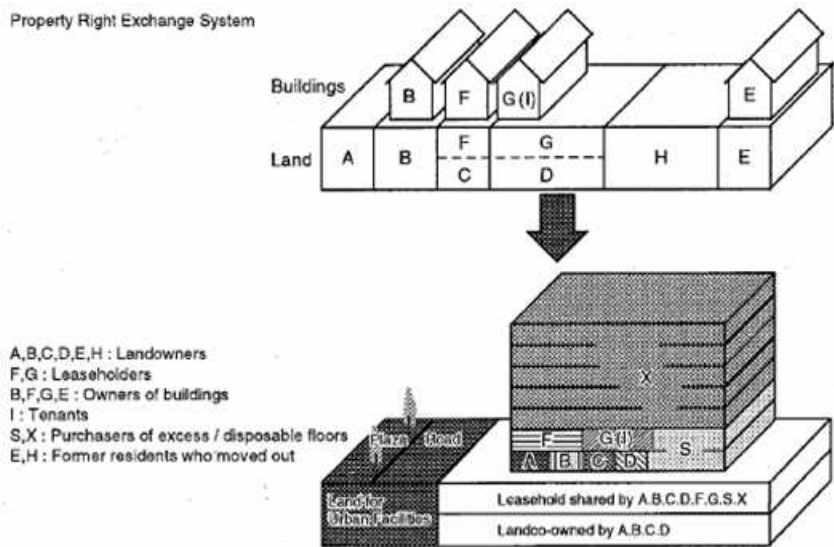
174 Most land readjustment projects are implemented through redevelopment associations established under the Land Readjustment Law that consists of the developer(s), the landowners and leaseholders. There is statutory requirement for obtaining approval of at least two-thirds of landowners and those of leaseholders. Thus stakeholders' participation and transparency can be ensured in the various stages of the project including planning, design and implementation. The government (national and/or municipal) also plays a significant role in providing technical assistance and supervision. The UR Agency may also be involved as a facilitator in the planning and implementation process. If the projects are undertaken by government agencies, advisory councils have to be set up with adequate representation of relevant stakeholders (Agrawal, 2000).

175 Although there is statutory provision for providing mandate to project authorities to proceed with the project by having agreement of two-thirds of the affected owners, in practice, the authorities seldom force the remaining stakeholders to participate against their will. There is thus long period of persuasion and negotiation between the project authorities and all the landowners, which has resulted in long delays in the project implementation stage (Agrawal, 2000).

176 The following diagram vividly illustrates the typical model and process of a redevelopment project using the land readjustment or right conversion model. The original land owners (A, B, C, D, H and E) and the lease holders (F, G) are having the respective 'land right' to enter into the project. The buildings on top of the land which belong to landowner B and E, leaseholder F and G (and his/her tenant 'I') respectively, are also included into the calculation of title /right in the project. The group of landowners and leaseholders (and tenants) collaborates to redevelop the site, with the support from the government.



Figure 4.1 Property Right Exchange System in Japan



Source: "Housing in Japan" Ministry of Land, Infrastructure and Transport

177 After the redevelopment, the original site is smaller in size as some portion of the land is to be transferred to the government as infrastructure (road and plaza in this illustration), but the building is higher. The original landowners A, B, C and D now collectively own the land and retain their title in the new building in terms of obtaining their respective 'floors' (or apartment in case of a multistory building) and thus remain living in the site. In addition, there is also the collective leasehold constituted by original landowners A, B, C and D, together with the original leaseholders F and G; while original landowner E and H do not participate in the project and thus leave the site with monetary compensation; as well as the new purchasers X and S who also purchase the 'excess / disposable floors' that are generated from the extra floor area approved by the government. The original tenant I of landowner G can still retain his/her tenancy in the new building.

178 In the process of redevelopment, the redevelopment association will provide arrangements for transient residence for the original residents and transient shops for those original shopkeepers in the concerned site. There is also financial assistance for such transient residence and business operation. After the completion of the project, these original owners and shopkeepers can return (in Japanese '廻遷') to the new developed site and claim their entitled flat and/or shop. There is also rather elaborate provision laid down by the government in delineating clearly the various items and aspects of compensation and subsidy to the relevant stakeholders – including land owners, shop operators etc. This can help enhance the receptivity and acceptance of those affected by the redevelopment project.

179 Although there is the norm and statutory provision for obtaining ‘two-third consent’ from original land owners, most redevelopment projects in Japan obtained a much higher level of agreement than this minimum threshold. Prolonged negotiation and compromise will be made between the developer, or the ‘association’ formed by those willing land owners and the developer, and those who resist. It may probably be due to the fact that the Japanese culture and social norm emphasizes harmony (和) that result in the relatively peaceful process of redevelopment. Furthermore, the government also put emphasis on maintaining social harmony, and thus would assist in the process of such negotiation.

180 For those land owners who finally do not accept the redevelopment plan, they can choose to be excluded from the project by ‘opting’ out i.e. selling the land or property to others before the deadline set by the redevelopment association. If there were still some remaining resisting land owners, the association could resort to legal procedure of compulsory eviction. However, according to one of the informants, throughout his 25-year experience in researching in urban redevelopment in Japan, there was only one single case that actually involved court proceedings.

181 As for tenants who originally live in the redevelopment site, it is a matter that the owners have to resolve. These tenants may be given chances to rent the new building after redevelopment. If the project is initiated by the government or the developer of the project, welfare housing or ‘social housing’ may be provided for the affected tenants. There are several ways to provide social housing: the government can buy some floors of the redeveloped building(s) from the developers for social housing, or local government and such public bodies like the UR Agency can be the initiator of social housing projects. In some rare occasions on compassionate or social grounds, the government may subsidize the gap between the old and new rent.

182 For those tenants and owners of residential and commercial properties who wish to be accommodated in the new redevelopment, they are normally provided with financial and practical support by means of rent subsidy and alternative accommodation and shops for transitional residence or business operation in nearby district. Such provision is provided by the redevelopment association/cooperative formed by the developer and the relevant stakeholders themselves. This is also another means to encourage the original land owners / shop operators to willingly participate in the redevelopment project.

### **Government’s role in urban redevelopment**

183 Overall, in the context of globalization and increasingly intense international competition, the Japanese government has strived to adopt a more proactive strategy of urban development by better utilizing the private business sector. Since the 1980s the Japanese state has increasingly taken a relatively less prominent role in urban redevelopment, but rather promotes ‘private sector participation’ or at least private-public partnership (i.e. ‘PPP’). The government at both national and municipal levels would see the city as an engine for generating income, attracting foreign investment, and competing for ‘world cities’. This is commented as a strategy of ‘marketing the city’ (Brenner, 1999; cited in Waley, 2007).

184 In other words, the government has been adopting an ‘entrepreneur’ (private sector, or ‘capital’) rather than a ‘managerial’ (state) approach in developing the city (Harvey 1989, cited in Waley, 2007). It thus explains the proactive and supportive role of the government in promoting urban (re)development in the private sector.

185 In the case of land readjustment projects, the Tokyo Metropolitan Government plays several important roles:

- Planning decisions (都市計画決定) – including the designation of redevelopment areas
- The approval of the redevelopment project plan (事業認可), and
- The approval of the land readjustment details (権利變換認可) and compensation plans.

186 In addition to statutory and institutional support, there can be a wide array of financial assistance provided by the government to the developers and various stakeholders.

### ***Government financial assistance in urban development***

- (1) **Government loans** - Interest free loans can be provided by the central government, local governments or from financial institutions to the developers. Such financial assistance provides cash flow to the developers to kick-start the implementation of the development projects, as the developers could only sell the reserve land upon the completion of the project. This is especially the case as many prefectures in Japan are rich in revenue collected from its citizenry, they can afford to provide financial assistance in the form of long-term, interest free loans to the developers.
- (2) **Disposition of Reserve Land** - In the case of land readjustment, there could be extra floor areas called ‘excess land’ or ‘reserve land’ that is obtainable from the

redevelopment by the assembly of land lots gathered from various landowners or leaseholders, as well as extra floor area ratio (FAR) granted by the government. Thus, the government's granting of such extra FAR can be regarded as an additional financial support.

- (3) **Shared defrayment of public facilities by management authority** – In projects related to construction of public facilities like roads, parks and the like, the government may share the cost (up to 50%) with the developer and/or the management authority.
  
- (4) **Tax preferential systems** – Municipal governments may provide some tax exemptions to development projects to enable the developers to make advance purchase of land, compensation for affected structures and the various stakeholders, including landowners, leaseholders and tenants. The government may also levy lower tax (less 50%, called ‘讓渡税’) for those land owners who participate in the land conversion redevelopment project . Such a tax is actually levied on the appreciation of property value / gain on sale of property as a result of this exchange / sale of land right in the renewal project.

## **Community engagement**

187 Overall speaking, urban planning in Japan is characterized by a bureaucratic dominance especially with the prevalence of central government policy directives to the lower level, prefectural and municipal governments. This could be attributable to the traditional distrust of the central government over local governments (Sorensen, 2002, 2007). It was only after a series of outbreaks of challenges to the credibility of the central government e.g. pollution that led to serious spread of diseases in the 1960-70s, the burst of the bubble economy since early 1990, and more recently the 1995 Hanshin earthquake, that aroused the Japanese people to stage active mass mobilizations in voicing out their ideas about securing a safe living environment. All these have exposed the problems of bureaucratic inertia at the central government, and as a result, there have been increasing demands for local initiatives and autonomy in monitoring land use that are polluting and hazardous.

188 The increased activism of *machizucuri* (literally mean ‘district’ or ‘community’ creation or building) since the 1980s onwards can be seen as one of the manifestations where community groups of residents, supported by their local governments, strive for more participation in district-level urban planning.

189 In response to these, the Japanese government has responded by recognizing the local initiatives. At the municipal level, the District Plan that was introduced in 1980 is the mechanism that enables citizen participation in the urban planning process at the district level. This is further reinforced by the 1992 City Planning Amendment Law that requires that all the municipalities to prepare a Master Plan through public participation (Watanabe, 2007). The municipal administration is responsible for drafting the plan that must include the collection of opinions from relevant people. The municipal assembly may also enact municipal-level ordinance in providing detailed guidelines in the formulation of such District Plans, such as provisions on the procedure for planning request by land owners or residents (Akashi, 2007).

190 The local City Planning Councils have to prepare draft plan and solicit public opinions. Afterwards, a Proposed City Plan is derived and then another round of public consultation of two weeks is to be held to invite for written submissions from the public. Finally approval has to be sought from the Minister of Construction in coordination with concerned ministries to arrive at the Final City Plan for implementation (Hari Srinivas, *n.d.*).

191 On the other hand, in 1998 the Non-Profit Organization (NPO) Law was enacted to formally recognize the status and role of civic organizations, and the voluntary sector from then on is given a firm legal foundation on equal terms as the government sector and the market/business sector (Watanabe, 2007).

192 Furthermore, the enactment of the Omnibus Act for the Decentralization of Powers in 1999 changed city planning from a delegated function previously controlled by central ministry bureaucracy to a local government function (citing Ishida, 2006; Sorensen, 2007:79). These help to foster local governance and citizen participation at the municipal level.

193 In 2002, the City Planning Law of Japan was amended to add the provisions on statutory procedure in the planning proposals of the private sector. The provisions allow the land owners, nonprofit organizations, and private development companies with the concurrence of two-thirds of the land owners to propose amendments to the plan. The planning authority, on the other hand, has to decide promptly on the submitted proposals and whether to begin the amendment procedure or not. If the authority rejects the proposal, it has to ask the opinion of the City Planning Committee before notifying the applicants about the decision and the reasons for it (Akashi, 2007).

194 In addition to urban planning in general, with specific reference to urban renewal,

citizen participation is also guaranteed by means of statutory and institutional mechanisms. For instance, the municipal government initiates a redevelopment plan and invites participation from various stakeholders, including private developers and residents that hold land titles. This could be seen as a tri-partite partnership or collaboration in urban redevelopment. A specific forum or platform is to be established with the announcement of the plan in which representatives from various stakeholders would have membership and direct participation in the deliberation of the plan, decision making and monitoring of the redevelopment process (Sakamoto, 1998).

195 Furthermore, the Urban Redevelopment Law states that residents (including both owners and tenants) in an area must be provided with an option to remain after redevelopment. Thus, it is postulated that the pre-existent social network of residents could be primarily retained intact (Sakamoto, 1998). It thus ensures the willing participation of relevant stakeholders in redevelopment projects.

196 As aforementioned, land right is very much emphasized and respected in Japan, and so public engagement in the urban (re)development process is also taken seriously by the developer and the government authority. The government provides statutory and institutional framework to enable the stakeholders to enter into collaboration and negotiation, and allow public participation in the deliberation of the planning and implementation processes.

197 Nevertheless, given the fact that there has traditionally and historically been the case that the central government bureaucracy is having the expertise, knowledge and institutional mechanisms where national building laws prevail over local ordinances (Fujii et al., 2007:265), there is still overarching predominance of national over local planning initiatives (Sorensen, 2007).

## **Preservation**

198 In Japan, the government is responsible for deciding the cultural value of old buildings. The national government promotes the designation of various cultural properties, including 'Historic Sites' in accordance with the Law for the Protection of Cultural Properties. The government has also adopted a variety of policies including the installation of preservation, restoration and disaster prevention facilities for these cultural properties and the public purchase and maintenance of historic sites (Ministry of Education, Culture, Sports, Science and Technology, 2008). Buildings, over 50 years old, that are considered to be valuable architectural structures and significant to Tokyo's landscape would be selected by the Tokyo

Governor after obtaining the consent of the building owners<sup>59</sup>. The Tokyo Metropolitan Government will provide information and subsidies for renovation expenses.

199 The municipal government has to recommend the designation of traditional buildings or districts to the Council of Cultural Affairs under The Agency for Cultural Affairs (文化廳), which will carry out investigation and inquiry and report to the Ministry of Education, Culture, Sports, Science and Technology for approval<sup>60</sup>.

200 In accordance with the provisions of the Law of the Protection of the Cultural Properties, the permission of the Commissioner for Cultural Affairs is required for any alteration to the existing state of structures designated as Important Cultural Properties. Conservation repair work is carried out by the owners of Important Cultural Properties or their custodial bodies. The Agency for Cultural Affairs provides necessary guidance, suggestion, advice and subsidies for the owners or custodial bodies to install or repair fire-preservation facilities and other disaster prevention system required as well as any other major or minor repair work is periodically required to keep them in good condition.

201 An amendment to the Law of the Protection of Cultural Properties in 1975 introduced a new category of ‘Groups of Traditional Buildings’, extending protection to historic cities, towns and villages including castle towns, post-station towns, towns built around shrines and temples-and other areas of historic importance throughout Japan. According to this system, municipalities designate certain areas as ‘Preservation Districts for Groups of Traditional Buildings’ and formulate a preservation plan in accordance with the Preservation Ordinance and submit to the national government for approval. The Landscape Law was promulgated in 2004 that designates “Historic Townscape Preservation District” to conserve traditional townscape as a cultural heritage.

202 The national Agency of Cultural Affairs and Prefectural Board of Education provide guidance and advice to municipal preservation projects. They also support municipalities by providing financial assistance to their projects for repairing listed Traditional Buildings and Structures and improving non-listed structures and structures to harmonize the latter with surrounding historical and natural features, for installing disaster prevention facilities, and for setting up guideboards. Besides, support is also given through preferential tax treatment (Agency for Cultural Affairs, 2008).

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<sup>59</sup> Bureau of Urban Planning (2007), *op cit*

<sup>60</sup> Within the framework of the Law for the Protection of Cultural Properties, the Tokyo Metropolitan Government can also make laws for the protection of cultural properties (retrieved from the Agency for Cultural Affairs website <http://www.bunpa.go.jp/english/index.html>, on February 17, 2009), and the Governor of TMG can also designate cultural properties apart from those designated by the national government (Bureau of Urban Planning (2007), *op cit*)

203 There can be financial encouragement from government, e.g. tax reduction or bonus plot ratio, in the effort of preserving buildings with historic and/or cultural values. One special case is the Meiji Seimei Kan (明治生命館) in Tokyo in which the company initiated to preserve the old building built in 1934 that embodies Japan's contemporary history (i.e. the United Nations commander office was stationed in this building upon the end of the Second World War). The company took initiative to request the government to increase the plot ratio from 8 to 15. The company was then able to develop a modern high-rise office building adjacent to the old building. The government laid requirements for the company to provide access to the public and the company establishes a gallery exhibiting the history of the building.

204 In order to enable old buildings to preserve their distinct building structures and architectural forms, there are rules and procedures under the building ordinance and regulations that govern the structural safety of buildings for the renovated conserved buildings to allow for exemptions from modern codes.

205 To promote the creation of historical landscapes in areas around designated architectural structures of historic value and architectures, guidelines in accordance with the Tokyo Metropolitan Government Landscape Ordinance had been formulated to require developers in construction projects within 100m around the perimeter of the designated sites to consider the landscape.

## **Rehabilitation**

206 While the Japanese government sees rehabilitation and maintenance as primarily the responsibilities of the owners, basing on the revised Tokyo Metropolitan Basic Ordinance for Housing (December 2006) and the revised master plan for housing (March 2007), two policy objectives were spelt out related to maintenance of buildings, namely:

- To promote the construction of houses that can be used for a longer time<sup>61</sup>
- To maintain housing appropriately and implement renovations properly and in a timely matter.

207 The Tokyo Metropolitan Government published and distributed guidebooks such as "Guidelines for Condominium Management" (2005) to condominium associations and provided support to condominium associations using rebuilding and renovation advisors.

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<sup>61</sup> The Research Team was not able to locate relevant documentation of the detailed measures to achieve this objective by the time of writing this report. According to a personal communication with Prof. Nakai, there is no fixed "building design life" spelt out in the existing building codes.



The Tokyo Metropolitan Government had also set up a help desk to provide consultation to owners in renovation.

### **Summary remarks**

208 The Japanese experience of urban (re)development is characterized by firstly its traditional normative order of respecting the land right of the land owners (Sorensen, 2002; Akashi, 2007). Statutory and administrative arrangements have been set up to ensure the protection of people's land rights in the process of urban development and renewal. The original philosophy of the government was to allow the land owners to decide on the way of utilizing the land as long as there is no obvious external nuisance caused. As a result, there had been some 'somewhat disorderly landscape' found in Japan's cities that is resultant from this 'negative' principle on regulatory legislation (Akashi, 2007).

209 Nevertheless, the Japanese government has also put in place institutional and statutory frameworks of urban planning, governing and regulating the compliance of land use zoning, building safety and the like, in view of ensuring adequate provision of urban infrastructure, building safety and environmental quality.

210 Subsequent to the economic downturn caused by the burst of the 'bubble economy' from the 1990s, the Japanese government has embarked on a more proactive and supportive role in promoting urban (re)development in view of revitalizing the Japanese economy, basing upon the development of the city as the 'engine'; as well as improving people's quality of life.

211 There are quite a variety of models of urban redevelopment adopted in Japan, whereby public-private partnership could be mostly achieved in which the government provides statutory and administrative support, and sometimes financial subsidy, the private developers contribute in providing capital investment and development plans, and lastly the land owners contribute their land right as conversion or as participation in the development project.

212 With the provision of well-thought statutory and administrative systems in place, further supported by the Japanese people's general disposition towards cooperation or social harmony, there is usually consensus reached amongst the various stakeholders that helps to enable the development projects to be launched, even though the time needed for negotiation may be quite long.

### **The case of Roppongi Hills Project (Private sector led redevelopment project)**

213 The Roppongi 6-chome area is located in the Tokyo 23 district (central part of the city) and consists of approximately 11 hectares of prime urban land to the southwest of Roppongi Station on the Hibiya (subway) Line. This project is the largest ever private sector redevelopment in Japan that involves a floor area of some 725,000 square meters (Tong, 2007).

214 In November 1986, the Tokyo Metropolitan Government designated this district a ‘Redevelopment Inducement Area’<sup>62</sup> (再開發誘導區). According to Japan’s urban redevelopment policy (Bureau of Urban Development, Tokyo Metropolitan Government, 2006), redevelopment areas will be classified into 3 categories: a) Urban Areas Category 1, b) Redevelopment Promotion Areas (Area Category 2) and c) Redevelopment Inducement Areas. The first category, i.e. ‘Urban Areas Category 1’ refers to areas where systematic redevelopment is necessary. Category 2 ‘Redevelopment Promotion Areas’ (Area Category 2) includes urban areas Category 1 and areas where redevelopment should be promoted under unified and comprehensive planning and where active arrangements for redevelopment are seen. The third category ‘Redevelopment Inducement Areas’ refers to those areas where redevelopment is not critically urgent as in redevelopment promotion areas but where the redevelopment promotion is desirable and redevelopment is expected to produce good results for the urban infrastructure as well as society at large (Tong, 2008).

215 Grasping the prime chance of the government’s designation of the area as ‘Redevelopment Inducement Area’, the Mori Building Co., Ltd and TV Asahi (Asahi National Broadcasting Co., Ltd.) took the initiative to call for a redevelopment. This is a typical case of ‘private sector led’ redevelopment that involves ‘land readjustment’ or ‘right conversion’ mode of redevelopment. That is, the Mori Company, being the developer; initiated the project and invited one of the key land owners i.e. the TV Asahi, to enter into collaboration for redevelopment.

Figure 4.1 A bird’s-eye view of the Roppongi Hills



<sup>62</sup> The translation “Guided Redevelopment Area” was used in the Roppongi Hills’ official documentation. Mori Building (June, 2006)

216 As the area is quite a large area of 11 hectares, there are numerous individual land owners having land titles in the proposed project area. According to the Japanese urban redevelopment legal and institutional framework, an association involving all land owners and developers has to be formed to initiate the project and submit application to the municipal government.

217 In 1990, a Redevelopment Preparatory Association was subsequently formed with approximately 500 rights holders in the district, together with the developer – Mori Company. In April 1995 the ‘city plan’ approved by the municipal government and in 1998 the formal Redevelopment Association was established.

218 According to the various informants from the Urban Renewal Association, the Mori Company and 2 university professors, a series of public consultation had been held in the long process of redevelopment. In the first place, the preparatory association provided some ‘education’ programs for those original land owners and residents to understand the nature of redevelopment and the relevant statutory provisions for right conversion as well as the compensation involved.

219 Furthermore, lengthy negotiations involving more than a few hundred of briefings had been held with those who originally had reservations about the redevelopment project. More specifically, catering for those who did not want or feel comfortable to voice out their problem in public, individuals interviews were also made extensively. Furthermore, site visits were arranged to those other previous successful experiences of similar redevelopment projects (the example of Ark Hills developed in 1986).

220 Finally, approximately 400 of the rights holders in the district, 80% of the original number, participated in the project. Those not willing to be involved in the project got compensation and moved out of the district. The huge number of rights holders participating in the project was a record in Japan’s redevelopment history.

221 Approval was granted for the ownership transfer plan in 1999 and construction commenced in 2000, some 15 years after the redevelopment inducement area designation was made. Construction of the whole project was completed in 2003.

Table 4.3 Development Time Line of Roppongi Hill Project	
November 1986	Roppongi 6-chome area granted “redevelopment inducement area” status
December 1990	Established Roppongi 6-chome Urban Redevelopment Preparatory

	Association
April 1995	Confirmation of the “city plan” announced
September 1998	Establishment of Roppongi 6-chome Area Redevelopment Association approved
February 1999	The Ownership Transfer Plan approved
April 2000	Construction started
April 2003	Construction completed

Source: <http://www.mori.co.jp/en/projects/roppongi/background.html>, retrieved on November 30, 2008

222 The developer, the Mori Company was established in 1959. Before the 1980s the Company mainly focused on developing office building, and since 1980s it started focusing on residential building (as an integration of office and residential building that provides convenience to the office staffs). Originally, the Company adopted the individual block (共同化) approach in redevelopment project, by getting land from individual land owners, which was more easy to manage. Subsequently, it embarked on developing ‘areas’ rather than individual blocks, thus the strategy of developing projects with the name ‘Hills’

223 The Company entered into a bilateral agreement in an earlier project (i.e. the ARK Hills project in 1986) to have land exchange with one of the major landowners in the area – the Asahi TV Company which intended to redevelop its old TV station premise.

224 The project got support from the municipal government as the developer was committed to building a compensative road system that would improve vehicular and pedestrian access in the area. The ownership right of the roads belongs to the municipal government which is also to be responsible for maintenance after the redevelopment.

225 Special architectural, structural and engineering design and devices had been used to ensure safety from earthquake. Furthermore, it has its own electricity generating device and has reserved space for serving as refuge during earthquakes that can sustain for 3 years for the residents in the nearby area, with reserve storage of food and water. It is also this ‘public’ purpose that characterizes the project and thus contributes to the municipal government’s approval and support.

226 According to the senior management of the Mori Company, similar to other redevelopment projects that involve public facilities (e.g. the road in this case), there was subsidy from the government (i.e. 90 billion yen, which constituted some 3% of the total 2,800 billion total cost of the whole project). The amount of subsidy depends on a number of

factors and conditions of different projects. As in the case of the Roppongi project, since it is located in the central part of city, it is easy for the developer to get the return from commercial rentals and other ways, government subsidy would be lower. For those other projects outside the city central district, they would need a higher subsidy from the government. Moreover, due to the fact that the Tokyo Metropolitan government is endowed with public revenue, it can, therefore, provide more handsome subsidies; while those other small municipal governments may not always be able to provide subsidies.

227 As the association needed to introduce the project to the City Council before the start of the project, the project had also obtained the support from the politicians i.e. city councilors.

228 The project also attended to environmental concerns by keeping the green area of the district. With the higher plot ratio granted, taller buildings can be built and so the public park and pool can be kept as green area. In addition, there are also roof gardens at the top of the various buildings so as to reduce heat island effects.

229 Furthermore, the project has also to meet with other public expectations and purposes, especially in the aspect of preservation. The park that originally belonged to the Asahi TV is preserved after the redevelopment as a public park that provides access to the public, though the land right now converts to the ‘collective’ of owners in which the Asahi TV constitutes a part. The maintenance of these public spaces is borne also by the collective owners’ association.

230 For those who opted to remain living in the original residence, they benefit from getting a larger flat after the redevelopment in the 2 new multistory blocks reserved for them. Some of them may have to ‘top up’ by paying more for getting a bigger flat if their original portion of land right is lower than that after redevelopment. Those who rejected to participate in the redevelopment project, those who did not like living in high-rise buildings, and those who could not wait for a long period of redevelopment, obtained the compensation and left.

231 Though the legal requirement is 2/3 of the owners’ consent, the Association refrained from using the statutory provision of compulsory resumption of their land right, but had resorted to prolonged negotiation until 80% agreement had been reached. This is, according to the various informants, consistent with the general norm of taking care of the feelings of the original land owners, and the government’s emphasis on social harmony<sup>63</sup>. Although there

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<sup>63</sup> This appears to be consistent with usual description of “[Nemawashi](http://en.wikipedia.org/wiki/Nemawashi)” (根回し) in Japanese culture as an informal process of quietly laying the foundation for some proposed project by talking to the people concerned and gathering support and feedback. (Wikipedia, <http://en.wikipedia.org/wiki/Nemawashi>, February 3, 2009)

was one political party (the Communist Party) that staged some objections to the redevelopment project, there was no significant pressure group involved in this project.

232 The project involved 5 new residential blocks with 2 of them reserved for the original land owners and the other 3 being ‘reserve land’ obtained from increased plot ratio after redevelopment collectively owned by the ‘implementer’ of the project (i.e. the ‘association’ formed by the original owners and the developer). These ‘excess floors’ are rented out for profit, thus generating return for the developer in covering the cost of construction and compensation.

233 The project also involves a significant amount of land for business use – offices, restaurants, museum, performance venue and open space that are owned by developer and can be used for renting. There are as many as 6,000 people working in shops and restaurants and another 6,000 working in the offices in the Roppongi Hills buildings.

**Tokyo Midtown Project and Toranomon CommonGate (Public sector initiated and private sector implemented redevelopment cases)**

234 These two projects have similar backgrounds / nature in being government-initiated projects. The land was originally owned by the government and the government invited interested private developers to redevelop the area / building.

Figure 4.3 The Toranomon Common Gate



Figure 4.2 Location of the Tokyo Midtown



235 Tokyo Midtown is the redevelopment project in the Akasaka 9-chome area of Tokyo. The project was completed in 2007 as a high-rise development. The development project includes the tallest building in Tokyo and has a variety of residential and commercial blocks that include hotels, shopping malls, offices, gallery and public leisure space.

236 It is a project initiated by the government. The land was originally owned by the government as an office for the military. The government developed a tentative plan and then invited interested private companies / developers to submit tenders and the one with highest bidding price finally was granted the right to redevelop the area.

237 One of the conditions set out by the government was to preserve the park after the redevelopment project. The developer was granted the land right of the park but it has to make the park open to the public.

238 The Toranomom CommonGate project was also initiated by the government. The original buildings were government offices. The government invited developer to jointly redevelop the area, so as to preserve some parts of the old building while allowing the developer to construct two new tall buildings. The agreement between the government and the developer is that the government will use one of the new buildings as offices after the completion of the project where the government needs to pay rent to the developer for the first 19 years and then the building will be returned to government. The other new building is used as offices for other private companies / organizations, all the rent is paid to the developer for the first 30 years and then the building will be returned to the government. The old building, after renovation, is used as a museum now, and free public visit is allowed.

#### **Meiji Seimei Kan (明治生命館) (Preservation cum redevelopment case)**

239 This is a project involving both preservation of old historical heritage buildings and developing new buildings. The original land owner – the company – initiated the redevelopment project. It is an attempt to preserve the original Meiji Seimei Kan which is a western styled old building built in 1934. The building records Japan’s contemporary history, as it was the General Headquarters / Supreme Commander office for the Allied Powers upon the end of the Second World War. The company took initiative to request the government to increase the plot ratio from 8 to 15. The company was then able to develop a modern high-rise office building adjacent to the old building. The government laid requirements for the company to provide access to the public and the company establishes a gallery exhibiting the history of the building.



Figure 4.4 The Meiji Seimei Kan

240 The project can be regarded as a ‘win-win’ situation whereby the government could

retain a historical heritage and the company can get financial benefit by gaining extra plot ratios and then letting the extra floors to other companies and businesses. For instance, while the company keeps the first two floors for its own offices, the other floors of the newly developed building are rented to shops and restaurants.

241 In order to maintain the original style and architectural form of the old building, the government has stipulated a less stringent building code. However, the company in addition to adhering to the government's regulations pays extra efforts in installing appropriate facilities to ensure structural safety as well as easy access.

242 This case illustrates the Japanese government's policy direction in making use of policy measures to encourage the maintenance of old building rather than providing direct financial subsidy to the owner or the developer.

### **Lessons learnt**

243 The Japanese experience of urban redevelopment could provide some references for Hong Kong in various ways, though such reference should be contextualized in the specific socio-economic and historical background of evolution of Japan's urban development.

244 Firstly, the emphasis and respect for land right is paramount in the Japanese context. Having both socio-cultural and legal institutional mechanisms providing safeguards. This could be best illustrated in the case of 'right conversion' or 'land readjustment' model of redevelopment where the original owners can readily participate in the development project and be provided with comparable share of land /flat right after redevelopment. This would also provide some guarantee for those who would prefer to stay living in their original residence, thus avoiding the usual issues brought about 'gentrification' as in other models of 'demolition and removal'.

245 Though Hong Kong has a different leasehold system where people do not own the land, they still have the 'right to use' within the lease period. The concept of 'land re-adjustment' practice in Japan can be considered in the case of Hong Kong if we are moving towards the direction of owners-participation in redevelopment projects.

246 In close relation to this, the Japanese government in general, in the Tokyo Metropolitan Government (TMG) in particular in our case study of Tokyo, has resorted to a strategy of negotiation and persuasion to solicit the support of various parties concerned. "This strategy reflects both long-established traditions of governance in Japan, in which 'consensus' is



valued, and government ‘administrative guidance’ (*gyosei shido*) is considered to carry considerable weight” (Fujii et al., 2007:265).

247 Secondly, in line with this recognition of the original land owners’ rights, the formation of a development association/cooperative or an advisory council (in the case of government-initiated projects) formed by the land owners and the property developer to serve as the ‘implementer’ of the project would ensure the willing and effective participation of these owners and stakeholders in the planning and implementation of the redevelopment project. The association thus formed also enjoys the status of an independent legal entity to enter into agreements with all the relevant stakeholders. Here, the government also provides institutional support in the setting up of the association and the subsequent approval of development plans.

248 Thirdly, the provision of financial and practical support for transitional residence or business operation to the original land owners or business operators – by means of rent subsidy and transient residence and shops – can assure the original land owners / shop operators to willingly participate in the redevelopment project. This can also reduce the possible resistance of these stakeholders in the initial stage of the negotiation and avoid the problems arising from physical and social relocation and dislocation.

249 Fourthly, there is also high transparency in the process of redevelopment in various aspects. For instance, the formation of the redevelopment association/council constituted by relevant stakeholders contributes towards this direction. Furthermore, the government’s provision of elaborate codes of provision for compensation and financial subsidy also enables the relevant stakeholders to know their respective rights and entitlements throughout the process of the redevelopment. In addition, there are strenuous efforts paid by the association/council in organizing public hearings and individual contacts to relevant stakeholders, to solicit their willing acceptance and participating in the project. All these are conducted with high transparency and can promote trust and confidence amongst all stakeholders concerned.

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## Chapter 5: The Case of Seoul, South Korea

### Brief history of urban development

#### Population growth

250 Seoul established its present spatial form in 1394<sup>64</sup> when it became the capital of the Chosun Dynasty<sup>65</sup> (1392-1910). Seoul maintained its population of around 200,000 for several centuries until the Japanese occupation in 1910. During the period of Japanese occupation, Seoul began its urbanization and its population grew to about 1,000,000.

251 At the end of the World War II, August 1945, the population of Seoul stood at around 900,000, and began to grow rapidly. During the industrialization period between 1960 and 1985, the population of Seoul increased from 2.45 million to 9.64 million in 1985. This rapid increase in population marked the enormous demand for housing and urban development. The year 1992 was the turning point where the absolute number of Seoul residents dropped and subsequently stabilized<sup>66</sup>. By mid-2007, Seoul was the home of 10.4 million Korean.

252 Between 1992 and 1999, about 2 million people moved to the five satellite cities around Seoul. By mid-2007, together with its satellite cities, Metro Seoul accounts for almost 50% of the population in South Korea (24 millions out of 59 millions).

253 Seoul has the status of a Special City (特別市), the only Special City in South Korea. The terms “Metro Seoul” or “Seoul City” are used quite interchangeably in the literature. While relatively order literature refers the government in Seoul as “Seoul City Government”, more recent literature refers it as “Seoul Metropolitan Government”. Furthermore, theoretically, as a Special City, Seoul is governed directly by the National Government, yet in the course of this study, there are many aspects of urban renewal actually operated under the auspice of the Seoul Metropolitan Government and under the leadership of the Mayor of Seoul, and it is not uncommon for Mayors of Seoul in latter part of the political career became the President of South Korea, as the current President is a recent example..

#### Zoning and Planning Process

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<sup>64</sup> Kim, Kwang-Joong (ed) 2003, *Seoul, 20<sup>th</sup> Century: Growth & Change of the Last 100 Years*, Seoul Development Institute.

<sup>65</sup> Other English (translated) spelling of “Chosun Dynasty” is “Joseon Dynasty”.

<sup>66</sup> Seoul Development Institute (2005) *Changing Profile of Seoul: Major Statistics and Trends*. However, according to several interviews with Korean informants, and by Choe, Sang-Chuel, (2003) “Evolution of Modern City Planning in Seoul: 1950-2000” (p.540), in *Seoul, 20<sup>th</sup> Century: Growth & Change of the Last 100 Years*, edited by Kim Kwang-Joong, Seoul Development Institute, the peak of Seoul population was 1991.

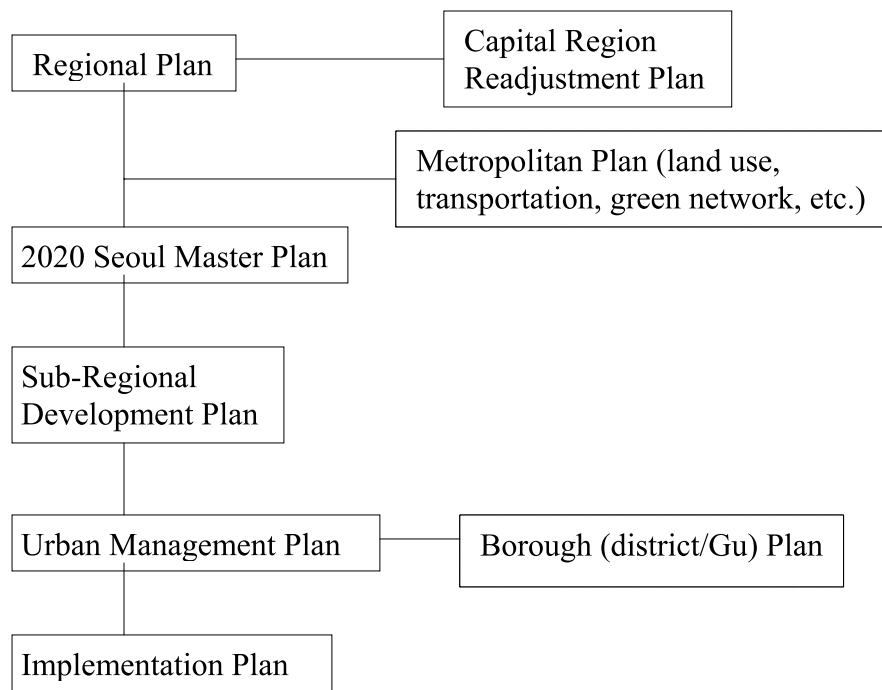
254 As noted earlier, owing to the rapid growth in population after the World War II and later the Korean War, to regulate land use in the city, the zoning system in Seoul was put in place in 1952. Table 5.1 illustrated the distribution of the land use in the zoning plan of Seoul in 2007<sup>67</sup>.

Table 5.1 Land Use in Seoul

Zone	Area (km <sup>2</sup> )	Proportion (%)
Residential	316.69	52
Commercial	23.56	4
Industrial	20.00	3
Green	246.03	41
Total	606.55	100

255 While urban planning began in the era of the Japanese occupation, the first Seoul Comprehensive Plan was established in 1990 under the City Planning Law.

Figure 5.1 Planning System of Seoul



256 The current planning system of Seoul is illustrated above in Figure 5.1.

### Housing Development and urban regeneration

<sup>67</sup> Source: Presentation made to the Research Team of HKU by Dr. Yang, Jae-Seob, Research Fellow of Seoul Development Institute, on October 17, 2008..

257 Housing shortage had been with Seoul ever since the development of urbanization and industrialization of Seoul during the Japanese occupation. The first public housing body, Chosun Housing Corporation in Korea was formed in 1941 by the Japanese colonial government, modeled after the Japan Housing Corporation formed in Japan. The Chosun Housing Corporation was significant in many aspects.

258 It formed the basic model of future housing development and redevelopment in Korea and in Seoul:

- Public role in housing development: It was the first public organization in construction of housing.
- Land assembly: the Chosun Housing Corporation purchased land from existing owners to form a sizeable area for housing construction.
- Financing Model: the government (for the Chosun Housing Corporation, it was the Japanese colonial government) invested 8 million won and issued about 80 million won bonds.

259 The formation of the Chosun Housing Corporation and its operations was also a very clear indication of

- the severity of the housing shortage in Seoul: It was formed in 1941, that was in the midst of the World War II. Despite the fact that Japan needed a great deal of raw material for its military operation, and the building of housing in Seoul did create tension in the supply and demand of building material, the Japanese colonial government clearly had tried to push through the building programme in Seoul. Before the end of war, within the four year period, the Chosun Housing Corporation had built a total of 12,184 homes and of these, 4,488 were constructed in Seoul<sup>68</sup>. Moreover, the Chosun Housing Corporation had purchased large tracts of land before the end of the WWII and transferred these tracts of land to the Korea Housing Corporation after Liberation in 1945.
- the land ownership in Seoul: the Japanese colonial government treated the land ownership as belonging to the residents and the Chosun Housing Corporation in its operations had to purchase land from the land owners at that time.

260 The housing shortage problem in Seoul was worse at the end of the Korean War and had always been an issue well into the eighties. Urban renewal between the 1950s' and 1970s' was primarily related to the clearance of squatters and upgrading of substandard housing.

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<sup>68</sup> Sohn, Sei-Kwan, 2003, "Changes in the Residential Features of Seoul in the 20<sup>th</sup> Century", in *Seoul, 20<sup>th</sup> Century: Growth & Change of the Last 100 Years*, edited by Kim Kwang-Joong, Seoul Development Institute.

## The beginning of urban redevelopment

261 The present model of owners' led redevelopment, known as "partnership (Hapdong) renewal", in Seoul emerged from the 1980's. In January 1984, the Seoul City Government issued the *Implementation Guidelines for Joint Redevelopment*. Under the guidelines the squatter-owners<sup>69</sup> formed a corporation which selected a construction firm<sup>70</sup> which in turn becomes a member of the corporation<sup>71</sup>. The corporation provided legal squatters with interest-free loans to cover temporary relocation costs and to evacuate the recent settlement. The corporation then built apartments which exceed in number the original squatter units and sold them to former owners and the general public. In the model, the Seoul City Government served primarily as a regulator and the redevelopment was led by the owners and the private sector.

262 In the above model, the Seoul City Government benefited from the sale of land where the squatters were situated and the various types of taxes during the redevelopment process and at its completion, such as the Acquisition Tax, Registration Tax, Education Tax, Aggregate Land Tax, and Urban Planning Tax at various stages of the project, such as at site purchase, site possession and housing completion.

Table 5.2 Tax System on Housing Constructors

Site Purchase	Site Possession	Housing Completion	Housing Sale
Acquisition Tax (2% of acquisition value)	Aggregate Land Tax	Acquisition Tax (2% of acquisition value)	Special Tax (20% of gain on transfer)
Registration Tax (2% of acquisition value)	Education Tax (20% of registration value)	Registration Tax (0.8% of acquisition value)	Value-added Tax (10% of sale price)

<sup>69</sup> The term "squatter" in the literature related to South Korea appears to refer to structures (mainly substandard) built on private or public land without approval. "Squatter-owners" refer to those who claimed ownership of the structure. The term "legal squatter" refers to those being "recognized" by the government. This appears to be quite similar to the "tolerated" squatters in Hong Kong registered under the Housing Department. As to whether the South Korean government uses the common law principle of adverse possession, the Research Team was not able to confirm at the time of writing this report.

<sup>70</sup> The term "construction firm" is used in most of the South Korean official documents. It is apparently that their roles can be very different in different context. In the case of the privately initiated redevelopment projects, the "construction firm" provides financing and acts very much like the "developer" except that it does not own the project. It is the redevelopment corporation that owns the project. In the case of New Town development as described latter, the "construction firms" act more like principle contractors in the construction process.

<sup>71</sup> Lee, Jong-Youl, 2000, *The Practice of Urban Renewal in Seoul, Korea: Mode, Governance, and Sustainability*, presented at the 2<sup>nd</sup> International Critical Geography Conference, August 9-13, 2000, Taegu, Korea.



value)	Tax)	value)	
Education Tax (20% of registration Tax)	Urban Planning Tax (0.2% of Land Vale)	Education Tax (20% of registration Tax)	

(Source: Ministry of Land, Transport and Marine Affairs website,  
<http://english.mltm.go.kr/intro.do> retrieved on 10-Oct-08)

263 The Seoul City Government also made such urban redevelopment attractive to the construction firms by relaxing building codes, allowed higher floor area ratio<sup>72</sup> and building of taller apartments. The redevelopment corporation also distributed the profits to the owners as members of the corporation. However, the interests between the construction firm and the owners might not always coincide and conflicts could arise. On the other hand, the redevelopment corporation would have to pay 5 million won to the resident (owners and tenants).

264 Owner residents had three major advantages in this type of redevelopment, namely, the allotment of the land ownership at about half of the market value (SMG, 2007)<sup>73</sup>, a priority ticket that gave rights of acquisition after redevelopment, and the 5 million won given to residents. However, owing to the upgrading after redevelopment and the increase in market value. Most owners would sell their share of the land ownership and the priority ticket and relocated to other parts of the city with lower cost. Similarly, many tenants would have to move to other squatters in the outskirts of Seoul. It was estimated that about 10%<sup>74</sup> to 20%<sup>75</sup> of the residents returned to the redeveloped site. The original social network would have been inevitably dispersed.

