

Urban Renewal Strategy (URS) Review
Brief Report on Study Visit to Tokyo (8 – 11 February 2009)

1. Background

- Following the policy study of six Asian cities undertaken by the Policy Study Consultant (the research team of the University of Hong Kong), two study visits have been organized to provide the opportunity for key stakeholder groups to gain first-hand knowledge of other cities' urban regeneration experience. Tokyo was one of the cities selected for the purpose.

- A delegation of 28 members was led by Mrs. Carrie Lam, Secretary for Development. Members of the Delegation included members of the Steering Committee on URS Review, members of the URS Review Committee under Urban Renewal Authority (URA), members of URA's District Advisory Committees who are also District Council members and representatives of Development Bureau and URA.

- The two-and-a-half day study visit programme, which was organized by the Public Engagement Consultant (A-World Consulting Limited), comprised meetings and lectures with government officials, academics and those experienced in urban renewal in Tokyo. Site visits were also organized to a number of redevelopment and preservation projects.

- The gist of the meetings and lectures are noted as follows, with a summary of the interests and views expressed by the members of the Delegation.

- 2. Presentation by Mr Itaru Sato, Assistant Team Leader,
Land Use Planning Section, Urban Development Policy Division,
Bureau of Urban Development,
Date: 9 Feb 2009
Venue: Tokyo Metropolitan Government Offices
(Conducted in Japanese)**

Gist of Presentation

- In Tokyo, urban renewal projects were mainly co-developed by public / private organizations and local residents. The projects of Roppongi and Mid Town were typical examples through which the city centre of Tokyo had been upgraded.
- It was aimed to handle the concerned projects flexibly despite the limited plot ratio. The projects, which were initiated from the government's long-term policy, were led by private developers with the engagement of local residents. Upon completion of the projects, the old area was renewed and the public facilities, such as transportation, were also improved, thus achieving multi-winning results.
- The targets of co-development were communities constructed with wooden structures. Wooden structures were subject to high risk in case of earthquakes and fires. Co-development could bring facelift to the district which was the country's new design direction.
- Regarding the development in Roppongi, the total area involved 11 hectares. The project commenced in 1988 and it took 15 years to complete. There were 132 landowners and 8 land borrowers, which involved a total of 800 residential units, 200 shops and a library. Nearly 400 property owners were affected.
- The Roppongi development consisted of two areas, i.e. Area A and Area B. The Roppongi railway station was located in Area A. The railway station served as the centre of development to connect other areas. Road widening and enhancement of public facilities were important characteristics of the project. Area B was the major and specific development lot. It was the location of TV Asahi. The total floor area

reached 729,000 square metres after redevelopment. Subsequent Tokyo development planning was all based on this project.

- As a result of the concessionary policy, the original park became the centre of planning for massive greening work and it also helped to enhance the fire prevention function. In and at the periphery of the park, there were a total of 600 sakura trees among which 140 were existing trees.

Interests and views expressed by Delegation Members

Had the government assessed the returns of its 'investment'?

- No formal assessment was made, but it increased potential space for development and at the same time brought great benefits to public utilities. Hence, both the government and developers had the incentive to carry out development.

The relationship between right of participation and property size

- The right of participation was determined having regard to the property size. Basically, development was carried out under a persuasive negotiation approach in accordance with different regulations.

Tenants' rights

- Landowners and tenants could privately negotiate according to the lease.

- 3. Presentation by Dr Norihiro Nakai, Professor of Urban Planning,
Department of Social Engineering, Tokyo Institute of Technology,
Date: 9 Feb 2009
Venue: Tokyo ETO, HKSARG
Topic: The history of urban renewal in Tokyo, with particular reference to
heritage preservation (Conducted in English)**

Gist of Presentation

- Professor Nakai gave an overview of the history of urban renewal, starting with the first redevelopment project in CBD, Ginza, which was burnt down in 1871.
- Purpose of urban renewal:
 - 1) To improve sanitation such as water supply and to deal with natural diseases including cholera.
 - 2) To recover from and guard against future natural disasters such as fire, earthquake or war damages.
 - 3) To modernise the infrastructure of old cities e.g. to upgrade narrow streets and to build public transport system such as trains.
- Types of urban renewal:
 - 1) Redevelopment
 - Scrap-and-build of an area
 - Once-and-for-all
 - 2) Rehabilitation
 - Gradual improvement of an area
 - Collection of small projects including restoration, renovation and rebuilding
 - 3) Conservation
 - Protecting the historic environment of an area
- Relevant legislations:
 - 1) Late 19th Century – Tokyo Urban Renewal Ordinance
 - 2) Urban Reform Act and the Construction of Building Block for Disaster Prevention Act, 1961
 - 3) Urban Redevelopment Act 1969 - still the primary legislation for the current urban redevelopment projects.