265 However, as noted earlier, the major grievance came from the tenants. This was the major cause of protest in the 1980's in redevelopment. Some struggles could last for quite a number of years.

266 While this partnership redevelopment programmes were very popular, it had its own problems:

- Build-density: The standard floor area ratio (FAR) of 1.8 at the beginning of 1981 was modified to 2.5 in 1985 and 4.0 in 1990<sup>76</sup>.

<sup>72</sup> For details, please refer to the discussion on the case of Seoul Downtown Redevelopment in the following sections.

<sup>73</sup> Seoul Metropolitan Government, "Building the New Town – A Complete Record", 2007.

<sup>74</sup> Op.cit

<sup>75</sup> Kim, W-J. (1997). Economic Growth, Low Income and Housing in South Korea, Houndmills, UK: Macmillan Press.

<sup>76</sup> Ibid.

- Building heights: Many of the “partnership (Hapdong) renewal” programmes turned up massive building clusters, e.g. seen by the side of the Cheonggyecheon (清溪川), and on the upper hill-side and are visually in competition with the distant mountains<sup>77</sup>.



Figure 5.2 Building mass by the side of the Cheonggyecheon (清溪川)

- The lack of communal facilities: Schools, parks and other communal facilities are lacking as the projects are developed without much regard to the long term impact on the area<sup>78</sup>.
- Deteriorating traffic conditions: As projects were not coordinated, street space and connectivity of existing road networks had become

problematic, and with increase in build density, traffic conditions deteriorated<sup>79</sup>.

- Social Conflicts: The earlier history of urban redevelopment in Seoul was marked with resistance and at times violence. The Gwangyu riot in 1971 was precipitated by the massive relocation project<sup>80</sup>. While the Seoul City Government pulled itself out from direct participation in urban redevelopment in the 1980s, the conflicts that were usually between the residents and the government had turned to the conflicts among the residents, the tenants and the developer. In the downtown area, the usual conflict was between the shop renters and the developers. In a conflict



Figure 5:3 – Demonstration by shop renters (picture taken in Seoul, on 18.10.2008)

<sup>77</sup> Kim, K-J (2001). *ibid.*

<sup>78</sup> Kwon, Y-D. (1995) “Problems and improvement directions of current redevelopment practices in Seoul,” *Architectural Culture*, June, 1995, Seoul: LKunchuk-Munwhasa (in Korean) quoted in Kim, K-J (2001), *op cit*, and in Kwon Y-D and Choi S-H (2003) *Security adequate level of infrastructure and public facility provision in the Urban Housing Renewal Projects*, Seoul Development Institute.

<sup>79</sup> Kwon and Choi (2003) *op cit*.

<sup>80</sup> Kim, S.H. (1996) “Evolution and characteristics of public housing policies in Korea”, unpublished Ph.D. Dissertation, Graduate School of Environmental Studies, Seoul National University (in Korean) quoted in Kim, K-J “Residential Redevelopment in Seoul: Public Substandard Housing Renewal Program”, in *Urban Management in Seoul*, 2001, edited by Kwon W-Y and Kim K-J, Seoul Development Institute.

occurred in January 2009, in a redevelopment project in the Yongsan area, the protest of tenants and advocate group members ended up with a major fire disaster with the death of six people (including one police officer).

### **Support of Old and Deteriorated Housing Improvement**

267 The Korean Government assisted in the improvement of the old and deteriorated housing of low-income groups through two types of programmes, namely, the designated housing redevelopment districts and the Residential Environment Improvement Project<sup>81</sup>.

268 In the designated housing redevelopment districts, redevelopment projects adopted the same model as the “partnership (Hapdong) renewal”, where residents in a designated redevelopment district formed an association with construction companies and the local government in order to build new housing in the area. The government made it a duty to construct rental housing in the designated areas in order to relocate the tenants, and it provided a 25-30 million won (about HK\$180,000-HK\$210,000) to the owners at an interest rate of 9-9.5% from the National Housing Fund, according to the size of the housing unit. Under this programme, 378 redevelopment districts were designated, 67,000 housing units were demolished in 229 districts, and 119,000 housing units were constructed<sup>82</sup>.

269 In the areas designated as the objects of the residential environment improvement project. Sub-standard housing can be reconstructed or improved according to will of the owners. The project was executed by a local government or the Korea National Housing Corporation. A loan of 20-30 million won (about HK\$140,000 to HK\$210,000) per house at an interest rate of 6-7.5% is given to the owners who construct or improve their old house. Building-related regulations are also eased for the projects<sup>83</sup>.

### **The case of Seoul Downtown Redevelopment**

270 While the need for urban renewal in the Seoul downtown was immediately felt after the Korean War and the first City Planning Law was introduced in 1965, the then President Park Chung-hee set the “modernization of city functions” and “downtown area redevelopment” as key administrative priorities<sup>84</sup>.

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<sup>81</sup> Information in the section of the related was downloaded from the website of the Ministry of Land, Transport and Marine Affairs, October 1, 2008. <http://www.moct.go.kr/intro.do>

<sup>82</sup> The figures provided in the website of the Ministry of Land, Transport and Marine Affairs was only updated as of the end of 1999.

<sup>83</sup> At the time of writing this report, the Research Team is still locating data related to extent to which this scheme was implemented.

<sup>84</sup> Sohn, Jung-mk, 1998 “History of Downtown Redevelopments of Seoul,” Gukto, Korea Research Institute for

271 The Urban Redevelopment Law enacted in 1976 laid down the basic framework of public and private responsibility, i.e. the public sector was in charge of devising renewal policies and approval of redevelopment projects, while redevelopment shall be done by the private sector unless there was a pressing reason to do otherwise.

272 Seoul adopted its first Urban Redevelopment Master Plan in 1979 which included the majority of downtown Seoul to be subject to redevelopment. In this plan, the floor area ratio for the commercial district was at 8.0 and for residential area was set at 2.5. However, in the same year, Seoul's Metropolitan Area Problem Supervising Committee demanded stringent building regulations to Seoul's downtown area, by reducing the floor area ratio to a maximum of 6.7 along the main roads.

273 In the amended Urban Redevelopment Law of 1981, the new law required 2/3 agreement of the owners for redevelopment and a public hearing had to be held.

274 The 1986 Asian Games and the 1988 Olympic Games had speeded up the urban redevelopment in Seoul downtown. By 1983, the maximum floor area ratio in downtown area was relaxed from 6.7 to 10.0 (for other building construction, the FAR remained at 6.7 in the downtown area and 9.0 in Gangbuk area outside downtown)<sup>85</sup>. Coupled with the economic growth in South Korea and the demand for office space, the redevelopment in downtown Seoul became the replacement of low rise residential units by high rise office buildings during this era of redevelopment.

275 However, the rapid redevelopment prior to the Olympic Games had substantially reduced the residential population in downtown Seoul, and the redeveloped areas were almost empty at night. In 1990, the Seoul City Government adopted a new policy by offering a land use density for new buildings that included residential units. The maximum floor area ratio of 10.0 was reduced back to 6.7, but with residential space, the maximum floor area ratio could still go up to 10.0. But due to the lack of response from the private sector, in 1993, the maximum floor area ratio was increased further to 8.0 and a bonus of 2.0 for residential space.

## **The “New Towns” development projects – the case of Eunpyeong (恩平)**

### Background of New Town projects

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Human Settlements.

<sup>85</sup> Seoul Development Institute, 1995, *A Study on District Designation in Downtown Redevelopment Areas*.

276 The growth in the Seoul City since the 1970's had led to imbalance development of Gangnam and Gangbuk (江南, 江北, south and north of Han River). With government offering tax relief for real estate development while imposing tax on vacant land, encouraging construction of medium to large-sized buildings in strategic locations, and investing intensively in infrastructure, the quality of living in Gangnam is considered to be much better than that in Gangbuk.

277 "New Town" projects were launched since 2002 to rectify this regional difference through redevelopment of the older Gangbuk. In other words, "New Town" development in Seoul, is not the development of a new town, but the redevelopment of the old town, i.e. to turn the "old town" into a "new town" with two major targets:

- Residential areas packed with old housing that need improvement of living environment and basic infrastructure.
- Commercial or industrial areas around subway stations or along main roads to enhance efficiency of land use and rejuvenate urban functions<sup>86</sup>.

278 As noted earlier, privately led development has led to high-density development owing to the maximization of profit and the lack of infrastructure investment, the "New Town" projects was conceived to rectify these problems.

	Earlier redevelopment	"New Town" projects
Planning standard	Minimum requirement	Comprehensive provision of infrastructure
Development initiator	Private sector	Public-private partnership
Role of public sector	Issuing approvals	Actively involved
Unit of redevelopment	Dispersed plots determined by profitability	Community (sub-district)
Method of redevelopment	Mainly reconstruction	Diverse methods

279 The New Town Development Bureau was formed within the Seoul Metropolitan Government to take charge of these new town projects.

280 The "New Town" initiative began in October 3, 2002, with the designation of redevelopment sites

Date of designation	Areas of redevelopment	Completion dates
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<sup>86</sup> Seoul Metropolitan Government New Town Development Bureau "New Town Project of Seoul" (undated) provided to the research team during its visit to Seoul in October, 2008.

October, 2002	3 residential areas for pilot projects (Eunpyeong, Wangshibri and Gileum)	2010-2016
November, 2003	12 residential area	2012-2017
December, 2005	11 residential area	2015-2020

### The Designation Process

281 While the informants to the Research Team considered the process of designation was a bottom-up process, judging from the formal documentation<sup>87</sup>, the designation process can be considered as an administrative initiation with consultation as both district and city level:

- Preparing proposal for application (New Town Development Bureau)
- Notice to district residents
- Consulting district council
- Consulting the district planning committee
- Submitting application to city government
- Consultation with relevant organizations
- Screening and review by city planning committee
- Notice of final result by city government.

### Legal Framework: Special Act for the Promotion of Urban Regeneration<sup>88</sup>

282 The legislation process took place simultaneously as the New Town Projects developed. The Special Act (都市重整促進特別法) was enacted in December 2005 to streamline the complex legal system and administrative processes that had prolonged project implementation. A Task Force was set up to implement the Special Act. Subsequently, the counter legislation Ordinance in the Seoul Municipal was enacted in November 2006.

283 The Special Act defined the “New Town” project as residential areas of approximately 500,000 m<sup>2</sup>. It also defined the urban core (commercial/industrial) area of approximately 200,000 m<sup>2</sup> for redevelopment. The Special Act makes provisions for:

- Deregulating conditions for target area designated, floor area and building coverage ratios, requirements for schools, parking space, small-size housing units, etc.
- Simplifying administrative processes by allowing legal mandate and fiction
- Appointing General Project Manager for redevelopment management
- Preparing measures to recapture capital gains of project
- Providing subsidies for construction of infrastructure

<sup>87</sup> New Town Development Bureau, Seoul Metropolitan Government (not dated) *New Town Project of Seoul* given to the Research Team during its visit to Seoul in October, 2008.

<sup>88</sup> It is also translated as the “Special Act for Urban Renewal Facilitation” in other documents.

- Offering preferential treatment to induce private schools (e.g. exempting from local taxes and development charges, and allowing special discount in the case of sale of municipal land)
- Preparing anti-speculation measures by regulating land transactions and building permission with target area designation.

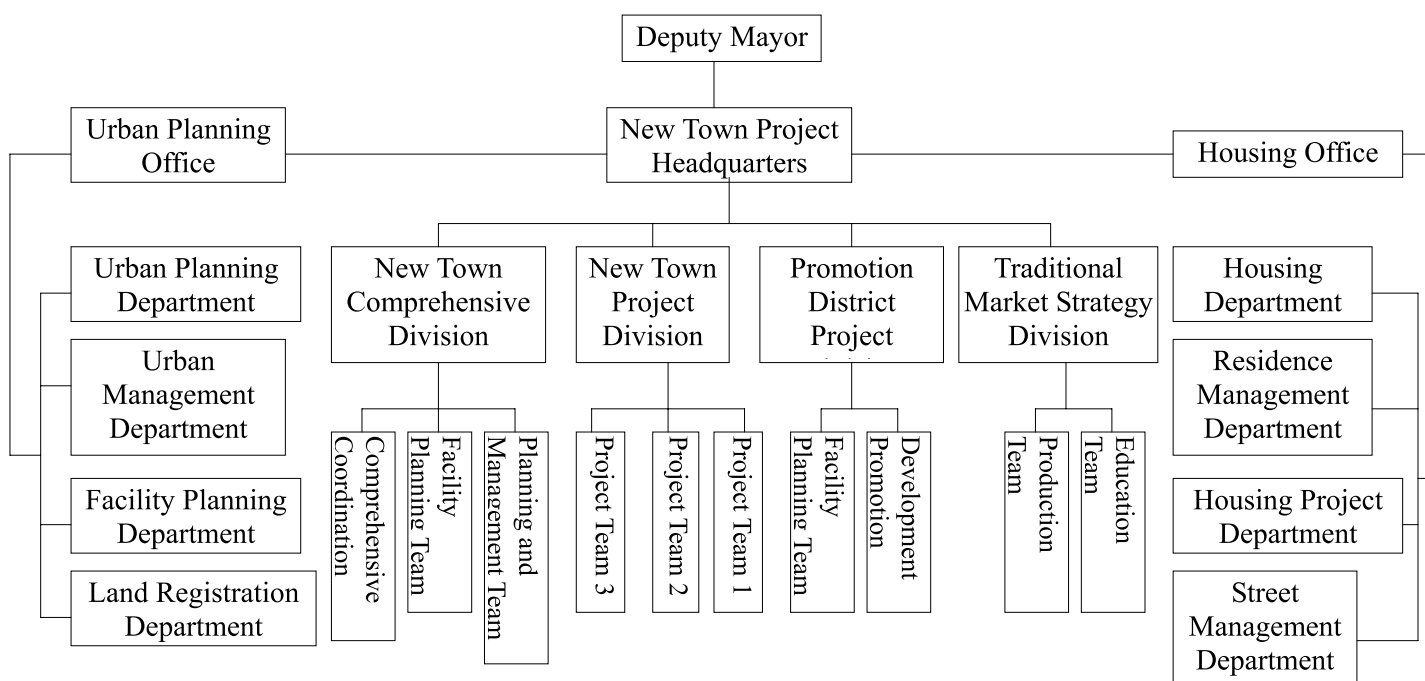
#### Process of finalization of development plan

284 Subsequent to the appointment of a Master Planner:

- The development plan was to be drawn up
- Notice to target sub-district residents was to be issued
- Consultation with district council was to be made
- Public hearing in the target district was to be conducted
- The Request for approval of development plan (endorsed by the district council) is to be submitted by the district council to the City Government
- Consultation with relevant organizations was to be made
- The joint city committee of planning and architecture was to review the request
- The City Government was to approve the project development plan and issued the final notice.

285 Funding support of 317,368 million won (about HK\$2.2 Billion) was provided from 2002 to 2007.

**Figure 5.4 Organization chart for New Town Development**



286 To strengthen public support, Task Force teams were set up in both city and district governments to support the New Town projects. Project Support Centers in sub-district were set up to provide technical advice and conciliate various conflicts of interests.

Institutional set up for the New Town Project

287 After several transformation of the organizational structure, the implementation of the New Town Project was under the New Town Project Headquarters directly supervised by the Deputy Mayor of Seoul.

288 In 2004, the Urban Development Corporation, a government agency, was given a new identity, the Seoul Housing Corporation (SHC) which was then reorganized to meet the demands of the new town projects. The SHC performed the major function is to implement the project and to provide the administrative support to the coordination between the city government, the master planners appointed in the respective projects, and the contractors (construction companies/developers<sup>89</sup>).

The Eunpyeong Redevelopment Project

<sup>89</sup> Unlike the situation in Hong Kong, the contractors/developers in these New Town projects are only involved in the construction process. The SHC manages the development of the whole project and the sale of housing units after completion.



Figure 5.5 The view of Eunpyeong New Town



289 The Eunpyeong redevelopment project is one of the three pilot projects and Eunpyeong-gu is one of 25 gu or districts in Seoul. It is located 10 km northwest of the city centre and accessible by subway. It had a population of 472,582 (before redevelopment). Eunpyeong-gu is considered as one of the poorer districts of Seoul. The Korean Association of Land Appraisal shows that apartment prices in Eunpyeong-gu were the lowest among all other gu in Seoul in 1998.

290 In 1971, this area was designated as a green belt area, but population with poor quality of housing still grew. To facilitate the redevelopment project, the green belt provision was repealed. Within the plan for the new town, a “green network” was designed to integrate the natural resources of Changreungcheon (a stream), Jingwan Park and Gallhyeon Park

291 The initial announcement of Eunpyeong as a pilot new town project was made in October 2002. The redevelopment area covers a site of 349.5 hectares<sup>90</sup>. It has affected 8,721 households (with 4,030 tenant households) and 25,100 residents, involving 4,691 houses. In November 2006, the Eunpyeong project was announced to provide some 15,200 new apartments for 42,560 residents between 2006 and 2009. The latest information provided by the Seoul Metropolitan Government indicated that the project should be completed by December 2011 (instead of 2009).

292 The land needed for redevelopment with either purchased by the city, exchanged with other residential lots<sup>91</sup>, cash compensation or replacement houses with reduced price<sup>92</sup>. However, during the negotiation process at the beginning of the New Town project, there were concerns among the local land owners and residents (including both owner occupiers

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<sup>90</sup> This is almost the same size as the Tin Shui Wai (366 hectares) in Hong Kong excluding the Wetland Park, but houses only about 14% of the population of Tin Shui Wai.

<sup>91</sup> Seoul Metropolitan Government (2007) *Building the New Town – A Complete Record: Wangshibri /Gileum /Eunpyeong New Town Projects*, p 64.

<sup>92</sup> According to Dr. Jeong Deok Lee of the SH Corporation during an interview with the Research Team.

and tenants) that the amount of compensation of the project would be insufficient and the relocation supported by the government would not be advantageous to their interest. Such issues had led to conflicts between the residents and the project operators in the initial phase of the Eunpyeong project<sup>93</sup>.

293 The financing of the new town project is provided by the operator and the city government, which can issue urban development bonds<sup>94</sup>.

294 This is a total re-construction project with basically all existing structures demolished and rebuilt in three phases. This total re-construction allows the possibility of constructing an area based ICT network and area heating system. This project also involves the restoration of creeks, water front, promenade, pedestrian mall, bicycle lanes and walking trails. Within the total area, 38.8% would be residential, 2.6% commercial, and 58.8% for public use. Several major design concepts were employed in this project:

#### Social Mix

295 The plan was to provide housing for a social-mix community including 365 detached houses and 14,835 apartment units with 4,782 rental units.

#### Communal designs

296 Street malls were designed and communal squares, resting areas, barbeque parks are located in the blocks.

#### Diverse skyline

297 Building mix of high-rise, mid-rise, and low-rise were used different zones.

#### Reduced traffic pollution within the area

298 Major roads were relocated to avoid intersecting the living sectors.

299 Public transportation is considered as the main way of movement within the area. No pollution shuttle buses connect the local areas and railway station and public transit buses connect the area to the neighbouring areas. Bicycle paths are built extensively within the

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<sup>93</sup> Seoul Metropolitan Government (2007), op cit., p. 65

<sup>94</sup> *ibid.* No detailed information related to the bonds could be obtained from the available information.

area and among living blocks with bicycle parking lots and resting areas.

#### Water circulation system

300 Streams in the area were restored. Minimizing artificial covering of land was mandated. Newly developed concrete material, which allows water absorbance, would be used whenever possible for construction of roads and parking spaces within the area. Parks and bicycle paths would be treated with water absorbing material. Hiking trails were treated with natural soil or pebbles to maximize rain water absorption.

#### Renewal Energy

301 Solar energy generation would be used in public buildings. Solar energy lighting would be employed in generation of safety lights in the parks. Solar energy heating would be employed for heating water. Earth heat energy pumps would be used when appropriate.

### **Preservation in Seoul**

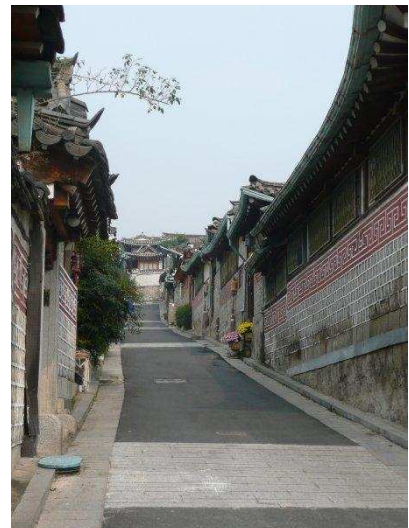
#### Preservation Policies

302 In 1962, the Cultural Properties Protection Law was enacted to preserve cultural properties.

303 In the same year, the City Planning Law was established to designate Special Districts such as Aesthetic District (e.g. Bukcbon Village), Height Limit District (e.g. Gyeongbok-gung area, 景福宮), Preservation District (no example in Seoul), etc.

304 The 1986 Asian Games, the 1988 Olympics, the 1994 600<sup>th</sup> Anniversary of the Capital Seoul, and the 2002 World Cup all had given impetus for preservation of history and culture. Restoration of temples, palaces, and the Seoul City Wall were implemented in during these periods. However, such efforts were still considered by the Seoul Development Institute as primarily unsystematic: “Seoul Metropolitan Government’s historic and cultural conservation policy was carried out by preparing for the occasion of the moment rather than consistently following systematical and organized framework and plan.”<sup>95</sup>

Figure 5.6 A lane in Bukchon



<sup>95</sup> Seoul Development Institute (2005) *Historic Conservation Policies in Seoul, Beijing and Tokyo*, p.105

## The Bukchon Hanok Village

305 Bukchon Hanok Village is located north of the Cheonggyecheon (清溪川), and between the Gyeongbok-kung (景福宮) and the Chandeok-kung (昌德宮). Owing to the proximity to the palaces, this area used be a favourite residential area for high-ranking government officials during the history of Seoul as the capital of the Chosun<sup>96</sup> Dynasty (1392-1910). However, the present landscape of Bukchon was reshaped in the 1920s and 1930s, during the Japanese occupation, when many mansions of high-ranking officials were divided into smaller hanoks.

306 The discussion on preservation of hanoks (韓屋), the traditional Korean houses, began in 1976, when the City of Seoul declared the hanoks as Local Cultural Assets. However, owing to the pace of development in Seoul, many hanoks had been demolished.

307 In 1983, the Seoul Metropolitan Government (SMG) designated the whole area of Bukchon Traditional Village as “The Fourth Aesthetic District” under the City Planning Law. In 2000, the “The Fourth Aesthetic District” was renamed as “Historic Cultural Aesthetic District”. The Bukchon Traditional Village also situated in the Height Limit District related to the Gyeongbokgung.

308 In 2001, the SMG started the a voluntary Traditional Korean House Registration System and the Preservation and Regeneration of Bukchon (北村) in the Bukchon Village Preservation Project<sup>97</sup>. This project was initiated from the residents’ request and had obtained the backup of the SMG.

309 In a paper published by the Seoul Development Institute (SDI) in 2006<sup>98</sup>, the estimated number of hanoks in Seoul was 20,000. But according to an official of the SMG<sup>99</sup>, the current number of hanoks was about 14,000. About 900 hanoks situated in Bukchon. According to the government official, the initiation of preservation of Bukchon came from the residents of Bukchon.

310 The major difficulties of preserving hanoks is the Building Law enacted in 1962 and the subsequent changes in building standards making renovation of Hanok difficult.

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<sup>96</sup> It is also spelt as the “Joseon” Dynasty.

<sup>97</sup> It is also sometimes translated as “Buchon Regeneration Project”.

<sup>98</sup> Seok Jeong, Ki-Wan Lee, 2006 “Proposed Policy Guidelines for Preserving Hanok Residence in Seoul”, Seoul Development Institute.

<sup>99</sup> Ms. Lee Kyungah, Hanok Team, Architecture Division, Housing Bureau interviewed on October 16, 2008.

According to the SMG official interviewed, the government has been adjusting the building laws to accommodate the wooden structure of hanoks to make preservation of the hanoks more possible.

311 At present, there was no restriction on the demolition of hanoks. Under the Registration System for hanoks in Bukchon, about 44.5% were registered. The major incentive was a loan scheme, amount to about US\$30,000-60,000 for restoration of each hanok<sup>100</sup>.

312 According to the SMG official, the government is currently developing legislation to include the hanoks into its urban planning and to strengthen the preservation of the hanoks.

313 The SMG has already made an attempt to buy the hanoks from the residents. But as the price of hanoks had gone up, the SMG was not very successful in doing that with a few exceptions, such as the hanok where the Bukchon Cultural Centre was currently housed.

314 The SDI (2006) recommended to expand the model in Bukchon to cover other hanoks in Seoul. However, we noted that because Bukchon situated between two palaces and the height restriction of buildings in this area also make preservation of the hanoks in Bukchon more possible under a voluntary system, and this does not appear to apply to the other hanoks in Seoul.

#### Restoration programmes in Seoul

315 While restoration programmes were not the focus of this study, it would be incomplete without mentioning some of the major restoration programmes within the regime of preservation in Seoul.

316 The Cheonggye-cheon (清溪川) Restoration Project (2002-2005) removed the covering flyover which originally covered the natural stream of Cheonggye-cheon, and restored a running-stream<sup>101</sup> in the heart of the Seoul city. The SMG received an award for the enforcement part in the Venice Biennale 2004. In October 2007, the then Major Lee Myung-bak<sup>102</sup> (李明博) was chosen as the “Hero of Environment” in Times magazine along with the former U.S. vice president, Al Gore.

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<sup>100</sup> Seoul Development Institute (2005) *Historic Conservation Policies in Seoul, Beijing and Tokyo*, p134

<sup>101</sup> At present, the water in the Cheonggye-cheon came from three sources, the Han river (pumped into the Cheonggye-cheon), underground water, and water treated at the Jungnang sewage Treatment Plant at 2<sup>nd</sup> class water quality. Source: Hwang, Kee-Yeon, *Restoring Cheonggyecheon Stream in the Downtown Seoul*, 2004, Seoul Development Institute.

<sup>102</sup> Lee Myung-bak won the presidential election in 2007.

317 The City Wall Restoration Project (1975-2005) aimed at restoring the old city walls of the capital city of Chosen, which was damaged due to the Korean War and urban development. The restoration project was not carried out in large scale, except between 1975-1980, but it was carried on by districts. Of the City Walls totaling 18Km, 10.6 km had been restored as at 2005. While restoration of a 5.1 km of the wall in downtown was impossible, the remaining 2.4 km restoration work would be done using long-term repairing project.

318 The Nam-san (南山) restoration was the core project of the 600<sup>th</sup> Capital City Seoul Commemorative project. It included the demolition of all of the several apartment complexes (Foreigner's Apartments) that blocked the views of the mountain, removal of the military base in the mountain, and re-modeled five noble hanok houses to form the Namsangol Traditional Korean Village. While the first two moves gained many credits, the remodeled hanok village was criticized as having lost the original vitality of hanoks and was basically fake.

## **Relevance to Hong Kong**

### Redevelopment

319 Early history of urban redevelopment prior to 1980, the Seoul city government played an active role and was primarily related to the clearance of squatters and upgrading of substandard housing. But owing to social conflicts, the Seoul government basically pulled itself out from redevelopment and performed the regulator role until 2002.

320 From the 1980s up till 2002, redevelopment was primarily owners and privately led. But, this had led to higher and higher building heights in competition with the distant mountains, increasing building density and building mass, lacking of communal facilities and deteriorating traffic conditions. This privately led redevelopment had switched the conflicts from that between the residents and the government to that between the residents (including owners and tenants) and project operator and that among the residents.

321 The un-coordinated redevelopment of Seoul downtown in the 1980s had led to replacement of low rise residential units by high rise office buildings, leaving an empty business centre at night. The Seoul City Government adopted policy in plot ratios to "encourage" developers to add "residential space" back into the city centre<sup>103</sup>.

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<sup>103</sup> Similar phenomenon of empty city business centres can be observed in many cities around the world. In

322 The “New Town” project can be seen as the coming back of the public sector in redevelopment in Seoul. However, we should note that both the initiation of the New Town projects apparently coincided with the major restoration project of Cheonggyecheon (清溪川), when Lee Myung-bak became Mayor of Seoul in 2002.

323 The Eunpyeong New Town project was apparently a show-case project for Seoul. It represented a total reconstruction project, with all existing residential buildings torn down and replaced by buildings. On the other hand, the design of Eunpyeong New Town aimed at the development of an environment-friendly, a mixed-social-community, a street level communal environment with crime-prevention (CCTV systems), energy saving (district heating) and ICT ready. From planning to completion, the project took 9 years. The project was to turn an old settlement into a “new town”. As the area of this project site is basically as large as that of the Tin Shui Wai in Hong Kong and with total reconstruction, many ideals of a modern city can be implemented, e.g. restoration of the natural streams, a district heating system, redesigning and alignment of road systems, redesigning of communal spaces and facilities, re-engineering of the social mix, etc.

324 There are 26 new town projects, mostly (17 out of 26) situated in Gangbuk. From a review of the documentation available in English, while housing redevelopment was used in most of the new town projects, the full expropriation method based on the Urban Development Act as adopted in the Eunpyeong New Town project was quite unique. For instance, the Doneuimun New Town situated in Jongno-gu involving only 20 hectares was primarily an urban environment improvement project with an expansion of historical, cultural, environmental resources in the centre of Seoul and facilitation of public access, together with a reconstruction of 30 19-23 storeys high apartment complexes<sup>104</sup>. We also noted in this project, the Hapdong “partnership renewal” model was adopted, i.e. residents forming an association and partnered with a developer.

325 From the documentation review, we can conclude that the present Seoul Metropolitan Government adopted different methodologies in redevelopment depending on the circumstances of each project, from total expropriation to owners’ participation, from total reconstruction to part reconstruction and part urban environmental improvement project.

326 In another pilot new town project, Wangsibri, in the down town area, the initial idea of

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the case of Singapore, it is also trying to increase the percentage of population in the central business district from 3% to 7%. See the Chapter on the case of Singapore.

<sup>104</sup> Maeil Business Newspaper (February 14, 2008) “Seoul’s Doneuimun New Town to Accommodate 1,887 Households.”

restoration and gradual renewal of the city was initially proposed, but ultimately turned out to be impractical due to the various limitations posted in the current urban and residential environmental management regulations providing no definitive legal solutions for restoration-type redevelopment<sup>105</sup>. The legal framework and the renewal model have to be coherent. The project turned up to be a total reconstruction.

327 While in the laws of Seoul, compensation to residents (ownerships and tenants) and housing for tenants were required, conflicts were still inevitable. We noted that owners were given “priority ticket” for purchasing a new unit after redevelopment. The good thing is that they are given a choice. The reality is that most resident owners sold their ticket in the market and move to other cheaper areas. Gentrification occurs after redevelopment.<sup>106</sup> Furthermore, the tenancy to rental buildings provided after redevelopment was only protected for 5 years and after that the units can be sold in the open market.

### Rehabilitation

328 The residential environment improvement project or otherwise called the urban environment improvement project utilized two instruments: a loan amounting to 20-30 million won per house and the project implementation agency, i.e. the Korea National Housing Corporation to support owners to improve or reconstruct their old houses. Building-related regulations are also eased for these projects. While this is similar to some of the projects done in Hong Kong, there one fundamental difference, i.e. this only applies to single houses in Seoul, while the schemes in HK are for multi-storeys buildings.

### Preservation

329 As in other countries, South Korea preserved its historical monuments and made efforts to restore historical sites. However, the implementation of preservation projects on cultural sites in Seoul has not been particularly impressive except for the Bucheon Hanok Village. Relaxation of building codes, availability of loan, the preservation groups serving as watchdog, and the Bucheon hanok village being part of the height restriction zone near the Gyeongbok-kung, all contributes to the relative success of the preservation project.

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<sup>105</sup> In the case of Wangsibri, the existing “urban and residential environment management regulations” is applicable. However, the regulations assume complete demolition and cooperative redevelopment. (Seoul Metropolitan, 2007, “Building the New Town – A Complete Record, Wangibri/Gileum/Eunpyeong New Town Projects”, p 120)

<sup>106</sup> Ha Seong-kyu, 2004, “Housing renewal and neighborhood change as a gentrification process in Seoul”, *Journal of Cities*, 21(5).



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## Chapter 6: The case of Taipei

### Background

330 Taipei City together with Taipei County and Keelung City formed the Taipei metropolitan area. “Taipei” commonly refers to the whole metropolitan area while “Taipei City” refers to the city proper. For the sake of parsimony, in the chapter, we used “Taipei” and “Taipei City” interchangeably but basically referring to “Taipei City”<sup>107</sup> unless otherwise specified.

331 Han Chinese moved to Taipei at the turn of the 17<sup>th</sup> century. From 1875, Taipei was part of the Danshui County (淡水縣) of the Taipei Prefecture (臺北府). In 1886, Taipei became the capital of Taiwan Province. Since then, Taipei remained as the capital of Taiwan during the Qing Dynasty and Japanese occupation. The Chinese Nationalist Party (Kumintang) fled to Taiwan in December 1949 and declared Taipei as the provisional capital.

332 Currently, the Taipei city population is 2.6M as of January, 2009, comparing to 10M population in the whole Taipei metro. Taipei city government is headed by a mayor.

333 Compared to Hong Kong, the Taipei City government’s policy towards urban renewal is decentralized and market-led. In the city’s latest approach to urban renewal projects, the government, on the whole, not only encourages public and private partnership, but also citizen initiative. The organization of this report is the following: history of Taipei’s urban renewal, the Urban Renewal Act, the urban renewal process, and finally, two case studies, Treasure Hill (寶藏巖) and Red House Theater (紅樓).

### History of Urban Renewal in Taipei

334 The history of urban renewal in Taipei can be divided into three different phases. The first phase emphasizes on the clearing of illegal housing, the second phase on renewing Military Dependent Villages, and the third phase on encouraging private capital in urban renewal projects.

#### First Phase: Clearing Illegal Housing

335 From 1949 to 1970, Taipei experienced a large influx of immigrants. Taiwan in

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<sup>107</sup> In this chapter, the term “local government” is used to refer to Counties or Municipal Governments and it is applicable to Taipei City. “Central government” is used to refer to the Taiwan Government.

general had a population increase of more than 30 percent.<sup>108</sup> The demand for housing in Taipei was particularly pressing. Adding to the problem was that national defense, not housing, was the major spending item on the national budget at the time, covering approximately 85% of the national budget.<sup>109</sup> As a result, there was limited support towards building houses for immigrants and refugees. The implication was that these immigrants and refugees decided to build and settled in illegal squatters and more and more of these illegal constructions began to appear in Taipei.

336 According to statistics, there were 10,000 illegal buildings in Taipei in 1958 and the number increased to 52,000 by 1963.<sup>110</sup> In the view of the Taiwan provincial government, illegal squatters were seen as obstacles to military infrastructure development. For example, many squatters along China Road, a major road in Taipei, were removed in the 1950s to make way for residential construction for soldiers who could not find housing in the nearby area.<sup>111</sup> For this undertaking, the Taiwan provincial government and the military departments set up the China Mall Construction Committee to oversee the demolition of the squatters as well as the construction of low cost housing for affected residents.

337 Between the period of 1962 and 1975, 23 buildings of low cost housing were built in Taipei.<sup>112</sup> Unlike the first batch of low cost housing, these were planned and financed entirely by the Taipei city government. The program, however, only lasted for eight years as there were numerous problems regarding the quantity and quality of the houses. For example, the houses accommodated only one-fifth of the affected residents who needed low cost housing in Taipei.<sup>113</sup> As a result, illegal construction continued to increase despite the city government's effort. Moreover, the quality of the houses was not much better than the squatters themselves as they lacked parks, open space, public facilities, and green space. Furthermore, many of the residents who needed low cost housing could not afford the rent and therefore, ended up returning to other squatters.

338 In summary, the so-called urban renewal policy in Taipei before the 1970s was one that served the purpose of national defense, road building, and infrastructure development. Low cost housing was built not for improving housing conditions, but for relocation of affected residents so that the government could clear out the land for road or defense construction. In the view of the central government, residential housing was considered to be a private

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<sup>108</sup> Huang, Liling. "Urban Redevelopment and Urban Governance: A Comparative Study Between Taipei and Hong Kong", Thesis, 2002, p. 29. (Chinese: 黃麗玲, 都市更新與都市統理—臺北與香港的比較研究)

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

<sup>111</sup> Huang, p. 29.

<sup>112</sup> Ibid., p. 33.

<sup>113</sup> Ibid., p. 35.

sector matter that should be solved by the market. Government intervention in housing development and renewal was mainly for national military purposes.

### Second Phase: Renewing Military Dependent Villages

339 In the post war period of the 1970s, the attitude of the central government towards residential housing was that residential housing should be led by the private sector via market mechanisms.<sup>114</sup> Thus, the central government appeared not to have a comprehensive housing policy and invested minimally in the housing sector.

340 In Taipei, housing provision in the 1970s was dominantly from the private suppliers who capitalized on the rising land and housing prices. Consequently, there was a shortage of affordable housing for the middle-low income residents in Taipei. At the same time, the central GMD government was facing legitimacy problems and struggling to cement its control over Taiwan. Hence, the central government decided to address these two problems by commencing the Six Year Plan for Public Housing in 1976.<sup>115</sup> However, acquiring land for this project was difficult because land was either too expensive or it was located in unfavorable areas of the city. The central government's solution was to renew Military Dependents Villages and convert them into public housing.

341 Renewing Military Dependents Villages for the purpose of providing public housing proved to be advantageous because the villages were usually located in prime districts of the city and they were owned by the military themselves. Thus, acquiring land was much easier. Funding for this project came from the defense departments as well as provincial governments. In total, Military Dependents Villages accounted for 64% of the public housing provided in Taipei.<sup>116</sup>

342 In all, the second phase of Taipei's urban renewal was not considerably different from the first. The relationship between central government and the city government was that of centralized control. The city government faced numerous obstacles in initiating and implementing their own renewal projects. If the city government lacked the support of central government, it would not be able to successfully complete urban renewal projects due to limited institutional, legal, and financial resources. For example, funding from central government to local government was limited and was primarily spent on military and infrastructure developments. Local needs such as public parks and residential housing were often neglected.

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<sup>114</sup> Ibid.

<sup>115</sup> Huang, p. 42.

<sup>116</sup> Ibid., p. 43.

343 In addition, since the military department controlled some of the most valuable land in the city and they generally preferred to keep the land for their own use, the city government found it very difficult to acquire land for renewal projects. On the whole, the central government guided local urban renewal according to its own priorities and political agenda rather than the needs of the city government. Hence, the city government only had bargaining power in urban renewal projects if there was mutual advantage to the central government and the military departments.

### Third Phase: Public Private Partnership

344 In the third phase of Taipei's urban renewal, which began in the 1990s, there were significant discontinuities in the central government's approach to urban renewal and its relationship with the city government. The most obvious discontinuity is that the central government encouraged the cooperation between the city government and the private sector in urban renewal projects because it no longer wanted to be the sole provider for such public services. At the same time, both the city government and the central government realized that without private sector funding, urban renewal projects could not be completed as both levels of government lacked the necessary resources and funding for urban renewal projects.<sup>117</sup>

345 However, this new approach to urban renewal was not put into operation without criticisms. Scholars and the public claimed that the real purpose of urban renewal was not to improve old communities but to attract private capital while neglecting the needs of citizens. They disapproved of the large scale real estate development. Despite these criticisms, the reality was that the central government gradually receded to a facilitator role whose main function was to assist, subsidize, legislate, and monitor the urban renewal projects while the city government became more and more proactive in implementing them.

346 To formalize this new relationship with the city government, the central government created the urban renewal plan to attract private capital for the development of public land and drafted the Urban Renewal Act to encourage private developers' participation and intervention in private land.

## **The Urban Renewal Act and the Urban Renewal Process**

### The Urban Renewal Act

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<sup>117</sup> Huang, p. 46.

347 The Urban Renewal Act (都市更新條例) for Taipei city was promulgated in 1998. Since then it has gone through several revisions, the latest of which was in January 2008. The Act lays down a detailed regulatory framework for a market-led approach to urban renewal. According to Article 4 of the Act, there are three methods of urban renewal. The first method is *reconstruction*. It refers to the “demolishing of the former buildings within the renewal area, and the resettlement of the tenants, improvements of public facilities within the area, and change the usage characteristics of the land or its usage density.”<sup>118</sup> The second method is *renovation*. It refers to “remodeling, renovating the buildings or improving equipment within the renewal area, and improvement of public facilities within the area.”<sup>119</sup> The third method is *maintenance*. It refers to the “strengthening of management within the renewal area, improvement of public facilities within the area, and the maintenance thereof in good condition.”<sup>120</sup> In all these methods, renewal projects are typically initiated by landowners.

348 The city government’s roles in the three methods of urban renewal are somewhat different. In reconstruction projects, the city government mainly plays the role of a facilitator and regulator that does not directly finance the projects (except by awarding extra plot ratios, a point to be further discussed later). In renovation and maintenance projects, the city government does more by subsidizing the implementation costs of approved projects. The subsidy comes from an urban renewal fund set up by the city government. (Article 18) The following analysis would be primarily focused on reconstruction as it is this aspect of Taipei’s experience of urban renewal that has attracted much attention in Hong Kong. The roles and functions of relevant authorities, the roles of residents/landowners, and the process of urban renewal as stipulated by the Urban Renewal Act would be outlined.

### Institutional framework in Urban Renewal

349 The Taipei City government is divided into 24 departments, six commissions, twelve administrative district offices, and various other agencies. There are approximately 80,000 staff employed in the city government. The department that is responsible for urban renewal in Taipei is the Department of Urban Development (臺北市政府都市發展局). In addition to urban renewal matters, this department also deals with the preparation of master plans, urban design, and the collection of data for planning purposes.<sup>121</sup>

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<sup>118</sup> Urban Renewal Act, Article 4, Construction and Planning Agency, Ministry of Interior, Internet: [http://www.cpami.gov.tw/english/index.php?option=com\\_content&task=view&id=183&Itemid=16](http://www.cpami.gov.tw/english/index.php?option=com_content&task=view&id=183&Itemid=16); Accessed on November 8, 2008.

<sup>119</sup> Ibid.

<sup>120</sup> Ibid.

<sup>121</sup> Ng, Mee Kam. “A Comparative Study of Urban Planning Mechanisms in Hong Kong, Singapore, and

350 Inside the Department of Urban Development is the Urban Redevelopment Office (臺北都市更新處). This office is the chief body in dealing with urban renewal issues for the city of Taipei. Established in 2004, one of the missions of the office is to assist private sector to invest in urban renewal projects. From 2004 to 2008, the office has delimited a total of 376 cases of urban renewal. Of these cases, 62 have been approved for implementation, 18 are under construction, and 16 have already been completed.<sup>122</sup>

351 There are two ways that an area can be delimited for urban renewal purposes. One way is where the city government takes the initiative to delimit an area. The other way is where citizens take the initiative to apply for a reconstruction project and delimit the area by themselves.

352 There are two types of areas that can be designated by the local government as urban renewal areas:

- Expedited Urban Renewal Area (迅行劃定) – areas damaged by earth quake, fire, storm, etc., or needed to be prepared for major disasters, or in line with the major important developments led by the central or local government
- Priority Urban Renewal Area (公告劃定) – areas with dilapidated buildings, with possible fire hazards, poor living environment with public hygiene and safety endangered, etc.

353 With the consent of not less than 10% of the owners in the area with not less than 10% of the total land and floor area in the site, owners can set up an association as a legal entity (法人) to propose the designation of a site as a redevelopment area. Subject to the required procedures spelt out in the Urban Renewal Act (to be described in the latter part of this chapter), and the designation of the site and the urban renewal project has to obtain the approval of the local government.

354 Apart from the areas where the land is mostly owned by the government, in both cases, i.e. whether the renewal area is designated by the local government or self-initiated, most redevelopment projects are led by the owners and the private sector with different thresholds of consent requirements (to be described later). Similar to the case in Tokyo and Seoul, the owners will form a Redevelopment Association. Under the Urban Renewal Act, the redevelopment project will be operated by company limited by share. This is what usually

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Taiwan,” *Progress in Planning*, Vol. 9, 2001, p. 33.

<sup>122</sup> Urban Redevelopment Office Taipei City, Internet:

[http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=48ae7a8f](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=48ae7a8f); Accessed on November 8, 2008.

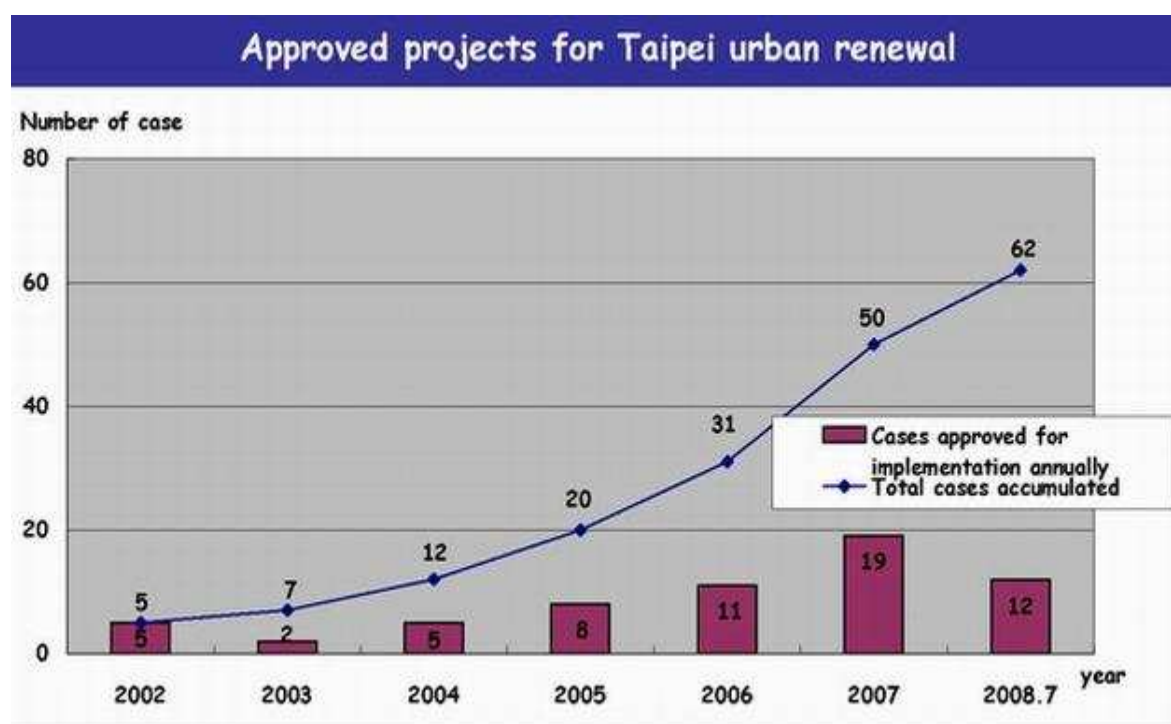


considered as the market-led approach in the case of Taipei.

Table 6.1: Data for Urban Renewal Project from 2004 to 2008<sup>123</sup>

Areas delimited for urban renewal	Delimited by city government	Delimited by civilian applications	Total
	218 cases	158 cases	376 cases
	360 hectares	50 hectares	410 hectares
335 cases applied for "Regulation of urban Renewal"	Approved for applying "Regulation of urban Renewal"		274 cases
	Assist to organize autonomous renewal task-force		25 cases
	Applied for urban renewal projects, including right-transformation project		145 cases
	Approved by committee		69 cases
	Approved for implementation		62 cases
	Under construction		18 cases
	Finished projects		16 cases

Figure 6.1: Approved Urban Renewal Projects for Taipei from 2002 to 2008<sup>124</sup>



<sup>123</sup> Source: Urban Redevelopment Office Taipei City website: [http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=48ae7a8f](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=48ae7a8f)

<sup>124</sup> Source: Urban Redevelopment Office Taipei City website: [http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=48ae7a8f](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=48ae7a8f)

355 In addition to the Department of Urban Development and the Urban Redevelopment Office, Taipei Urban Renewal Commission (都市更新審議委員會) is also an important organization. In fact, it is probably one of the most important bodies in the urban renewal process because its function is to review the technical and legal aspects of urban renewal plans and decide whether they comply with government regulations.

356 According to the Urban Renewal Commission guidelines (都市更新審議委員會組織準則), the commission's duties include the evaluation of various urban renewal plans, mediation and settlement of disputes, exchange of land rights, and any other matter related to urban renewal.<sup>125</sup> Essentially, the commission serves as a checkpoint and reviews the various applications for their adherence to technical and legal guidelines concerning urban renewal. Once the commission has verified the applications, the results are passed to the Urban Redevelopment Office, who will then formally announce the decision on behalf of the city government.

357 Members on this commission are typically specialists in areas related to urban renewal. Composition of the commission includes a Chairman, a Vice Chairman, and an additional of 15 to 19 members.<sup>126</sup> The position of the Chairman and the Vice Chairman can be taken up by the Mayor of the Municipality, County, or City or the Mayor can appoint an individual to these positions. The remaining members are also appointed by the Mayor with the following qualifications: members with expertise in urban planning, architecture, landscape, transportation, land development; members from relevant government organizations; and members with significant contribution to society. According to the Urban Renewal Act Article 16, the commission "should select and employ scholars, specialists, civic-minded people and the representatives of relative association."<sup>127</sup> Members on the Commission serve for one year and can renew their term of service upon expiration. Funding for the Commission comes entirely from the municipality, county government.

358 It is interesting to mention that the commission is responsible for both the evaluation of urban renewal plans and the mediation and settlement of disputes. There appears to be no other third party involved in the process. The implication is that it is possible that members who deal with the objections to the urban renewal plans are the very ones who have approved them in the first place. Hence, the legitimacy and creditability of the member's decisions may be compromised.

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<sup>125</sup> <http://w3.cpami.gov.tw/law/law/lawb-27.htm>; Accessed on November 8, 2008.

<sup>126</sup> <http://w3.cpami.gov.tw/law/law/lawb-27.htm>, Accessed on November 8, 2008.

<sup>127</sup> Urban Renewal Act, Construction and Planning Agency, Ministry of Interior, Internet: [http://www.cpami.gov.tw/english/index.php?option=com\\_content&task=view&id=183&Itemid=16](http://www.cpami.gov.tw/english/index.php?option=com_content&task=view&id=183&Itemid=16); Accessed on November 8, 2008.

## The Taipei Urban Renewal Corporation

359 Due to the lack of progress in urban redevelopment in areas which are relatively poor, in early 2008, the Mayor of Taipei initiated the formation of the Taipei City Urban Renewal Corporation (都市更新開發公司) with investment from both the city government (40%) and the private sector plus the general public (60%)<sup>128</sup>. The aim of the new corporation is to deal with the redevelopment in degenerated areas (窳陋地區<sup>129</sup>) where redevelopment projects have not been initiated after several years of designation. As this is a new initiative from the Taipei City Government, at the time of the study, there is not much information related to its progress.

## The Urban Redevelopment Process

360 There are two scenarios under which urban redevelopment can occur in Taipei: an area that has been designated by the government for urban renewal and an area that has not been designated for urban renewal. In both situations, landowners or the government can initiate an urban renewal project by drafting a business plan for the area either by themselves or by entrusting a private developer to do so. In the case where the government initiates a project and entrusts a private developer for the drafting of the business plan, the government must conduct a public evaluation and bidding process to select the appropriate developer.

361 As mentioned earlier, in the case where landowners themselves initiate an urban renewal project, they must first submit a draft business plan to the government for preliminary approval. There are two steps in this process. First, if landowners decide to initiate the project by themselves, they must organize themselves into a redevelopment association consisting of no less than seven owners and apply for formal status from the government. (Article 15) According to the Urban Renewal Act, this association is considered to be a legal entity. The draft business plan can be submitted to the local government for approval with prior support from no less than 10 percent of the total owners owning not less than 10% of the total floor area in the project area.<sup>130</sup> Once the draft business plan is approved, the next step is to formalize the draft business plan into a detailed business plan. The detailed business plan should specify the following items such as

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<sup>128</sup> Retrieved from the <http://english.taipei.gov.tw/TCG/index.jsp?recordid=10180>, January 31, 2009.

<sup>129</sup>The term “窳陋” means degenerated.

<sup>130</sup> It is possible for more than one group with different business plans to form in one project area. And in such situation, it is up to the groups to come to a consensus by drafting a business plan that is agreeable to the majority, i.e. 2/3 of the affected parties in the project area. Consistent with the market-led approach, it is a problem that the affected parties must sort out by themselves, not the government.

building layout and design drawings, construction and improvement plans for public facilities, map specifications, financial plans, and management methods.

362 In seeking approval of the detailed business plan, landowners are required to obtain consent from a certain percentage of the total number of landowners. The required threshold of consent from owners is different for different kinds of case. (Article 22)

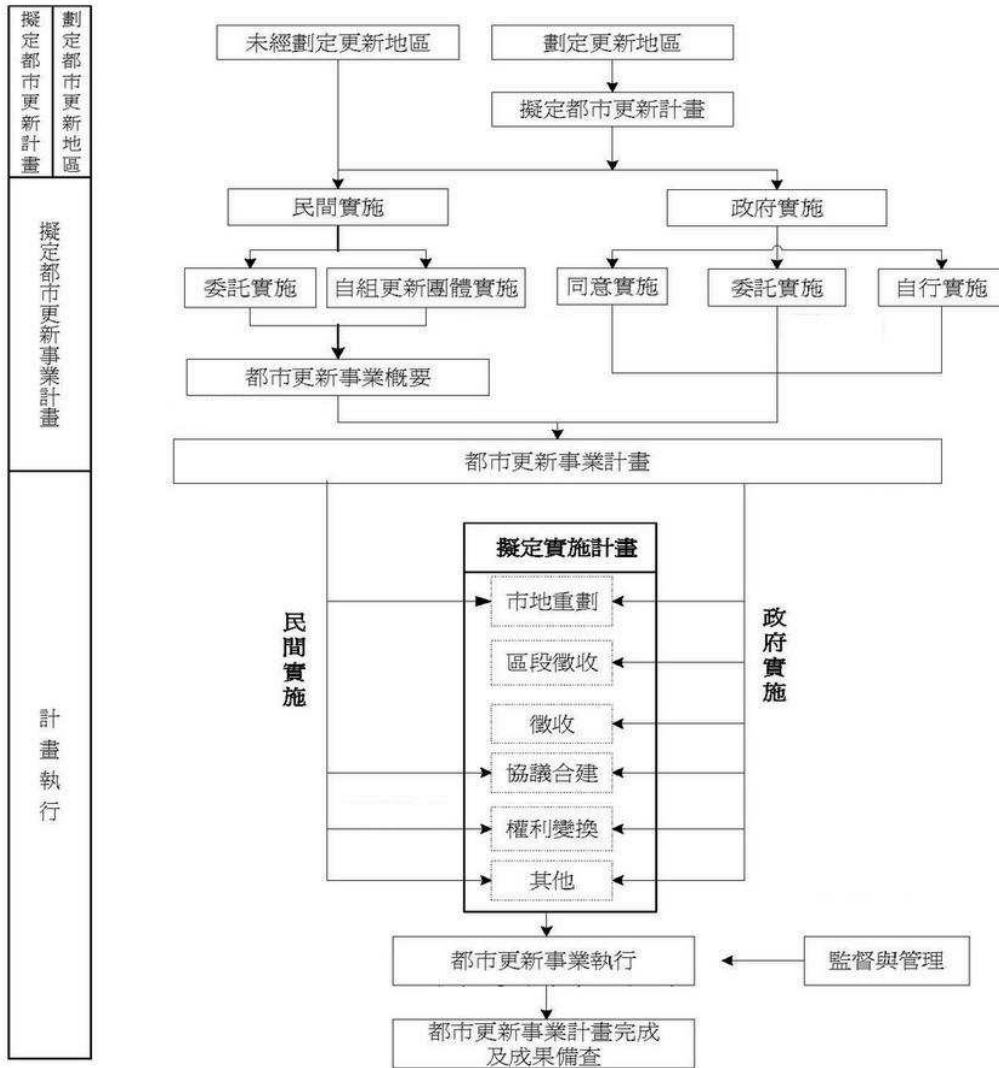
- In the case where an area has been designated as an expedited renewal area by the government, consent from not less than 50% of the landowners owning not less than 50% of the total land and floor area is required.
- In the case where an area has been designated as a priority renewal area by the government, consent from 3/5 (60%) of the total number of landowners owning not less than 2/3 (66.7%) of total land and floor areas in the project area is required.
- In the case where an area has not been designated by the government, the consent ratios are 2/3 (66.7%) and 3/4 (75%) respectively. However, if the sum of consenters' land area and floor area is more than 4/5 (80%), the 2/3 of the total number of landowners' consent requirement will not apply.

363 Next, the land owners must conduct a public hearing and notify various stakeholders including the community at large the date and location of the hearing in newspapers. Landowners need to publicly exhibit the detailed business plan at each municipal, county government or township hall for 30 days. During this exhibition process, citizens and relevant stakeholders including the community at large can submit suggestions to the Urban Renewal Commission (都市更新審議委員會) where they will be reviewed. If the commission approves the detailed business plan and Urban Redevelopment Office announces the project, then implementation for the urban renewal project can begin. The following figures further illustrate the process.

Figure 6.2: Process of Urban Renewal

## 都市更新作業流程

都市更新推動流程分為劃定都市更新地區及擬定都市更新計畫、擬定都市更新事業計畫、與計畫之執行等三個階段，而權利變換計畫則視實際實施方式是否採權利變換方式而定。



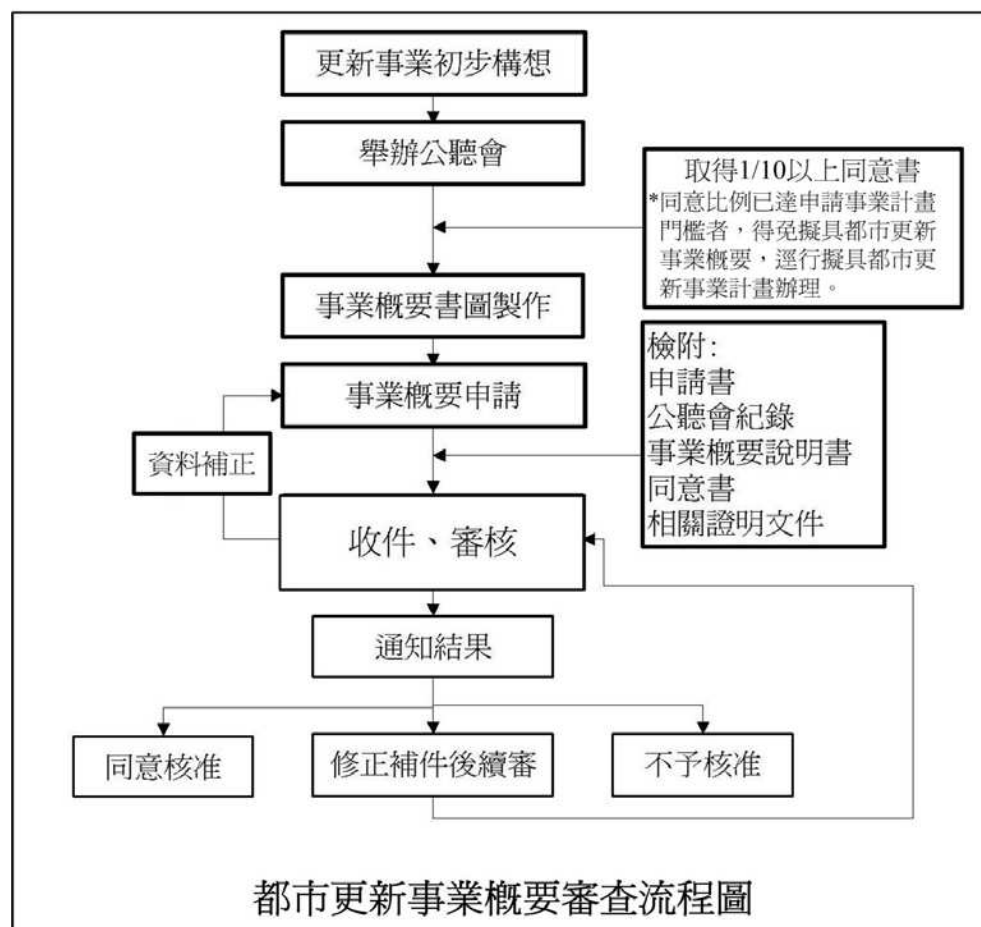
Source: Urban Redevelopment Office Taipei City website:  
[http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=4577d01c](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=4577d01c)

Figure 6.3: Process of Forming Citizen Renewal Group



Source: Urban Redevelopment Office Taipei City website:  
[http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=4577d01c](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=4577d01c)

Figure 6.5: Process of Formalizing the Draft Business Plan to Detailed Business Plan



Source: Urban Redevelopment Office Taipei City website:  
[http://www.uro.taipei.gov.tw/cgi-bin/SM\\_theme?page=4577d01c](http://www.uro.taipei.gov.tw/cgi-bin/SM_theme?page=4577d01c)

### Land Resumption Process, Rights Exchange, and Incentives

364 The land resumption process is rarely used in Taipei. For government initiated projects, there is often no need to resume land since almost all of the land in this kind of projects belongs to the government already. For landowners initiated projects, there is no need for land resumption since a different process called rights exchange<sup>131</sup> (權利變換), as will be explained below, will apply. Therefore, land resumption takes place primarily when a government project involves building a road or a park that cuts through some citizens-owned land. In these situations, the government will follow the rules established for clearance(臺北市舉辦公共工程對合法建築及農作改良物拆遷補償及違章建築處理辦法) and decide on the compensation fee to the landowners on a case-by-case basis.<sup>132</sup>

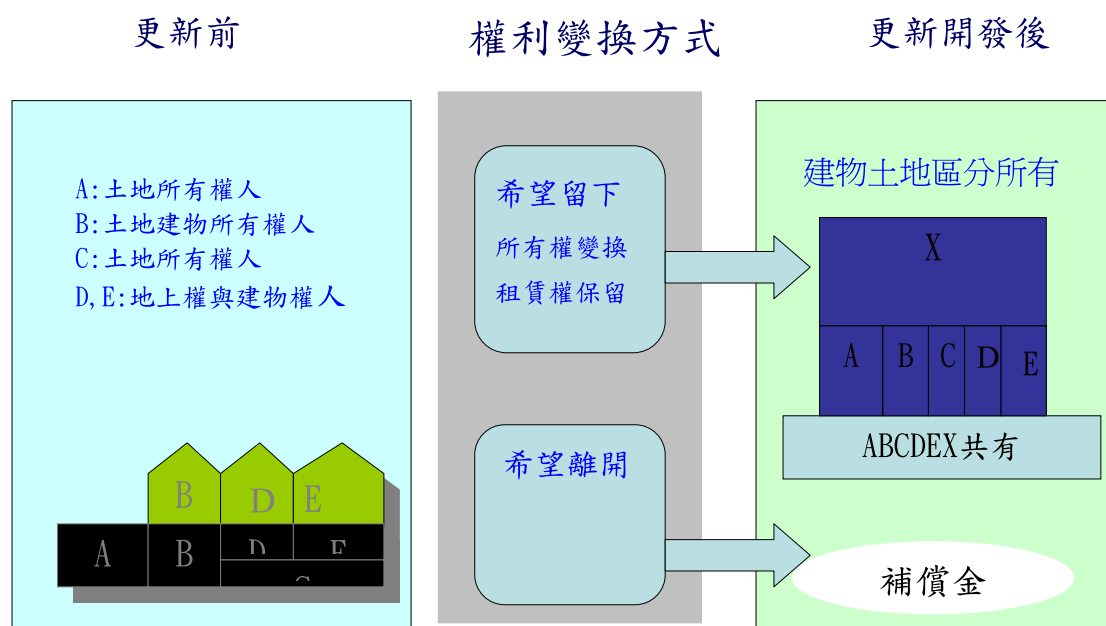
<sup>131</sup> This is very much similar to the Japanese land readjustment method. See Chapter 4 for the relevant discussion.

<sup>132</sup> 臺北市舉辦公共工程對合法建築及農作改良物拆遷補償及違章建築處理辦法; Internet, available at <http://www.law.taipei.gov.tw/taipei/lawsystem/lawshowall01.jsp?LawID=P06B1001-20080711&RealID=06-02->

365 It is noted that the land resumption process is difficult because of Taipei's complicated landownership. In Taipei, land is owned by either the government or citizens. As such, an area of land can often be owned by dozens of owners. Hence, contacting each of them and getting them into surrendering their land for a renewal project can be quite daunting.

366 Adding to the problem is that owners who bought small plots of land – sometimes even a few square meters – at a low price would wait to be included in an urban renewal project. When such project proposals come along, they raise the value of their once less valuable land. Furthermore, a large quantity of land in the downtown district of Taipei is jointly owned by various government departments and they sometimes are reluctant to hand over their land if merely for urban renewal purposes. As previously mentioned, the military department, for example, generally is not interested in redevelopment projects if they do not benefit from them.

Figure 6.4, The Rights Exchange Scheme<sup>133</sup>



367 For landowners initiated renewal projects, rights exchange takes place among landowners themselves where the government is no party to it. (Articles 29 – 43) The landowners or their implementers need to draft a rights exchange plan for government approval after the business plan has been approved and announced. The rights exchange plan

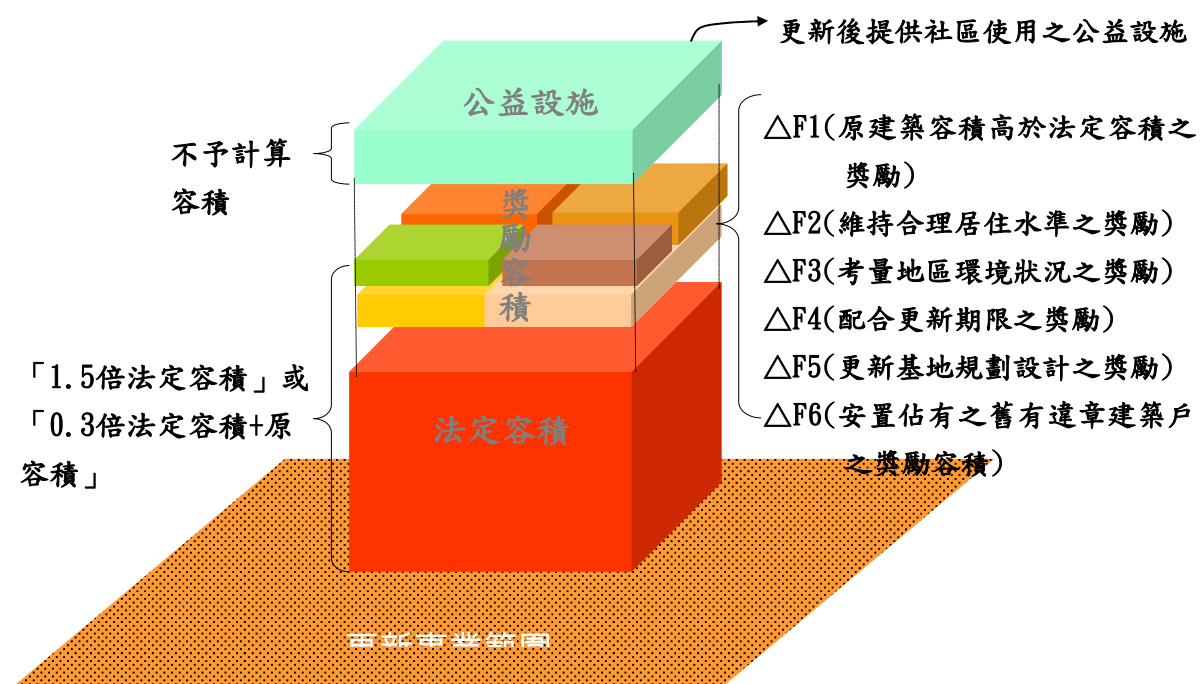
<sup>1001</sup>, accessed on December 22, 2008.

<sup>133</sup> Figure extracted from the presentation made by Mr. HSU Yen-hsing, Planning Section Chief Urban Redevelopment Office, Taipei City Government to the Seminar organized by the Urban Renewal Authority on December 15, 2009.



needs to state how the costs and expenses of reconstruction are to be shared among landowners and how the future land/floor ownership and/or profits derived from sales of those ownership are to be distributed. Typically, both the costs and returns are shared according to the relative proportions of the landowners' rights value within the rights exchange plan. Landowners who disagree with the rights value after the rights exchange plan is approved shall apply to competent authorities, who shall manage the dissension and deliberate for decision making.

Figure 6.5 The Extra Plot Ratios for Redevelopment<sup>134</sup>



368 An incentive scheme is in place to help landowners to reconstruct their buildings. Under this scheme, the government offers extra plot ratio and tax cuts to landowners initiated projects approved by the government. Landowners of such projects will receive a maximum of 1.5 times of the plot ratio entitlement prior to reconstruction. The award of extra plot ratios is based several factors, such as timely completion, maintenance of a reasonable quality of living after reconstruction, and whether the project contributes to the conditions in the neighborhood. The government also offers various tax cuts or exemptions such as land value tax, land value increment tax, and housing tax. (Articles 44 – 46)

369 The advantage of offering extra plot ratio as incentive to landowners is that it does not involve cash payments, which is quite a convenient method for the cash-strapped local

<sup>134</sup> Figure extracted from the presentation made by Mr. HSU Yen-hsing, *ibid*

government. There may also be disadvantages. The act of forgoing the opportunity to charge for extra plot ratio may be seen a cost to the city government. More important, there may be potential negative effects on the nearby renewed areas, resulting in haphazard development. For example, new buildings in the renewal area may actually be much taller than it was once proposed given that the plot ratios have increased. When several of these building concentrate in a neighborhood, the population density in the area will increase substantially. This will inevitably put new pressure on traffic, public facilities, and the need for green space. Moreover, the living environment of residents living near these high buildings is likely to be affected. For example, the view from their window may now be blocked or their access to open space may now be restricted. Thus, it is possible that the value of their property may drop as a result of the less favorable environment.

### Financing urban redevelopment

370 Apart from the plot ratio and tax incentives mentioned earlier, under the a scheme<sup>135</sup> developed under National Development Fund of the Executive Yuan<sup>136</sup> (行政院國家發展基金), low interest loan was made available to Redevelopment Association and corporations, at a rate 1% less than 2-year fix deposit rate of the Taiwan post office<sup>137</sup>. This loan scheme aims at financing the start-up of redevelopment projects.

371 To aide the start-up of urban redevelopment in Taipei, the Taipei City Government in 2005 has set up a subsidy scheme to finance up to NT\$300,000<sup>138</sup> or 30% of the administration cost before the setting up of the Redevelopment Association and 40% of the administration and planning cost after the forming of the Redevelopment Association.

372 To implement renewal projects, urban renewal companies limited by share can be formed with participating owners as the subscribers. Stocks of the company or bonds issued for the purpose of redevelopment project will be approved and monitored by the Securities and Futures Bureau.

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<sup>135</sup> The scheme is named as “都市更新前置作業融資計畫” (Urban Renewal Project Start-up Funding Scheme). Though the scheme is grown out from the National Development Fund, the financing actually comes from the local government and in this case it is the Taipei City Government. The source of fund for the National Development Fund can be a controversial issue in Taiwan. Recently (October, 2008), the Taiwan government increased the assets of the NDF to NT\$1,000B by borrowing NT\$800B from the Taiwan post office saving fund.

<sup>136</sup> The National Development Fund was set up in 1973 to promote national development and advancement of production capacity.

<sup>137</sup> The Taiwan post office is named as the Chunghwa Post Company Limited (中華郵政) which is in fact a department of the Taiwan Government operating more like a profit centre. The Taiwan post office also acts as a retail bank taking saving and fix deposits.

<sup>138</sup> An announcement made by the Urban Renewal office on February 25, 2009, the maximum subsidy was raised substantially to NT\$2.65M, to enable large site redevelopment projects

### Compensation for tenants

373 For residential units, the owners are required by the Urban Renewal Act (Article 37) to compensate the loss of the tenant with the equivalence of one year of rent. If the remaining lease is less than 1 year, the compensation would be equal to the total rent of the remaining period of lease. For non-residential units, the compensation is equal to 2 months of rent.

### **Preservation in Taipei**

#### Cultural Heritage Preservation Act (文化資產保存法)

374 Taiwan's heritage preservation policy dates back to 1982. On May 26, 1982, the Cultural Heritage Preservation Act, CHPA, was put into effect.<sup>139</sup> This marked the beginning of the central government's effort to preserve culturally significant sites. As times changed, environments changed and people's conception of cultural and heritage changed as well. However, the government made no effort to update the policy until 2001. From the period of 2001 to 2003, the government invited various scholars and experts to join some 30 conferences with an aim to update the outdated policy. In addition to scholars and experts, the government also mailed notices to various organizations in all municipality, county, and city offices to seek recommendations about the future direction of the preservation law.

375 Furthermore, the Council of Cultural Affairs organized a number of public events to promote the idea of heritage preservation. These included: Year of Cultural Heritages in 2001, Year of the Cultural Environment in 2002, and Year of the Cultural Industry in 2003. Last but not least, the council also published a Cultural Preservation Almanac in 2001, which is a collection of information regarding the research, events, and cases of cultural heritage preservation in that year.

376 In general, Taiwan has four strategies regarding cultural heritage: preservation, restoration, technology, and internationalization.<sup>140</sup> Taiwan supports the preservation of its rich culture. But in addition to preservation, it also realizes that deteriorating sites need to be restored or renewed to meet modern needs. Furthermore, the role of technology plays a critical role in heritage preservation. New advances of preservation science could introduce new and better methods in preserving and repairing historically significant objects. Lastly,

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<sup>139</sup> Cultural Policy White Paper, Internet: <http://english.cca.gov.tw/public/Attachment/41131732471.pdf>; Accessed on November 10, 2008.

<sup>140</sup> Ibid.

Taiwan aims not only to promote its own heritage to its local citizens, but also to the world.

377 According to the draft revision of the Cultural Heritage Preservation Act, which passed its first reading by the Legislative Yuan in January 2004, there are several central themes in the new policy. The first is to unify the various organizations for cultural preservation. In Taiwan, the task of managing heritage sites are carried out by the Council of Cultural Affairs, Ministry of the Interior, Council of Agriculture, Executive Yuan, and Ministry of Education. The Ministry of the Interior is the organization responsible for heritage policies at the central level while municipality, county, and city offices are the bodies responsible at the local level. Nevertheless, there are often confusion and duplication between the various departments. With the new amendments, it was hoped that the process would become more streamlined.

378 Second, the new revisions aim to redefine the different types of cultural heritage. Based on the classification from the United Nations, there are ancient monuments, historical buildings, settlements, archeological sites, cultural attractions, folk customs, traditional arts, antiques, and natural scenery. Third, there should be clear guidelines explaining how government-owned heritage properties should be managed and maintained by the designated organization. Moreover, the budgetary and operation process should be outlined in detail.

379 Fourth, restoration efforts should be made so that culturally significant buildings comply with modern safety and city needs. Last but not least, there should be a comprehensive scheme regarding the rewards, incentives, and penalties for the preservation and destruction of heritage sites.

380 In the case study discussed later, the Red House Theater belongs to the level three ancient monument ranking. According to the CHPA, ancient monuments include old buildings, old streets, traditional settlements, archeological sites, and other ancient cultural sites. Prior to December 2003, there are 556 monuments in Taiwan, all of which are classified into three levels: national (level one), provincial (level two), and county (level three). Of the 556 monuments, 24 are level one, 50 are level two, and 222 are level three.

381 The current policy on monuments restoration is that ancient monuments should maintain its original appearance and cultural features without modification. If damage does occur, it should be repaired back to its original appearance and cultural features. Also, different modes for preservation, maintenance or management can be utilized according to its characteristics, after receiving approval from the Ministry of Internal Affairs.<sup>141</sup> At the

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<sup>141</sup> Cultural Policy White Paper, Internet: <http://english.cca.gov.tw/public/Attachment/41131732471.pdf>; Accessed on November 10, 2008.

same time, the central government encourages the reuse of historically significant buildings. The Red House Theater, for example, was restored and reused as a café and theatre.

### Financing of preservation

382 The renovation and maintenance of publicly owned preservation sites would be financed by the relevant level of government. According to the Cultural Heritage Preservation Act (Article 26, 27) The government provides subsidy to support the management, maintenance and renovation cost of preserved sites on the condition that such sites would be opened to the public.

383 Under the Cultural Heritage Preservation Act (Article 17), the related loss in value of a private property due to being listed as a preserved site will have to be compensated by the government, while the level of compensation is subject to negotiation.

### Transfer of plot ratio (容積移轉)

384 Apart from land acquisition and land exchange (以地易地), to facilitate preservation in private land and buildings, Taiwan has amended the Cultural Heritage Preservation Act in 1996 to allow for the transfer of plot ratio. Consequential legislation changes related to the transfer of plot ratio were made to relevant laws of planning and urban renewal. While the initial objective is to enable the preservation of cultural heritage in private properties, later on, the scheme is expanded to enable the government to acquire reserve land for public facilities without paying the acquisition cost<sup>142</sup>.

385 While the transfer of plot ratio within site of urban renewal project where both elements of preservation and reconstruction is allowed in many earlier cases of preservation, the significance the transfer of plot ratio is more important when such “development rights” are transferred out from a renewal site or preservation site.

386 The basic formula is the volume of transferred floor area multiplied by the value of such floor area in the transfer-out site divided by the value of such floor area in the receiving site, subject to the allowed maximum top-up floor area ratio in the receiving site as approved by the planning authority<sup>143</sup>.

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<sup>142</sup> This expansion in 2001 has met with some strong criticisms from advocacy and professional groups.

<sup>143</sup> In the receiving site, the floor area ratio can be increased by 30% over and above the existing zoning plans. The planning authority can raise the maximum to 40% on special grounds or 50% in the case where the transfer of plot ratio is due to the preservation of cultural heritage.

## Rehabilitation

387 In the discussion on “urban renewal” above, very much of the emphasis is on redevelopment. As mentioned, within the Urban Renewal Act, provisions for rehabilitation, i.e. renovation (“整建”) and maintenance (“維護”), were made. Rehabilitation, under the Urban Renewal Act, is conceived as one kind of urban renewal projects and most of the relevant discussions mentioned earlier are applicable, particular related to the subsidy and tax incentives<sup>144</sup>.

## Case Studies

388 In this study, we have identified two cases in Taipei. One is Treasure Hill (寶藏巖) and the other is Red House Theater (紅樓). Treasure Hill was a combination of slum clearing, redevelopment, and preservation case predominately led by the civil society while the Red House Theater was a preservation case led by the government.

Figure 6.6 Treasure Hill



### The case of Treasure Hill, 寶藏巖

389 Treasure Hill (寶藏巖) is located at the Guan-Yin Hill (觀音山) and the Hsin-Dian River (新店溪) in Taipei City. Situated at the top of the hill, it is a village made up of dozens of hand-built brick houses. A temple lies nearby at the foot of the hill. Because of its ideal location, Treasure Hill was originally an area for air defense against the communist attack. During the 1940s, there were only about six families living in Treasure Hill.<sup>145</sup> These were mostly soldiers who were stationed at the area and who decided to build some temporary shelters for their private use. At the time, hillside construction was banned, but the government condoned the matter under the cloak of military restricted area. Hence, these illegal squatters remained. When the war in the Mainland was over, a large number of immigrants and refugees fled to Taipei. As this report has mentioned, these immigrants and refugees were desperate for housing. Hence, many of them built and settled in illegal squatters. Treasure Hill is one such example.

<sup>144</sup> E.g. capital added tax.

<sup>145</sup> Kang, Min Jay. “Altered Space: Squatting and Legitimizing Treasure Hill, Taipei,” Internet: <http://www.culturaldevelopment.net.au/downloads/KangMinJay.pdf>; Accessed on November 8, 2008, p. 1.

Figure 6.7 Huts in Treasure Hill



390 As more and more residents settled in Treasure Hill in the 1970s, what was once a collection of temporary shelters began to transform into a small village connected by narrow alleys and stairs. At the peak of its development, Treasure Hill accommodated about 200 families, many of whom were senior citizens, war

veterans, social underclass, students, and south-east Asian immigrants whose lives depended on these low cost housing.<sup>146</sup> Despite their diverse backgrounds, they were a close knit community that cultivated their own gardens and established a communal way of life. To some, Treasure Hill was an organic community that represented the future of urban cities. To others, it was a malignant tumor that impeded Taipei's urban renewal progress.

391 The community's modest and low key profile remained that way until 1980s when the city government was preparing to enter a new phase of urban planning. In 1993, the city government decided to rezone Treasure Hill into a public park and sent notices of demolition to each illegal household in the community. Undoubtedly, residents hoped to stay at Treasure Hill and they began to receive support from intellectuals and NGOs who also wished to preserve the community and its local characteristics. This marked the beginning of a series of involvement from NGOs, such as OURs, which aimed to preserve the community at Treasure Hill.

392 In truth, there was a succession of events that gave rise to the preservation effort at Treasure Hill. First, in 1989, 50,000 citizens including academics and citizens took part in a two day demonstration to show their frustration over the lack of affordable housing in Taipei. This led to the formation of two NGOs in Taipei: Tsuei Ma Ma Foundation and the Organization of Urban Re-s (OURs).<sup>147</sup> Tsuei Ma Ma aimed to help students in finding affordable apartments through message boards while OURs was the first NGO that focused on urban policy. Second, the city's effort in clearing away squatters located in parks No. 14 and No. 15 in 1991 already generated some negative sentiments within the city. Thus, when the government decided to clear away another squatter area, emotions was stirred once again.

393 The city government's handling of Treasure Hill was different from that of park No. 14 and No. 15. The government decided to transfer the planning responsibility from the

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<sup>146</sup> Ibid., p. 2.

<sup>147</sup> Scanlan, Sean, "Page of Taipei History Closes for Overhaul," *Taiwan Journal*, January 19, 2007, Internet: <http://taiwanjournal.nat.gov.tw/ct.asp?CtNode=122&xItem=23720>; Accessed on November 8, 2008.

Department of Park and Recreation to the Bureau of Cultural Affairs.<sup>148</sup> Moreover, the Bureau of Cultural Affairs commissioned OURs to undertake the task of planning and managing the property by giving the NGO a small operating budget.

394 One program that came of OURs was the “Treasure Hill Co-living Artsville”, which constituted a number of different art programs that aimed to raise Treasure Hill’s profile and public support.<sup>149</sup> These programs included: Treasure Hill Homeland, which offered low cost housing to resident as an alternative to social housing; Artivists in Residency Program, which provided artists with studio space in the community who in turn were required to organize exhibits, art bazaar, and various art workshops; International Youth Hostel, which provided affordable housing for students; and Eco-architectural and Environmental Learning, which aimed to educate residents and locals about green living.

395 The Activists in Residency program was perhaps the one that generated the most attention from the public and government. Finnish architect-landscape artist Marco Casagrande was invited to take part in the program in 2003. During his stay in Treasure Hill, he led numerous high profile activities that generated a lot of media attention. In 2004, the Bureau of Cultural Affairs officially approved and announced that Treasure Hill should be recognized as having historical value and that the residents were part of a culturally-significant community.<sup>150</sup> Then, in 2006, the New York Times magazine named Treasure Hill as one of the must-see areas of Taipei.<sup>151</sup>

396 In November 2006, the government began a two year restoration project to preserve Treasure Hill. Since the government still needed to clear the site temporarily, it presented three options to the residents accordingly. First, residents could agree to receive \$720,000 (in Taiwan dollars) in cash compensation and move out of Treasure Hill.<sup>152</sup> Second, residents could agree to receive \$360, 000 in cash compensation and return to Treasure Hill after construction, but will need to pay rent and can only rent up to 12 years. The 12 year limit is in accordance with public housing policy of the central government.<sup>153</sup> Third,

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<sup>148</sup> Kang, p. 2.

<sup>149</sup> 寶藏巖共生聚落 Treasurehill Artivists CO-; Internet: <http://blog.yam.com/thcoop/category/728034>; Accessed November 8, 2008.

<sup>150</sup> Kang, Min Jay. “Confronting the Edge of Modern Urbanity – GAPP (Global Artivists Participation Project) at Treasure Hill, Taipei,” Internet; [http://209.85.175.104/search?q=cache:0mSIBtXNCG8J:cct.go.kr/data/acf2005/S2\\_3\(Asia%2520culture%2520Symposium2\).doc+con-fronting+the+edge+of+modern+urbanity&hl=en&ct=clnk&cd=1](http://209.85.175.104/search?q=cache:0mSIBtXNCG8J:cct.go.kr/data/acf2005/S2_3(Asia%2520culture%2520Symposium2).doc+con-fronting+the+edge+of+modern+urbanity&hl=en&ct=clnk&cd=1) Accessed on November 8, 2008, p. 9.

<sup>151</sup> “Police, Protesters Clash at Treasure Hill,” January 31, 2007, Internet: [http://www.ymsnp.gov.tw/HTML/ENG/03news/news\\_a01\\_main.asp?sn=49](http://www.ymsnp.gov.tw/HTML/ENG/03news/news_a01_main.asp?sn=49); Accessed on November 8, 2008.

<sup>152</sup> Scanlan, Sean, “Page of Taipei History Closes for Overhaul,” *Taiwan Journal*, January 19, 2007, Internet: <http://taiwanjournal.nat.gov.tw/ct.asp?CtNode=122&xItem=23720>; Accessed on November 8, 2008.

<sup>153</sup> Article 15, 國民住宅出售出租及商業服務設施暨其他建築物標售標租辦法, Construction and Planning



residents could return to Treasure Hill if they qualify for low cost housing. It was estimated that the city government would invest approximately \$98 million in the compensation process.

397 According to available data, there were about 70 households in Treasure Hill when the government proposed these arrangements. Approximately half of the 70 households chose the first option and moved out permanently from Treasure Hill. Of the remaining half, only 17 households were qualified for low cost housing in Treasure Hill. The rest would either move out after 12 years or had chosen to receive \$720,000 and moved out permanently.

398 It is worth noting that throughout the case, there had been a considerable amount of mistrust and suspicion among various parties, including the city government, local residents, a locally formed community association representing the residents, and some urban renewal concern groups from the outside. These parties represented interests that were not easy to identify and may have changed over time; relations between them were complicated and changing.

### The case of Red House Theater

399 The Red House Theater (紅樓) is an octagonal-shaped two storey building located in the heart of Ximending (西門町). Its eight-sided structure pays tribute to the importance of eight-sided objects in Chinese philosophy, which symbolizes the never ending cycle of the universe and eternal life.<sup>154</sup> The first floor of the building is a small café and a museum of the history of the Red House Theater. The second floor is a stage that can hold live theater performances. The architecture of Red House Theater is considered to be one of the most unique in Taipei, comparable to the Presidential Office in the city.



Figure 6.8 The Red House Theater

Source: <http://www.redhouse.org.tw/>

400 The location of the theater is also important. Ximending is the fashionable district in

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Agency, Ministry of the Interior; Internet; [http://www.cpami.gov.tw/web/index.php?option=com\\_content&task=view&id=741&Itemid=95](http://www.cpami.gov.tw/web/index.php?option=com_content&task=view&id=741&Itemid=95); accessed on November 14, 2008.

<sup>154</sup> Shih, Sandra. "Life is a Cabaret for Taipei's Red House," *Taiwan Journal*, July 17, 2008, Internet: <http://taiwanjournal.nat.gov.tw/ct.asp?xItem=44624&CtNode=122>; Accessed on November 10, 2008.

Taipei. In fact, it is one of the favorite spots for hang out and shopping for the young generation. Moreover, the nearby plaza is now Taipei's first open gay area. The Red House Plaza is lined with cafes and bars with names like Gaydar and G-Paradise and is a vibrant gathering place for homosexuals in Taipei.

401 The Red House Theater was not a theater originally. In fact, the building had undergone numerous transformations to keep up with the changing times. The Red House Theater was built in 1908 by Japanese architect Kondo Juro. It was believed to be the first municipal market in Taipei during the Japanese colonial era selling all sorts of vegetables, meat, and daily needs. After the WWII, it was converted into the Shanghai Gardens Theater and staged Chinese comedies and operas. In particular, the Red House Theater specialized in showing cross-talk, which is a traditional form of Chinese stand-up comedy. These were tremendously popular with the local residents. From the 1940s to 1960s, the Red House Theater was one of the most vibrant spots in Taipei.

402 Beginning in the 1970s to late 1980s, the Red House Theater began to lose its appeal. One of the reasons was that many new movie theaters appeared in Ximending. These modern movie theaters were a complete contrast to the traditional style of the Red House Theater as they offered residents, particular the young crowd, the latest blockbusters and modern facilities. Faced with competition, the Red House Theater started to adjust its image by showing Hong Kong films and adult films in attempt to boost its attendance. Despite the effort, the theater was closed down in the late 1980s.