- In 1970s, the fast growing economy and industrialization became the major reasons for urban renewal. In 1980s, the growing impact of the information technology industry also affected economic development and further accelerated urban renewal.
- In 1980s and early 1990s, property developers actively participated in the urban redevelopment. The most famous example was Roppongi Hills and there were others such as the redevelopment of Ebisu district from an industrial area to residential area, retail spaces and hotels; and Yokohama, the oldest town in Japan which was near Tokyo.
- Some rehabilitation projects were initiated by the local communities, not by the government. These projects had been undertaken since 1960s.
- Private sector was encouraged to participate in urban renewal. Since the legislations came into force, there had been some 1000 authorized redevelopment projects around Japan, most of which were in the major cities. These were carried out through negotiation among existing property owners and developers. The developers were responsible for developing new buildings, part of which would be handed over to existing property owners upon completion of the projects, i.e. the property right exchange system.
- Old train station areas with many old wooden buildings could be redeveloped into new buildings and station plazas. The key was that there must be enough redeveloped floor space which could be reserved and put on sale in the market. The larger the reserved area or floor space, the more advantageous the project in financial terms.
- There were more than 2,000 heritage buildings in Japan, most were protected by law due to their historic and cultural values. Financial benefits and tax incentives were the key reasons for conservation.
- The redevelopment of Kobe city after the earthquake in 1995 was a good example of redevelopment and conservation. The city government built new buildings but conserved the façade of some old buildings at the same time.

Interests and views expressed by Delegation Members

Community participation in urban redevelopment

- Whereas the law stipulated that redevelopment could take place if 2/3 of the owners of all domestic and shop units agreed, the responsible parties would normally go extra mile to try to seek everyone's consent. Those affected parties who did not support redevelopment could either get compensation and move out, or pursue their cases in court. Rarely did people choose the latter route. Instead, intensive and, on some occasions, lengthy negotiation would normally be conducted by the redevelopment association concerned, members of which include the affected residents, shop owners and developers etc. The association would manage the negotiations and decide on the prices for exchange of rights, having regard to the market.

Compensation - affected residents and shop owners could choose to return to the redeveloped site

- Whereas affected parties could choose to accept a negotiated sum of money and move out for good, they could also elect to return to the redeveloped site through a negotiation process involving the rights exchange system.
- Instead of the government, the association which funded the projects with contributions from developers was the focal point. It decided on the relevant rights which might not always be in monetary terms only.

Government incentives

- Since urban renewal often brought about wider community benefits e.g. improved public transport systems, the government could and would provide incentives e.g. financial assistance and plot ratio bonus. In cases of preservation, the government expected developers to take into account the relevant administrative regulations (not law) and conduct the preservation accordingly. Due to the Japanese culture, this worked well.

- 4. Presentation by Professor Kaoru Endoh,
Professor for Urban Renaissance Project Research,
Urban and Environment Systems,
Research Centre for Advanced Science and Technology,
University of Tokyo
Date: 10 Feb 2009
Venue: Tokyo ETO, HKSARG
Topic: Urban renewal in Tokyo and the development of community
engagement (Conducted in Japanese)**

Gist of Presentation

Redevelopment of the urban area at Akabane Station west exit

- Explanation of the redevelopment of Akabane Station in 1965:
 - 1) Redevelopment aimed at improving the narrow and chaotic roads near the station, affecting more than 300 residents and tenants. It took over 20 years of preparation work, whereas the whole redevelopment process spanned over 40 years. The Japanese authority did not impose stringent measures to press the affected people. In Japan, redevelopment projects could only be carried out with over 85% support from landowners (the law requires the support of over two-thirds of landowners in order to form the “Redevelopment Committee”).
 - 2) The negotiation with the affected landowners focused on cash compensation or an exchange for flat in the redeveloped area. The key point was an exchange for the same value on a fair basis, be it compensation in cash or exchange of flat, both choices should have comparable value.
 - 3) As it always took several decades to complete the redevelopment projects, the economy might fluctuate in the course of redevelopment. For example, in 1965, the Japanese economy was at its rapid growth and the costs of construction were extremely high. After the end of the bubble economy in 1990, redevelopment of the urban area at Akabane station west exit faced great difficulties. Those who wished to sell their buildings could not have their wishes fulfilled, and had to rent out their buildings. In that difficult period, as market prices fell, originally one might get a flat of 105 square metres but was only able to only obtain a flat of 95 square metres. Immense time and effort

had to be spent on re-negotiation.