403 The state of affairs was a concern to many and by 1994, several individuals, such as Yaoshan Cultural Foundation's Executive Director Alice Chiu, Body Phase Studio's Wang No-lin, and Shi Chien University's lecturer Yan Chung-hsien began a series of public campaigns, under the theme of "Dream of the Red Chamber" to raise awareness of the theater.<sup>155</sup> These efforts proved to be effective when the then Mayor of Taipei Chen Shui-bian and the Ministry of Interior officially announced the theater to be a level three historical site in 1997. Then in 2002, under the new administration of Ma Ying-jeou, the Red House Theater was renovated and reopened and was designated to be multifunctional art facility with a mission to revive Taiwan's traditional culture of arts such as storytelling, singing, acrobatics and folk shows.

404 Despite the various transformations in its use, the Red House Theater still maintained its original façade and structure. The symbolic eight-sided design and its red color remained

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<sup>155</sup> Shih, Internet: <http://taiwanjournal.nat.gov.tw/ct.asp?xItem=44624&CtNode=122>; Accessed on November 10, 2008.

to this day and the building is a prominent architecture in Ximending. According to Grace Wang, Vice President of Paper Windmill Cultural Foundation, which won a 5-year contract with the Department of Cultural Affairs to manage the theater, there were some difficulties with the renovation because of the building age. In an interview with Taiwan Journal in July 2008, he explained that all of the electrical wiring and water piping in the theater had to be replaced. The biggest challenge was to water-proof the entire building. Wang revealed that even to this day, the building still leaks on rainy days.

405 Moreover, there are no cooking facilities in the theater, not even in the café on the first floor, in order to protect the interior of the building from damage. Last but not least, visitors will notice that there are no elevators in the theater despite calls for wheelchair accessibility. The reason is that since the original state of the theater did not have elevators, to build one in the building would destroy the original characteristic of the building, and this would alter the original nature of the Red House Theatre.

406 The Paper Windmill Cultural Foundation, which is a non-profit organization, spent approximately US\$ 650,000 on the project with no budgetary support from the Department of Cultural Affairs. Because it received no support from the Department, funding would come from private donations and the revenue from its own production performances. As well, the Foundation makes use of the open plaza to organize weekend fairs where stall operators pay rent and also rent is obtained from the bars and eateries which need space for alfresco dining. In all, the renovation of the Red House Theater was considered to be a success. For many senior citizens, the Red House Theater is a place of nostalgia where they can go visit to enjoy a cup of afternoon tea. For the young generation, it is a venue for live cultural performances. The amalgamation of the old and the new is the key in ensuring the sustainability and relevance of the Red House Theater to the community.

### **Community Engagement and Community Development**

407 This section looks at how community engagement works in the formal and informal processes of urban renewal in Taipei City.

408 Urban renewal in Taipei is a market-led, bottom up process where most renewal cases are reconstruction projects initiated by landowners (in collaboration with developers). Because of this, the local government does not feel the need to actively seek citizen involvement to legitimate its decisions. Instead, as required by the Urban Renewal Act, landowners themselves have to conduct public hearings to engage landowners, other

stakeholders such as residents in the neighborhood, and the community at large. These hearings are publicly announced, open to all for attendance, and have to be properly recorded in the minute. The hearings seek to resolve conflicts; failing that unresolved disagreements must be stated in the minute to be sent to Urban Renewal Commission for deliberation and decision. If necessary, the Commission may set up a working group to meet with the parties in disagreements to help resolve their conflicts. In this sense, the citizens' participation right in the urban renewal process is already protected by law.

409 As observed by some government officials and civil society actors, this kind of engagement process in landowners initiated projects is relatively straightforward (as compared to that in government initiated projects that are larger in scale and involve land resumption from citizens.)

410 Some reasons can be given to account for this phenomenon. The first reason is that the projects are typically small in scale (ranging from one to a few buildings), and so potential conflict would be less likely to occur and more manageable if they do occur.

411 The second reason is that sometimes conflicts of interests, if any, may have been addressed well before a draft business plan is submitted to the government. Interest mediation prior to a public hearing may take place in two ways. In one way, potential conflicts among landowners and residents themselves are mediated through a developer who is also a collaborator in the reconstruction project. In another way, mediation takes place between landowners and other stakeholders in the neighborhood through the borough chief (里長) under whose jurisdiction the project is located.

412 A brief note is needed here to explain the role and significance of the borough chief. A borough chief is a democratically elected official at the lowest level within the system of local government in Taiwan. To take Taipei City as a case of illustration, it is a special municipality (直轄市) under the direct jurisdiction of the Executive Yuan. The municipality has 12 districts (區), and under each district there are a few dozens of boroughs (里). For example, Beitou (北投) is a district that has 42 boroughs with a total of 86,545 households and 249,921 residents.<sup>156</sup> So on average each borough chief represents about 2,000 households and 6,000 residents. Given the small size of a borough, an elected borough chief is supposed to know well the locality and its people, and should therefore be able to help mediate between his or her constituents. Thus in a landowners initiated renewal project, a borough chief can serve as an important mediator between landowners/developers and other stakeholders in his or her borough.

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<sup>156</sup> See Internet [http://www.taipeilink.net/cgi-bin/SM\\_theme?page=43795c11](http://www.taipeilink.net/cgi-bin/SM_theme?page=43795c11); accessed on 27 December 2008.

413 However, borough heads are not the only political actors in urban renewal at the borough or district level. There are also community development associations (社區發展協會) and community planners (社區規劃師). Each borough has a community development association which is formed by at least 30 residents in the borough. Since the associations aim to promote the welfare of residents, they naturally have an interest in urban renewal affairs of their borough.<sup>157</sup> Community planners are professional architects who volunteer to help urban renewal matter in a district. They have to register with the city government and once registered they can participate and give professional advice in all urban renewal public hearings in a district.<sup>158</sup>

A more general point to make in the local administration and politics of Taipei City,  
414 community ties and networks have rapidly developed over the last 15 years or so ever since Chen Shui-bien was elected as the major of Taipei City in 1994. The 12 districts and their boroughs have been strongly supported by government policies to articulate their local identity, rediscover their history, and contribute to community development. Vibrant community based organizations have developed at the district level as a result. During this long process of development, overlapping ideas on community identity and uniqueness may have slowly emerged, which to a certain extent contain the scope of conflicts of values and interests between residents that may arise in urban renewal processes.

415 In sum, the small scale of the renewal projects and the mediation of interests through developers, borough chiefs, community planners and community development associations, all help to explain the relative straightforwardness of landowners initiated renewal projects and their formal community engagement processes.

416 This is not to say that the entire urban renewal process in Taipei City is conflict-free. There are government initiated renewal projects, albeit much smaller in number, that are often larger in scale and attract more controversies and public attention. Conflicts of values and interests between local residents and district-level or city government are not uncommon. In a conflict situation, community organizations based in a district may play an important role in the negotiation or struggle with local government.

417 No doubt, there may be other non-community-based organizations involved in a conflict situation. For example, single-issue urban renewal groups such as OURS (as mentioned in section 38) may come into a district from the outside to intervene and help fight

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<sup>157</sup> They may have a cooperative or antagonistic relation with the borough chief, depending on their group or party affiliation.

<sup>158</sup> Beidou District for example has three registered community planners. See Internet [http://163.29.37.121/FileUpload/139-426/Documents/2007523C92G93CJ87YP\\_1.doc](http://163.29.37.121/FileUpload/139-426/Documents/2007523C92G93CJ87YP_1.doc).

against a government development plan. While these groups often bring in new renewal ideas and strategies, they may also arouse suspicion from local residents and lack legitimacy. On the contrary, community based organizations have the advantage of local rootedness and thus enjoy a considerable degree of local legitimacy second only to that of borough chiefs. These community organizations work closely with local residents and mobilize them to actively participate in the engagement with, or struggle against, local government; at the same time, even when these organizations stand on the opposite side of local government, the two sides know each other well and long enough to make negotiation or bargaining possible and meaningful.

418 A case in point is Beitou District. There are two community organizations that have been very active in the district, namely 台北市八頭里仁協會 (formed in 1995) and 北投文化基金會 (formed in 2000). The key actors in these organizations are professionals such as medical doctors and professors, who have been residents there for a long time. They work closely with local residents, and have developed a complex relationship with district or city government. On the one hand, through a series of sustained efforts they succeeded to persuade the city government of Taipei to preserve a historic public bathhouse and turn it into what is now called the Beitou Hot Spring Museum (北投溫泉博物館); they even persuaded the local government and residents to set up a non-governmental association to govern and manage the daily operations of the Museum. On the other hand, these two organizations have engaged in a long term struggle against the city government's plan to build a tram station there to develop local tourism. The fact the plan has failed to materialize despite the government's repeated efforts to implement it shows the power of these community organizations.

### **Lessons learnt**

419 Compared to Hong Kong, the most outstanding aspects of Taipei City government's policy towards urban renewal are its emphasis on decentralization and market-led initiatives. A significant portion of redevelopment projects is initiated by residents in collaboration with developers, who need to apply to Taipei City government for permission for redevelopment. The city government in turn serves mainly as a facilitator and regulator, rather than as an implementation agent who plans and finances redevelopment projects, as in the case of the Urban Renewal Authority in Hong Kong (URA). Although this market-led approach originated as a by-product of a lack of financial resources and policy commitment on the parts of the central and local governments, it has now developed into a distinctive, clearly articulated policy supported by legal and administrative apparatus. So it is sensible to ask whether this approach can serve as an alternative model for consideration for Hong Kong.

420 But before considering the lessons of this approach for Hong Kong, we need first to put our own experience in perspective. Ever since the introduction of the Urban Renewal Authority Ordinance, there has been no lack of critical voices questioning the activism of the URA in urban renewal. These voices, occasionally coming from various sectors ranging from residents, NGOs, business, and legislators, have argued that the URA should not have been given the current active roles and powers, but should take on a facilitating role to encourage districts, residents, developers, and community based organizations or NGOs to take the lead in redevelopment or renewal. The justifications offered for this limited role are many and may not be mutually consistent, but some typical ones have to do with the belief that URA's compensations are not fair, that residents in old districts or buildings know better what they truly need, and that the URA's decisions have been driven mainly by financial considerations because of the fact it is self-financing in its operation.

421 This is not the place to examine the validity of the critical views, except to point out that Taipei's market-led approach provides an experience that seems more in line with the alternative understanding of the role of URA advocated by the critical views above. Seen in this light, Taipei's market-led approach has several features that seem to be worth considering. First of all, this approach clearly implies much lesser financial and administrative responsibilities for the government. Residents have to successfully engage themselves and developers to develop viable business plans to seek government approval. It should be noted, however, that the government does more than passively approves (or rejects) applications. Taipei City government takes the initiative to delimit certain district zone and to encourage residents of that zone to submit redevelopment proposals. The government also regularly awards additional plot ratios to residents and developers who are willing to contribute to the conditions in the neighborhood such as by building public facilities, providing more public space, improving pedestrian pavement, or preserving buildings with special historic or cultural value. It is claimed that in this approach, the government can actively steer urban renewal projects without having to take up primary financial or administrative responsibility for them.

422 Second, as Taipei experience shows, redevelopment projects initiated by residents are typically small in scale (ranging from one to a few low-rise residential buildings) and so they arouse relatively few public contentions or debates. In contrast, NGOs on urban renewal in Taipei and the mass media pay much more critical attention to renewal of public spaces or large-scale redevelopment projects initiated by the government than to small-scale residential redevelopment initiated by residents. For this and other reasons, the latter kind of redevelopment cases are commonly more frequent in number and more speedily completed

than cases of the former kind.

423 Third and final, in a market-led approach residents and developers have a greater say in deciding on the timing and method of redevelopment according to their best judgments on their needs and the financial risk generated by society's economic ups and downs. This at once means something welcome by both sides: greater autonomy for residents and lesser responsibility for the government to take blame (or credit) for the final financial losses (or gains) of the projects.

424 Despite its attractiveness, the market-led approach is not without its critics in Taipei. There are a few common criticisms. First, as noted earlier, new buildings in the renewal area may actually be much taller than it was once proposed given that the plot ratios have significantly increased (maximum 1.5 times). When several of these building concentrate in a neighborhood, the population density in the area will increase substantially. This will inevitably put new pressure on traffic, public facilities, and the need for green space. More important, resident initiated projects often take place in high quality residential districts where the prospect for financial gains is higher. Poorer districts however are less likely to be redeveloped by this approach because residents or developers see virtually no financial prospect in it or at least have to face a much higher financial risk than they would be willing to take. So this approach tends to benefit the better off more than the worse off people. Finally, because complex coordination among residents is required in resident-initiated projects, the workable size of these projects is usually small. This means that in a market-led approach, it is difficult to conduct renewal in a more comprehensive, large-scale manner when it is called for.

425 All of the above points to one serious limitation to a market-led approach: it only facilitates piece-meal, small-scale redevelopments projects that are in themselves financially viable. For other kinds of cases such as poor district redevelopment, large-scale revitalization of old districts to cater for public needs for green space, public space and public facilities, and preservation of valuable historical and cultural sites and landscapes, direct financial commitment of the government or bodies like the URA remains necessary. Whatever is the merit of the market-led approach, it is incomplete and has to be supplemented by robust government involvement. The need to set up the Taipei City Urban Renewal Corporation is a clear indication that Taipei City Government is trying to deal with some of the limitations in this approach.

426 Another important point to note is that it is not clear if the market-led approach is immediately applicable to Hong Kong. There are at least four important differences between



the two cities that make it difficult to implement Taipei's model in Hong Kong.

427 First, the main incentive that Taipei City government provides for residents and developers for redevelopment is the granting of extra plot ratio (1.5 times of the original ratio). This is also the main leverage of the government to steer urban renewal processes to better meet public needs. In Hong Kong, however, in many cases this extra plot ratio incentive seems to be well secured by the “development rights” built into land lease—property owners are already given development space to build taller buildings if the plot ratio stated in the land lease has not been fully utilized.<sup>159</sup> So under the present policy framework in Hong Kong, the government provides little extra incentive—and hence possesses no leverage—to encourage or steer resident- or developer-initiated redevelopment projects. If market-led approach is to be encouraged in Hong Kong, changes to the policy framework need to be made, such as to lower the requirement of property owners' consent from 90% of the total number to lower level comparable to that of Taiwan (ranging from 50% to 75%).

428 Second, in a market-led approach developers play a key role in initiating with landowners renewal projects and implementing them. In Taipei, local developers tend to be small operators and property development is looked upon as an ordinary trade. In Hong Kong, however, big developers are movers and shakers in the business circle. A partnership between developers and residents in Taiwan is more likely to be an equitable one with neither side finding it easy to dominate the other. The same cannot be easily said of Hong Kong where developers, with their know-how, resources and clout, could easily take charge of a project from start.

429 Third, residential buildings in Taipei, and actually throughout Taiwan, are typically low rise and small size. This means at once that it is relatively easy for landowners to collaborate to initiate and conduct a reconstruction project and that the developer plays a less strategic role as a mediator. The same cannot be said for Hong Kong, as older residential buildings that require reconstruction are taller and sometimes attached with one another.

430 Fourth and final, Taipei's market-led approach is embedded in a larger community setting with characteristics that cannot be found in Hong Kong. In Taipei, communities, districts and boroughs, have developed and flourished under a favorable set of community development (社區營造) policies adopted by the local and central government in the last 15 years or so.<sup>160</sup> Overlapping consensus over the history and uniqueness of districts and

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<sup>159</sup> In the current political climate, however, one can expect that plot ratio will be pressed lower and lower as seen in the case of Hopewell and URA's own Staunton Street project.

<sup>160</sup> This set of policies was developed and robustly implemented when Chen Shui-bian took power as the city's

boroughs have slowly emerged, which help contain potential conflicts of values and interests that may arise in urban renewal. In the meantime, an array of vibrant actors, such as borough chiefs (里長), community planners (社區規劃師), community development associations (社區發展協會) and other community based organizations, all can serve as mediators to help smoothen, to some extent at least, the process of urban renewal and promote community engagement. In Hong Kong, however, urban renewal often takes place in districts without a strong sense of community or shared understandings of the historic and contemporary significance of the place. This would make the process of urban renewal and its public engagement, whether initiated by government or landowners, quite unpredictable and difficult to manage.

431 The case of transfer of plot ratio outside from preservation site in Taiwan is noted. However, we should also note that the related conceptual, financial and value issues are quite complex. For example, in the receiving site, the top-up floor area ratio, say increased by 30-50%, is, in fact, very much equivalent to the effect of up-zoning. However, the process of approving application of transfer plot ratio, as in the case of Taiwan, is not the same as the amendment of zoning process, i.e. less rigorous and less transparent. Conceptually, if the receiving site is allowed to have its floor area ratio topped up, then why it is not up-zoned in the first place, and if it is up-zoned, the original owner of such site would have already obtained an additional potential development benefit.

432 We also note that while the Taipei model is primarily led by the owners and the private sector, the redevelopment projects required evaluated and approved by a commission set up by the executive arm of the government, and before that the law also requires the proponents of the projects to conduct public hearings and exhibitions for 30 days, and such public views are taken into consideration by the commission<sup>161</sup>. In comparison, in Hong Kong as in the case of compulsory sale for redevelopment, no such public consultation is required.

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mayor (1994-1998) and later as president of Taiwan (2000-2008). No doubt this is part of a larger strategy of Chen and the Democratic Progressive Party to build up a new Taiwanese identity in contradistinction with mainland Chinese identity.

<sup>161</sup> In Taiwan, projects where 100% consent has already been obtained such public hearing and exhibitions are exempted.

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## Chapter 7: The case of Shanghai

### Introduction

433 As this study involves the development of the urban renewal strategy in the city, the names and structure of the bureaux and departments may have been changed overtime. Moreover, at the time of study, the Shanghai Municipal government was undergoing a major restructuring with changes in names and structure of bureaux and departments. There are considerable variations in the names and structure of bureaux and departments from the various sources of information. This is further complicated by the need of translation from Chinese to English with no official English name available in many cases. While the Research Team has tried its very best to triangulate the information from difference sources, it is not possible to resolve all inconsistencies as even the most current internet information from different bureaux and department may not be fully synchronized at the time of study.

### Background

434 Shanghai is the largest city in China in terms of population. The population of Shanghai was 18.15 million<sup>162</sup> at the end of 2006; permanent residents constituted 13.6 million (Peng & Cheng, 2005). The population was highly concentrated in the central area<sup>163</sup>. Within inner ring road, the population density was 40,100 persons per km<sup>2</sup>, the inner-outer ring road area, 20,400, near suburban area, 3200, and far suburbs, 900 persons per km<sup>2</sup>. Shanghai is one of the Chinese cities with the highest population density (Peng, 2006<sup>164</sup>).

435 Shanghai is administratively equal to a province. There are 19 county-level divisions, 18 districts and one county. The urban core is not concentrated at a single location, but scattered across several districts. The major business areas are Lujiazui (陸家嘴) on the east bank of the Huangpu River (黃浦江), the Bund (外灘) and Hongqiao areas (虹口) on the west bank of the Huangpu River, the Xintiandi (新天地) and Huaihai Road (淮海路) in Luwan District (盧灣區) and Xujiahui (徐家匯) in Xuhui District (徐匯區).

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<sup>162</sup> China Economic Net website [http://en.ce.cn/National/environment/200703/08/t20070308\\_10623217.shtml](http://en.ce.cn/National/environment/200703/08/t20070308_10623217.shtml), retrieved on December 8, 2008.

<sup>163</sup> Zheng Shiling (2005) presentation on Urban Age Shanghai Conference July 2005, cited in Peng, Xizhe Population factor in Metropolitan management: the case of Shanghai.

<sup>164</sup> Peng, Xi Zhe (May, 2006) "Population factor in Metropolitan management: the case of Shanghai".(彭希哲, 上海：城市管理中的人口問題) in International Human Dimensions Programme on Global Environmental Change – hosted by the Chinese National Committee in Beijing, May, 2006. . [http://www.ihdp-cnc.cn/En/meeting/Regional\\_workshop/ppt/Open%20Lectures/Population%20Factor%20in%20Shanghai\\_Peng.pdf](http://www.ihdp-cnc.cn/En/meeting/Regional_workshop/ppt/Open%20Lectures/Population%20Factor%20in%20Shanghai_Peng.pdf), retrieved on December 8, 2008.

436 Since the 1990s, the Chinese economy took off and has unleashed the growth of urban economy. The land reform, housing reform, decentralization of state power, the rise of local entrepreneurial urban governments, and the involvement of land developers greatly affected the urban renewal development in China (Ren, 2008).

### **Institutional framework**

437 There is no single department/bureau in Shanghai to spearhead the urban renewal programmes. A number of government commissions, bureaux and departments, including those in charge of planning, lands, housing, and development are usually involved in the urban renewal process<sup>165</sup>. If government money is involved in the redevelopment, it has to obtain permission from the Shanghai Municipality Development and Reform Commission (上海市發展和改革委員會<sup>166</sup>，或簡稱市發改委<sup>167</sup>). This Commission has been renamed from the previous State Planning Commission (國家計劃委員會), which was responsible for the planning of economic and other state development. It was a very prominent body before and at an early stage of economic reform in China, when most of the economic activities were planned and implemented by the government or state owned enterprises. With the rapid development of the private sector, the Development and Reform Commission later limits its role to the state economic sector.

438 The Shanghai Municipal Commission of Construction and Administration<sup>168</sup> (上海市城鄉建設和交通委員會) is responsible for the identification and selection of the renewal projects. For projects involving government investments, which is most of the cases, the projects have to be approved by the Shanghai Municipality Development and Reform Commission (市發改委) which is responsible for the economic activities involving the state.

439 The Shanghai Municipality Housing Protection and Administration Bureau (上海市住

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<sup>165</sup> According to the “Announcement Issued by the Shanghai Municipality People’s Government Regarding Several Opinions towards Further Carry forward Urban Redevelopment in Shanghai” 《上海市人民政府印發關於進一步推進本市舊區改造工作若干意見的通知》 issued in February 2009, the Shanghai municipality government set up a Shanghai urban redevelopment task force. The task force comprises the major commissions, bureaux, departments related to urban redevelopment and district representatives. A senior leader of the government chairs the task force and the deputy mayor serves as the vice-chairperson.

<sup>166</sup> Shanghai Municipality Development and Reform Commission website <http://www.shdpc.gov.cn/>, retrieved on December 8, 2008.

<sup>167</sup> The National Planning Commission (國家計劃委員會) was formed in 1952, renamed as the National Development and Planning Commission (國家發展計委員會) in 1998, and merged with the other relevant departments to form the existing National Development and Reform Commission (國家發展和改革委員會) in 2003. Ref.: <http://203.207.194.3:82/gate/big5/zfxxgk.ndrc.gov.cn/PublicItemView.aspx?ItemID={6711b8c8-fee4-444e-a810-6e74b12d2210}>, retrieved on December 8, 2008.

<sup>168</sup> This Commission replaces the Municipal Development and Transport Commission (市建交通委) in a recent government restructuring in November, 2008 <http://218.242.144.41:82/gate/big5/www.shanghai.gov.cn/shanghai/node17256/node17679/node17681/userobject22ai12987.html>, retrieved on December 8, 2008.

房保障和房屋管理局<sup>169</sup>) is responsible for the identification and monitoring of the dangerous and dilapidated buildings, and to decide upon the level of compensation and overseeing the compensation and relocation of residents in the redevelopment projects. Finally, other departments and bureaux will be involved in approving the technicality of the projects. The Shanghai Municipality Planning and Land Administration Bureau<sup>170</sup> (上海市規劃和國土資源管理局) has an important role to play in setting up planning standards and to decide whether the renewal project proposals have met the planning standards and requirements.

440 The district (local) governments play an important role in urban renewal. They help identify renewal sites to meet the renewal targets and plans laid down by the Municipal Government. When a project is confirmed at the municipality level, the concerned district government will then set up a management team (領導小組) comprising of members from various related departments and bureaux. This management team will be responsible for monitoring and coordinating the project.<sup>171</sup> The executive arm of the management team was the old urban area reconstruction office (舊區改造辦公室(或指揮部))<sup>172</sup> Figure 7.1 presents the working procedure of the district old urban area reconstruction office.

441 In Shanghai, the city centre consists of 660 km<sup>2</sup> and is divided into 242 planning units with regulations and guidelines on plot ratio, provision of community facilities, open space, etc. As a general rule, the maximum plot ratio of residential buildings in urban areas is less than 2.5 and commercial buildings is less than 4.0<sup>173</sup> There is also a more holistic guideline for community reconstruction (小區改造) given by the former Director General of Shanghai

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<sup>169</sup> It replaced the Municipal Housing and Land Resource Bureau Administration (市房屋土地資源管理局) in November 2008 after the Shanghai Municipal Government restructuring (上海市機構改革).

<sup>170</sup> It replaced the Municipal Town Planning Bureau (市城市規劃管理局) in November 2008 after the Shanghai Municipal Government restructuring (上海市机构改革). Its mandate includes planning as well as preservation. Source: <http://www.shanghai.gov.cn/shanghai/node2314/node2319/node2405/node21672/index.html>, retrieved on December 8, 2008.

<sup>171</sup> An example of the composition of the management team included the vice-alcalde, representatives of departments on planning, housing, finance, water, greening, environmental protection, residents' committee etc. Source: Shanghai Minhang website: <http://big5.shmh.gov.cn:8080/www.shmh.gov.cn/Content.aspx?type=3&id=36411>, retrieved on 12 Feb., 2009.

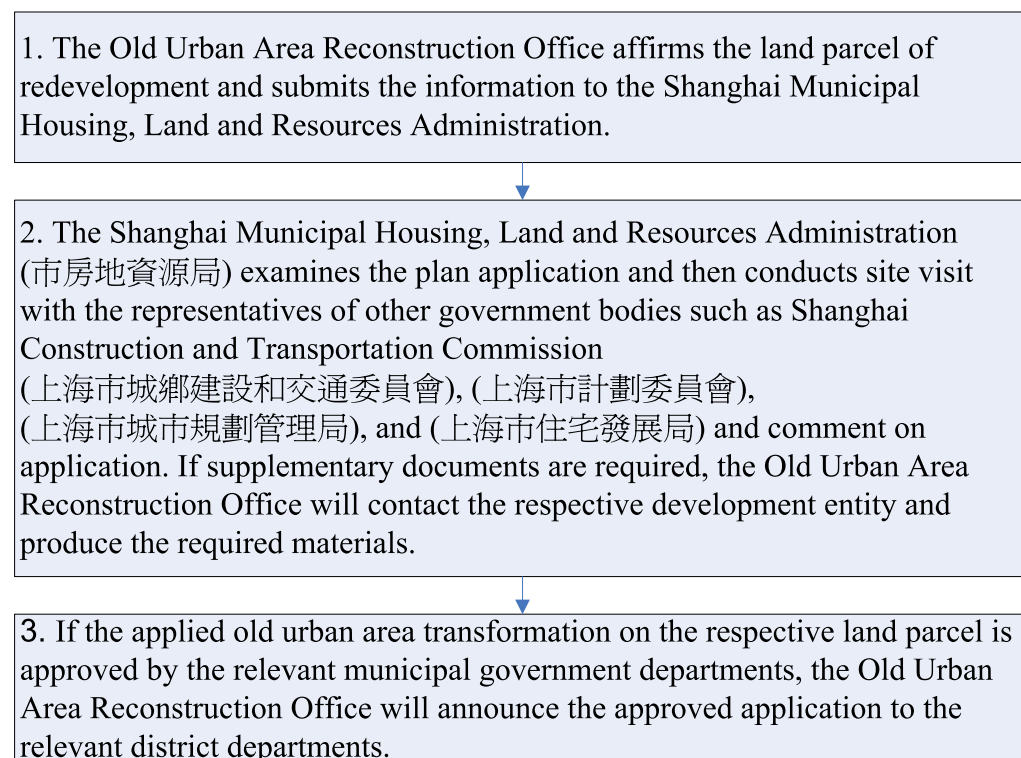
<sup>172</sup> Reconstruction projects are launched by the government at the district or county level and executed by the district / county construction office (舊房改造辦公室). Based on results of survey on old buildings/houses in the municipal, Reconstruction of Dilapidated Houses Offices (危房改造辦公室) at the county/district level, spearheaded by the municipal reconstruction office, would work out a working plan. The plan should set out the long term and short term goals of the renewal project; taking into consideration factors such as the local socio-economic level, the degree of the damages and the feasibility in reconstruction.

Official name of the agency responsible for reconstruction may vary. For example in Putuo district (普陀區), it is carried out by the Office for Putuo Major Public Works and Reconstruction Projects Headquarter ( "普陀區重大工程建設和舊區改造指揮部辦公室 (簡稱重大辦)" ). Source: Email communication in December 2008 from a government official of Putuo District, Shanghai.

<sup>173</sup> Interview notes with the Municipal Town Planning Bureau (市城市規劃管理局) on November 14, 2008

Planning Bureau, Mr. Mao Jia-liang (毛佳樑), who emphasized that the planning should be good notwithstanding the scale of the development (“佔地不多規劃好”), the apartments should be self-contained even though their sizes may not be large (“房型不大[功能全]”), community facilities such as elderly centers and schools, etc. should be sufficient to meet the basic community facility requirements (“社區配套保基本”), and planning should be made to suit the specific nature and conditions of the land and to plan for a beautiful environment (“因地制宜環境美”), e.g. preservation of historical sites.

Figure 7.1. Working procedure of the old urban area reconstruction office<sup>174</sup>



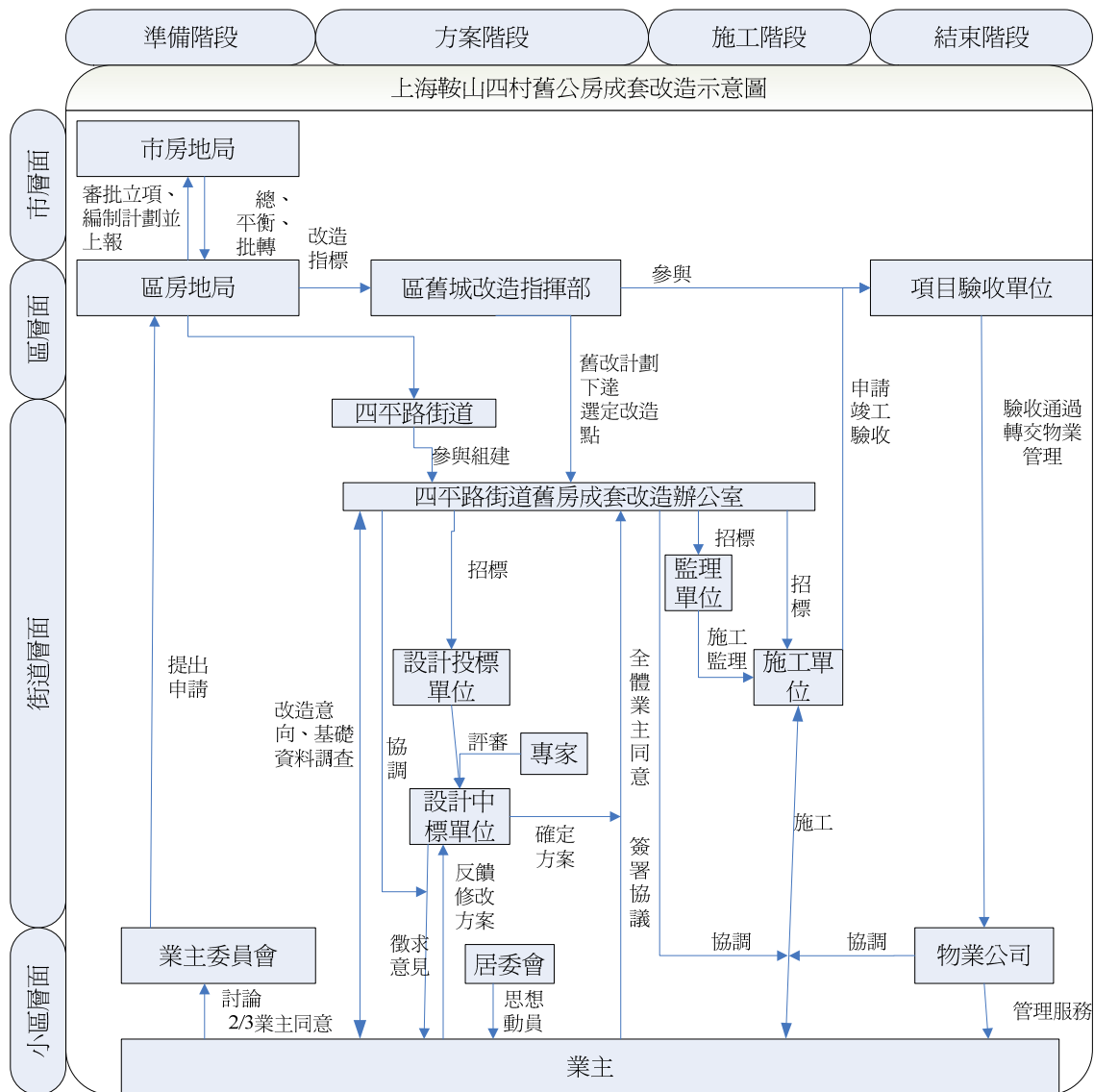
Source: 上海市虹口區舊區改造辦公室工作內, retrieved from <http://shhkfd.gov.cn/update/jqgz/newswind.asp?id=13>, retrieved on December 8, 2008

442 Figure 7.2 describes the process of an urban renewal project, which involves building rehabilitation. Nevertheless, for projects involving demolition and redevelopment, the initiation comes more from the district government rather than the residents themselves.

<sup>174</sup> Please note that some of the names of respective bureaux and commissions in Figure 7.1 may have been changed, referring to earlier footnotes.



Figure 7.2. An example of rehabilitation project in Shanghai



Source: 杜甯、曹晟 (2008) 上海鞍山四村舊小區改造 - 鞍山四村舊公房成套改造流程圖

## Legal framework

### Land policy in China

443 During the period 1949 and 1978, the main feature of land policy has been the confiscation of land from the rich (the landlords) and its redistribution to the poor. Urban land became state-owned, farmland became collectively owned.

444 When cities expand, some previously collectively-owned land in rural areas, through land acquisition (徵地), also became state-owned. This transfer was done through offering a compensation package to the peasants, including compensation for loss of employment opportunities, housing, and crops, together with an urban residence licence. With the new urban household status, a former peasant farmer became eligible for welfare benefits and also

gained access to some subsidized goods which were not normally offered to peasants.

445 During the same period, the state allocated urban land to the state-owned businesses (*danwei* 單位). Many state-owned businesses constructed mixed industrial and residential premises or situated their industrial properties in close proximity to the accommodations of the workers. As a result, many residential areas were polluted and the living environment were contaminated (Chen, 2007).

446 After the introduction of the open-door policy, China has adopted a land-use rights system of tenure. An important feature of this land tenure system in China, according to the People's Republic of China Land Administration Act 1986, was that the state owns all the urban land and farming collectives own all rural land. Thus, there was no privately owned land in China (Chen, 2007).

447 The land-use right system separates the right of usage from the right of ownership of land. The land-use right later became transferable and purchasable in the market. Municipal governments represent the state to dispose the land-use rights and collect the land sales proceeds (Li & Song, 2007).

448 By 2000, land and housing developments were largely governed by market economy. The role of the government was to use policies and other measures to steer towards a preferred direction. In April 2002, the Ministry of Land and Resources issued Document 11. From July 1, 2002, all land-use right for the purpose of real estate development would be sold through auction (拍賣), listing (掛牌), or public tender (投標)<sup>175</sup>. If a piece of land is left idle for one year, the owners of the undeveloped land will be charged with a land idling fee, and if the land is still undeveloped after two years, the right to develop the land will be revoked (Liu, 2004).

## Land Reserve

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<sup>175</sup> At the moment, all non-agricultural land in China is owned by the state. However, the government can transfer the land use right to the land users for a specified period. The land users may acquire the land use rights through bidding or auction and signing agreement with land administration bureau. The longest periods for land use rights used to be 70 years for residential land, 50 years for industrial land, 50 years for land for education, science, technology, culture, sanitation and sports, 40 years for land for commerce, tourism and recreation and 50 years for land for comprehensive or other purposes. Source: [http://big5.caexpo.org/gate/big5/www.caexpo.org/gb/news/special/investigationgroup/environment/t20050328\\_35997.html](http://big5.caexpo.org/gate/big5/www.caexpo.org/gb/news/special/investigationgroup/environment/t20050328_35997.html), retrieved on December 8, 2008. However, according to Article 149 of the Real Right Law of the People's Republic of China (中華人民共和國物權法 2007) (Adopted at the 5th session of the Tenth National People's Congress on March 16, 2007), land use rights for residential land would be renewed automatically upon expiration of land lease. Source: [http://www.gov.cn/flfg/2007-03/19/content\\_554452.htm](http://www.gov.cn/flfg/2007-03/19/content_554452.htm) (Chinese version), or [http://www.fdi.gov.cn/pub/FDI\\_EN/Laws/GeneralLawsandRegulations/BasicLaws/P020070330630886879886.pdf](http://www.fdi.gov.cn/pub/FDI_EN/Laws/GeneralLawsandRegulations/BasicLaws/P020070330630886879886.pdf) (English Version), retrieved on December 8, 2008.

449 In Aug 2004, the Detailed Implementation Rules of the Procedures of Shanghai Municipality on Land Reserve (《上海市土地儲備辦法實施細則》)<sup>176</sup> was enacted, by which land planned for development would be bought and compensated and put under a land reserve agency<sup>177</sup>. According to the Detailed Implementation Rules of the Procedures of Shanghai Municipality on Land Reserve (Article 15<sup>178</sup>) issued in the same year, the land reserve agency should make the reserved land lot suitable for supply purpose. The land reserve agency thus needs to follow the relevant provisions of the Shanghai Municipality on bidding or auctioning for the transfer of land use right, to cooperate with the municipal or district/county land administrative departments in making initial preparations, such as soliciting written opinions from the planning, investment, environmental protection and other relevant departments, and to draw up the bidding or auctioning documents, organizing on-the-spot surveys, and responding to the enquiries on the conditions of the land lots.

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<sup>176</sup> Procedures of Shanghai Municipality on Land Reserve(上海市土地儲備辦法)Decree No. 25 (2004)

Article 3: Land reserve mentioned in these Procedures refers to the act of the municipal, district/ county government entrusting a land reserve agency first to store according to the overall planning of land utilization, urban planning and land reserve plan, through the conduct of compensation resettlement for land requisition, or compensation resettlement for housing demolition and relocation, or the conduct of necessary infrastructure construction, the land requisitioned, retrieved, purchased, or reclaimed according to law, and thereafter to deliver the supply of such land according to the land supply plan.

Asian LII website: <http://www.asianlii.org/cn/legis/sh/laws/posmolr471/>, retrieved on December 8, 2008.

<sup>177</sup> According to the Procedures of Shanghai Municipality on Land Reserve Decree No. 25 (2004), Article 5 (Reserve Agency): The Municipal Land Reserve Center(市/區(縣) 土地儲備中心) is the land reserve agency established by the Municipal People' s Government, exercising land reserve in the limits of this Municipality, taking charge of the initial development of the reserved land plot, and undertaking the early-stage preparation work for the reserved land plot supplied according to plan.

- ◆ Each district/county government shall establish a land reserve agency that conducts land reserve in the limits of its own area.
- ◆ Upon the approval of the Municipal People's Government, a specialized department may conduct land reserve in the limits of a special area.

According to Article 6 (Scope of Reserve) : The following land shall be covered in the scope of land reserve:

- (1) Land reclaimed from mudflat and having passed acceptance test;
- (2) Farm land originally owned by the State and planned to be turned to operational construction-use land;
- (3) Land originally allocated by the State and planned to be adjusted as operational construction-use land;
- (4) Land originally owned by the rural collective and planned to be requisitioned for granting according to law;
- (5) Idle State-owned land retrieved by the land administrative department according to law; and
- (6) Other State-owned land that the Municipal People' s Government needs to reserve for carrying out urban planning.

According to Article 10 (Compensation Resettlement of Reserved Land) : Where land reserve involves housing demolition and relocation, or requisition of rural collectively owned land, the relevant formalities for examination and approval of housing demolition and relocation permission and of the scheme for land requisition compensation resettlement and other related formalities shall be completed according to relevant provisions of the State and this Municipality, and the compensation resettlement shall be conducted according to the standard, mode and procedure as provided.

Where the land reserve agency makes reserve by purchasing the State- owned land originally allocated to an enterprise or pubic institution, the agency shall, according to this Municipality' s benchmark land price and in line with the land market price, determine the compensation price and enter into a reserve-by-purchase agreement through consultation with the unit. (Asian LII website:

<http://www.asianlii.org/cn/legis/sh/laws/posmolr471/>, retrieved on December 8, 2008 )

<sup>178</sup> Shanghai Municipal Government Website

<http://www.shanghai.gov.cn/shanghai/node17256/node17413/node17416/userobject6ai1443.html>, retrieved on December 8, 2008

## The Real Right Law of the People's Republic of China (中華人民共和國物權法)

450 The Real Right Law<sup>179</sup>, Decree No. 39, issued on September 28, 2007 by the Ministry of Land and Resources amended the decree No.11 above-mentioned. The Real Right Law, Decree No. 39, amended the situation that many of the relevant rights have been governed by different national laws and administrative regulations<sup>180</sup>. The Real Right Law regulated the rights of both the public and private properties. Private investors would not possess land ownership in China. The former ‘land-use rights’ would be replaced with “construction land-use rights”(「建設用地使用權」). For construction to be carried out on the surface of the land, the space above the land or the underground space, the construction land-use right has to be obtained accordingly. Such construction land-use rights should be granted through tender-bidding, auction, or listing (投標、拍賣、掛牌).

### **Different Phases of Urban Renewal in Shanghai**

451 Shanghai has undergone massive urban transformation. The renewal policies and process could roughly be divided into different stages. The earliest urban renewal policies in Shanghai were introduced to relieve the living conditions of people residing in dangerous structures or “decrepit houses”<sup>181</sup> (危棚簡屋), which were homes to many poor people, especially those who came to Shanghai from surrounding provinces after 1949. The decrepit houses were of several types and constructed with different materials. Table 7.1 presents a summary of the various phases of urban renewal in Shanghai.

#### From 1949 to 1980s

452 This period was under planned economy and urban renewal was not a major concern of the Municipal Government. Not much resource had been devoted to urban renewal. The projects were fragmented and initiated by district governments.

#### Phase 1: Between 1990s and 2000s

453 The first phase of urban renewal was introduced after the 6<sup>th</sup> Shanghai People's Congress in 1992 (“政協提案引熱議,” 2008) in response to the massive changes in society.

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<sup>179</sup> The Real Right Law of the People's Republic of China, op cit.

<sup>180</sup> Please refer to Latest regulations relating to the Provisions on Grant of State-owned Construction Leaseholds. China Law & Practice December 2007/January 2008 pp. 17-18. [http://www.gide.com/front/files/ChinaLawPractice\\_ConstructionFeature\\_dec2007.pdf](http://www.gide.com/front/files/ChinaLawPractice_ConstructionFeature_dec2007.pdf), retrieved on December 8, 2008,

<sup>181</sup> Some translations used the terms “Shaky sheds and crude shacks”.

To tackle the issue of old and dilapidated residential housings in Shanghai, the famous ‘365 Plan’ was introduced. The municipal and district governments joined hand to demolish a total of approximately 3.65 million m<sup>2</sup> of dangerous and decrepit simple structures where mainly the poor people resided. Resettlement was a key issue associated with demolition. The government wished to improve the living standard of the poor people.

#### Phase 2: The tenth and eleventh 5-year plans

454 In August 2001, the Rules of Shanghai Municipality on the Implementation of the Administration of Demolition and Relocation of Urban Houses (《上海市城市房屋拆遷管理實施細則》) was issued (“政協提案引熱議,” 2008) (Decree No. 111). The Decree also required the compensation for urban renewal should mainly adopt the monetized approach. Urban renewal should also emphasize ‘demolition’, ‘improvement,’ and ‘preservation’ (“政協提案引熱議,” 2008).

455 During the 10<sup>th</sup> 5-year planning period, the government targeted 10 million m<sup>2</sup> dilapidated buildings for redevelopment, and finally completed 7 million m<sup>2</sup>. Twenty-eight thousand households benefited from the process. In addition, rehabilitation work were conducted among old building units which lacked self-contained sanitary facilities.

#### Phase 3: The eleventh 5-year plan

456 The government decided to demolish the remaining 8 million m<sup>2</sup> floor area left from the previous phase of renewal in two stages, 4 million m<sup>2</sup> each, in the 11<sup>th</sup> 5-year plan and the 12<sup>th</sup> 5-year plan. Besides, out of the 4 million m<sup>2</sup> demolition target in the 11<sup>th</sup> 5-year plan, 1.2 million m<sup>2</sup> has been completed in 2008 (“政協提案引熱議,” 2008).

Table 7.1 Various phases of urban renewal in Shanghai

Phase	Name of Plan	Target and completion	Features
Pre-reform	Nil	No fixed target	<ul style="list-style-type: none"> <li>● Sporadic, government-led</li> </ul>
Phase I 1992-2000	365 Plan	Targeted and completed 3.65 million m <sup>2</sup> decrepit buildings	<ul style="list-style-type: none"> <li>● Concession given to developers to attract them in the process</li> <li>● Compensation based on household size, onsite and distant relocation</li> </ul>
Phase II 2001-2005	The tenth 5-year plan	Targeted 10 million m <sup>2</sup> for redevelopment. Completed 7 million m <sup>2</sup> 280,000 households benefited.	<ul style="list-style-type: none"> <li>● In 2001, there were 5.3 million m<sup>2</sup> Class 1 old streets (一級舊里), 11.92 million m<sup>2</sup> Class 2 old streets (二級舊里)</li> <li>● Little concession to developers will be given</li> <li>● Monetary compensation and</li> </ul>

			<ul style="list-style-type: none"> <li>distant relocation</li> <li>● A combination of redevelopment, reconstruction and preservation (拆、改、留)</li> </ul>
Phase III 2006-2010	The eleventh 5-year plan	Target: to complete 4 million m <sup>2</sup> reconstruction of Class 2 old buildings (二級舊裡以下房屋改造) By July 2008, completed 1.2 million m <sup>2</sup>	<ul style="list-style-type: none"> <li>● Large piece in the heart of the city consists of Class 2 old buildings and sub-standard housing(中心城區成片二級舊裡和簡屋) 8.74 million m<sup>2</sup>, and involving 564 pieces of land parcels, and , 400,000 households</li> <li>● Mainly monetary compensation</li> <li>● Site formation and land reserve</li> </ul>

(source: “政協提案引熱議,” 2008; Xiao, 2005)

### Models of urban renewal

457 In the earlier phases of urban renewal, government has leased land-use right to developers and allowed them to compensate and relocate residents by appointing demolition and relocation companies (拆遷公司) (According to Article 17 of the ‘Rules of Shanghai Municipality on the Implementation of the Administration of Demolition and Relocation of Urban Houses’ (《上海市城市房屋拆遷管理實施細則》 enacted on 1 November, 2001, demolition work can be carried out by both the house demolishing party (拆遷人) or by employing the service of a demolition and relocation companies (拆遷公司). The “Measures of Shanghai Municipality for the Administration of House Demolishing Entities” 《上海市城市房屋拆遷單位管理實施辦法》 enacted on 1 January, 2002, stipulated that these should be qualified companies with a certificate (房屋拆遷資格證書) issued by the then Shanghai Municipal Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局 (currently the Shanghai Municipality Housing Protection and Administration Bureau). These companies should be non profit making and were responsible to evacuate the buildings, coordinate and execute the compensation / relocation arrangements)<sup>182</sup> to deal with related matters. These companies as well as the developers have strong incentive to minimize the amount of compensation and thus resulting in numerous complaints and grievances. This approach of leasing out gross land (毛地<sup>183</sup>), that is those with residents , for redevelopment has been replaced gradually since 2003 by leasing out “cooked” land (熟地), that is the government has already compensated residents and demolished the buildings on the land and completed site-formation works. Infrastructure such as sewerage, water supply, roads and transportation facilities are usually ready to use in those land lots<sup>184</sup>. These land lots will then been put under reserve by several land reserve

<sup>182</sup> 上海市靜安區房屋土地管理局. 關於印發《上海市城市房屋拆遷單位管理實施辦法》的通知. <http://www.kafd/gpv/cm/InfoShow.asp?Show=2&ID=239>, retrieved on December 8, 2008.

<sup>183</sup> 中國工業地產網. <http://www.industrycome.com/news/html/2008/7/11881.html>, retrieved on December 8, 2008.

<sup>184</sup> 築龍網. <http://news.zhulong.com/dongtai/read26420.htm>, retrieved on December 8, 2008.

companies (土地儲備公司) set up under the government. The land-use right will be put to the market at suitable time through opening bidding or auction in a way similar to other land lots for development purposes. By doing so, the government effectively control the supply of land and the revenue generated by land leasing.

### Improvement and reconstruction of old buildings

458 In addition to the massive redevelopment approach characterized by the Phase I and II urban renewal, the government has also implemented various reconstruction/ improvement programmes. Improvement works included the ‘flat-to-pitched-roof’ re-roofing plan (平改坡改造) and the comprehensive “flat-to-pitched” re-roofing and improvement plan(平改坡綜合改造) (“從‘戴帽子’到‘動手術’上海‘平改坡’再擴容,” 2002) to resolve leakage and insulation problems for the old buildings. The first phase of re-roofing plan started in August 1999 (孫紅梅, 2008). The number of buildings involved in these programmes was presented in Table 7.2.

Table 7.2 Buildings involved in the re-roofing building improvement plans (孫紅梅, 2008)

Period	No. of buildings	Total Floor Area (Unit: million m <sup>2</sup> )	Remark
1999-2000	1059	2.11	Re-roofing projects
2001-2003	4648	9.3	Re-roofing project and pilot comprehensive re-roofing and improvement work project
2004	1485	2.97	
2005	1538	3.58	

459 One major type of reconstruction projects (舊房成套改造) involved converting the interior of flats built in the 50s with shared toilet and kitchen facilities into self-contained units with independent toilet and kitchens. Such projects started in the early 90s with the participation of construction companies from the Netherlands and France (白滔、包曉雯, 1998). The flats in each floor are rebuilt to become self-contained. As a result, the number of flats in each floor will be reduced. In order to allow households to return to the reconstructed buildings and to cover part of the construction costs, two additional floors are added on the roof. One of these floors will be used to relocate the existing households who cannot move back to the original floor while the other floor is to be sold to cover part of the reconstruction cost. All involved parties: municipal and district government and residents contribute to the reconstruction project<sup>185</sup>.

<sup>185</sup> This is a voluntary programme carried out by the local street office. The residents have to share about 40% of the costs. However, it's not clear how a collective decision is being made. Disputed are reported, see for example, <http://bbs.smg.cn/showtopic-32026.aspx>, retrieved on December 8, 2008.

460 Another example conducted in 2002 involved adding a lift well to the north elevation of 2 to 6-storey workers' premises, and the space next to the lift well were reserved for enlarging the existing kitchens, the original balcony situated on the south elevation were modified to become a room, a new balcony were added in front of the original balcony. One of the major concerns about this kind of comprehensive building improvement has been the load-bearing capacity of the foundations. According to experts' opinion, those buildings were built on strip or pad foundations and no pilings have been introduced. To support the new loadings, reinforcement meshes were added to the perimeter to strengthen the old foundations and new pilings were added along the edges of the buildings. On top of the new piles, the new lift well, new kitchen and new balcony were added to existing units for the benefits of those staying. The strengthened building foundations should increase the life-span of the buildings. Then one or two-storey were added to the buildings, some residents were then relocated to upper floors. The new parts gave them extra floor areas of 11 to 14 sq. m. in each unit and the residents contributed from RMB 10,000 to RMB 80,000 depending on the size of the extra floor area. The lower floors were modified for various community uses such as weight-training room, activity room, library, and other public facilities (“從‘戴帽子’到‘動手術’上海‘平改坡’再擴容,” 2002).

461 The owners' committee applies for comprehensive “flat-to-pitched” re-roofing and improvement works. The committee needs to obtain the consent of two-third of the flat-owners before the project can be carried out<sup>186</sup>.

#### A recent approach to build low-rental housing (廉租住房)

462 On August 13, 2007, the State Government of the Central People's Government has issued Several Opinions of the State Council on Settling the Housing Problem of Low-income Families in Urban Areas (No.24 [2007] of the State Council (《國務院關於解決城市低收入家庭住房困難的若干意見》)<sup>187</sup> requiring city and township governments to build low-rental housing, which hitherto has been offered only to the poorest urban dwellers (usually the social security recipients), to cover also the low-income households. They are required to provide 10% of revenue from leasing land (土地出讓金) for this purpose by 2010, when the eleventh 5-year plan ends. In this connection, in early 2008, Shanghai has tried to include the construction of low-rental housing in renewal projects. One such initiation is to introduce this in the renewal of workers' accommodations on a prime location (閘北彭浦新

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<sup>186</sup>Xinhuanet.com (新華網) (2004-06-11) “上海 30 個舊小區 平改坡綜合改造全面推開”

[http://news.xinhuanet.com/house/2004-06/11/content\\_1520296.htm](http://news.xinhuanet.com/house/2004-06/11/content_1520296.htm), retrieved on December 8, 2008

<sup>187</sup>《廉租住房保障辦法(27-11-2007)》[http://www.gov.cn/ziliao/flfg/2007-11/27/content\\_816644.htm](http://www.gov.cn/ziliao/flfg/2007-11/27/content_816644.htm), retrieved on December 22, 2008



村地區的彭三社區) (“以‘舊改新建’方式，上海成熟區嘗試建廉租房，” 2008). The district is convenient and clustered with workers quarters. It has an area of approximately 85,400 m<sup>2</sup>, which is one of the largest old residential areas. There were 55 four to six-storey residential buildings and 40 other buildings, the total number of households were approximately 5,100. Within this district, the interior conditions of buildings were quite poor: severe water leakage on vertical building elements, subsidence of the building foundations (地基下沉) was noted, frequent blockage of the sewerage and storm water drains, damaged green spaces, and in adverse weather conditions, rain water flooded into lower floors of those buildings. The whole renewal project was implemented by a combination of redevelopment and rehabilitation approaches, which include demolition of existing housing and construction of self-contained building for on-site relocation for some existing buildings and rehabilitation/reconstruction into self-contained flats for the others. Owners were given flat-to-flat on-site relocation, and they have to buy the additional floor space (usually 1-2 m<sup>2</sup>) at a very low price. For tenants of flats owned by the state, they were given an option to buy the new flat in the new or reconstructed building, usually at the same floor, same direction, and similar floor size, at a hugely discounted price<sup>188</sup>.

463 The Zha Bei (閘北) District Government has built three additional 18-storey buildings to provide low-rental housing for those eligible. These three buildings replaced two existing community facility structures in the project site: a market and a cultural centre. Several other adjacent residential blocks were affected too. The residents were relocated back to the low-rental housing on a flat-to-flat basis. The rest of the flats would be bought by the district government and rented out to those eligible. The income would be used to cover the cost of the whole renewal project.

### **Compensation and Relocation Policies**

464 For affected residents, the key issues have always been compensation and relocation. The national regulations in China have laid down the broad principles of compensation in Chapter III: Compensation and Resettlement for Dismantlement in the ‘Regulation on the Dismantlement of Urban Houses’ 《城市房屋拆遷管理條例》 enforced in 1 November, 2001. (Please refer to Appendix 3 for details). The laws require the land-use rights holders should be suitably compensated without defining what suitable compensation should be. This leaves the local governments authorities to determine the implementation details with respect

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<sup>188</sup> The exact price is not certain. According to a discussion forum operated by the street office in that community, it was mentioned that the cost was RMB 1295 per m<sup>2</sup>. The market price of that location was estimated to be over 10,000. They were given a transition fee of RMB 1200 a month during the time they moved out of their premises. See <http://ppxcbbs.shzb.gov.cn/showtopic-98.aspx>, retrieved on December 8, 2008. In addition, if over 2/3 of the households (i.e. owner or tenant of public-owned housing) agreed to the terms of renewal, the project can go ahead. The rest have to agree to these terms.

to their specific local situations and circumstances, and to determine the amount of compensating to be made (Chen, 2007).

### Relocation of Urban Households

465 The earliest relocation legislations in Shanghai were introduced mainly to relieve the congested living conditions and were implemented with the aid of government finance. The Shanghai Municipal Government set up the 365 Plan which was a relocation program to redevelop a total of approximately 3.65 million square meter of the most dilapidated housing in Shanghai by the year of 2000 (Chen, 2007).

466 The compensation and relocation policies could be divided into three stages. The first stage was based on the 1991 document "Specific Regulations for the Implementation of House Demolishing and Relocation of Shanghai Municipality"<sup>189</sup>. This document stipulated that compensation should be based on the size of households (數人頭) to compute for the size of flat for relocation. Each affected residents would be compensated an average floor area of not less than 12 m<sup>2</sup>.

467 The reason for doing this was because of the background of the dwellers in the 'decrepit houses' (危棚簡屋) targeted for redevelopment in the 365 Plan. These buildings were quite similar to squatter huts in other developing countries. They were built by rural migrants coming from nearby provinces and cities in great numbers shortly after the inauguration of the Peoples' Republic. Since then, many of their descendants, who were born in Shanghai and have become its permanent residents, lived together in the original or gradually enlarged decrepit houses. These places were usually densely populated with multiple household members and the government had to take into considerations of the household numbers and sizes instead of the floor areas of the structures. In addition, these decrepit or dangerous structures were unlikely to have the land-use right, and the prices were so low that monetary compensation based on valuation would never be adequate for the residents to find a decent place to live.

468 In the latter part of the first and the beginning of the second round of redevelopment, on-site relocation and monetary compensation were both available. In on-site relocation, residents were either given or allowed to purchase a low-cost flat (either built by the government or the developers) in the redeveloped area. However, developers did not favor

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<sup>189</sup> The "Rules of Shanghai Municipality on the Implementation of the Administration of Demolition and Relocation of Urban Houses" (《上海市城市房屋拆遷管理實施細則》) promulgated by the Municipal People's Government on July 19, 1991 was replaced by Decree No. 111 of the Shanghai Municipal People's Government on October 29, 2001. Website <http://www.lawyerfc.com.cn/2007.htm>, retrieved on December 8, 2008

this option because this would take up precious land area, which otherwise they could build more expensive building for sale. Residents might find that the new flats were too small for them and thus put up illegal structures, or they were asked to pay management fees that they did not have to pay before. Some simply rented out the flats and this practice defeated the purpose of preserving original social ties after redevelopment. From 2001 till now, most of residents of the redevelopment projects were offered monetary compensation or given a larger flat in more remote districts<sup>190</sup>. Nevertheless, in actual practice, besides cash compensation, the government has to take into consideration the residents' social needs, such as employment, health care and large household size of the affected residents if they have to relocate to another district<sup>191</sup>.

469 In addition, the level of compensation was based more on the market valuation plus additional compensation instead of the household size of the affected residents, which is usually equal to the market valuation of the flats plus 25-30% additional compensation depending on the location of the redevelopment projects<sup>192</sup>. In fact, the practice of compensating according to household size attracted many people like the relatives of the residents to register themselves as residents to share the benefits of compensation. Some residents who did not 'cheat' would feel themselves being unfairly compensated. The 'Rules of Shanghai Municipality on the Implementation of the Administration of Demolition and Relocation of Urban Houses' (《上海市城市房屋拆遷管理實施細則》) was introduced on November 1, 2001 and stipulates that the living space and not the household size should form the basis of calculating the compensation. However, this compensation is considered inadequate despite the rapid growth of real estate market in Shanghai resulting in an ever escalating level of compensation costs. (Chen, 2007)

470 For owner-occupiers with small flat size and tenants of public property in older and decrepit buildings, of which the valuation of their property are usually low, they are relocated to another district not based on the value of their original property but the size of it. Households entitled to such relocation arrangement are governed by the Procedures of Shanghai Municipality on Affirmation of the Population Involved in Area Standard House Exchange to be Resettled in the Demolition and Relocation of Urban Houses<sup>193</sup> issued by the

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<sup>190</sup> According to the Decree No. 111, Section 33, at least two flats approved by relevant government departments should be given for them to choose from.

<sup>191</sup> There is a vivid discussion in a forum regarding the handling of social needs upon renewal. <http://ppxcbbs.shzb.gov.cn/showtopic-98.aspx>, retrieved December 8, 2008.

<sup>192</sup> Please see <http://www.dongqianfa.com/Article/yj/gd/200801/558.htm> for a more detailed discussion

<sup>193</sup> Procedures of Shanghai Municipality on Affirmation of the Population Involved in Area Standard House Exchange That Is to Be Resettled in the Demolition and Relocation of Urban Houses Promulgated on July 1, 2006 by Decree No.61 of Shanghai Municipal People's Government. Website: <http://www.shanghai.gov.cn/shanghai/node17256/node17261/node17265/node17274/userobject26ai10125.html> and 《上海市城市房屋拆遷面積標準房屋調換應安置人口認定辦法》(2006年7月1日上海市人民政府

Shanghai Municipal Government in 2006. The idea is to make sure that only the long-term residents and those under special circumstances are being considered. This document requires the district and provincial level housing management department to inform the public security department (公安部門, or police) about the boundary of the redevelopment sites so that the police can verify the residential status of the affected residents<sup>194</sup>.

471 The 2007 Property Rights Law required compensations for institutes or individuals whose premises were to be expropriated and demolished according to the law<sup>195</sup>. The compensations should be based on the Decree No. 111, the ‘Measures of Shanghai Municipality for the Administration of Urban House Demolition and Relocation’. The relevant provisions were revised in the Order no. 305, State Council’s Regulation on the Dismantlement of Urban Houses<sup>196</sup>.

472 In the current demolition and expropriation regulations of Shanghai, there are three options for owner / lessee:

- Cash compensation based on market value plus 25-30% additional incentives, or
- Relocation based on the size of the demolished unit (two choices should be provided for the owner/lessee to choose from) , or
- Near-by relocation<sup>197</sup>

473 For lessees, the following guidelines apply:

- lessees of units in the private market:
  - (i) if an agreement is reached on terminating the lease, compensation arrangement should be made between the owner and the demolishing unit; or
  - (ii) if the owner and the tenant were not able to reach an agreement in

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令第 61 號公佈)》 Please refer to website

<http://www.shanghai.gov.cn/shanghai/node2314/node2319/node2407/node15798/userobject26ai7694.html>

<sup>194</sup> See <http://news.sooe.cn/C/2008-2-26/357915.html>, retrieved on December 8, 2008.

<sup>195</sup> Article 42: Where houses and other real properties of institutes and individuals are expropriated, compensations for demolition and resettlement shall be paid according to law in order to maintain the legal rights and interests of the expropriated; where individual residential house is expropriated, the residential conditions of the expropriated shall be guaranteed. No institution or individual shall withhold, misappropriate, embezzle or privately divide the compensation for expropriation.

<sup>196</sup> “物權法與《上海市城市房屋拆遷管理實施細則》如何適用” Please refer to website:

<http://www.sh.gov.cn/shanghai/node2314/node4128/node14739/node14744/userobject30ai16644.html>

<sup>197</sup> According to the “Announcement Issued by the Shanghai Municipality People’s Government Regarding Several Opinions towards Further Carry forward Urban Redevelopment in Shanghai” 《上海市人民政府印發關於進一步推進本市舊區改造工作若干意見的通知》 issued in February 2009, district governments are asked to construct small-sized, self-contained housing at near-by relocation (就近安置) for affected residents. The construction, sale, and management of these flats are subjected to related policy regulation. On-site relocation was tried previously, such as the project in 中凱城之光, but we learned that only about 15% of the eligible residents took this option because the relocated flat-size, which corresponded to the value of their original flat, was too small and thus the option was not attractive.

terminating the lease, the compensation should be arranged in terms of relocation; and a new lease should be made between the owner and the original tenant;<sup>198</sup>

- Lessees of non-privately owned housing units with government regulated rent (執行政府規定租金標準的公有出租居住房屋):
  - (i) if the owner (被拆遷人) choose to be compensated by relocation of units, the lease contract should be renewed with the original lessee.;
  - (ii) if the party concerned choose cash compensation, the lease should be terminated and compensation would be given to both the owner and the tenant. )

(See Appendix IV for a detailed description of the rules on compensation)

#### Relocation of Rural Households

474 Unlike urban households, the rural households were compensated not only for their loss of property, but also the loss of production, employment, and other social benefits as compared to the urban households. For them, the compensation standard was higher than urban households. The standard payment for each person to be relocated was calculated at 4 to 6 times of the average production value of the acquired land in the three years prior to acquisition. The ceiling of compensation normally did not exceed 15 times the average production value in the previous three years. While most of the compensation are based on the standard payment, under very special circumstances, if the land compensation and relocation subsidy could not provide a comparable living standard to the farmers prior to relocation, the government would increase the compensation up to 30 times the average production value in the three years prior to land acquisition<sup>199</sup>. Besides, rural households relocated might also enjoy the provisions of pensions, medical insurance and their loss of employment. Local government might also find them new employments, offered job training, resided them in urban areas, and provided them with social benefits, etc. in the relocation package (Chen, 2007).

475 Article 42 of the Real Right Law of the People's Republic of China (2007) requires compensations for expropriation of collectively-owned land, houses and other real property should cover the compensations for the land expropriated, subsidies for relocation,

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<sup>198</sup> 《上海市城市房屋拆遷管理實施細則》，第三章《拆遷補償與安置》

<sup>199</sup> Retrieved from

<http://www.zhaoshang-sh.com/jjcx/2008/11-19/08111993252AK7B4I733ED642B19471.html> on December 8, 2008

compensations for the fixtures and the young crops on land, and the premiums for social security of the farmers whose land is expropriated shall be allocated in full, in order to guarantee their normal lives and safeguard their lawful rights and interests<sup>200</sup>.

### Compensation and Relocation of businesses

476 According to Articles 43, 44 and 45 of the ‘Rules of Shanghai Municipality on the Implementation of the Administration of Demolition and Relocation of Urban Houses’, non-residential property owners affected by urban redevelopment will be compensated according to the value of their property. If they are business operators, additional compensation will be given according to the business, investment losses incurred and so on. For business operators who are tenants of private owners, the owners will be responsible for their compensation. However, the house demolishing party (拆遷人)<sup>201</sup> will also compensate the operators for their investment and business losses, and costs of moving to other places. However, their business case will be judged by the information provided previously for tax assessment. Similar to residential property, if owners and tenants cannot reach an agreement, the owners will be compensated through relocation based on the value of their property so that the tenants can continue with their business in the relocated site.

### **From Demolition to Preservation**

477 Ren (2008) comments that since the end of the 1990s, the government policies on urban renewal has shown a steady move towards historical preservation. A series of preservation laws have been introduced and a large amount of historic buildings were declared as protected properties.

478 There are in total 19 national level cultural preservation locations and 163 provincial level cultural preservation locations in Shanghai. The Shanghai Municipal Government announced 632 locations, 2138 excellent buildings of historical and cultural values with total areas of approximately 4 million m<sup>2</sup>. These buildings were constructed at different periods of time with very specific characteristics and styles.

479 Currently, the Shanghai Municipal Government has identified 44 areas of historical and cultural beauty. Out of which 12 pieces in total area of 27 square kilometers are within the city centre (Table 7.1), 32 pieces in total of area of 14 square kilometers are in the rural area, 144 streets and roads are enlisted as roads of special features, out of them 64 are identified as

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<sup>200</sup> The Real Right Law of the People’s Republic of China (2007). Asia LII website: <http://www3.asianlii.org/cn/legis/cen/laws/rrlotproc379/>. Retrieved on 13 February, 2009.

<sup>201</sup> The term house demolishing party (拆遷人), refers to the entities or individuals that requisition or take over the collectively owned land in accordance with the law upon approval, and have obtained a Building Dismantlement License

sites of special feature and style for preservation and no broadening is allowed on those roads. There are four historical and cultural towns in the rural areas. Also, in 1986, Shanghai has been identified by the State Council as a historical and cultural city at the national level.

480 In 1991, Shanghai Municipal government promulgated the first local laws in China about the preservation of the modern constructions “Procedures of Shanghai Municipality on the Preservation and Management of the Sites of Modern Construction’ (《上海市優秀近代建築保護管理辦法》)”. In July, 2002, the Shanghai National People's Congress has promulgated the ‘Regulations of Shanghai Municipality on The Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings’ 《上海市歷史文化風貌區和優秀歷史建築保護條例》<sup>202</sup>. These rules set forth to protect individual sites of historical values, clusters of architectural structures and the sites of historical and cultural features with the areas of protection. Buildings of 30 years’ old or higher could be identified for preservation<sup>203</sup>. In 2007, Shanghai Municipal Government promulgated planning and management procedures on preserving the roads of special cultural features in the city. The Shanghai Municipal Urban Planning Administration Bureau drafted “Some Suggestions on the Administration of Planning Work for Preservation-of-Historical-Look Streets (Alleys/Lanes) in this Municipality (2007)” (《中心城風貌保護道路規劃管理辦法》)<sup>204</sup>. In 2005, the Shanghai Municipal Government has set up a specialized committee to protect the zones of historical and cultural features and outstanding historical constructions.

Table 7.1 The twelve Areas with Historical Cultural Features<sup>205</sup>

	Name of site	Administrative districts	Special characters	Area in Hectare
1	上海市外灘歷史文化風貌區 The Bund	黃浦、虹口 Huangpu, Hongkou	外灘歷史建築群、建築輪廓綫及街道空間 Neo-classical and art-deco buildings in the former International Settlement	101
2	上海市人民廣場歷史文化風貌區 People's Square	黃浦 Huangpu	近代商業文化娛樂建築、南京路人民廣場城市空間和里弄建築 Revolutionary sites and modern architecture	107
3	上海市老城廂歷史文化風貌區 Old City	黃浦 Huangpu	傳統寺廟、居住、商業、街巷格局 Traditional Chinese city	199
4	上海市衡山路—復興路歷史文	徐匯、盧灣、靜安、	花園住宅、里弄、公寓 Garden villas in the former French Concession	775

<sup>202</sup> AsiaLII website: <http://www.asianlii.org/cn/legis/sh/laws/rosmotpotawhcfatehb1294/>. Retrieved on 13 February, 2009.

<sup>203</sup> Article 9 of the Regulations: A building more than 30 years old and with one of the following conditions may be defined as an excellent historical building: (1) The architectural styles, construction techniques and construction technologies contain features of architectural art and value of scientific research; (2) Reflecting historical cultural features of Shanghai's regional architecture; (3) Representative works of renowned architects; (4) Workshops, stores, factory buildings and warehouses that are representative in history of our country's industrial development; (5) Other excellent historical buildings that have a historical cultural significance.

<sup>204</sup> Shanghai, China website; <http://www.shanghai.gov.cn/shanghai/node17256/node17261/node17262/node18656/userobject26ai13530.html> Retrieved on 8 December, 2008.

<sup>205</sup> (上海市中心城 12 片歷史文化風貌區) Sources: Ren, 2008; 張艷華, 2007; 上海市政府, 2008

	化風貌區 Hengshan Road & Fuxing Road	長寧 Xuhui, Luwan, Jingan, Changning		
5	上海市南京西路歷史文化風貌區 West Nanjing Road	靜安 Jingan	各類住宅和公共建築 Former International Settlement	115
6	上海市愚園路歷史文化風貌區 Yuyuan Road	靜安、長寧 Jingan, Changning	花園、里弄住宅和教育建築 Chinese and Western-style architecture from the colonial period	223
7	上海市新華路歷史文化風貌區 Xinhua Road	長寧 Changning	花園住宅 Garden villa	34
8	上海市虹橋路歷史文化風貌區 Hongqiao Road	長寧 Changning	鄉村別墅 Suburban villas from the colonial period	481
9	上海市山陰路歷史文化風貌區 Shanyin Road	虹口 Hongkou	革命史跡、花園、里弄住宅 Modern Shanghainese dwellings	129
10	上海市江灣歷史文化風貌區 Jiangwan	楊浦 Yangpu	原市政中心歷史建築群和環形放射狀路網格局 Modern Urban Planning	458
11	上海市龍華歷史文化風貌區 Longhua Road	徐匯 Xuhui	烈士陵園和寺廟 Revolutionary sites and religious temples	45
12	上海市提籃橋歷史文化風貌區 Tilanqiao Road	虹口 Hongkou	特殊建築和里弄住宅、宗教場所 Jewish quarter in the 1930s and 1940s	29

### Community engagement processes

481 Xiao (2005) stated that public participation became more transparent in the urban renewal planning process and a legislative requirement in Shanghai. In 2003, a Shanghai Municipal City Planning Legislation, Article 26 stipulates that listening to public opinions should be incorporated in urban planning. A draft plan should be announced and to receive public opinion by means of public forum, conferences, or other forms of hearings. “Public” means either the general public or those who will be directly affected by the proposed redevelopment. Due to information and skills asymmetry, the various stakeholders such as the government, developers and other parties affected are involved in the policy preparation and implementation processes to different extents.

482 In 2006, the Shanghai Municipal Government prepared trial procedures for public consultation in urban renewal projects<sup>206</sup>. The procedures require that the draft plans be announced to solicit public opinions. The opinions should then be organized and decisions have to be made regarding whether an opinion is to be accepted, partially accepted or rejected. The results collected should also be made public. Plans without going through such procedures will not be considered by the authority<sup>207</sup>. Draft plans should contain the information such as the planning area, the basis of planning, the objectives of the

<sup>206</sup> According to: 《上海市制定控制性詳細規劃聽取公眾意見的規定(試行)滬規法〔2006〕626號》：“第四條（聽取公眾意見的工作程式）”，“第五條（規劃草案的展示）”，“第六條（規劃草案展示的內容）”，“第七條（收集公眾意見的方式）”，“第八條（座談會和論證會）” See <http://www.shnhgh.gov.cn/front/showinfo/showinfo.aspx?infoid=ac65d028-035a-4f7c-9e9c-e908568ae43d&categoryNum=003002&siteid=1>. Please refer to <http://www.863p.com/Article/ArcTech/200612/26203.html> for the monitoring of detail planning process.

<sup>207</sup> However, it is not spelled out that the plans should be agreed by a majority of the affected residents.



development, the functional layout of the plan, and major indications of the planning control which includes the proposed land uses, building density, height limit, plot ratio, green space, infrastructure, and public service facilities where applicable. The procedures also required public forum or hearings to be conducted to involve resident representatives, relevant departments, and other related stakeholders.

483 In 2008, the Pudong District Government announced that it has introduced a pilot two-round consultation process in an area intended for urban renewal (上海市人民政府, 2008). In the first-round of consultation, it gave themselves a target of getting at least 85% of the residents agreeing on the redevelopment project<sup>208</sup>. It has been successful and the percentage obtained was 87.1%. The second-round of consultation was carried out during the period of signing agreement with the residents. A minimum of 75% should be signed. Eventually the 75% target has been achieved before the deadline and the consultation process was declared successful. The redevelopment project could proceed. Once the project is confirmed, compulsory compensation and relocation will be applied to those who did not favor the project.

#### **Project Study: I Shanghai Xintiandi (上海新天地)**

484 The Shanghai Xintiandi was the first phase within the Taipingqiao (太平橋) redevelopment project in the Luwan District (盧灣區) of Shanghai. The total land area of the project is 51 hectares. In Xintiandi, the city core development project of a total floor area of 1.1 million sq. m. consists of office, residential, hotel, retail, entertainment, and cultural uses (Shui On Group website<sup>209</sup>).

485 Before development, Xitiandi was an area crowded with dilapidated Shikumen houses (石庫門 or stone-gate houses). These Shikumen houses were quite specific in architectural design. The Shikumen houses were originally designed by European architects and were modified to blend the European architectural features such as French windows and slate-grey bricks with Chinese architectural elements such as courtyards (庭院) and stone gates. In the earlier type of Shikumen, a gate composed of two wooden planks enclosed by a stylish stone frame and with big bronze rings and stone sculptures on top formed the main entrance to the house. A courtyard was located behind the Shikumen gate. Further inside was a living room and the back courtyard, kitchen, and back door. The layout of the upper floor was similar to the ground floor. Houses facing the streets were usually shop fronts and those at the back

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<sup>208</sup> This is only a pilot consultation procedure. There is no administrative guideline for getting agreement from the affected residents before carrying out a project yet.

<sup>209</sup>(上海新天地): Shui On Group Website: <http://www.shuion.com/cht/SOL/pptdev/xin.asp>, retrieved on December 8, 2008.

were residential houses (Ren, 2008).

486 The project was first initiated by Shui On and was under the planning control (控制性規劃). After Shui On had secured the lease of the land from the government the relocation of original residents were carried out by a demolition and relocation company. Shui On had to provide money to the company to pay for the compensation and relocation of the residents. According to a newspaper report, the cost of vacating approximately 2,300 households and 8,000 residents was already up to RMB 600 million ( ). For the remaining parcels not yet developed, the amount of compensation has already been agreed and the number of persons in the household has been frozen.

487 Since the opening of Shanghai Xitiandi in 2001, it has been the top entertainment and hot spot of tourist visits in Shanghai (Ren, 2008). This project aimed at “drawing inspiration from Monmarte in Paris”, used the “yesterday-meets-tomorrow” design concept, and preserved traditional architectural styles within a modern and accessible setting. There were a multitude of high-end restaurants, bars, shops, boutiques and a service apartment in one of the new Shikumen houses (Shui On Group).

488 During our interview, Shui On’s representative informed us that while the government is responsible for the infrastructure construction in the project site, the developer is responsible for some of the community facilities, for example, they have to build a school and a public park within the project site. In addition, the government changes some of the planning parameters, such as reducing the overall plot ratio, and they have to abide by the newly introduced standards and thus reduce the number of flats they can build and sell.

489 The design was to preserve the *lilong* (里弄) residences in a way to eliminate the images of old, overcrowding, decrepit and urban poor but to ‘meet-tomorrow’ by using some of the original external forms and fabrics of Shikumen houses. Tsai (2008) argues that Shanghai Xitaindi preserved the historic features to attract visitors and to pursue commercial development and up-market residences but eliminated the authentic style of Lilongs. The costs for preserving, renovating, replicating the old buildings have been extremely expensive, according to one estimate<sup>211</sup>, the cost of building Xintiandi was RMB 20,000 per m<sup>2</sup>. Initially, investors did not have much confidence in the project and Shui On had difficulties getting financial support for it. In the end, the owner of Shui On had to invest from his own pocket. At the moment, residential apartments in Xintiandi cost the highest in Shanghai.

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<sup>210</sup> Retrieved from huaxia.com (華夏經緯) on December 8, 2008, “‘上海姑爺’羅康瑞 250 億打造 ‘新天地’”, <http://big5.huaxia.com/sw/szjy/00186306.html>

<sup>211</sup> See <http://big5.huaxia.com/sw/szjy/00186306.html>

Figure 7.3. Examples of preserved architecture in Shanghai Xitiandi



Source:: <http://www.shuion.com/cht/SOL/pptdev/xin.asp#s>

Figure 7.4. The original appearance of stone gate row and the new roof frames added in the renovation work of Shikumen houses.



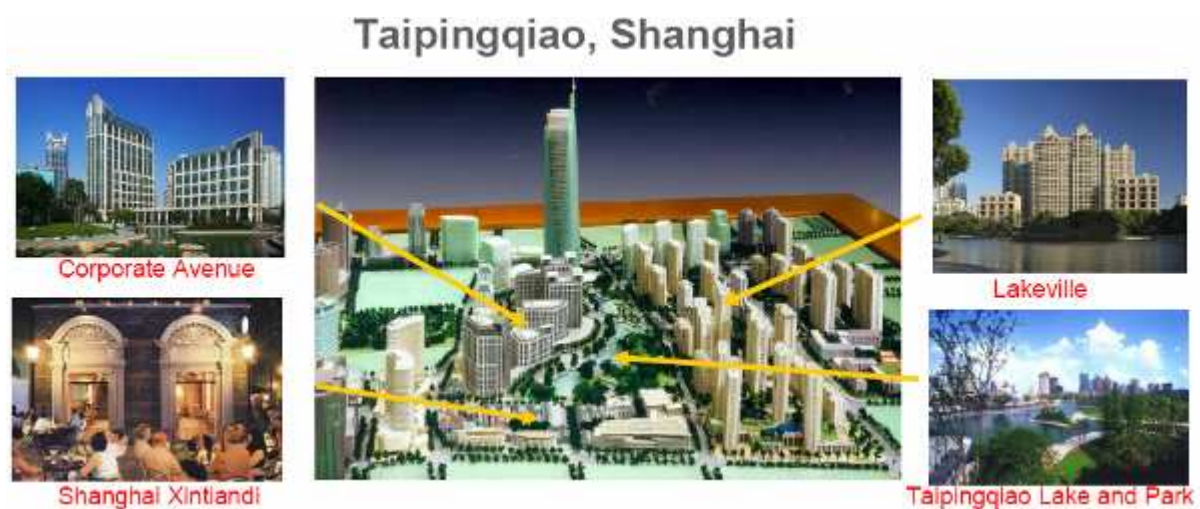
Source: Tsai (2008) thesis,  
[http://repository.upenn.edu/cgi/viewcontent.cgi?article=1115&context=hp\\_theses](http://repository.upenn.edu/cgi/viewcontent.cgi?article=1115&context=hp_theses)

## Gentrification

490 Ren (2008) highlights some differences between the situation of Shanghai Xintiandi and the gentrification processes in other places. First, most of the redevelopment programs at that time were indeed initiated and directed by the municipal and district governments, the newcomers were mainly the affordable and wealthy class but not the professional and well-educated people, and the newcomers were not residing in the city core to have convenient access to work, instead they chose places where rising property values and financial returns were expected. However, a common point was that the redevelopment displaces the urban poor to other places. Social preservation was lacking.

## Vacating process and compensation

*Figure 7.5. The Taipingqiao project*



Source: PowerPoint presentation by Mr. Vincent Lo in the Urban Regeneration Summit Conference organized by Financial Times, Shanghai, Sept 22, 2008.

Figure 7.6. A preserved building in XinTianDi



According to Mr. Vincent Lo, the building was occupied by over 36 households when they first visited the place.

491 In our case study, the original residents of the Shanghai Xintiandi redevelopment were relocated to suburbs. The process took only around 1.5 months, which was extremely fast according to today's standard. The compensation was calculated according to the size of living area and not the household size. The compensation was not enough to purchase flats in the city. Since the compensation was based on the living area, the crowded households could not afford a large enough apartment to accommodate their family members. The developer was not involved directly in vacating the premises but paid the demolition and relocation companies<sup>212</sup> a lump sum to compensate the residents and demolish the houses (Ren, 2008).

492 According to Ren (2008), some residents complained that the demolition companies broke their windows, beat people up, cut off the electricity and water supply, left the debris of demolition on sites and produced hygiene problems. People were afraid of being arrested by the police and did not protest. In fact, such complaints are very common in redevelopment projects in many Chinese cities. There have been cases about demolition companies being found guilty in court to have colluded with valuers to fix the value of the demolished flats, which formed the basis for compensation, at a lower-than market value<sup>213</sup>.

### **Project Study II Tilanqiao – (上海市提籃橋歷史文化風貌區)**

493 Tilanqiao historical heritage (提籃橋歷史風貌保護區), situated in Hongkou district (虹口區), was a spot in the inner city of Shanghai under stringent conservation rules for

<sup>212</sup> The role of the developer and district government in the appointment of these companies cannot be ascertained by the Research Team during the time of study.

<sup>213</sup> See [http://www.sh.xinhuanet.com/2008-10/23/content\\_14722091.htm](http://www.sh.xinhuanet.com/2008-10/23/content_14722091.htm)

historical heritage protection enacted by the government in 2005. The total area was 32 hectares (of which 14 hectares were residential area), with 5,365 households and a population of 12,375<sup>214</sup>.

Figure 7.7. Tilanqiao Prison

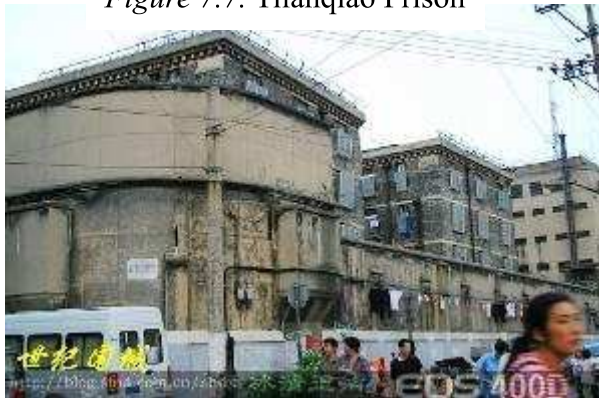


Figure 7.8. Historical heritage buildings in the area (舟山路, Zhou Shan Road)



494 During the foreign concession period (租界時期), Hongkou was like an ungoverned district with a rather heterogeneous community. It also has a number of special war monuments including the former site of a Jewish synagogue (摩西會堂舊址), now part of the Shanghai Jewish Refugees Museum; Tilanqiao Prison (提籃橋監獄), one of the largest prison in Asia in the 1930s (遠東第一監獄).

495 The Sephardic Jews first came to Shanghai during the second half of the 19<sup>th</sup> Century. Later the Russian Jews came due to the fleeing program in later 1880s and early 1900s. Between 1930s and 1940s, the European Jews escaped the Nazis and fled to Shanghai. During the WWII, Shanghai had approximately 31,000 Jews (Warr, 2007). In 1943, Hongkou had approximately 10,000 Chinese and 10,000 refugees, Japanese forced another 8,000 refugees to reside in a restricted area in Hongkou (Warr, 2007). The Jewish Ghetto at that time was a designated area for stateless people. Unlike other refugees, many Jews were talented professionals. They set up schools, built a library, published Jewish magazine and newspapers. After 1949, the government began to relocate Jews and in 1957, there were only about 100 Jews in Shanghai (Warr, 2007).

496 The Tilanqiao prison was the biggest prison in Shanghai. There were 11 blocks containing 920 cells. The cells were in four-storey blocks. The cell ranged from 3.4 to 3.6 m<sup>2</sup>. There were also workshops, hospital, administration and café bar in the Tilanqiao Prison area. The prison had been occupied by the Japanese army in 1942 and Nationalist Government in

<sup>214</sup> 114News.com (建設新聞網) (May 17, 2007) “城市遺產保護與再利用中的房地產開發 - 以上海市提籃橋歷史文化風貌保護區為例” <http://www.114news.com/build/72/14872-55457.html>, retrieved on December 8, 2008.

1945 (Warr, 2007). After liberation, it became a “Justice Institute to imprison and re-educate criminals”. In 2005, in the master plan of Tilanqiao prison, the site was adapted and used for community workshops.

497 The site visit arranged was to visit the former site of a Jewish synagogue (摩西會堂舊址). During the WWII, a group of Jewish refugees has arrived in Shanghai and settled in the Tilanqiao area. Different from other Jewish settlements who tended to form their own community, the Jews in Shanghai were able to integrate with the local people. The synagogue used to be a place of worship for the refugee settlement. After the 1949, it has been used as mental health clinic and a government office. The internal layout of the building structure has been altered. The repair project started in March 2007 and this synagogue was ready to be opened to the public in mid 2008. The local authority has put a lot of efforts in rehabilitating the building back to its original appearances and internal structure. This not only included the interior design, efforts have also been put to create the original atmosphere (e.g. using the original bricks as far as possible).