- 4) Business had been running well for private developers in Japan. However, after the burst of the bubble economy, many companies went bankrupt. Very few could operate successfully for a few decades.
- 5) After redevelopment of Akabane Station west exit, the area seemed prosperous, with especially high pedestrian flow near the station. Plazas were bustling and flourishing, but the area next to the station remained an old area.

Other approaches of redevelopment

- Contact approach – discussion would be held directly with the redevelopment targets and the project would be carried out after obtaining agreement, thus requiring long period of processing time.
- PFI (Project Financing Issues) approach – an explicit budget would be set at the beginning and it would state clearly how much percentage should the developers and government share. In the past, the outcome of the projects (be it successful or not) and the profits, if any, could only be assessed after completion of the project. Hence, it was more risky to implement the projects. With the implementation of the PFI approach, the situation had been improved.
- In Japan, there were quite a few unsuccessful examples of redevelopment. It was difficult to carry out some public works due to its huge scale. Redevelopment of Akabane station west exit was a result of the concerted effort of 300 landowners. It was necessary to redevelop and transform the whole city so that everyone could recognise the need for change. Each approach of redevelopment would have difficulties of its own.

Interests and views expressed by Delegation Members

Time required for redevelopment

- It normally took at least two and a half years to carry out redevelopment, as urban planning required early consultation with the nearby people for their opinions and it was necessary to explain the details of planning as well as the difficulties to them. It also had to comply with the legal procedures, which would take at least two and a half years. Hence, the design and

other kinds of works had to be performed during such period.

Whether laws should be established to encourage redevelopment

- Laws would not be applied to facilitate redevelopment. Instead, the negotiation approach would generally be employed. There were minimal legal actions as they would only be considered as the last resort. In addition, the developers made two guarantees, first, based on “exchange for equal value” (「等價交換」), the affected persons could exchange for property; and second, should development require relocation of the affected persons, the costs incurred would also be considered for inclusion under the arrangement of “exchange for equal value”.

Risk bearing

- Should developers bear too much potential risk, local organizations (the government) had the authority to demand affected parties to share the risks. Recently, the authorities made efforts to prevent the developers from going bankrupt.

Policy coordination

- Through an increase in plot ratio and a change in land use, all kinds of the building limits could be reduced which served to compensate for the risks borne by the developers.

Flat for Flat, Shop for Shop Exchange

- It must first be confirmed that the original business units could be reopened in the redeveloped district as well as other locations. “Flat for Flat, Shop for Shop” exchange was not a must, a residential flat could be exchanged for a shop and vice versa. The arrangement should be based on negotiation.

Tracking surveys for the affected parties in the project development

- No similar surveys had been conducted.

- 5. Presentation by Mr. Takaharu Fukushima,
Manager, Research Department, Urban Renewal Association of Japan,
Date: 10 Feb 2009
Venue: Tokyo ETO, HKSARG
(Conducted in Japanese)**

Gist of Presentation

An overview of the redevelopment of urban areas

- Article 1, Law of Urban Renewal (1969) defined the aim of urban redevelopment as:
 - 1) Integration and provision of comfortable and convenient urban environment
 - 2) Prevention of urban disasters
 - 3) Provision of quality urban residential flats
 - 4) Integration and provision of public facilities

Characteristics of urban redevelopment in Japan

- Property right exchange approach - Land and building ownership belonged to the owners of the buildings after redevelopment, part of it would be used to exchange property before redevelopment under the “exchange for equal value” system. Parties who had ownership rights on land or buildings before redevelopment had to stop their daily activity or business in the area concerned to make way for redevelopment, but relocation to outer districts was not compulsory.
- “Horyūshou (保留床)” (architectural floor area) - the government increased plot ratio, thus allowing developers to provide original property owners with space for living or business operation when they move back to the redeveloped buildings.
- Participation of local organizations – the organizations implementing redevelopment might not necessarily be those with strong public interest, such as local public organizations or UR urban organizations. They could also be organizations formed by landowners or property owners, or even individuals. Member organizations formed by local developers could also participate.