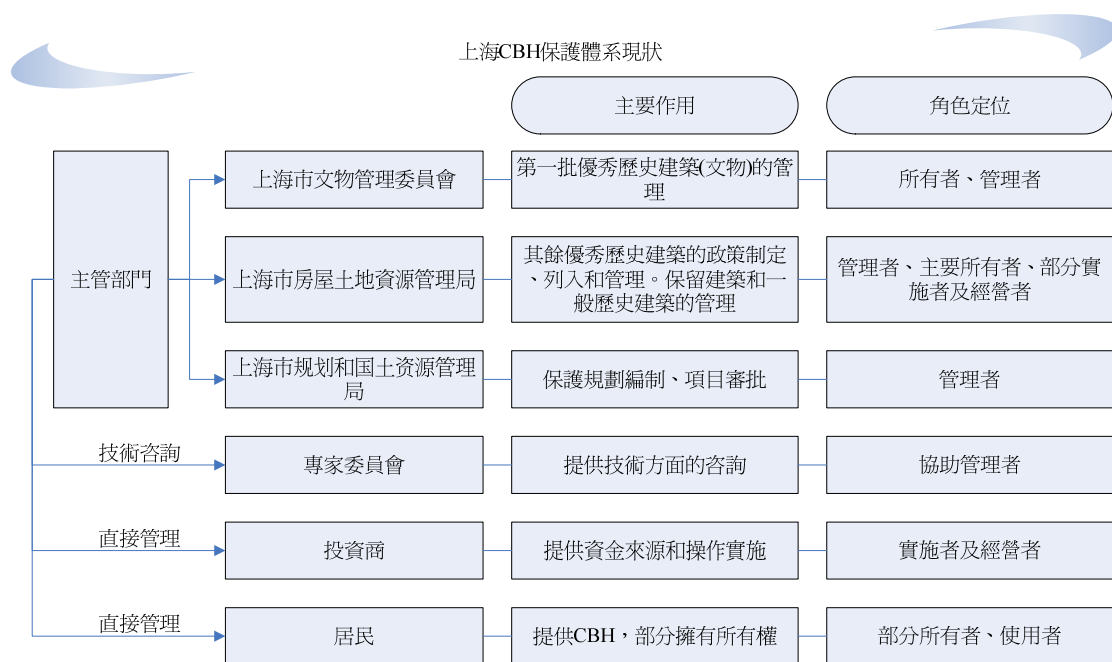
*Figure 7.9.* The preserved Jewish synagogue in Tilanqiao



498 Policies in preservation of historical buildings have been developed as early as 1991. The Shanghai Municipal government released the Procedures of Shanghai Municipality on the Preservation and Management of the Sites of Modern Construction on December 5, 1991(上海市人民政府, 1991) – the first of this kind at the local level. In 2003, the Shanghai Municipal Government enacted the Regulations of Shanghai Municipality on The Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings (上海市人民政府, 2002), in which development and preservation should complement each other.

499 Government led, market-oriented operation and public participation<sup>215</sup> is the major approach adopted in the preservation projects. According to Article 6 of the Regulations, a designated preservation fund (專項保護資金<sup>216</sup>) was set up. According to the document released in 2004 (上海市人民政府, 2004), to be enlisted as excellent historic buildings and structures, they should be recommended by the public, screened by the government departments, appraised by the experts, and approved by the government<sup>217</sup> (Figure 7.8). The experts' judgment would be announced to solicit public opinions. Then the related departments and parties would collaborate to determine the nature of renewal: demolition, modification or preservation.

Figure 7.10. Shanghai CBH (City Building Heritage) Protection System



(Source:張艷華, 2007, p.130)

### The Shanghai government structure in historic and cultural protection

500 According to the Regulations of Shanghai Municipality on the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings<sup>218</sup>, an overall

<sup>215</sup> In Chinese, “政府主導，市場運作，社會參與”

<sup>216</sup> According to Article 6, the municipal and district can set up designated preservation fund with sources of (1) Funds arranged by the municipal, district and county financial budgets;(2) Donations from units, individual persons or other organizations at home and abroad; (3) Proceeds from transfer and lease of publicly-owned excellent historical buildings; (4) Other funds raised according to law., op cit.

<sup>217</sup>In Chinese, “市民、社會推薦，部門篩選，專家評審，政府批准”，

<http://www.shanghai.gov.cn/shanghai/node2314/node2319/node11494/node12331/node12343/node12657/userobject26ai2166.html>, retrieved on December 8, 2008.

<sup>218</sup> According to the 'Notice of Shanghai Municipal People's Government about Further Strengthening the Protection of This Municipality's Areas with Historical Cultural Features and Excellent Historical Buildings. SMPG G [ 2004 ] No.31 《上海市人民政府-上海市人民政府關於進一步加強本市歷史文化風貌區和優秀歷



harmonious environment should be maintained in the reserved areas, e.g. through the control of plot ratio<sup>219</sup>. However, transfer of undeveloped plot ratio could be made in other locations<sup>220</sup>.

501 Other relevant regulations on demolition still applied. For example, in this project, demolition and relocation notice (房屋拆遷公告) was issued in 2007 and residents can raise their objections to the District People's Government or Shanghai Municipal Housing, Land and Resources Administration<sup>221</sup> to apply for administrative review (行政復議) or they may bring a lawsuit before the local district government within three months since the issuance of the demolition and relocation notice. However, during administrative review or lawsuit, demolition and resettlement would still proceed<sup>222</sup>.

502 On the other hand, according to the 'Regulation for the Protection of Areas with Historical / Cultural Features and Heritage Buildings' 《上海市歷史文化風貌區和優秀歷史建築保護條例》, guidelines for compensation are:

- Limitations on plot ratio should be required for new or extended structure within the protected area; off-site compensation would be considered according to town planning requirements. (Article 17)
- For public buildings with rent by Government rental-scale, the lessor is required to compensate / relocate the lessee. The compensation should be higher than that of the other buildings in the same area.
- Tenancy contract of affected private buildings would be dissolved according to

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史建築保護的通知》(滬府發[2004]31號). (1-9-2004) "VII. Straightening out the administration mechanism and strengthening overall coordination. The Municipal People's Government has decided to establish the Shanghai Municipal Committee for the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings, so as to strengthen the unified leadership and overall coordination over the work of protection of the whole Municipality's areas with historical cultural features and excellent historical buildings. The Office of the Shanghai Municipal Committee for the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings shall be set up in the Municipal Housing, Land and Resources Administration, with the members sent by the Municipal Housing, Land and Resources Administration, the Municipal Planning Bureau and the Municipal Historical Relic Administration Committee, to specifically carry out all kinds of work decided by the Municipal Committee for the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings. All districts and counties shall also establish corresponding organizational and coordinative agencies." Shanghai, China website: <http://www.shanghai.gov.cn/shanghai/node17256/node17261/node17312/node17318/userobject26ai2585.html>. Retrieved on 13 February, 2009.

<sup>219</sup> The Regulations of the Shanghai Municipality on the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings:

<http://www.for68.com/new/2007/1/li59778014192170023816-0.htm>

<sup>220</sup> According to the Article 17 of the Regulations, "If a building to be built or extended in the limits of controlled construction area with historical cultural features is restricted in terms of its building volume rate, the practice of compensation in another place may be made according to the city planning." The details of such transfer of plot ratio were not available to the Research Team at the time of study.

<sup>221</sup> (本區人民政府或上海市房屋土地資源管理局)

<sup>222</sup> "公告公佈之日起三個月內向本區人民法院提起行政訴訟。行政復議，訴訟期間不停止拆遷的正常進行"

contract or when a three-month advance notice be given (Article 32)<sup>223</sup>

## **Lessons Learnt**

503 Similar to Guangzhou and other cities in China, Shanghai has gone through a period of indiscriminate demolition of old buildings in favor of property development. Great interests for government as well as property developers drove urban redevelopment with little consideration for the history, cultural, and social as well as the benefits of the residents. Many of the affected residents were dispersed to far-away places (and many have to wait for about 8-10 years before their new homes were connected with mass transportations). Medical and education resources were usually depleted in the new areas. This type of redevelopment approach has been getting more difficult nowadays because local communities affected are more aware of their rights and they are more ready to assert them.

504 Also, most valuable sites were fast disappearing with people starting to realize that many old buildings and memories were destroyed along the way. The concern for preservation of historical and cultural characteristics as well as social fabric of local communities has become stronger in Shanghai and in many other cities. Shanghai has also adopted a unique approach in preserving 12 large areas with special historical and cultural characteristics. Such approach can ensure a holistic consideration of the preservation and renewal in a larger piece of land area.

505 The result of renewal tied strongly with the boom and bust of the property market. Lands acquired during the boom period resulted in unfinished projects at the time of bust (for example in 1997/8 during the Asian financial crisis). The delay resulted in prolonged waiting time for redevelopment for some owners, and thus leading to further decay of the buildings and uncertainty as to when people can return to their original neighborhood, if such is an option.

506 When redevelopment of the remaining buildings become unprofitable, the government has to take up the work of rehabilitation and redevelopment, but the process is usually very slow. Preservation of building is usually costly. Developers are usually allowed to transfer plot ratio to another development site if they cannot fully use the plot ratio in the preservation site. This is possible if the developers are holding development sites at adjacent locations at the same time.

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<sup>223</sup> Regulations of Shanghai Municipality on The Protection of The Areas with Historical Cultural Features And The Excellent Historical Buildings, op cit

507 The Shanghai government has a policy to demolish dilapidated and dangerous buildings and put their land under reserve in “land banks” for further market supply. The government bears the compensation and relocation costs of the residents without necessarily having an initial redevelopment plan. This speeds up the moving of residents out from the dilapidated buildings and improves their living conditions. Cost will be recovered in land sales at more suitable times.

508 Redevelopment in Shanghai, like that in Guangzhou, is a major concern of the municipal government. Many high level government officers are involved in the process, with better overview and coordination of the process. Urban renewal is not only seen as the redevelopment or rehabilitation of buildings, but also as an urban regeneration process closely connected with the overall positioning and strategic development of the city.

509 Similar to Guangzhou, local governments at the district level also played a more prominent role in identifying sites for redevelopment and its actual implementation. Approval at the municipal level is required so that the projects will fit into the overall planning of the municipality. Being closer to the communities has the advantage of getting better information about the social and historical characteristics, as well as getting the support from local community networks. Besides, since projects are not kept confidential, which in fact is not quite possible in China, residents, experts, and other stakeholders have more time to voice out their needs and preferences.

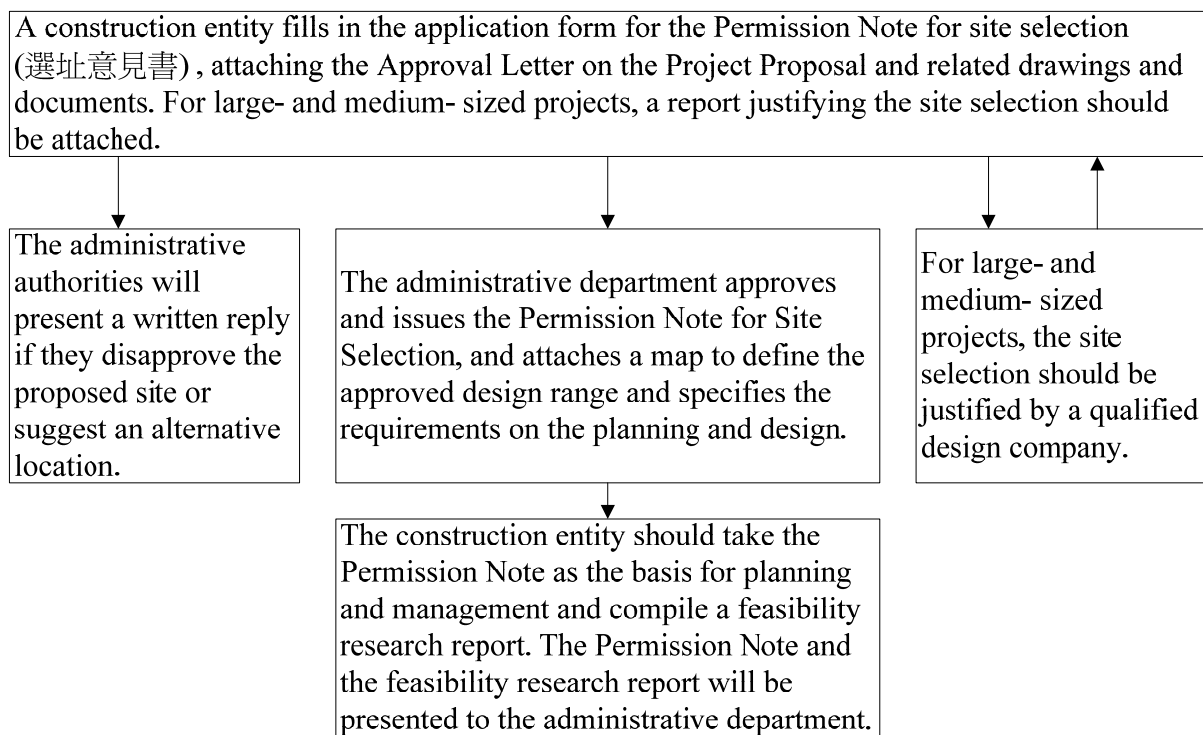
510 In Shanghai, there are more options for the affected owners of residential properties, for example, cash compensation and relocation to flats in other districts provided by the demolition agent. In some cases, on-site flat-to-flat compensation is offered. Nevertheless, the level of cash compensation for residential owners is only around 25-30% in addition to the market value of the flat.

## Appendix 1: Management Procedures and Application Requirements for City Planning in Shanghai

### One-note-Two-Permits System:

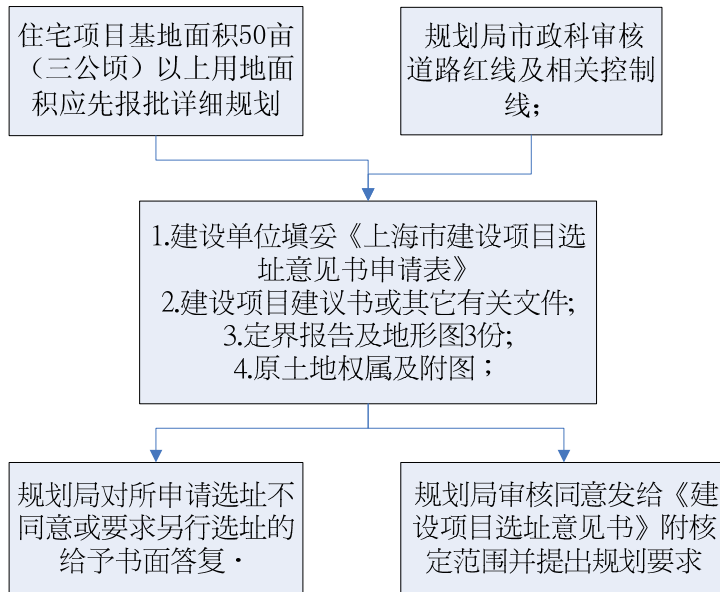
According to the City Planning Law, a permission note for site selection issued by the urban planning administrative department is required when the planned projects are submitted for ratification. Files issued by national administrative departments approving the building projects are needed for land-use application. Upon receipt of the application, the urban planning administrative department will verify the scope and boundary of the construction site before issuing the land use permit. Then the Land Administration Department will define the requirements on building planning and design and issue a construction project permit before the project may start on site.

Figure 7.11. One Note: refers to the permission notes for location (選址意見書)



Source: (Liu & Xiang, 2007, p.234)

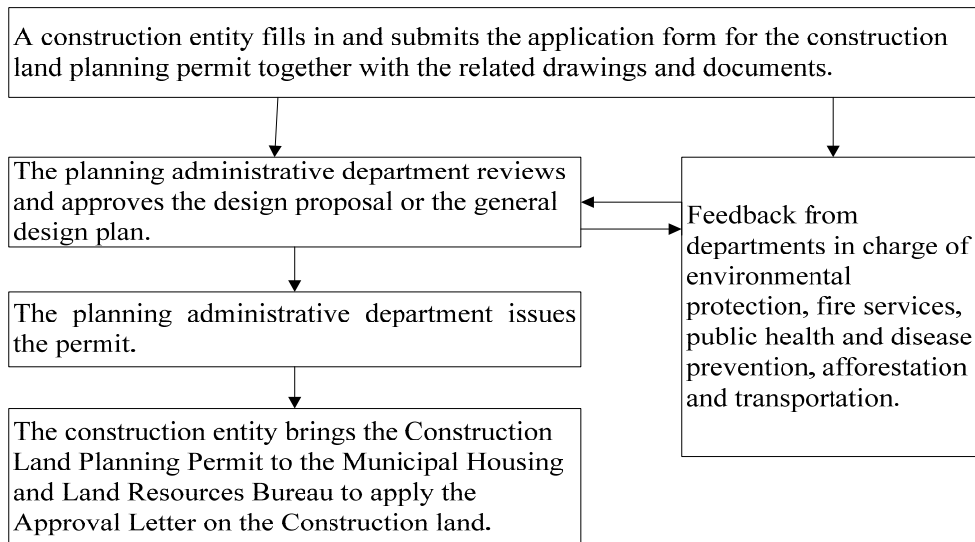
Figure 7.12. Application procedures for permission notes for location.



Two Permits:

(1) Planning Permit for Land Used for Construction 《建設用地規劃許可證》

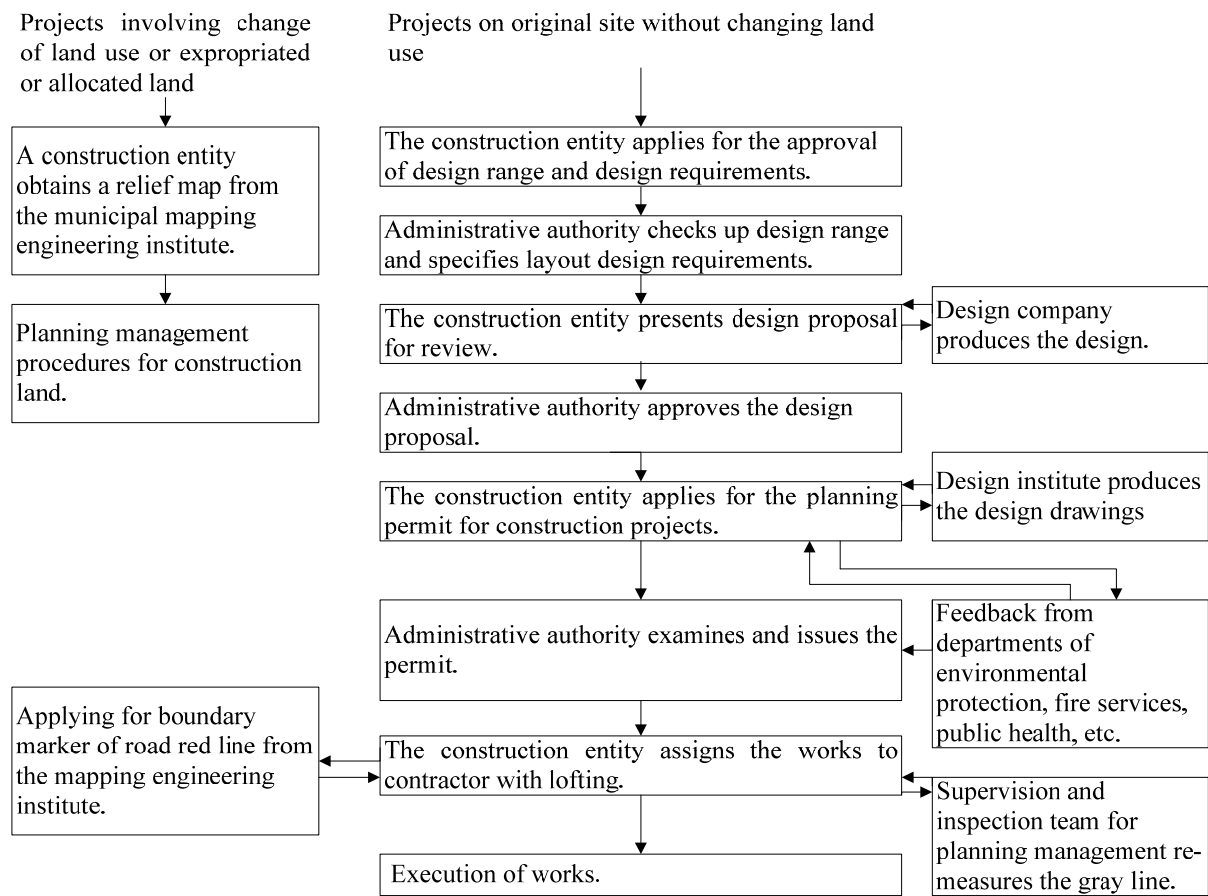
Figure 7.13. A flowing chart for applying for construction land planning permit



Source: (Liu & Xiang, 2007, p.235)

(2) Planning Permit for Construction Projects 《建設工程規劃許可證》

Figure 7.14. A flowchart for applying for the Planning Permit for Construction Projects



Source: (Liu & Xiang, 2007, p.236)

## Appendix 2: Major Laws, Regulations and Standards:

The most important state laws and regulations on land (Chen, 2007 p.102)

1986	People's Republic of China Land Administration Act 1986, as amended and reissued, Chairman of the PRC, decree no. 8, implemented 1-1-1999.
1989	Provisional Land-use Taxation of State-owned Urban Land Act, issued in 1989.
1990	People's Republic of China Tentative Provisional Regulation on Granting and Transferring Land Rights on State-owned Land in Cities and Towns, Chairman of the PRC, decree no. 55, implemented 19-5-1990.
1991	Provisional Regulation on Granting and Transferring Land-use Rights on State-owned Land in Cities and Towns 1991.
1993	Provisional Land Value Increment Tax on State-owned Land Act 1993.
1994	People's Republic of China Real Estate Administration Act 1994, Chairman of the PRC, decree no. 29, implemented 15-7-1994.
1999	People's Republic of China Provisional Land Administration Act, State Council of the PRC, decree no. 256, implemented 1-1-1999.

Source: Chen, 2007, p.102

The most important Shanghai local laws and regulations on land (Chen, 2007 p.102)

1987	Transfer of Land-use rights in Shanghai Regulations 1987.
1997 & 2001	Methods for transferring Land-use rights in Shanghai, implemented 1-1-1997, as amended and reissued by the People's Government of Shanghai, decree no. 101, 14-5-2001.
1999 & 2002	Provisional Methods for Leasing State-owned Land in the Municipality of Shanghai, (Shanghaishi tudi shiyongquan zhuanrang zhanxing banfa) implemented 31-5-1999, as amended and reissued by the People's Government of Shanghai, decree no. 119, implemented 1-4-2002
2002	Notes on the implementation of Land-use Fee Management Methods by Shanghai Housing And Land Management Bureau, HFDZJ (2002) no. 5, implemented 8-1-2002.
2002	Notes on the publishing of the Proposal on reform of City Real Estate Construction Projects (Land Acquired through Tender and Auction) Approval Procedures, Office of the People's Government of Shanghai, HFBF (2002) no.7, implemented 10-2-2002.
2002	Notes on the publishing of Methods of City Land-use Fee Collection Management, by Shanghai Municipal Finance Bureau and Shanghai Municipal Building and Land Resources Management Bureau, HFDZJ (2002) no. 242, implemented 1-7-2002.

Source: (Chen, 2007, p.102)

Laws and regulations on resettlement compensation and land acquisition

1986	People's Republic of China Land Administration Act 1986, as amended and reissued by Chairman of PRC, Decree no.8, implemented 1-1-1999.
1998	People's Republic of China Provisional Land Administration Act 1998, State Council of the PRC, Decree no.256, implemented 1-1-1999.
1991	Urban Building Demolition Administration Act, State Council Decree no. 78, Implemented 1991-3-22, as amended and reissued by Chairman of PRC, Decree no.8, implemented 1-1-1999.
2004	Administrative Decision Procedure on Urban Building Demolition, Ministry of Construction, implemented 1-1-2004.
2004	Provisional Opinion on Urban Building Demolition Evaluation, Ministry of Construction, implemented 1-1-2004.
2002	Provisional Administrative Regulations for Housing Demolition Appraisal in Shanghai, Shanghai Municipal Housing and Land Resources Administration Bureau, HFDZS (2002), no. 0067, implemented 16-10-2001.
2001	Shanghai Urban Building Demolition Administration and Implementation regulations, People's Government of Shanghai Decree no. 111, implemented 1-11-2001.
2001	Resettlement Compensation Standard for Demolition of Urban Buildings (circular), Shanghai Municipal Housing and Land Resources Administration Bureau, Shanghai Municipal Construction and Administration Committee and Shanghai Municipal Price Bureau HJS (2001) no. 51, implemented 1-11-2001.
2002	Definition of Land Lot Grading Demolition Compensation and Resettlement, Shanghai Housing and Land Resources Administration Bureau, HFDZC (2002) no. 40, implemented 1-11-2001.
2002	Declaration of Resettlement Compensation Standard for Urban Residential Building, Shanghai Municipal Building and Land Resources Management Bureau and Shanghai Pricing Bureau, HFDZ (2002), no. 10, implemented 19-2-2002.
2002	Payment and Usage of Shanghai Urban Buildings Demolition and Resettlement Compensation, Shanghai Municipal Building and Land Resources Management Bureau and People's Bank of China (Shanghai Branch), HFDZC (2002), no. 289, implemented 17-6-2002.
2002	Shanghai Urban Relocation Administration Regulation, implemented 1-11-2002.
2003	Problems in Adjusting the Lowest Compensation Standard for Building Resettlement for different districts and counties, Shanghai Municipal Building and Land Resources Management Bureau, Shanghai Municipal Construction and Management Committee and Shanghai Municipal Pricing Bureau, HFDZ (2003), no. 162, implemented 8-5-2003.
2002	Acquisition of Collectively Owned Land, Resettlement and Compensation for the Demolition of Housing on the Land Regulations, People's Government of Shanghai, HIFF (2002), no.13, implemented 4-1-2002.
2002	Resumption and Resettlement Compensation for Collectively-owned land in Shanghai Regulation, People's Government in Shanghai, HIFF (2002), no. 13, implemented 1-4-2002.

Source: (Chen, 2007, p.127).



**Appendix 3 Chapter III Compensation and Resettlement for Dismantlement of the Regulation on the Dismantlement of Urban Houses (《城市房屋拆遷管理條例》第三章：拆遷補償與安置)**

Article 22 A dismantler shall compensate the dismantlees in pursuance of this Regulation.

No compensation may be made for the dismantlement of any illegal building, or temporary building of which the approved time period has expired. An appropriate compensation shall be made for the dismantlement of any temporary building of which the approved time period has not expired.

Article 23 The dismantlement compensation may be made in money or by exchanging of the property rights of houses.

Except for the cases as mentioned in Paragraph 2 of Article 25 and Paragraph 2 of Article 27 of this Regulation, the dismantlees may choose the way of dismantlement compensation.

Article 24 The amount of monetary compensation shall be determined on the basis of evaluated market price while taking account of the location, purpose, building area of the houses to be demolished and other factors.

Article 25 When exchanging the property rights of houses, the dismantler and the dismantlees shall, under Article 24 of this Regulation, calculate the compensation amount of the houses to be dismantled and the price of the houses for the exchange and shall settle the price difference in the exchange of property rights.

With regard to the dismantlement of the annexes of a non-public-utility building, the compensation shall be made in money by the demolisher instead of exchanging property rights.

Article 26 With regard to the dismantlement of houses used for public utilities, the dismantler shall rebuild the houses or make monetary compensations in accordance with the provisions of the laws and regulations, and the requirements of the city planning.

Article 27 Where any leased house is to be dismantled, the dismantler shall compensate the dismantlee for its rescinding the leasehold relations between the dismantlee and the tenant or for its resettling the tenant.

Where no agreement could be reached between a dismantlee and the tenant of a house with regard to the rescission of the leasehold relations, the dismantler shall exchange property rights with the demolishee rather than make a monetary compensation. The house exchanged for the house to be dismantled shall be rented by the original tenant and the dismantlee shall conclude a new house lease contract with the original tenant.

Article 28 The houses used by a dismantler for resettlement shall meet the quality and safety standards of the state.

Article 29 Where any house of which the property right is ambiguous is to be dismantled, the dismantler shall put forward a compensation and resettlement plan and submit it to the house dismantlement administrative department for examination and approval. After it has been granted an approval, it may dismantle the house. Prior to the dismantlement, the dismantler shall handle the relevant matters relating to the evidence preservation in a notarization agency.

Article 30 The dismantlement of any mortgaged house shall comply with the guaranty law of the state.

Article 31 The dismantler shall pay subsidies to the dismantlees or tenants of the houses to be dismantled for removal and other expenses.

Within the period of transition, if the dismantlees or the tenants arrange their dwelling places by themselves, the demolisher shall pay them temporary resettlement subsidies. If the dismantlees or tenants use the temporary-use houses provided by the dismantler, the dismantler need not pay them temporary resettlement subsidies.

The rates for the removal subsidies and temporary resettlement subsidies shall be decided by the people's government of each province, autonomous region or municipality directly under the Central Government.

Article 32 No dismantler may extend the transition time period randomly. The user of a temporary-use house shall vacate the temporary-use house in time.

If the transition time period is extended for the dismantler's reason, the dismantler shall, from the month when the transition time period expires, increase the temporary resettlement subsidies to the dismantlees or tenants who arrange dwelling places by themselves, begin to pay temporary resettlement subsidies to the users of temporary-use houses.

Article 33 With regard to the suspension of production or business caused by dismantlement of non-residential houses, the dismantler shall offer appropriate compensations.

*(Source: LawinfoChina website:*

<http://www.lawinfochina.com/law/displayModeTwo.asp?ID=4872&DB=1&keyword=>, retrieved on November 29, 2008.)

## Appendix IV: Rules of Shanghai Municipality on the Compensation for Demolition and Relocation of Urban Houses

		<b>monetary compensation</b>	<b>house exchange (two choices should be provided by the house demolishing party)</b>	<b>area standard house exchange***</b>
		<b>monetary compensation</b>	<b>value standard house exchange</b>	<b>area standard house exchange***</b>
	Private-owned Residential not yet Leased	Calculation: (the real estate market unit price of the to be demolished house + price subsidy**) x the construction area of the to be demolished house (A)	The difference of price shall be settled according to the amount of monetary compensation and the real estate market price of the resettlement house	An option for owner of house type ***
	Residential Houses for Lease Charging Negotiated Rental Standard			
	(i) an agreement is reached between the owner and the lessee to terminate the lease contract	Compensation given to the owner with calculation (A)	not applicable	not applicable
	(ii) owner fails to reach an agreement of the termination of the lease contract with the lessee	not applicable	The house demolishing party shall offer the owner a house exchange. The resettlement house shall be leased to the original lessee and the owner shall sign a new lease contract with the original lessee.	An option for lessees of house type ***
	Public-owned Residential Houses Charging Government Regulated Rental Standard			
	(i)owner chooses house exchange	Not applicable to owner.	The house demolishing party shall resettle the lessee, and the original lease contract shall remain effective	
	(ii)owner chooses monetary compensation	The lease contract with the lessees shall be terminated.		

\* Residential Houses

		<b>monetary compensation</b>	<b>house exchange (two choices should be provided by the house demolishing party)</b>	<b>area standard house exchange***</b>
Residential Houses		Monetary compensation <i>for owner</i> shall be: (The real estate market assessed unit price of the to be demolished house x the construction area of the to be demolished house x 20%) (B)	Lessees may choose value standard house exchange of a value calculated according to formula (C)	An option for lessees of house type ***
Non-residential houses	Non-residential houses not for lease	According to the real estate market price of the to be demolished house	The price difference shall be settled according to the amount of monetary compensation and the real estate market price of the resettlement house.	not applicable
Non-residential houses	Non-residential houses for lease charging a rent negotiated and agreed upon by both parties	According to the real estate market price of the to be demolished house	The price difference shall be settled according to the amount of monetary compensation and the real estate market price of the resettlement house.	not applicable
Non-residential houses	(i) the owner and the lessee have reach an agreement to terminate the lease contract (ii) the owner and the lessee fails to reach an agreement	The house demolishing party shall pay 20% of the real estate market price of the to be demolished house to the owner and pay the other 80% to the lessee and the lease contract shall be terminated	The resettlement house shall be leased to the original lessee.	not applicable

\* A minimum standard of the unit price applies. A minimum standard is the average market unit price of the purchased public-owned residential houses in the same region of the to be demolished houses traded in the real estate market; and these information shall be published periodically according to the regions delimited by district/county people's government.

\*\* The standard of price subsidy shall be drawn up by the municipal competent price control department (市價格主管部門), the Municipal Construction Commission and the Shanghai Municipal Housing and Land Resources Administration (restructured to The Shanghai Municipality Housing Protection and Administration Bureau in November 2008)

\*\*\* Applicable to demolition of houses belong to old-terrace-house type (舊式里弄房屋), crude shacks (簡屋) or other non-self-independent residential rooms (非成套獨用居住房屋).

\*\*\*\* The house demolishing party shall compensate the owner or the lessee the following fees:

- fees for transportation and installation of equipment at the price regulated by the State or this Municipality,
- fees for the purchase of new equipment due to the irrevocability of the old ones, and
- reasonable compensation for the suspension of production or business due to the demolition.

Definitions:

Value standard house exchange (價值標準房屋調換): Exchange of houses with property right at the value equivalent to the monetary compensation.

Area standard house exchange (面積標準房屋調換): Exchange of houses with property right at other location without settling the price difference within the resettlement area based on the construction area of the house to be demolished.

House demolishing party (拆遷人): The unit that has obtained the permit for house demolition and relocation.

Owner (被拆遷人): The owner of the house that is to be demolished.

Lessee (房屋承租人). The unit or individual person who has established legal lease relationship with the owner.

N.B.:

- Calculation on the required floor area for resettlement in ‘area standard house exchange’

Grade of locality of the to be demolished house	Grade of locality of the house for resettlement		
	4	5	6
1,2,3	30%	60%	100%
4	---	40%	70%

- The grade of locality of houses shall be defined by the Municipal Construction Commission and the Shanghai Municipal Housing and Land Resources Administration. In case the construction area of the resettlement house exceeds the required resettlement area, the owner or the lessee shall pay for the exceeding part according to the real estate market price of the resettlement houses.
- In cases of house exchange, the house demolishing party and the owner or the lessee shall reach an agreement on a transitional period of residence. In the transitional period, the owner or the lessee shall arrange his or her own residents.
- The house demolishing party shall pay the owner or the lessee of the to be demolished houses fees for removal, transportation and re-installation of equipment, temporary settlement subsidy during the transitional period. The standard of fees shall be stipulated by the competent municipal price control department and the Municipal Construction Commission and the Shanghai Municipal Housing and Land Resources Administration

Source: AsianLII website: <http://www3.asianlii.org/cn/legis/sh/laws/rosmotiotaodarouh1092/>,  
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## Chapter 8: The Case of Guangzhou

### Background

511 Guangzhou has 43 functional government departments. Besides, as a result of the 2005 realignment of administrative districts, Guangzhou administrates ten districts and two county-level cities. At the end of 2005, 2006 and 2007, the population in Guangzhou was 7.5 million, 9.75 million and 10.05 million respectively.

512 According to the national standard, there are three categories and six types of housing structure: 1) Dangerous (completely, and partly dangerous), 2) Dilapidated (seriously, and generally dilapidated), Good (basically good, and perfectly good) (廣州政協, 2007).

Figure 8.1. Dangerous and dilapidated buildings



513 The Bureau of Land Resources and Housing Management of Guangzhou Municipality (國土資源及房屋管理局) estimated that there was 910,000 m<sup>2</sup> of floor space at risks in their list in 2004, which was more than the estimation in the eighties.

Table 8.1. General survey of building structure (2002-06): No. of buildings & floor areas (Unit: Number, 10,000 m<sup>2</sup>)

Year	All		Dangerous and seriously dilapidated			
			All		Privately owned	
	Bldgs	Floor Area	Bldgs	Floor Area	Bldgs	Floor Area
2002	128,960	2,342.7	8,675	96.3	7,098	65.4
2003	157,552	2,899.5	8,455	93.1	7,011	65.0
2004	182,704	3,669.7	7,262	91.1	5,636	61.8
2005	174,459	3,514.0	7,358	81.6	5,736	56.5
2006	186,861	3,536.9	6,424	72.9	4,923	51.3

Source: (廣州政協, 2007)

514 A number of reasons contribute to the fast growing of dangerous and dilapidated buildings in Guangzhou. The low rental policy provided little incentive to the landlords to repair their houses. Furthermore, there was no comprehensive or workable policy on redevelopment of dangerous and dilapidated buildings (Southcn.com, 21-8-2006<sup>224</sup>).

515 Every year, in the past 10 years, the government was able to reconstruct an average of 160,000 m<sup>2</sup> of dangerous and seriously dilapidated buildings (「危房和嚴損房」 or 「危破房」) a year. Since 2005, the government wanted to speed up the process by reconstructing 910,000 m<sup>2</sup> in 5 years (to be completed in 2010 before the inauguration of the Asian Games to be held in Guangzhou). However, the growth of newly identified dangerous and dilapidated buildings is quite fast. Apparently, this reflected the ageing of the buildings and the inadequacy of maintenance work being done. In 2005, there were 210,000 m<sup>2</sup> such newly identified buildings and in 2006, there were 290,000 m<sup>2</sup> (Table 8.1).

516 The large scale urban renewal of Guangzhou city started in the late 1980s. By then, the municipal government initiated to redevelop dangerous and seriously dilapidated buildings in local communities. State owned developers were enlisted in the projects and they were instructed to finance the compensation of the residents and the redevelopment. In these projects, residents were usually given an option to move back to the original community, or on-site relocation (回遷)<sup>225</sup>. However, many of these projects were not operated according to commercial principles, and the state developers did not fully commit themselves in the projects and some of them were delayed for a long period of time. For example, by 2004, residents of the two pioneer projects started in 1988 in Yue Xiu (越秀) and Li Wan (荔灣) districts were still waiting to return back to their communities as promised. The disputes of relocation in the Yue Xiu pioneer project persist even till now (xinhuanet.com, 27-07-2008<sup>226</sup>). Given the ineffectiveness of the model, the government then decided to ride on the booming infrastructure development projects to redevelop dilapidated and damaged buildings as well (徐建華,2005, p.175).

517 Between 1992 and 2001, Guangzhou relied heavily on the participation of private developers in its urban renewal projects. At the beginning, it appeared to be quite effective. However, two problems quickly emerged. Firstly, being driven by the motivation of profit

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<sup>224</sup> Retrieved from Southcn.com (南方網) on 20-12-2008 “广州危房2年急增5倍 全市危房近60万平方米” “<http://www.southcn.com/news/dishi/guangzhou/shehui/200608210403.htm>.”

<sup>225</sup> A monthly temporary removal resettlement fee (临时安置费) were given to each household to cover their rental expenditure. In the new consultation paper regarding the compensation and resettlement in urban renewal, it states that the demolition and resettlement entity (拆遷人) should provide temporary resettlement compensation (臨時安置補助費), which reflects the rental price of nearby area of the redevelopment site.

<sup>226</sup> Retrieved from xinhuanet.com (新華網) on December 20, 2008, “東風小區居民爭取年內回遷”, [http://big5.xinhuanet.com/gate/big5/gd.xinhuanet.com/dishi/2008-07/27/content\\_13943044.htm](http://big5.xinhuanet.com/gate/big5/gd.xinhuanet.com/dishi/2008-07/27/content_13943044.htm)

maximization, developers squeezed more units in their redevelopment sites, which they were given the approval from the government to relax the plot-ratio restriction, resulting in an upsurge of population density and the destruction of old Guangzhou historical appearance. Secondly, and more seriously, because of the economic downturn and the subsequent tightening up of credits, many developments remained unfinished. Since then, private developers were not included in urban renewal projects (chinaorg.cn, 16-7-2008<sup>227</sup> 2008).

518 Since 2002, the government took up a stronger role in slum clearance. Government departments collaborated to redevelop large areas into green open space and public meeting places. However, with limited financial input, the progress has been slow. By 2008, there was still over 720,000 m<sup>2</sup> of dangerous and dilapidated buildings in Guangzhou<sup>228</sup>.

519 The new Guangzhou leadership was appointed in January 2007. It started to focus on the development of the urban centre in Guangzhou. Before this, the previous governments took the opportunities to expand and develop cities and towns along its municipal boundary since 2000. This development moved certain economic sectors and people to the newly developed areas. The strategy lowered the density in the old urban centre and slowed down the pace of rapid redevelopment and destruction of old buildings in it. However, as a result, the more vibrant economic sector and population moved to the newly developed areas and the decay of the urban centre emerged<sup>229</sup>. Thus, the new government attempts to revitalize the urban centre to revert some of the population movement. It emphasizes the improvement in the quality and vitality of the urban centre. The three major renewal projects in Li Huan (荔灣區恩寧路), Yue Xiu (越秀區東濠涌) and Hai Zhu (海珠區南華西) districts as well as the development of the enclave villages in the city (or town-villages, 城中村)<sup>230</sup> are central to this strategy. A mix of input from government funding, private developers, and resident contributions is employed to conduct the projects. Learning from the mistakes of solely depending on the private developers, the Guangzhou government tends to coordinate the

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<sup>227</sup> Retrieved from chinaorg.cn (中國機構網) on December 20, 2008, “廣州舊城改造擬出台新政”, [http://www.chinaorg.cn/new/02\\_sz\\_news/2008-07/16/content\\_5216787.htm](http://www.chinaorg.cn/new/02_sz_news/2008-07/16/content_5216787.htm).

<sup>228</sup> Ibid.

<sup>229</sup> In 2010, Guangzhou will host the Asian Games. It also gives an extra impetus for the government to redevelop the urban centre

<sup>230</sup> It's a phenomenon unique to China where pockets of village enclaves are found inside newly developed town areas. The village enclaves are characterized by low-rise, substandard buildings, and poor sanitation. They are densely populated by rural migrant workers or low-income young people, and there is a vibrant informal economy inside the enclaves. These villages are located in places which were original classified as rural areas but were reclassified as urban areas recently because of the expansion of the municipality in which they situated. In China, lands in urban areas are owned by the State, while those in the rural areas are collectively owned by the villagers (under the management of a village committee). Although the land as well as their residential status has changed, their rights to the lands and their houses are still unofficially respected for political reasons. Many of them earn a handsome income from rent (residential flats and shops) and dividends from their collective village business. When the government or private developers want to use the land of the village enclaves for development, they have to negotiate a very attractive deal for the “villagers” and the “village committee”. As a result, the development of these areas has been very slow.

projects by themselves, using a combination of redevelopment, preservation, and rehabilitation in those projects. The government takes up the relocation and compensation of the residents, and is more stringent in selecting developers, and in vetting and monitoring of the projects to make sure that they meet all the government requirements and planning standards.

### Institutional framework

520 A number of new policies governing the urban renewal process in Guangzhou, including “Compensation Methods for Reconstruction of Old City” 《舊城改造拆遷補償安置辦法》, “Guidelines for Urban Renewal Planning of Old City” 《舊城更新規劃指引》, and “Planning Guidelines for Reconstruction of Town Village” 《城中村改造規劃指引》, are being developed to supplement or replace the old ones (徐建華,2005).

521 There is no single department or bureau in Guangzhou to spearhead the urban redevelopment programmes. A number of government commissions, bureaus and departments, including those in charge of planning, lands, housing, and development are usually involved in the urban renewal process.

522 The Construction Commission of Guangzhou Municipality (「广州市建设委员会」 or 「市建委」) was responsible for the identification and selection of the renewal projects.

523 For projects involving government investment (most of the cases), the projects have to be approved by the [Development and Reform Commission of Guangzhou Municipality](#) (「广州市发展和改革委员会」, or 「市發改委」<sup>231</sup>). It was renamed from the original State Planning Commission, which was responsible for the planning of economic and other state development. It was a very prominent body before and at an early stage of economic reform in China when most of the economic activities were planned and implemented by the government or state owned enterprises. With the rapid development of the private sector, the Development and Reform Commission limits its role to the state economic sector.

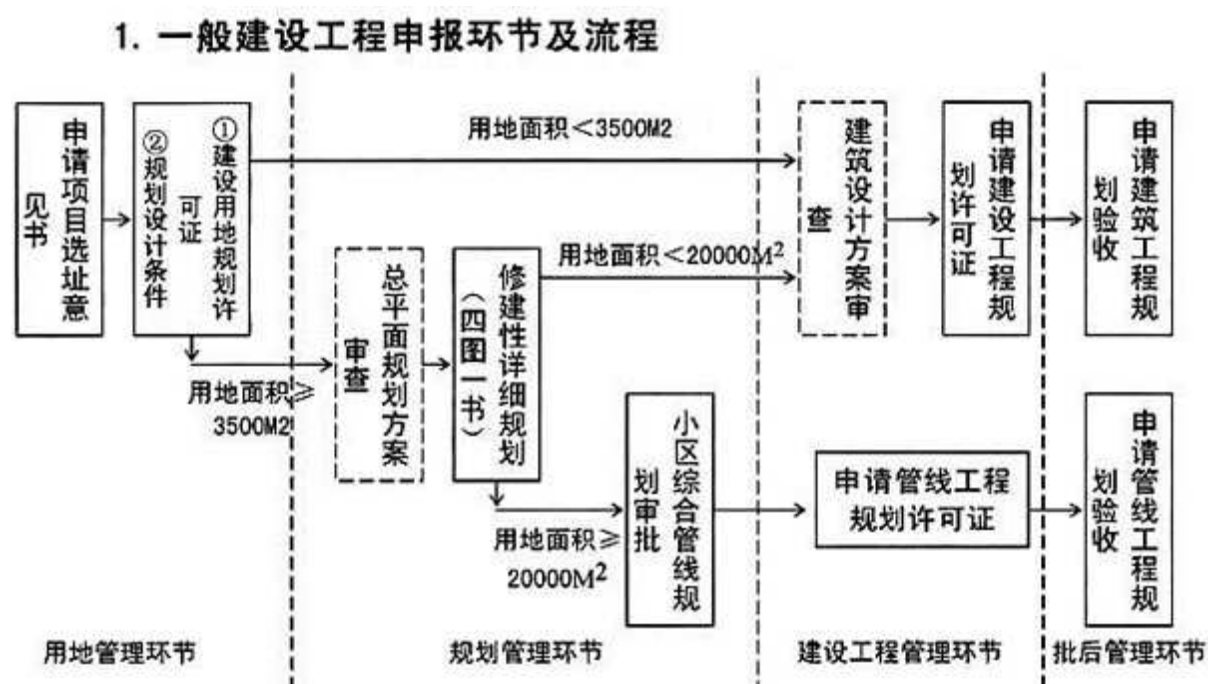
524 The Bureau of Land Resources and Housing Management of Guangzhou Municipality (「國土資源和房屋管理局」, or 「國土房管局」) is responsible for the identification and monitoring of the dangerous and dilapidated buildings and to decide upon the level of

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<sup>231</sup>The National Planning Commission (國家計劃委員會) was formed in 1952, renamed as the National Development and Planning Commission (國家發展計委員會) in 1998, and merged with the other relevant departments to form the existing National Development and Reform Commission (國家發展和改革委員會) in 2003. Ref.: <http://203.207.194.3:82/gate/big5/zfxxgk.ndrc.gov.cn/PublicItemView.aspx?ItemID={6711b8c8-fee4-444e-a810-6e74b12d2210}>, retrieved on December 8, 2008

compensation and overseeing the compensation and relocation of residents in the redevelopment projects. Finally, other departments and bureaus will be involved in approving the technicality of the projects. The town planning bureau has an important role to play in setting up planning standards and to decide whether each renewal project proposals meet the planning standards and requirements. Similarly to Shanghai, when a project is confirmed at the municipality level, the concerned district government will then set up an old urban area reconstruction office (成片危破房改项目办工室<sup>232</sup>) comprising representative(s) from relevant departments to deal with detailed assessment and compensation matters. This office is responsible for the implementation, coordination of the project. They will invite vendors through tendering procedures to design and conduct construction work for the project. The process of making application for renewal projects is the same as other ordinary projects (廣州政協, 2007). Figure 8.2 presents the process of making such applications.

Figure 8.2. The application process of ordinary construction projects



Source: <http://www.hzupo.gov.cn/Business.asp?cid=1>

525 By 2005, Guangzhou did not have a long term renewal policy. What it did was to define a certain area called historical old-city district in which reconstruction and preservation had to be carried out. There was no clear picture about how many old buildings had to be reconstructed, and how they should be done (徐建華, 2005, p.175).

<sup>232</sup> See for example the setting up of such office in Zhu Hai District [www.haizhu.gov.cn/site/main/upload/633462663229793750105.doc](http://www.haizhu.gov.cn/site/main/upload/633462663229793750105.doc)

526 Since there is no high level coordination to launch urban renewal projects, the process is rather slow as applications have to be approved by all the related departments and bureaux. It takes about 1.5 years for a confirmed redevelopment area to obtain all the required approvals (ycwb.com, 2008<sup>233</sup>). Even for the redevelopment of dilapidated buildings, the procedure is the same as other ordinary projects, it has to go through the process of project nomination (项目立项), site selection for planning (规划选址), preliminary assessment of land use (用地预审), planning permission to use land for construction (建设用地规划许可), permission for demolition of buildings (房屋拆迁许可), permission to use land for construction (建设用地批准), project design planning (规划方案设计), approval for project implementation (规划报建), permission for actual construction (施工许可等), and so on (廣州政協, 2007).

527 There is a special administrative office Guangzhou Municipality Office for the Reconstruction of Dangerous and Dilapidated Buildings ([廣州市危房改造建設管理所](#))<sup>234</sup> under the Bureau of Land Resources and Housing Management of Guangzhou Municipality (地房局). However, they are not responsible for the actual implementation of those projects. The municipality and district government, or the owners themselves will apply and implement the projects by themselves as described earlier. This office is responsible for preparing and maintaining a complete list of dilapidated buildings reconstruction project as well as coordinate (協調), provide direction (指導), and monitor (監督) the implementation. It is also responsible for the assessment and approval of these projects and takes part in proposing the arrangement of designated funds for the reconstruction of dilapidated buildings as well as the monitoring of their future uses<sup>235</sup>.

528 In one of the three large scale urban renewal projects launched in 2007, the Li Wan District government has set up an office of redevelopment of dilapidated buildings, which consists of departments at the district responsible for construction (建設), housing management (房管), water management (水利), monitoring of town planning (城監), greenery<sup>236</sup>(绿化委), and the street office (街道辦事處) and so on to implement the project (focus.cn, 27-3-2007<sup>237</sup>).

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<sup>233</sup> Retrieved from ycwb.com (金羊網) on December 20, 2008, “廣州舊城改造現五大難題”, 20-6-2008, [http://ycwb.com/big5/news/2008-06/20/content\\_1916249.htm](http://ycwb.com/big5/news/2008-06/20/content_1916249.htm)

<sup>234</sup> Retrieved from [http://www.laho.gov.cn/zwgk/zzjg/jsdw/t20070117\\_4531.htm](http://www.laho.gov.cn/zwgk/zzjg/jsdw/t20070117_4531.htm) on December 20, 2008

<sup>235</sup> Retrieved from [http://www.laho.gov.cn/zwgk/zzjg/jsdw/t20070320\\_33939.htm](http://www.laho.gov.cn/zwgk/zzjg/jsdw/t20070320_33939.htm) on December 20, 2008.

<sup>236</sup> Guangzhou stipulated that in the urban renewal process, 32% of the land site were reserved for greenery purposes. Guangzhou aims at developing itself into a forest city (森林城市) see <http://www.gz2010.cn/08/0509/12/4BGKO5350078001R.html>

<sup>237</sup> Focus.cn (焦點房地產網), 27-3-2007, “西关涅槃恩宁路之变 赴港招商收获十余意向”, retrieved on December 20, 2008, <http://gz.focus.cn/news/2007-03-27/295361.html>.

529 As described earlier, either the municipal government and/ or the district governments will be responsible for each project. The planning of redevelopment projects was conducted by the Construction Commission of Guangzhou Municipality (市建委) (徐建華,2005, p.175). A designated office comprising of various government departments will be responsible for the implementation of each renewal project. Unlike Hong Kong, there is no one single statutory body to conduct urban renewal. For example, at the Yue Xiu District, an office for the reconstruction projects for dilapidated and dangerous buildings in an extended area (連片危破房改造項目辦公室) has been set up to handle the Xin He Pu Project<sup>238</sup> (to be discussed in the section on Projects).

530 For projects involving demolition of buildings and relocation of residents, the project management will contract out its work to demolition and relocation companies (拆遷公司). These companies usually have strong ties with the government and in some cases, are set up by the district governments to carry out the demolition, relocation, and compensation duties. In the 90s, when private developers were active in urban renewal, these demolition and relocation companies were appointed by the developers. They had strong motivation to reduce the amount of compensation. Incidents of forcing residents and owners out before negotiation was completed were not uncommon. Since the government has taken up a major role of demolition, relocation and compensation, the process was usually conducted according to the existing policies. However, disputes about the level of compensation and relocation arrangement were still very common.

### **Legal framework**

531 According to Article 10 of the PRC Constitution (amended in 2004) Land in the cities is owned by the state. and in Article 13, the state may in the public interest expropriate or take over the private property of citizens for its use in accordance with the law and provide compensation.

532 In theory, the state can take over private property of citizens given that it is done on the basis of public interests, proceed according to laws and regulations and provide compensation. The redevelopment of dilapidated buildings and infrastructure construction are considered as acts of public interest.

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<sup>238</sup>武延軍區長(2008-04-21) from Yuexiu.gov.cn (廣州市越秀區信息網) “2008 Government Report” (廣州市越秀區「政府工作報告」 Retrieved 20-12-08 from: <http://www.yuexiu.gov.cn/public/pop.jsp?templet=6&id=48806> and 廣州日報(2008-10-28) “東山少爺”百年別墅年底迎客 Retrieved 20-12-2008 from Website: <http://www.huaxia.com/gdtb/gdyw/2008/10/1202956.html>

533 Lands are leased to developers usually on a 70-year basis (for residential purposes)<sup>239</sup>. During the process of urban renewal, the developer might make use of adjacent land areas which belong to the government or were leased to developers who have gone bankrupt before the completion of the developments.

### Compensation and re-housing policies

534 According to a 500 sample survey of urban households provided by the Guangzhou statistics yearbook (广州统计年鉴) 2007<sup>240</sup>, 7% of the households lived in public apartments for lease (租赁公房), 2.4% in Private Apartments for Lease (租赁私房), 10.0% in Original Private Apartments (原有私房), 47.0% in private apartments through housing reform (房改私房), while 33.6% in private commercial buildings (商品房). The figures indicate that owner-occupiers constituted the largest category in Guangzhou. It is possible that in dangerous and dilapidated buildings, the percentage of people living in public apartments for lease is higher. However, given the generally high percentage of private ownership, issues relating to compensation and relocation are still major concerns. Current practice in cash compensation is carried out in accordance with the “Guangzhou City Urban Housing Demolition Management Methods” 《广州市城市房屋拆迁管理办法》. The compensation is based on the market valuation of the property prior to demolition.

535 At the time of study, a new urban housing demolition and resettlement legislation (《广州市危舊房改造拆遷補償安置工作指導意見(試行)》)<sup>241</sup> was under the process of public consultation. According to Mr. Liu Zhi-wei, Director of the Administration Office of Building Dismantlement and Transference, Guangzhou City<sup>242</sup> (广州市城市房屋拆迁管理辦公室), the ordinance is an executive order (行政法規), the status is lower than the laws of the state council (國務院法律). In fact, the state has the power to resume lands (all lands in urban area belong to the state) for purposes related to public interest under relevant laws and with compensation.

536 Owners and the demolition and relocation agent (拆遷人) have to agree on one assessor for the purpose of valuation<sup>243</sup>. If they cannot reach an agreement, the government

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<sup>239</sup> Land lease for residential use is 70 years, while that for commercial, tourism and entertainment is 40 years, and others for 50 years. (土地使用權出讓年限：居住份額用地 70 年，商業、旅遊、娛樂份額用地 40 年，其他用地 50 年) 廣州市國土資源和房屋管理局 (2006-3-10) 廣東廣州市土地掛牌出讓公告 Retrieved 20-12-08 from website: <http://www.chinaref.cn/TouRongzi/tudizhongxin/guangdong/200608/204398.html>

<sup>240</sup> Please refer to <http://www.gzstats.gov.cn/TJSJ/TJNJ/2007nj/8-9.htm>

<sup>241</sup> Source: “廣州市國土資源和房屋管理局：市國土房管局就《廣州市危舊房改造拆遷補償安置工作指導意見(試行)》(徵求意見稿)徵求公眾意見” [http://www.laho.gov.cn/xwzx/rdgz/t20081014\\_61475.htm](http://www.laho.gov.cn/xwzx/rdgz/t20081014_61475.htm)

<sup>242</sup> It's an office under the Bureau of Land Resources and Housing Management of Guangzhou Municipality (國土資源和房屋管理局). The English name of the office appears on Mr. Liu's name card.

<sup>243</sup> In Hong Kong, the assessment of the notional 7-year-old flat, which forms the basis for the calculation of



will invite them to draw lots from a list of assessors. They have to do three valuations: a) the value per m<sup>2</sup> of the existing individual property; b) the average value (per m<sup>2</sup> of the flats to be demolished), c) the average value of ordinary new flats in the nearby area. The difference between (b) and (c), i.e. the difference between the average unit value of new flats and that of the existing old ones is called “redevelopment incentives” (改造獎勵). It is to recognize their contribution to redevelopment, and the psychological and other sacrifices they have made. This appeared to be quite similar to concept of ex-gratia payment in Hong Kong. An individual property owner can get an amount equal to their floor area times (a) and the difference between (b) and (c). Conceptually, the owner is entitled to receive market value for his flat plus the “redevelopment incentives”.

537 In some cases, there are on-site relocation (原址回遷) arrangement allowing owners to return and buy redeveloped flats with no less than the size of their original flat at a discounted price. The discounted amount is actually the price of their original flats plus the 50-60% of the redevelopment incentive. If the government recognizes that there may not be sufficient residential flats for such purposes, the redevelopment incentives will be lowered.



Figure 8.3. On-site relocation blocks (circled in red) for residents of *Xian Cun* (洗村), a town-village<sup>244</sup>.

538 Distant relocation (異地永遷): Owners are given a flat in another place as compensation. Since the values per m<sup>2</sup> of flats are usually lower in the relocation area, the floor area given is multiplied by a factor reflecting the difference of value in the two places<sup>245</sup>.

539 For households with smaller living area (those under 40 m<sup>2</sup>), the incentives will be made as if they are living in a flat of 40m<sup>2</sup>.

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compensation, is undertaken by seven valuation consultants selected by ballots administered by independent third parties. The highest and lowest valuations will be discarded. The remaining five will be averaged. Names of the seven valuation consultants and their valuation data will be made public.

<sup>244</sup> The blocks in the figure circled in red are the on-site relocation buildings for the “villagers” in a town-village called (洗村). The compensation is negotiated project-by-project and is much more attractive than that for the residents of building in urban areas.

<sup>245</sup> Since this involves valuation of property price at the relocation district, it can be potentially more contentious.

540 Besides, there is another additional early agreement incentive called “relocation reward”(搬遷獎勵). If the owners agree within a certain period of time, they will get this incentive, the earlier the higher. The proposed arrangement sets the highest incentive for each unit at the level at 15% of the average unit price. District governments can set the incentive within this level accordingly. For example, within the first three months, it can be the full amount of this additional incentive. For those signing the agreement within the next three months, the incentive will be 80% of the additional incentive only.

541 The compensation to the tenants is only applicable to those living in government-owned housing (公房). For tenants of the private property, there will not be any compensation or incentives from the government. For tenants of state housing (直管公房), existing eligible tenants<sup>246</sup> will be given 30% of the monetary compensation. If they do not agree to this, they will have to accept whatever place offered by the state with same floor space which they currently occupy<sup>247</sup>. For those who are not eligible, they will have to terminate the tenancy contract according to law. The basic idea is that the change of ownership will not affect the contract between landlord and tenants (買賣不破租). The original landlords have to provide housing to their tenants. In that case, the owners cannot choose to pay cash compensation if they cannot reach an agreement with their tenant regarding the termination of tenancy contract. In that case, they can only choose distant relocation or on-site relocation in order to fulfill the obligations of the tenancy contract. They can only sell their flat after the tenancy contract expired.

542 Each option has its own merits and problems. For example, for the relocation option, the project holder might not have sufficiently good relocation flats. In Guangzhou, the project holders have to acquire flats in other places for relocation purposes, usually located in Jin Sha Island (金沙洲) or Zhu Jiang New Town (珠江新城) at the outskirts of the old city. Owners were compensated with a larger flat but they might find commuting to work, schools, and hospitals difficult (ycwb.com, 2-4-2008<sup>248</sup>)

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<sup>246</sup> It means that they are ordinary residents of Guangzhou for two or more years, income per capita in the family is less than the per capita disposable income of Guangzhou and no self-owned house or living area less than 10m<sup>2</sup> per person.

<sup>247</sup> This is not easy. For example, in Shanghai in a redevelopment project involving public apartment for lease (公房拆除重建), 5 out of 78 units refused to sign a contract for redevelopment (拆除重建) and the project cannot proceed. Local authorities appealed to 1.Standing Committee of Shanghai Municipal People’s Congress Commission of Legislative Affairs (市人大常委會法工委) to interpret the relevant regulation and the conclusion was: If a redevelopment plan of a leaser has obtained 2/3 of the tenants in the redevelopment area agreeing to it, it is considered that both parties have already reached a consensus. Source: 解放日報, (21 July 2008),

[http://big5.news365.com.cn:82/gate/big5/www.news365.com.cn/wxpd/sh/yp/200807/t20080721\\_1956242.htm](http://big5.news365.com.cn:82/gate/big5/www.news365.com.cn/wxpd/sh/yp/200807/t20080721_1956242.htm)

<sup>248</sup> Retrieved from [http://www.ycwb.com/big5/xkb/2008-04/02/content\\_1848624.htm](http://www.ycwb.com/big5/xkb/2008-04/02/content_1848624.htm) (金羊網) “兩無兩貴, 新社區里看病上學買菜出行愁煞人,” on December 20, 2008.

## Financial Model

543 There are several types of financial arrangement. The government had tried using its own funds and involved state enterprises in the late 80s. Between 1992 and 2001, private sector participation was the predominant model and it was called to a halt by the end of this period. Between 2003 and 2007, the government took up urban renewal on its own again with a focus on dilapidated and damaged buildings (危破房) in the urban centre. The major thrust of development focuses on newly development project on the boundary of the urban centre. In 2007, the government refocused on the renewal of the urban centre with a two-prong strategy: comprehensive redevelopment at the city centre, with a combination of preservation and redevelopment, and the reconstruction of town villages. The government has started to invite private sector to participate again. They have also experimented with local participation which, in return, allows owners to purchase new flats in the redeveloped area where they lived. They have now more or less agreed that in the urban renewal projects, the government has to take up the compensation and relocation of residents instead of allowing the developers to negotiate with the residents, which always resulted in conflicts and strong grievances that ended up in confrontation and drew the attention of the media.

544 The new mayor, Mr. Zhang Guangling (張廣寧市長) mentioned in an interview in 2007 that there are two pre-conditions for the involvement of the developers in urban redevelopment projects. Firstly, the government should be responsible for the demolition and relocation work and should not pass it to the developers. Secondly, the government should set the standards/parameters for redevelopment. When developers submit their tenders, they should provide the proposal, density of building, plot ratio, and so on for planning assessment and approval. They cannot just build whatever amount they like (news.sohu.com, 2007)<sup>249</sup>.

545 The government made a new attempt to redevelop an old urban area. In a reconstruction project of dilapidated buildings in Jie Fang Zhong Road (解放中路), the municipal government and the district government inject funds into the project while the residents contributed a sum of RMB 300-500 per m<sup>2</sup> of reconstruction fees in order to move back to flats in the new building. If they want to move to a larger flat, they have to pay the market price for the extra floor area at a rate of RMB 5,000 to 5,500 per m<sup>2</sup>. The total funds thus available for the project amount to RMB 95 million ((ycwb.com, 2008<sup>250</sup>). The fund injected by the government is to be recovered through selling and renting the commercial

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<sup>249</sup> Retrieved from <http://news.sohu.com/20070119/n247703370.shtml> on December 10, 2008, from sohu.com (搜狐新聞), 19-1-2007, “廣州擬集中力量改造獵德譚村和洗村等城中村”.

<sup>250</sup> Retrieved from ycwb.com (金羊網) on December 20, 2008, “廣州舊城改造現五大難題”, 20-6-2008, [http://ycwb.com/big5/news/2008-06/20/content\\_1916249.htm](http://ycwb.com/big5/news/2008-06/20/content_1916249.htm)

shop at the ground floor<sup>251</sup>.

546 However, the total funds available for the government to carry out similar project is only about RMB 400 million (5 years between 2003-2007), which is far from sufficient to reconstruct all the dilapidated buildings (a total of 910,000 m<sup>2</sup> of floorspace was identified in 2004, see Table 8.1) (廣州政協, 2007).



Figure 8.4. Liberation South Road reconstructed building in June 2008, source: <http://office.tj.focus.cn/news/2008-06-12/485333.html>

neighbourhood environment. Besides, residents were moved out of the original community while historical and cultural memories and network along were destroyed along the way. Li Wan Square (荔灣廣場) typified this type of redevelopment (ycwb.com, undated<sup>252</sup>).

548 In the recent urban renewal projects, strong emphasis is being put on preservation and rehabilitation of the buildings as well as maintaining the historical and cultural heritage and neighborhood network. Nevertheless, if relocation back to their community of origin is not feasible, which is the case in some projects, the preservation of social network and traditional cultural practices is difficult.

547 During the year between 1992 and 2001 when private developers were active in urban renewal projects in the old districts of Guangzhou, redevelopment was the major approach. The case like Upper and Lower Jiu Road (上下九路) in which redevelopment, rehabilitation, and preservation coexisted was rather uncommon. Massive residential and commercial buildings replacing the existing neighbours was very common and little considerations were paid to match the new buildings with the

<sup>251</sup> Source: 广州率先在旧城改造引入民众参与机制 2004-11-18 中国人民政治协商会议全国委员会办公厅 <http://www.cppcc.gov.cn/rmzxb/zhxw/200411180038.htm>

<sup>252</sup> Retrieved from [http://www.ycwb.com/special/node\\_4909.htm](http://www.ycwb.com/special/node_4909.htm), on December 20, 2008, (金羊網), “舊城改造与文化傳承”, undated.

Figure 8.5. Cantonese style shop-house in Enning Lu, Li Wan District<sup>253</sup>



### Role of the various sectors

549 Under the current model of renewal, the government will initiate the redevelopment projects and be responsible for compensation, relocation of residents. After the government has acquired the land for redevelopment, they will put up the project design and construction work for open bidding. Private developers will then be involved.

550 For other redevelopment projects, which involve compensation and relocation options, the government has a local network of street offices and residents committees which have close connections with the residents. They will be involved in the mediation and negotiation process.

551 In general, the identification and planning of redevelopment sites had little community input. Once the redevelopment project was decided, residents were informed about the plans and the process of negotiations regarding compensation and relocation started between the residents and the demolition and relocation companies. Local street office and residents committees will be involved in mediating the negotiations and resolving conflicts between the residents and the demolition and relocation companies. During our visits to one of the projects, the residents said they were happy about the project although they were not consulted about the redevelopment in the first place. In Hong Kong, redevelopment projects were kept strictly confidential in order to avoid movement of residents or eviction of tenants to take benefits of the compensation. However, such information in Guangzhou was not considered as confidential largely because compensation and relocation is limited to property owners and tenants of state property. The compensation of the private tenants is considered to be the responsibility of property owners.

<sup>253</sup> (荔灣區恩寧路騎樓) Source: <http://photocdn.sohu.com/20070321/Img248870568.jpg> & <http://photocdn.sohu.com/20070321/Img248870568.jpg>

552 No relevant regulation can be found regarding the requirement of public consultation in urban renewal. However, there are five chapters and 39 items in the “Guangzhou City Urban Housing Demolition Management Methods” 《廣州市城市房屋拆遷管理辦法》 promulgated in January 2004. It enhances the right to information of the affected residents by requiring the government department to post (at the spot and on newspapers) information regarding the scope, location, time, operator, and ways to seek legal support if agreement cannot be reached (徐建華, 2005, p.177).

### The emergency of public engagement process

553 There is a new attempt regarding the redevelopment of some old buildings. In the Jei Fang Central Road renewal project, a new consultation model was introduced. The project was confirmed in 2005, started in 2006 and has been completed in 2008. The government initiated and designed the project. Before it was put into implementation, the government conducted a survey to collect the opinion of the affected property owners, announced the plan and called for meetings involving all the owners. The government could only implement the project when they had more than 70%<sup>254</sup>.

### **The pedestrian shopping street in Upper and Lower Jiu Roads (上下九路商業步行街)**

554 The pedestrian shopping street in Upper and Lower Jiu Roads (or the Shangjiu Street and Xiajiu Street, 上下九路商業步行街) in Guangzhou began its operation on Sep 30, 1995. The overall length of the street is 1,200m. This street continued to be the concern of all levels of government and gained the support from local and oversea Chinese and visitors. Gradually it became a centre of commerce, trade, entertainment and tourism in the Li Wan District and the Guangzhou City.

555 In 1997, Guangzhou has been chosen as a tourists’ city in China. It was among the first batch of tourists’ cities chosen. Since then the Municipal government gave concrete instructions to various tourism related bodies in Guangzhou about how the facilities associated with tourism for the scenery spots and tourist areas in Guangzhou should be.

556 To restore the original character of the shopping street, the district government

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<sup>254</sup>In November 2004, the Bureau of Land Resources and Housing management of Guangzhou Municipality announced the new initiative requiring the plan for redevelopment of dilapidated buildings to be support by 70% of the owners . Source: <http://house.nen.com.cn/76283021518438400/20041120/1548068.shtml> retrieved on October 14, 2008.

identified some dilapidated properties for repair and reconstruction. For example, in 2003, the asphalt road of the pedestrian shopping street was replaced with a pavement which was constructed using the “Xi Guan” style granite tectonic plates (西關麻石街特色的麻石板塊). The newly laid granite surface could create the feeling of tradition and classic style. Besides, the granite finishes gave durability, attractiveness, and strong quality. Starting from Sep 1, 2002, the whole of Upper and Lower Jiu Roads (上下九路段) was reserved for pedestrian use only. A sum of 10 million RMB was contributed to construct a commercial plaza and sculptures with historical and cultural characteristics to decorate the area.

557 A metropolis commercial building and a four star Holiday Inn hotel were built using “social funding” (社會的資金, i.e. private investment). These efforts of preservation, repair and renovation had made the pedestrian shopping street a prestige and special street for business and tourism.

558 According to a developer of the shopping plaza (上下九廣場), when the government announced the regeneration intention, he submitted his proposal and successfully bid the project. In his proposal, he followed the requirements of the regeneration and provided details on the finished appearance of the area. The government invested no initialization cost. The developer should have strong financial capacity to operate the preservation-cum-redevelopment. He approached the owners of the properties in the pedestrian shopping street and negotiated with them on a compensation method and amount of money that would be mutually acceptable to both parties and signed an agreement of regeneration<sup>255</sup>. Most of the owners would accept monetary compensation. Very few would insist on coming back to the same street after the redevelopment. The renewal of the first phase was completed. The regeneration process was financially viable and profitable to the developer. The second phase redevelopment was on the negotiation process with the property owners. The government did not get involved in the activities of developers in vacating the properties but setting the parameters of regeneration, including the preservation of the façade of all buildings along the street, and after demolition of the other parts of the buildings; the reconstructed parts of the buildings could not exceed the building heights of the former ones on the pedestrian shopping street. The costs of resuming the land were very high because the street was very popular in the area. Each day after late morning the street was always very crowded.

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<sup>255</sup> Since the project started back in 1995. During that time, developers were allowed to negotiate directly with the affected property owners.

Figure 8.6 Scenes on the Upper and Lower Jiu Roads



559 According to Mr. Wang Jian, Director of the Guangzhou Shi Fu Jiari Hotel Co., Ltd (廣州十甫假日酒店有限公司), he was one of the major developers selected by the government to conduct the renewal project in Upper and Lower Jiu Roads (上下九路). The approach was to compensate the existing owners to obtain the property rights of the building in order to reconstruct the buildings according to the requirements of the government. According to him, they managed to preserve the façade of the buildings and putting up new structures behind the façade. In fact, since they acquired a whole block of buildings, they were able to redevelop the buildings as a whole. Behind the façade, they build a new commercial complex. The original windows of the building on the façade were preserved but they could not be opened anymore. The commercial buildings behind were basically an enclosed structure. He considered that this way of preservation and reconstruction was extremely difficult and expensive, which cost them three times more than an ordinary construction project. Special precautions had to be made to demolish the structure behind the preserved façade. Nevertheless, they were able to generate enough money to build a new hotel (completed now and being managed by Holiday Inn) behind the façade in a later stage. He noted that along this pedestrian street, some buildings had their façade being preserved; some were a mere copycat of the original which had to be demolished because it was beyond repair. Some of the buildings were preserved and renovated as a whole without any reconstruction.

560 Apparently, the improved business and customers brought reputation and tax income and other benefits, such as employment, community contributions from the business sector to the district government.



## Xin He Pu Project (新河浦綜合整治項目)

561 The Xin He Pu (新河浦) community was identified as a core historical and cultural preservation site in Guangzhou. The Xin He Pu community contained a provincial level preservation site: the former site of the Third National Party Congress of the Chinese Communist Party (中共“三大”舊址) and seven sites of cultural preservation at the municipal level such as “Spring Garden” (春園), five large communities of overseas Chinese (五大僑團), and the Christian Dongshan Church (基督教東山堂). This area contained many special Chinese-Western style buildings erected as early as 1920s. At that time many oversea Chinese returned to China for business and got involved in nation-saving activities.

Figure 8.7. Artist impression of Xin He Pu Project



Figure 8.8 Buildings representative of the heritage in the area



562 Due to human and natural factors, many historical buildings were in very poor state. The extant infrastructure and green space before renewal lag behind the pace of modern development. To speed up the pace of discovering historical and cultural resources, to protect, utilize and better the community facilities, and to increase the environmental standard, the Guangzhou Municipal Government entrusted the coordination tasks to the district government (越秀區). The renewal project involved collective efforts from various organizations in the districts.

563 According to the requirements of the municipal government, the comprehensive renewal project was divided into two phases.

564 Phase I included the former site of the Third National Party Congress as a centre. The overall renewal area was about 93,600 m<sup>2</sup>. The project commenced in Dec 2007 and is now near completion.

565 The content of renewal included:

- The buildings: Improvement works to the vertical elevations of 67 buildings and total area of 51,498 m<sup>2</sup>. The principle was to reinstate the appearance as the original ones. A special team was assigned to collect information from the residents, people who lived in the district for a long period of time, and those who were familiar with the appearance of the buildings. The newly painted external walls or elements should be in harmony with other buildings in that area and should be as close to the original colour scheme as possible.
- The roadwork: 17 roads were improved.
- Green space, accessory and utility facilities: 6,400 m<sup>2</sup>.
- Concealing the pipes, wirings and ductwork underground: a total of 85,000 meters.

566 Phase II involved an area of 52,900 m<sup>2</sup>. The project duration was between October 2008 and Jan 2009. The content of renewal included:

- Construct separate rain water and sewage pipes.
- Conceal the pipes, ducts, and wiring works underground;
- Improve the environment: to preserve the historical and cultural heritage buildings and to work on greening the roads.

567 The guiding concept was to build or to repair the buildings in such a way that would reinstate the buildings' original appearance. With this spirit, many mixed Chinese-Western style town houses were repainted and repaired. The area reappeared in the green (trees) and red (building walls) style of old Dongshan area.

568 The government announced the details of repairs and redevelopment well before the project commenced ( Yuexiu District Government, 2007)<sup>256</sup>. This document explained the objectives, the scope of works, and the important details about the project to receive public opinions. Besides, 1,600 copies of pamphlets was distributed to the residents. This information sheet made known to the residents the conditions of the project, the work period, the management arrangements and the service pledge. Some important notes were given to

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<sup>256</sup> 越秀区政府 政府办公室 (2007-07-16) 《關於全面整治新河浦湧社區周邊環境的通告》25 號 Retrieved 20-12-2008 from website: <http://www.yuexiu.gov.cn/filecenter/filelist.jsp?catid=1804%7C3752>

residents on the rearrangement of transportation and other possible inconveniences causing them during the works period.

569 According to the representatives of the residents, they generally welcomed the preservation works of the government, and, after renewal, the prices of the properties had escalated. The government paid the costs of preserving or repainting the external walls of the buildings. Rain water and sewage were collected into different manholes underground. All the exposed electrical wiring were rewired and concealed underground. Illegal structures were demolished. All the security meshes, canopies should be removed. Damaged traditional window frames were repainted, repaired or replaced. Cracks on the columns were filled with grouting and painted to match the colour of the original building element. Any fencing erected on the roof should be removed. The government also gave guidelines on the allocation of transformers, air conditioning and clothes horses/ airers which would affect the appearance of the buildings. The government set the color scheme for the external walls that the owners of properties could not change. The residents generally followed the requirements of the government. Some owners also renovated the internal parts of their properties at their own expenses. The owners had more freedom to design and modify the internal area of the buildings provided such modifications follow the planning instructions. Some owners lacked incentives to renovate their internal floor area and refused to remove the clothes horse, fencing and air conditioners from the front elevation of the buildings.

570 Since the project mainly involved renovating and preserving the exterior structure and appearance of the existing buildings, improving the infrastructure of the community, the expenses in moving and compensating existing owners and tenants were limited. The model uses the government initiation as an inducement or encouragement for owners' own effort and involvement in renovating their interior structure and design, the responses of the owners had been very positive.

### **Lessons learnt**

571 Guangzhou has gone through a period of indiscriminate demolition of old buildings in order to clear slum housing in the 1990s. Both the government and private property developers had strong interest to push urban redevelopment with limited consideration for the history, cultural, and social aspects of local communities as well as the benefits of the residents. Many of the affected residents were relocated to far-away places (and many have to wait for about 8-10 years before their new homes were connected with mass transportations). Medical and education resources were usually not as good as those in the old urban areas. This type of redevelopment approach has been getting more difficult nowadays because local

communities affected are more aware of their rights and they are more ready to assert them.

572 Most lucrative sites in the old urban centre were fast exhausted. People started to realize that many old buildings and memories were destroyed along the way. This is very similar to what has occurred to the environment after a period of rapid industrialization. The concern for preservation of historical and cultural characteristics as well as social fabric of local communities has become stronger in Guangzhou.

573 The result of renewal tied strongly with the boom and bust of property market. Lands acquired during the booming period resulted in unfinished projects at the time of bust (for example in 1997/8 during the Asian financial crisis). The delay results in prolonged waiting time for their turn of redevelopment for some owners, and thus further decay of the buildings or the uncertain time for their return to their original neighborhood, if such returning is an option of compensation. Guangzhou has actually excluded private developers since 2002 in urban redevelopment projects. Though this had slowed down the urban renewal process, given the focus of government was to expand its city boundary and to shift the location of the town centre from the old urban area to Tianhe district, where redevelopment is not quite necessary.

574 Urban renewal in Guangzhou as well as other cities in China is a major concern of the municipal governments. Many high level government officers are involved in the process, with better overview and coordination of the process. Urban renewal is not only seen as the redevelopment or rehabilitation of buildings, but also as an urban regeneration process closely connected with the overall positioning and strategic development of the city.

575 Local governments at the district level also play a prominent role in identifying sites for renewal and implementing the projects. Approval at the municipal level is required so that renewal projects will fit into the overall planning of the municipality. Being closer to the communities has an advantage of gaining better knowledge of the social and historical characteristics, as well as getting the support from local community networks.. Besides, since projects are not kept confidential, which in fact is not quite possible in China, residents, experts, and other stakeholders have more time to voice out their needs, concern, and preferences<sup>257</sup>.

576 There are more options for the affected owners of residential properties, cash compensation, relocation in other districts with due considerations of the value differences of the flats in the relocated and original districts are available for owners to choose. In some cases, such as the experimental Jie Fang East Road, on-site flat-to-flat compensation was

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<sup>257</sup> In Guangzhou public consultation is still at a pilot stage, and the projects concerned involve mainly government money and residents' contribution. The point of more local discussion is relevant to Hong Kong if keeping strict confidentiality at the planning stage is not necessary.

provided. The Guangzhou municipality government is planning to introduce the most generous compensation package to urban property owners affected by redevelopment, for example, by compensating owners with cash enough for them to buy an ordinary new flat with basic amenities in nearby major cities. More lessons can be learnt when the package is put into actual implementation in the near future.

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## Chapter 9 Summary and comparison of the six cities

### Introduction

577 In the following analysis, there are three major dimensions: different urban renewal strategies (redevelopment, preservation, rehabilitation, and revitalization), different stakeholders (government, business sector, the affected community, and the society as a whole), and the changes over time. Since revitalization in urban renewal almost always comes with a combination of redevelopment, preservation, and rehabilitation programmes, in the following analysis, we will only focus on redevelopment, preservation and rehabilitation. Nested within the above three dimensions, there are various issues of concern as discussed earlier in Chapter 1. The following analysis will first compare the institutional framework for urban renewal in the several cities and then discuss the various issues under three separate sections: redevelopment, preservation and rehabilitation. Instead of describing changes over time, the following analysis will be focused more on the current urban renewal strategies, while the historical part would only be mentioned whenever relevant.

578 One major challenge of the following analysis is the development of a common framework for comparing the various cities. The original framework in the study was evolved from the existing URS and related issues in the Hong Kong context. However, the framework in Hong Kong is very unique and no other city shares similar structure. For example, there is no similar set up like the Urban Renewal Authority of Hong Kong in other cities. The research team finds feeding the information obtained from other cities into the framework developed for Hong Kong almost impossible.

579 While there are similarities in certain aspects of urban renewal among different combination of cities included in this study, there is, in fact, no single framework that can be used to adequately cover or describe the urban renewal strategies of the various cities. In other words, the use of a common framework for the analysis of various cities with different urban renewal frameworks would have created a number of “information gaps” which are not applicable to other cities, and left out a number of important aspects in the urban renewal strategies of the various cities. However, as a matter of comparison analysis, without a common framework, there is no comparison. As a compromise, the framework of the following analysis is evolved during the process of attempting to put the relevant information of various cities together, and some of the information related to other cities does not fit neatly into each and every section within this framework, and thus left out in this particular chapter.

### **Some common patterns found in the urban renewal among the various cities**

580 Post war rapid urban development is common among the various cities, which has led to poor urban living conditions in the earlier periods of urban development. Initial phases of urban renewal in many cities involved squatter clearance and the improvement of urban infrastructure. Massive redevelopment was the major characteristics in this early stage of urban renewal. Preservation and rehabilitation grow more important in recent years and are gaining momentum.

581 Major international events such as Olympics (as in the case of Seoul) and Asian Games (as in the case of Guangzhou) would create impetus for major face-lifting urban redevelopment projects.

582 Another feature commonly found in Singapore, Seoul, Tokyo, and Guangzhou<sup>258</sup> is that early phases of urban redevelopment had driven the residential population out from the city centre to give way to commercial and office buildings and subsequently leaving the city centre as almost a dead city at night. Attempts in these cities are made to bring people back to live in the city centre.

583 Many cities had faced substantial difficulties in various stages of urban redevelopment, perhaps except Singapore and Tokyo. At certain stage of the development, the governments in these cities attempt to leave this to the private sector (as in the case Shanghai, Guangzhou, Seoul, and Taipei). Finding such approach not very successful, particular in areas where redevelopment is mostly needed, these governments come back to play a more important role. Shanghai, Guangzhou, and Taipei<sup>259</sup> go for public-private partnership, while the Seoul government goes even further to the big plans of redeveloping the old town of Seoul into a new town and similarly with public-private partnership.

### **Objectives of urban renewal in different cities**

584 Competitiveness, economic development and quality of living environment are the most common themes among the urban renewal policies in various Asian cities

#### Singapore

585 Urban renewal is an important component of the national development. The use of Concept Plan and Master Plans is to rationalize the use of land to meet the development

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<sup>258</sup> Such phenomenon is relatively not very obvious in Guangzhou.

<sup>259</sup> As illustrated with the formation of the Taipei Urban Renewal Corporation with 40% city government ownership.



objectives of the nation. The fact of the Urban Redevelopment Authority (URA) being housed within the Ministry of National Development and being the planning authority of Singapore illustrates the importance and the objectives of urban renewal in Singapore.

586 Though in the formation of the URA in 1974, the objectives of promoting preservation was already included, the economic interest of developing tourism in the mid-1980s has given a major push to the development of conservation.

### Tokyo

587 Urban renewal in Tokyo in the contemporary scene is mostly related to economic revitalization. The Urban Renaissance (UR) Headquarters was set up with the objective of promoting 21st century projects for urban rebirth from environmental, disaster prevention and internationalization perspectives among others, as well as comprehensively and boldly advancing measures for urban rebirth, with a view to attract private sector investment and stimulate national economic recovery

### Seoul

588 Most discussion on urban renewal policy in Seoul reflects its wish to increase its competitiveness as a world class city. Stated objectives are mainly dealing with the improvement of the urban fabric and the quality of living environment. For example, the stated objective of the New Town Development is to enhance the quality of life by improving the living environment from housing to education for the relatively underdeveloped districts in Seoul.

### Taipei

589 As spelt out in its Urban Renewal Act, the objective of urban renewal is to promote planned use of urban land via urban renewal, to regenerate the urban functions, to improve living environment and to promote public interest.

### Shanghai

590 Urban renewal is seen as an urban regeneration process closely connected with the overall positioning and strategic development of the city.

### Guangzhou

591 Similar to other cities, behind the recent urban renewal efforts is the objective to develop Guangzhou to be in par with the “four little dragons of Asia”. Apparently, the recent development of preservation in Guangzhou is often associated with the development of tourism.

## **Institutional framework**

### Institutional arrangements in formulating and implementing urban renewal policies

#### Singapore

592 The Urban Redevelopment Authority under the Ministry of National Development is the major planning and conservation authority in Singapore. The background of urban renewal policies lies in the Concept Plan and the Master Plans<sup>260</sup>. The institutional arrangement in Singapore in urban renewal appears to be the simplest structure among all cities under study and is highly centralized in and coordinated by one single authority.

#### Tokyo

593 In May 2001, the Japanese national government set up the Urban Renaissance (UR) Headquarters. The UR is a high-level institutional structure established within the Cabinet chaired directly by the Prime Minister, with the Chief Cabinet Secretary and the Minister of Land, Infrastructure and Transport as the deputy chief. This UR is not an administrative set-up for programme implementation but a structure to ensure that the necessary legal and policy frameworks are made for the development of urban renewal projects. The actual implementation of the policy is devolved to the relevant government departments at the prefecture, city and district levels.

594 The Bureau of Urban Development (BUD) of the Tokyo Metropolitan Government is responsible for the planning and implementation of the land readjustment and redevelopment of urban areas in Tokyo.

595 The Urban Renaissance Agency (UR Agency) was established in July 1, 2004 by

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<sup>260</sup> The Concept Plan is Singapore’s strategic land use and transportation plan to guide development in the next 40 to 50 years. The Concept Plan is reviewed every 10 years. The most recent Concept Plan is the 2001 version. The Master Plan is the statutory land use plan which guides Singapore's development in the medium term over the next 10 to 15 years. It is reviewed every five years and the most updated version of the Master Plan was approved in November 2008.

restructuring the Urban Development Corporation, a semi-government organization, and merging with the Regional City Development Division of the government. The UR Agency has recently reduced its direct role in actual UR project development and implementation (i.e. including land acquisition and construction) and focuses more on its facilitating role in urban renewal, such as clearing out vacated land (such as factory land) for effective use, supporting local public bodies and local residents to compile an urban renaissance development plan, to reach agreement among interest parties, and to stimulate private sector participation.

## Seoul

596 The institutional framework of the overall urban renewal policy is not very obvious in Seoul. This is probably due to the sheer size of the Metro Seoul which accounts for almost 50% population in South Korea and the resulting complex relationship between the National Government and the Seoul Metropolitan Government (SMG). Apparently, at the national level, the Ministry of Land, Transport and Marine Affairs played an important part in formulating urban development policies, the SMG, on the other hand, takes on a very active part and sometimes rather autonomous in formulating the urban renewal policies within Metro Seoul. In the New Town Development, The New Town Development Bureau within the SMG is responsible for the formulation of policies, evaluating, approval, and monitoring the implementations of the relevant projects. The New Town Project Headquarters led by the Deputy Mayor is responsible for the coordination of the Urban Planning Office and Housing Office within the SMG and the direct supervision of the implementation of the New Town Projects.

597 A semi-government organization, the Seoul Housing Corporation, was reorganized to implement the New Town Projects and to provide the administrative support to the coordination between the city government, the master planners, and the contractors.

598 On the basis of the Implementation Guidelines for Joint Redevelopment issued by the SMG, the associations (“Hapdong”) formed with the owners and the construction companies implemented most of the redevelopment projects.

599 The Seoul Development Institute is a government funded research institute providing research input to the development policies in Seoul.

## Taipei

600 The Urban Redevelopment Office in the Department of Urban Development is the chief

body in dealing with urban renewal issues for the city of Taipei.

601 The Urban Renewal Commission is responsible for reviewing the technical and legal aspects of the urban renewal plan, the mediation and settlement of disputes, the plan of land rights exchange before and after redevelopment, and any other matter related to urban renewal. The Commission is chaired by the Mayor or his representative.

602 The Taipei City Urban Renewal Corporation with 40% City Government ownership was set up in 2008 to promote and facilitate urban renewal in areas needing redevelopment and yet private initiatives have not been forthcoming.

603 Most urban renewal projects since the enacting of the Urban Renewal Act were primarily proposed by the owners association and subsequently implemented by urban renewal companies (limited by share) set up with participating owners as subscribers.

## Shanghai

604 Only until recently no single organization, department, or bureau spearheaded urban renewal in Shanghai. In February 2009, the Shanghai municipality government set up a Shanghai urban redevelopment task force comprising of the major commissions, bureaus, departments related to urban redevelopment and district representatives, and the Mayor of Shanghai chairs the task force with the deputy mayor serving as the vice-chairperson. Work is divided across different commissions and bureaux:

- Shanghai Municipal Commission of Construction and Administration is responsible for the identification and selection of the renewal projects.
- Shanghai Municipality Development and Reform Commission approves the public funding for renewal projects
- The Shanghai Municipality Planning and Land Administration Bureau sets up the planning standards and to decide whether the renewal project proposals have met the planning standards and requirements
- The Shanghai Municipality Housing Protection and Administration Bureau is responsible for the identification and monitoring of the dangerous and dilapidated buildings, and to decide upon the level of compensation and overseeing the compensation and relocation of residents in the redevelopment projects.
- The Shanghai Historic Cultural Areas and Outstanding Historical Buildings Committee housed under the Shanghai Housing and Land Resource Administration Bureau is responsible to the administration and coordination of the preservation of Historic Cultural Areas and Outstanding Historical Buildings. The Shanghai Urban Planning Administration Bureau is

responsible for the approval the relevant application.

605 Each redevelopment project consists of an Ad Hoc committee at the municipal level with members from various related departments and bureaux at municipal and district level. An urban area reconstruction office with representatives from relevant departments to deal with various assessment and compensation matters is set up at the district government level.

606 The office of the Shanghai Historic Cultural Areas and Excellent Historical Buildings Committee is responsible for the administration and coordination of preservation work.

#### Guangzhou

607 A number of government commissions, bureaux and departments, including those in charge of planning, lands, housing, and development are usually involved in the urban renewal process:

- The Construction Commission of Guangzhou Municipality was responsible for the identification and selection of the renewal projects.
- For projects involving government investment (most of the cases), the projects have to be approved by the Development and Reform Commission of Guangzhou Municipality.
- The Bureau of Land Resources and Housing Management of Guangzhou Municipality is responsible for the identification and monitoring of the dangerous and dilapidated buildings and to decide upon the level of compensation and overseeing the compensation and relocation of residents in the redevelopment projects. The Guangzhou Municipality Office for the Reconstruction of Dangerous and Dilapidated Buildings under this Bureau is responsible for preparing and maintaining a complete list of dilapidated buildings reconstruction project, the assessment and approval of these projects, proposing the arrangement of designated funds for the reconstruction of dilapidated buildings, as well as coordination, giving directions, the monitoring of project implementation.
- When a project is confirmed at the municipality level, the concerned district government will then set up an old urban area reconstruction office.

#### Statutory and executive power of implementation agencies

#### Singapore

608 The current power of the URA is derived from the Planning Act in 1989. The URA is an administrative body under the Ministry of National Development.

## Tokyo

609 In 2002, the City Planning Law of Japan was amended to allow the land owners, nonprofit organizations, and private development companies with the concurrence of two-thirds of the land owners to propose amendments to the town plan.

610 In 2002, the *Urban Renaissance Special Measure Law* was enacted and its corresponding Basic Policies for Urban Renaissance was formulated in 2004 to increase efficiency by reducing the negotiation time from 15-20 years to ideally 7-8 years, and to encourage private developers to carry out redevelopment project through the increase in plot ratios.

## Seoul

611 The Urban Redevelopment Law enacted in 1976 laid down the basic framework of public and private responsibility in urban redevelopment.

612 The power of the New Town Bureau and the New Town Project headquarters is derived from the Special Act for the Promotion of Urban Regeneration enacted in 2005 which defines the urban core area for redevelopment and detailed provisions, procedures, and measures used in promoting urban redevelopment.

## Taipei

613 The Urban Renewal Act lays down a detailed regulatory framework for a market-led approach to urban renewal. The provisions for the formation of the Redevelopment Associations and the subsequent urban redevelopment limited companies are spelt out in the Urban Renewal Act.

## Shanghai

614 All relevant authorities are government committees, commissions, bureaux and departments. The power of these authorities in urban renewal is generally given by law or regulations, such as the Property Rights Law, Regulations on Dismantlement of Urban Houses, etc.

Guangzhou

615 (The same as Shanghai)

Land law and administration related to land ownership/tenure in the context of planning and development, the policy approach and powers to enable property acquisition or resumption;

616 In Singapore, Shanghai, and Guangzhou, urban land is owned by the state and the leasehold system governs the use of land. In Tokyo, Seoul, and Taipei, apart from government owned land, land is primarily owned by the citizens themselves.

617 In Singapore, the usual leasehold is 99 years, with variations such as 75 years or even free-hold. The usual practice is that land lease will not be extended unless such extension is consistent with the Master Plan of development. The usual leasehold in Shanghai is 70 years. In 2007, by law, residential land lease will be automatically renewed after 70 years.

618 In the various cities included in this study, the threshold percentage of agreement among owners required for redevelopment projects ranged from 50% to 90%. In all cases, the requirement is very much lower than that in Hong Kong<sup>261</sup>.

**Table 9.1 The threshold % of agreement required for projects initiated by owners**

	Threshold required for % agreement amount land owners
Singapore	80% for 10 years or older building. 90% of buildings less than 10 years
Tokyo	2/3
Seoul	2/3
Taipei	<ul style="list-style-type: none"><li>● Expedited urban renewal areas: 50% of the owners owning a total of 50% of the land and building floor area</li><li>● Priority urban renewal areas: 60% of the owners owning a total of 2/3 (66.7%) of the land and building floor area</li><li>● Other non-designated areas: 2/3 (66.7%) of the owners owning a total of 3/4 (75%) of the land and building floor area</li></ul>
Shanghai	2/3 of the owners owning a total of 2/3 of the total building floor area.
Guangzhou	

Relative emphasis on different types of urban renewal

<sup>261</sup> Under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545, Section 3(1) and 3(2)) of Hong Kong, the majority owner has to own not less than the 90% of the undivided shares before making an application. Under Section 4(2), the Tribunal is required to satisfy itself that the redevelopment of the lot is justified due to the age or state of repair of the existing development and the majority owner has taken reasonable steps to acquire all the undivided shares on terms that are fair and reasonable

619 As mentioned earlier, the earlier stages of urban renewal were primarily focused on urban redevelopment, mostly total reconstruction. Increasing demand for preservation and rehabilitation is becoming more pressing in recent years. Apparently, the pace varies among the different cities.

#### Singapore

620 Compared to other cities, the Singapore government appears to move much faster in the work of conservation and this likely can be attributed to the fact that URA is both the planning and conservation authority. Furthermore, because of the very large public sector in the housing market, redevelopment mostly happens in the public sector and is rather limited in the private sector.

#### Tokyo

621 While the policy emphasis is not apparent, redevelopment appears to be the predominant role in the Urban Renaissance programme. Facilitation of preservation, rehabilitation and revitalization is also becoming more important in the recent few years.

#### Seoul

622 Most efforts appeared to be very much related to redevelopment. Rehabilitation and preservation efforts appeared to be lagging behind.

#### Taipei

623 Though renovation and maintenance were also spelt out in the Urban Renewal Act, judging from the details of the Act, most of the provisions are related to reconstruction while specific considerations for rehabilitation are made only at times. The subsidy provision made in the Urban Renewal Act for rehabilitation was later on also made available to redevelopment. In the past decade, the growing demand for preservation and rehabilitation was clear from the academic literature and among the general public.

#### Shanghai

624 Redevelopment is clearly the emphasis in earlier stages of urban renewal. Preservation became more prominent since the 1990s. The Research Team did not find much discussion related to the policy discussion on rehabilitation of existing buildings in



Shanghai, except for the 10<sup>th</sup> five year plan (2001-2005) where rehabilitation and conversion work would be done on old buildings lacking self-contained sanitary facilities. However, the Research Team noted that the rehabilitation work involved substantial reconstruction including re-roofing, additional lift well, converting into self-contained units, etc.

Guangzhou

625 Similar to the case of Shanghai, the emphasis is clearly on redevelopment and discussion on preservation and rehabilitation is only quite recent and often associated with the development of tourism.

### **Major Model/Approaches in Redevelopment**

#### Financing Redevelopment

Singapore

626 The URA does not play an active role in urban redevelopment except for the endorsement of projects as to whether they comply with existing Master Plans.

Tokyo

627 Financing of redevelopment is primarily a private responsibility in Tokyo. The Redevelopment is primarily led by the private sector and the land owners, the government provides several forms of support:

- Interest free loans from the prefecture governments to help the cash flow and kick-starting of redevelopment projects
- Sharing of the cost for the construction of public facilities
- Granting of extra floor area ratio
- Tax exemptions to enable the developers to purchase land and compensate for affected stakeholders.

Seoul

628 Prior to the development of the New Town Projects, urban redevelopment is primarily the responsibility of the private sector. The National Housing Fund provides loans to assist the financing of redevelopment projects. Increase in plot ratio is also used to make redevelopment more financially attractive. Additional plot ratio is sometimes granted to

encourage redevelopment projects in the city centre to include residential units.

629 Between 2002 and 2007, the SMG had injected 317,368 million won to finance the New Town projects.

#### Taipei

630 Financing of urban redevelopment is primarily through the private market. Owners forming their association and subsequently the implementation companies limited by share raised fund from the public by share and by bonds. Via the mechanism of the National Development Fund, low interest loans are also made available by the local government to the redevelopment projects.

631 Tax incentives and extra plot ratios are given to encourage redevelopment. Subsidies from the Taipei City Government, on reimbursement basis, are also available to support the initial set-up cost of the redevelopment associations and companies including planning costs.

#### Shanghai

632 There are apparently at least 2 different models used in redevelopment

- Government acquires, clear, set up basic infrastructure, and at a later stage sell the land parcel to developers for redevelopment. Government finances the acquisition and subsequent site formation cost and recovers the costs by land-use rights sale.
- Developer with the assistance of district government and approval of the municipal government starts a redevelopment project. In this case the Developers would provide or obtain the necessary financing.

#### Guangzhou

633 The case is very much the same as that of Shanghai.

### Role of the public sector, business sector, NGOs, the affected bodies, and the general public

#### Singapore

634 The role of the URA in redevelopment is primarily related to planning and endorsement authority for redevelopment projects. Redevelopment is primarily led by developers in the private sector.

## Tokyo

635 The Government role is to set up the major legal and policy framework for urban redevelopment, to designate urban redevelopment districts, to provide financial incentives (loan, additional plot ratio, tax exemptions and subsidies for constructing public facilities), and to approve of projects.

636 Projects can be initiated by the public sector, the owners or the developers. When the projects are initiated by the public sector, the private sector is always invited in as partners for the implementation of the redevelopment project. Moreover, the forming of Association with participating land owners and developers was the major institutional set up for implementing the redevelopment projects. The alternative form would be having developers coming in to buy off the land from the owners to start off a redevelopment project.

637 As mentioned earlier, the UR Agency has recently reduced its direct role in actual UR project development and implementation as it moves towards more of a facilitating role. As of March 31, 2008, of all the completed UR projects in Japan, only 5.4% were taken up by the UR Agency directly.

## Seoul

638 Prior to the development of the New Town Projects, the role of the government is primarily facilitating and redevelopment is primarily privately led. Since the implementation of the New Town Projects in 2002, the role of the public sector has become more active. The so-called public-private partnership is primarily government led via the New Town Development Bureau and implemented by a semi-government organization, the Seoul Housing Corporation.

## Taipei

639 The Taipei City Government is responsible for designating expedited and priority urban redevelopment areas, while implementation of urban redevelopment is primarily the responsibility of the owners and the private sector. The Government also takes on a facilitating role by providing some start-up subsidy, making loans available, granting additional plot ratios and tax incentives. The relevant commissions and government departments are responsible for evaluating and approving project and rights exchange plans.

640 In view of the limited impact of an owners-led and private-sector-led approach, the Taipei City Government set up the Taipei Urban Renewal Corporation with 40% government ownership to speed up projects in areas where the earlier approach did not work.

#### Shanghai

641 In redevelopment, the Shanghai experience has gone through stages of purely government intervention, to purely private redevelopment, and finally to government led with private sector implementation.

642 At present, the Government is responsible for the planning and approval at the municipal level, monitoring and coordination at the district level.

643 The business sector is responsible for the implementation of redevelopment projects.

#### Guangzhou

644 Under the current model of renewal, the government will initiate the redevelopment projects and be responsible for compensation, relocation of residents. After the government has acquired the land for redevelopment, they will put up the project design and construction work for open bidding. Private developers will then be involved.

#### Compensation and re-housing policies;

#### Singapore

645 Redevlopments in the private sector are primarily private arrangements among the owners and tenants.

#### Tokyo

646 In the land readjustment model, the participatory land owners and leaseholders would have the right to participate in forming the Redevelopment Association. Terms of compensation are all subject to the negotiation within the Redevelopment Association. “Flat for flat”, “shop for shop” or even “flat for shop” and vice versa are all possible subject to the agreement made in the Redevelopment Association. Land owners and leaseholders not participating would be compensated by market value and where again the terms are subject to the negotiation between the Redevelopment Association and the individuals. Local

government bodies or the UR Agency provide the guidance or assistance whenever necessary. Resorting to the court is rare. Compensation for tenants is primarily the responsibility of the owners. The Redevelopment Association may on its own decision allow previous tenants to come back after redevelopment. Low cost Metropolitan (public) Housing can also be made available for eligible tenants, but such cases are not common in Tokyo.

## Seoul

647 In the Hapdong model, owners can participate in the urban redevelopment projects through the formation of a redevelopment association partnered with a construction company. They are given a priority ticket to return to the redeveloped site and the priority ticket is transferable in the market.

648 Owner occupiers and tenants are also given cash compensation due to relocation, at least during the period of reconstruction.

649 In designated redevelopment districts, construction of rental housing in the designated areas is also required to re-house the tenants. But, such provision is not available for projects outside the designated redevelopment districts.

650 The conflicts related to the adequacy of compensation between tenants, particularly shop-operators, and the project implementer still appear in the news from time to time.

## Taipei

651 Rights of owners of land and buildings are governed by the rights exchange system. The compensation for non-participating owners will be determined by the rights exchange plan proposed by the Redevelopment Association and subsequently approved by the Urban Renewal Commission.

652 Compensation to tenants in redevelopment is spelt out in the Urban Renewal Act (Article 37). For residential units, one year's rent for contracts with an outstanding period exceeding one year or rental for the remaining period if it is less than one year. For non-residential units, compensation equivalent to two months' rent would be paid.

## Shanghai

653 In the current demolition and expropriation regulations of Shanghai, there are three

options for owner occupiers:

- Cash compensation based on market value plus 25-30% additional incentives, or
- Distant relocation – with more community facilities, or
- On-site relocation (but usually difficult to materialize)

654 For tenants, distant relocation of flats of similar sizes would be provided.

## Guangzhou

655 During the process of this study, the Guangzhou government is developing a new compensation system for owners, which is basically a new flat for an old flat compensation and the value of the new flat is benchmarked with the current market price of new flats in the neighbourhood. As in the case of Shanghai, options of on-site relocation or distant relocation are also available.

656 Compensation for tenants is basically a matter between owner and the tenants. For tenants in state-owned properties either cash or re-housing options are given. Such compensation depends on the length of the remaining tenancy contract.

## Community engagement processes

### Singapore

657 There is apparently no provision in Singapore requiring redevelopment projects to engage the affected and neighbouring community. While there are many large developers operating in Singapore, the Research Team did not find any owner participation scheme in the present study.

### Tokyo

658 While the actual implementation of redevelopment projects is carried out by the private sector, community engagement in Tokyo can be conceived in four different levels:

- At the cultural level, “Nemawashi” (根回し) in Japanese culture would require an informal process for any proposed project to talk to the people concerned and to obtain their support and feedback.
- At the city planning level, the 1992 amendment to City Planning Law required all municipalities to prepare a Master Plan through public participation.
- At the district planning level, the 1980 amendment to the City Planning Law

introduced the District plan to increase citizen participation in urban planning. In 2002, amendments to the City Planning Law added the provision which allowed land owners, NGOs, and developers with the concurrence of two-thirds of the land owners to propose amendments to the relevant plans.

- At the project level, under the land adjustment mode, the original land owners are basically partners in the Redevelopment Association.

## Seoul

659 In the Hapdong model, under the Urban Redevelopment Law, consent from 2/3 of the owners and a public hearing are required.

660 In the New Town Projects, while the initiation and designation begins from the SMG level, consultation with residents of the target district and the district council are required. The actual application will be submitted by the district council to the city government. Subsequently, at the city level, consultation with relevant organizations would also be made.

## Taipei

661 As spelt out in the Urban Renewal Act (Article 5), the views and preferences of the residents are part of the considerations in deciding whether an area should be designated as an urban renewal area or not.

662 The community development efforts in Taipei had been strengthened since Chen Shui-bian served as Mayor. The presence of borough chiefs, community planners, community and development associations, and other community based organizations, all serve as mediators to a community-led approach in the urban renewal process.

663 Within the Urban Renewal Act, the threshold required for owners consent and the statutory required form of and duration of public consultations are spelt out when anything less than 100% owners consent has been obtained.

## Shanghai

664 The Shanghai Municipal City Planning Legislation stipulated the requirement in collecting public opinions in urban planning. Different means including public forum, conference, and hearing should be used to involve residents, relevant departments and related stakeholders. Agreement of not less than 2/3 of all the owners towards the redevelopment

plan is required before the project can proceed.

## Guangzhou

665 The public engagement process is emerging in the context of Guangzhou. Public announcement, opinion survey and meetings with owners are used to engage the community and the stakeholders. Agreement of not less than 2/3 of all the owners towards the redevelopment plan is required before the project can proceed.

## **Major Model/Approaches in Preservation**

### Financing Preservation

## Singapore

666 The Singapore government did not provide any subsidy or compensation for preserving private properties. In early dates of conservation, the government simply acquired the relevant sites or resumed the sites upon the expiration of lease, and subsequently tendered the sites to the private sector or individuals on the condition that the new owners would follow the standards spelt out by the URA in renovating the premises.

667 The Preservation of Monuments Board administers a tax exemption scheme to raise funds to restore and maintain publicly owned monuments.

668 To encourage conservation, the Singapore government recently waived development charges and car park deficiency charges, and offered gross floor area incentive to owners of heritage bungalows to preserve their buildings.

## Tokyo

669 Conservation repair work is carried out by the owners of Important Cultural Properties or their custodial bodies. The Agency for Cultural Affairs provides necessary guidance, suggestion, advice and subsidies for the owners or custodial bodies. Support can also be given through preferential tax treatment and extra plot ratio at adjacent site.

## Seoul

670 Preservation of monuments and national treasures is financed directly by the



government. Apart from a few hanoks purchased by the SMG, hanok owners bear the cost of renovation and maintenance. Loans of about US\$30,000-60,000 were made available to the hanok owners in Bukchon for restoring each hanok.

## Taipei

671 To deal with the preservation of a privately owned site, the Taipei government can either acquire the estate including land and buildings, exchange land with the owners, or simply leave the responsibility to the owner, with compensation of loss in value or allow transfer of plot ratio, and provide subsidy to support the management, maintenance and renovation cost of preserved sites on the condition that such sites would be opened to the public.

## Shanghai

672 Preservation in Shanghai is basically government led. The government is responsible to set up the required legislation, regulations and relevant administration structure. The historic buildings should be recommended by the public, screened by the government departments, appraised by experts and finally approved by the government. The municipal and district governments can set up designated preservation fund with sources of funding including appropriation from the relevant level of government, donation, and sale or lease income of the buildings. Active reuse of historical buildings is promoted to enhance the financial sustainability of the preservation sites.

673 According to the Regulations of Shanghai Municipality on the Protection of the Areas with Historical Cultural Features and the Excellent Historical Buildings, provision was made for the transfer of originally permissible plot ratio in conserved areas to other places.

## Guangzhou

674 Preservation of relics and monuments is basically funded by the government. The preservation of shop-house streets in Guangzhou has been slow in progress. As in the case of Shangjiu Street and Xiajiu Street, the preservation work was part and parcel of the whole regeneration of the pedestrian streets tendered out to the private sector, and the preservation work is indirectly financed by allowing the building of newer structures behind the façade of the shop-houses.

## Role of the public sector, business sector, NGOs, and the affected bodies

## Singapore

675 The URA is the planning authority and designation authority for conservation, while the Preservation of Monuments Board under the Ministry of Information, Communications, and Arts is responsible for the preservation of monuments.

676 Except for the demonstration projects in China Town, conservation is primarily the responsibility of the private sector and the owners.

## Tokyo

677 Preservation is primarily government led by the designation of buildings, historical sites and landscape. The major agency is the Council of Cultural Affairs under The Agency for Cultural Affairs (文化廳) carrying out investigation and inquiry, while the Ministry of Education, Culture, Sports, Science and Technology is empowered by the Law for the Protection of Cultural Properties to approve the designation.

## Seoul

678 While the preservation of monuments and national treasures is the responsibility of the government, the preservation of privately owned hanoks is the responsibility of the owners. The role of the government remains quite passive, though at the time of this study, the government is planning to set up legislation to protect hanoks.

## Taipei

679 While the listing of buildings and sites as cultural heritage for preservation is the duty of the government, we also found many cases where the advocacy by local and professional groups has led to the listing of the relevant buildings and sites. The Council of Cultural Affairs under the Ministry of the Interior is the major body responsible for preservation in the central level while county and city government are responsible at the local level.

## Shanghai

680 Preservation is basically government led.

## Guangzhou

681 Similar to the case of Shanghai.

### **Rehabilitation**

682 It is apparent in all the cities included in this study, rehabilitation ranked very much lower than the other modes of urban renewal and is only gaining more momentum in recent years.

683 Financial support for renovation and maintenance of privately owned buildings is available in the cases of Taipei and in Seoul. In the other cities, the rehabilitation of private buildings is primarily the responsibility of the owners. The support provided by the Tokyo government is primarily intangible and mostly educational.

## **Chapter 10: Lessons learnt, conclusions and recommendations**

### **Lessons learnt**

684 The key lessons that we have learnt from the various city studies and that may be relevant to the urban renewal issues in Hong Kong are highlighted in the following paragraphs. Though for some of these lessons “learnt”, we may have already been practicing them in similar ways or in similar directions in Hong Kong. These “lessons” are included in this Chapter to remind us that Hong Kong is not alone facing these problems and other cities have also tried similar strategies before.

### **Lessons learnt from Singapore**

685 In Singapore, urban renewal in the private sector is primarily the responsibility of the owners and the business sector. To facilitate redevelopment in the private sector, the Singapore government has:

- reduced required percentage of consent for en bloc sale (i.e. similar to the compulsory sale in Hong Kong), in 1997, from 100% to 90% for buildings less than 10 years, and to 80% for buildings 10 years or more
- gradually phased out rent control between 1988 and 2001, which is again similar to Hong Kong but slightly earlier than that in Hong Kong

686 We noted that the overall planning of Singapore as reflected in its Master Plan, i.e. its 10-15 years statutory land use plan, has provided the basic framework and directions for redevelopment in the private sector.

687 Though conservation was written into the objectives of the Urban Redevelopment Authority in 1974, conservation was kick started in 1984 by the concern on tourism. However, the thematic development and tourism oriented conservation had led to the criticism related to the loss of authenticity and the organic vitality of the community.

688 We noted that the integration of conservation and overall urban planning in one single authority, the Urban Redevelopment Authority, has made it possible for extensive conservation to be achieved in Singapore.

### **Lessons learnt from Seoul**

689 Due to the social and political conflicts occurred in earlier stages of urban renewal, the

Seoul government had tried to pull out from redevelopment between 1980s till 2002, and left it primarily to the owners and the private market. Yet, the government has to take an active part again in the “New Town” projects, because purely privately led redevelopment in the 1980s and 1990s had led to higher and higher building heights, higher building density and larger building mass, lacking of communal facilities, and deteriorating traffic conditions. Furthermore, the un-coordinated redevelopment of Seoul downtown in the 1980s had led to replacement of low rise residential units by high rise office buildings, leaving an empty business centre at night.

690 In the redevelopment of the old town of Seoul via the “New Town” projects, the initiation came from the Seoul Metropolitan Government, whereas the planning starts from the district level (“Gu”). Master planners appointed for the projects have to engage the community at the early stage of planning.

691 We noted from the various case studies of the new town project indicated that local concern mostly focused on financial/economic return on redevelopment. Different approaches from total re-construction to a mixture of restoration and re-construction were used for different projects depending on the different circumstances of project.

692 Housing bonds can be issued by the city government to finance redevelopment projects.

693 The relatively successful voluntary conservation in the case of traditional Korean Houses (“Hanoks”) in Bukchon is partly due to the relaxation of building codes, the availability of loan for renovation, the active preservation groups serving as watchdog, and the strict height restriction in the area due to its vicinity to the palaces. The same success was not observed in the hanoks situated in other parts of Seoul.

### **Lessons learnt from Tokyo**

694 The lessons learnt are primarily related to redevelopment.

695 Urban redevelopment in Tokyo can be characterized as top down planning and redevelopment initiative with bottom-up detailed planning, and partnership between owners and the private business sector. Government provides facilitation and financial incentives.

696 Owners’ participation in redevelopment is the key characteristics found in the case study of Tokyo. Majority of owners will become part of the redevelopment association and

will be able to move back to the same area after completion of the project.

697 The observations in Tokyo have to be qualified with the understanding that

- the Japanese culture emphasizes on harmony and consensus,
- the time needed to arrive at a majority view usually takes a very long time,
- the owners have to share the financial risk in redevelopment, and
- there is ample room for extra plot ratios as an incentive.

### **Lessons learnt from Taipei**

698 The model in Taipei is very similar to that in Tokyo and that in Seoul between 1980s-2002. Government serves primarily as planner, regulator and facilitator with top government leadership (mayor and vice-mayor). Initiative comes from citizens and developer. Similar to Tokyo, higher plot ratio and increased density are used as incentives. The Taiwan Government provides low interest loan to redevelopment associations and corporations and the Taipei Government also provides subsidies to cover up to part of the administration and planning cost of the redevelopment associations.

699 However, the past efforts appear only to be mostly applicable to small scale projects and higher-end residential areas, and improvement to public facilities has been quite limited. A new urban renewal corporation with 40% city government ownership was set up in 2008 to deal with urban renewal in areas which needed redevelopment most and yet could not be started in the past years.

700 The observation in Taipei has to be qualified by the presence of strong community organizations and the past efforts of the Taipei and Taiwan government in strengthening Taiwan culture via local culture and local identity.

701 We also noted that the redevelopment corporations formed by the redevelopment association and developers are companies limited by share and share capital of not more than 70% can be raised in the public and this is unique among the cities included in this study. Its implication for future land ownership and redevelopment in the long run is worthy of further study.

702 The Taiwan government provides subsidy to support the management, maintenance and renovation of preserved private sites which are opened to the public. By law, the government is also required to compensate for the loss in value of a listed private property. Provisions are also made to allow transfer of plot ratio out of the preserved site.

## **Lessons learnt from Guangzhou**

703 Redevelopment in Guangzhou, historically, has gone through several stages: from purely public to mainly privately led, and at present a mixed approach. Current approach can be characterized as having high level city government leadership with the Mayor involved, while initiation comes from the district. Government intervention is very obvious in urban redevelopment particularly at the stage of planning, acquisition and compensation, and relocation of residents. Private developers would be involved in the project design and re-construction work.

704 While community engagement is still limited, the policy and demand for such is strengthening and the actual practice is increasing. New acquisition and compensation is in the process of evolving during the current research study.

705 City and district governments play an important role in the planning and approval processes, and directly involved mostly in state owned properties.

## **Lessons learnt in Shanghai**

706 Top level city leadership and coordination of various departments are seen as important element in the urban renewal of Shanghai. Shanghai sees urban renewal as an important part of the strategic development of the city.

707 The Shanghai government has a practice to demolish dilapidated and dangerous building and put them as reserve in land banks.

708 Shanghai has developed significant efforts in the overall planning of historical districts and at times engaged the private sector in preservation nested within comprehensive development projects that are profitable.

## **Overall lessons**

709 Comprehensive planning – In many other Asian cities, comprehensive planning for conservation and redevelopment is evident. This is seen to be particularly important when urban renewal is privately led.

710 City Competitiveness –Urban regeneration is seen in many cities as vital to its overall

strategic development competitiveness. Top level government involvement appears to be pivotal.

711 Publicly-led or privately-led: Many cities have used different approaches at different stages of urban development. Seoul, Guangzhou and Shanghai at certain stages have changed from publicly-led to primarily privately-led urban renewal strategies. Yet, they have all switched back to more public led urban renewal with private partnership. Taipei has seen the inadequacy of a primarily privately led strategy to deal with areas which needed redevelopment most and has made recent attempts to rectify it. Tokyo and Singapore are still basically privately-led, but the private market in Singapore is relatively small as compared to the public housing market.

712 Existing development density: No city included in this study was facing the same magnitude of development density as that in Hong Kong. Increasing plot ratio as a major incentive is available to these cities for the private sector. However, this is probably not quite available in Hong Kong and it would be increasingly difficult for redevelopment of buildings in Hong Kong built in the late sixties and seventies with most development potential already used up.

### **Overall (Redevelopment)**

713 The cities, probably with the exception of Tokyo and Singapore, have seen the limitations in primarily privately-led redevelopment and have resorted to more public intervention.

714 The level of consent required for privately-led redevelopment, the 90% in Hong Kong is the highest. In Tokyo and Seoul, it is 2/3. In Taipei, it ranges from 50% to 2/3 depending on the priority in redevelopment. In Shanghai and Guangzhou, it is 2/3. For Singapore, it is 80% for buildings 10 years or older and 90% for building less than 10 years old.

715 We can only observe the land bank approach used in Shanghai but not elsewhere. However, we should also note that in the case of Shanghai, each acquisition and demolition usually involves only a few housing units within one building. This is probably not the same for Hong Kong, i.e. most buildings will involve multiple housing units and under the existing institutional set-up, the Urban Renewal Authority is not empowered by law to do so.

716 Bottom-up planning and redevelopment in many cities depends on a strong



neighbourhood and an empowered district government. In Hong Kong, this pre-requisite does not seem to pre-exist.

### **Overall (Conservation)**

717 Conservation in the other Asian cities is primarily government led (in planning, designation/zoning, support, and acquisition) and with private participation in implementation.

718 We have seen examples of strict height restriction and down zoning but could not find evidence of strong objections from the public<sup>262</sup>. In many cities, transfer of plot ratio within site is used. Only Taipei uses transfer of plot ratio outside the conservation site. While there is provision in Shanghai to do so, we do not find any evidence of such practice in our study.

719 The need to establish procedure and mechanism to obtain exemptions from modern building codes and requirements in maintaining the authenticity of conservation is seen in many Asian cities. The Singapore case provides clearer example of how the Urban Redevelopment Authority coordinates the requirements from various other government departments such as the building authority and the fire service department.

720 A common trend of growing interest in authenticity and organic conservation was observed in the various cities.

721 Loans are made available in many cities for restoration of privately owned preserved buildings.

### **Overall (Rehabilitation)**

722 Apart from the Seoul Metropolitan Government providing loans and the Taipei City Government providing subsidies with both focusing on priority areas designated for urban renewal, maintenance and repair of privately own buildings are seen as primarily private responsibilities in the various Asian cities included in this study.

723 Provisions in law and regulations are more extensive in Shanghai and Guangzhou owing to the need of renovation of dilapidated buildings. For instance for major modifications and renovation, 2/3 of the owners agreement is required by law.

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<sup>262</sup> In the case of Singapore, we can only find objections expressed in blogs but not in newspapers.

## **Overall (Government Role)**

724 We noted that the role of the government changes over time in the various cities. While the current models of urban renewal differ among the cities, two common features that we have observed are the importance placed on legal framework and comprehensive planning including redevelopment and conservation, and the leadership provided at the top level of the city government which helps to coordinate efforts and jurisdictions across different government departments and bureaux.

725 The role of the governments varies among the various cities in terms of the extent to which they participate in the implementation of urban renewal projects. The Tokyo government appeared to be the least involved in implementation, while on the other hand, the Seoul Metropolitan Government's role in the development and implementation of New Town projects is very substantial. At the same time, we should also note that privately-led urban redevelopment model, i.e. the formation of redevelopment association with participating owners and developers, is very similar in Tokyo, Seoul and Taipei.

## **Overall (Private Sector)**

726 In Tokyo, Seoul, and Taipei, the private developers/construction companies joined with the owners to form associations in redevelopment projects. These developers/construction companies provided the expertise and financing for the redevelopment projects. In Guangzhou and Shanghai, the government takes care of the clearance and land assembly and the developers take care of the reconstruction. In Singapore, the model is very similar to the compulsory sale model adopted in Hong Kong except for a less stringent requirement on the level of consent of owners for compulsory sale.

727 The private business sector plays an important part in the implementation of conservation in several cities (Singapore, Tokyo, Guangzhou, and Shanghai). In Tokyo, the stated policy is to make full use of the dynamic nature of the private market and the resources of the private companies. The transfer of plot ratio enables the private sector participation in conservation in Taipei.

## **Overall (The community)**

728 In Seoul, Tokyo and Taipei, owners play an important part in redevelopment. Though the models are very similar, outcomes appear to be quite different. Seoul has experienced

severe conflicts as exemplified in a recent conflict which occurred in a redevelopment project in Yongshan, Seoul.<sup>263</sup> The process in Taipei is quite successful due to strong community development but only limited to small scale projects and in relatively more affluent areas. The model seems to be more effective in Tokyo, where the model is originated from, and yet the time taken for negotiation and implementation appears to be very long. This variation in application results of the same model clearly alerts us to the importance of political, social and cultural context played in the formulation of urban renewal strategy.

729 To enable owners to take part in conservation, lessons from Singapore, Seoul and Taipei are informative.

### **Limitations of “learning” from overseas example**

730 To learn from the experience of other cities, we should always bear in mind the political, social, economy and cultural differences among the various cities, and the different stage of urban development and the difference in development density. In particular,

- The difference in land policy (ownership, lease policy) – e.g. HK is on leasehold and redevelopment will normally imply one-off substantially higher land premium if the lease is modified as a consequence of redevelopment. In Tokyo, Taipei and Seoul, land is primarily free-hold.
- Government structure (National, provincial, municipal, district) – e.g. HK has basically only one level of government and district “administration” is primarily consultative. In Seoul, Tokyo, Shanghai, and Guangzhou, the district level government is more resourceful and has relatively more administration and policy making power.
- Political Structure (Election system) – The mandate for major projects and urban renewal strategies or approaches is obvious in the election of Mayors in Seoul and Taipei. The Singapore government is very stable and the ability to implement long term strategies is very much assured.
- Local community strength of Hong Kong is relatively weak as compared to other cities
- Social and political culture – e.g. Harmony in Japan versus Diversity in Hong Kong, and the social conflicts observed in Seoul.
- Size and influence of the developers in related public policy and implementation of projects, e.g. HK has very powerful and large developers compared to those existing in other cities

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<sup>263</sup> A fire broke out on January 20, 2009 and killed five protesting tenants and one policeman.

- Existing building density is already very high in Hong Kong and can hardly be used as incentive for primarily privately led redevelopment as used in Tokyo, Seoul and Taipei.

## **Summary of Recommendations**

731 The purpose of this study is to identify lessons to be learnt from the policies and practices of urban renewal in the selected Asian Cities. The purpose is not to identify what kind of policies that should be adopted in Hong Kong, which should be done through the public engagement and consensus building in the Urban Renewal Strategy review process. The lessons learnt as identified in the early paragraphs are basically areas that the Research Team would like to recommend to the URS Review Steering Committee to examine during the review process. In following paragraphs, some of the issues that may have implications for further discussion or even further study during the URS review process are summarized.

### Owner Participation and percentage of agreement required for redevelopment

732 Owner participation has received considerable attention well before and during the URS review. There are apparently several common features of the models adopted in Seoul, Tokyo and Taipei that we may want to note if we are considering their applicability to Hong Kong:

- The designation of areas for redevelopment – the government in its planning process has designated areas of various degrees of priority for redevelopment. This is a transparent process and provides a clear market signal to the business sector and owners.
- Institutional set-up - Coupled with the designation of redevelopment priority areas, the government has also put in place various provisions in law, policies, procedures, and institutional set-up that would enable and facilitate redevelopment with the participation of owners to take place. With low level of community organization and community participation in Hong Kong, provisions have to be in place to facilitate and to empower the owners to get organized.

733 As mentioned earlier, the percentage of agreement among owners required for a private redevelopment project to proceed is highest in Hong Kong (i.e. 90%), and we have to consider whether the percentage required in Hong Kong needs to be adjusted, or, at least, to invoke the provision in the existing law allowing the Chief Executive in Council to specify a lower percentage between 80% and 90% in respect of a class of lots.

734 Theoretically, owners in Hong Kong can make use of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545) to initiate a redevelopment project. However, in the Ordinance, they would need to demonstrate that the redevelopment of the lot is justified due to the age or state of repair and that they have taken reasonable steps to acquire all the undivided shares in the lot in fair and reasonable terms. Currently, it is invariably the case that developers or investors are involved before such a process can be made possible. Furthermore, they would require many technical and professional support (such as engineering reports on the conditions of the building, and valuation reports) before they would be able to complete the whole application process. The Taipei model of forming companies limited by share and the financial support available from the government to help the owners to initiate redevelopment projects is an example that we can refer to if we are considering how to facilitate owners initiation and participation in Hong Kong.

#### Privately led redevelopment

735 The experience of leaving urban redevelopment entirely to the private market in the other Asian cities does not seem to be very positive. Though many city governments including Seoul, Shanghai and Guangzhou had tried to pull themselves out from redevelopment at one point of time in the past, they have all come back to play an important part in the redevelopment process. Singapore may perhaps continue to leave this to the private market as private buildings are basically all at the upper-end of the market. Even though in the Japanese model, it is still basically privately-led market, the government has found it necessary for the leadership from the highest level of the national government, i.e. urban regeneration task force chaired by the Prime Minister and deputized by the Land Minister. In Taipei, the new Taipei Urban Renewal Corporation formed in 2008 was an attempt to fill the gaps of urban redevelopment in areas where redevelopment is mostly needed but have not been adequately dealt with in the basically privately-led market. In the URS review process, while the debate on whether urban renewal should be privately-led or not will continue, we should take note of the negative experiences in other cities.

736 We also need to address the related issues of privately-led redevelopment projects such as the compensation to tenants, public consultation in the neighbourhood of the redevelopment site, and the planning issues such as the provision of public facilities including public open spaces, increasing density, avoidance of pencil buildings, etc.

#### Designation of priority redevelopment districts and areas

737 While many cities have a planning process of designating priority areas for

redevelopment, this is not the current case in Hong Kong. While the designation of target areas in the URS is clear, the information related to the specific clusters of buildings or sub-districts within the target areas that the URA would plan to redevelop is considered to be sensitive and highly confidential. One major concern about the release of such information is the possible abuses associated with the substantial financial interest that would be brought about because of URA's entering into these sites for redevelopment. One contributing factor to this concern is that the compensation of the URA can be, in many cases, much better than the market value<sup>264</sup> of the housing units and thus create a possible profit for speculators. This concern about the confidentiality of planned URA project creates a barrier to the genuine participation of owners, at least at the early planning process. Thus, in considering the possibility of increasing owner participation<sup>265</sup>, the issue of transparency coupled with the issue of compensation would have to be taken into consideration.

### Community Engagement

738 The trend of increasing demand on community engagement in urban renewal appears to be common in all the cities. There is apparently no debate against the need to increase community engagement in Hong Kong, except for the issue of confidentiality discussed above and the question about how and the extent of community engagement. The Research Team would expect that this issue would be addressed in the coming community engagement and consensus building process of the URS review.

739 Examples of district level government initiating redevelopment projects were observed in many cities including Guangzhou, Seoul, and Taipei. One relevant issue that can be discussed in the context of Hong Kong is whether we should wait for the empowerment of the District Councils before they would be given more roles in urban redevelopment or we should entrust more power to the District Councils in urban renewal as a way of empowering district administration.

### Compensation to Tenants

740 There are variations among the selected Asian Cities related to the statutory or policy provisions for the compensation paid to tenants, i.e. from practically no provision in the case of Singapore to the statutory provision for the specific required level of compensation in the

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<sup>264</sup> The "Seven-year Home Purchase Allowance formula", i.e. compensation based on the notional value of a 7-year old replacement housing unit within the vicinity is much higher than the existing use market value and sometimes can be even higher than the gross development value of respective site.

<sup>265</sup> In the broad sense, owner participation is more than ownership of the redevelopment project. It may include participation in the planning process, design process, and the implementation process.

case of Taipei. We noted that conflict arising from the grievances of tenants was frequently seen in Seoul where statutory and policy provisions have been made yet always subject to negotiation. In the case of Hong Kong, compensation for tenants in privately-led redevelopment projects is the same as that in Singapore, that is, no statutory or policy provision, while compensation for tenants in URA projects is spelt out clearly in policy. If we are expecting the private sector or the owners to take a more active part in redevelopment in the future URS, we would have to address the issue of whether we should also have clear provision for compensation to tenants either by statute or by policy.

### Financing of redevelopment

741 There are two issues related to financing of redevelopment. One is the financial incentive for redevelopment, i.e. the value added over and above the existing use market value plus planning and reconstruction cost, financial risk, and financing cost. Another financing issue is the working capital required for compensation and/or acquisition, planning, and reconstruction.

742 For financial incentive, the major means of financing redevelopment in the various cities is the extra plot ratio that can be made available. This option does not seem to be available to Hong Kong, or at least diminishing. Other incentives that can be considered in Hong Kong would be tax incentives as used in Tokyo, Seoul, and Taipei. Furthermore, if owners' initiation is to be encouraged in Hong Kong, the technical and financial support offered by the Taipei government to the owners for planning and organizing can also be considered.

743 The Seoul, Tokyo, and Taipei governments make loans available for financing redevelopment projects. In the case of Taipei, redevelopment corporations can raise funds via the issue of shares or the issue of redevelopment bonds. If Hong Kong is to consider encouraging more owner-initiated projects, these modes of financing should also be considered at the same time.

### Social Impact Assessment

744 While the Research Team has looked for the experience in the use of social impact assessment (SIA) in the selected Asian Cities, there is hardly any evidence found on its application in the selected cities. In Hong Kong, SIA is already a statutory requirement and there is practically no objection to the use of SIA. The issue is how and to what extent it is used to inform policy decision, redevelopment project identification, and project

implementation. This subject requires further discussion and study in the context of Hong Kong.

### Conservation and planning

745 Large scale conservation including landscape and cultural districts is observed in most of the cities included in this study. These efforts are very much integrated into the planning process of the cities. In the review of the URS in Hong Kong, the applicability and desirability of this approach can be discussed.

746 Examples of voluntary conservation can be found in Singapore, Seoul, Taipei, and Tokyo. While voluntary conservation in the cities are not very extensive, the governments have tried and made provisions to facilitate such process including loans in Seoul, subsidy in Taipei, plot ratio transfer within site as in the case of Singapore, Taipei, and Tokyo, and plot ratio transfer outside the site as in the case of Taipei and possibly Shanghai. These practices serve as references for Hong Kong.

747 Conservation particularly authentic conservation requires some flexibility in maintaining modern standards of buildings and substantial coordination among different authorities such as building and fire services. The Singapore experience having the Urban Redevelopment Authority as the policy making and coordination body appears to be a good example that Hong Kong may consider.

### **Rehabilitation**

748 While rehabilitation of buildings is seen primarily as the responsibility of the owners, many cities including Seoul and Taipei have made efforts to encourage owners to maintain their housing units. Hong Kong in comparison is moving in similar directions. Issues of debate such as compulsory inspection and maintenance are not found in other cities. Perhaps, in the URS review of Hong Kong, we can take a few steps ahead of other cities.

### **Concluding Remarks**

749 Within the limitations of this study, the Research Team has found many useful lessons that can be learnt from the other cities while fully aware of the cautions needed when we are interpreting the experiences of other cities. As mentioned earlier, this study involves very substantial breadth and depth of knowledge in many different fields of study. While the Research Team has tried its very best in this study to consult related experts in other countries



and in Hong Kong, we cannot still claim to be experts in all the related fields of knowledge. Given the time frame and resource available in this study, there are areas as discussed in many parts of this report which would require further or more in-depth study. Moreover, the policy and practices of urban renewal in the various cities are still and will always be in the process of evolution, continuous learning of what is happening elsewhere is necessary when we are addressing the current issues back home in Hong Kong.

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