Urban development approach

- Simple trading approach (development of roads and parks)
- Development of public facilities and transformation of buildings and land (land use zoning issues)
- Development of public facilities, preparation of buildings and land, and overall development of buildings (urban redevelopment)

Circumstances of urban redevelopment (urban redevelopment approach)

- With urban planning, local resources could be intensively utilized and the economy could be reconstructed
- The total floor area of fireproof buildings was less than one-third of that of all buildings
- Inappropriate land use
- When land use in the district could be re-arranged, there would be an opportunity for urban renewal.

Implementation (urban redevelopment regulations)

- Public organizations – public organizations, UR urban organizations, etc.
- Civil organizations – individuals, urban redevelopment groups and redevelopment corporations

The rights of property owners in the district

- Rights exchange approach (The first type of urban redevelopment) - Rights referred to land ownership, land leasing rights, building ownership and retaining floor area. The transition period for exchange of property rights was approximately half a year, during which property owners could set prices and exchange for equal-valued property. The concerned parties must reach a consensus in related discussions. Should anyone disagree in the end, legal actions would be taken. This was a standard process.
- From drafting the plan to the final submission, developers would consult property owners. As the period from making an application to reaching a decision lasted for 30 days only, it was impossible to complete so many tasks

which involved repeated persuasions. When there was any argument and disagreement, legal procedures would have to be followed. These were the standard procedures for general public projects. Should it be local development projects, due to their business linkage, it might be easier to reach a consensus on the terms of exchange.

- Local developers would definitely choose highly-profitable projects when implementing redevelopment. They could therefore provide huge amount of compensation to opposing parties. National redevelopment projects were, however, not very profitable. As the government considerations were focused on disaster and earthquake prevention, it would normally be impossible to offer high amount of compensation.

Incentives of redevelopment projects from policies

- Subsidy
- Interest-free loan
- Special tax remission

In Japan, as residential projects could be sold out easily, it was easier to manage such projects. In contrast, it was difficult to sell shops. Therefore developers would normally develop residential blocks above the shops. Owing to its special location, all business flats in Roppongi were sold out.

Interests and views expressed by Delegation Members

Interest-free loan and tax remission

- This only favoured the developers, as it usually took several years for them to realize the profit from the development projects.

Whether property owners include residents

- Landlords / property owners could receive cash compensation from the developers, whereas the tenants could also discuss with landlords with a view to receiving part of the compensation.

Exchange for equal value

- Be it in cash or in kind of property, the value of both would be the same. The rates would be formulated by three professionals (enforcers of the project) according to the project cost. It would be followed by a price

negotiation period of 30 days. The date must not be changed as changes would alter the rates. Should 30 days prove to be insufficient in reaching a consensus, legal procedures would follow.

Pre-sale

- Pre-sale could start 6 months before completion of projects.

6. Concluding Session on 10 Feb 2009

Debriefing by Dr CK Law

- While many speakers talked about the arrangements of “exchange for equal value” (「等價交換」) in Tokyo's redevelopment projects (i.e. affected property owners within the project boundary may choose to join the redevelopment association and hand over their lots for redevelopment. In return they will be given a unit in the redevelopment after its completion), Dr Law believed that this principle only guaranteed a unit for the affected owners after completion of the redevelopment, it may not necessarily mean a unit of the same monetary value. In fact, the Japanese term 「等價交換」 did not necessarily mean “monetary” value. As the participating owners were members of the redevelopment association, the exact amount of compensation would be a matter of negotiation among the members of the association, including the developer.
- The study team had come across very few descriptions or comments on the relations between politicians, developers and designated redevelopment projects in Japan, Dr Law believed that they had a role to play in the selection and implementation of redevelopment projects.
- Dr Law believed that the redevelopment association model implied that it would be difficult for property owners to take initiative to redevelop their properties if they were located in more remote or in poorer areas.
- The Tokyo Metropolitan Government leased the public land released from the redevelopment of metropolitan housing (public rental housing) to the developers so as to enable the latter to carry out redevelopment in the adjacent sites. But Dr. Law believed that the effectiveness of such approach was limited as metropolitan housing covered only 1,900 ha in Tokyo.
- The Tokyo Metropolitan Government played an important role in the urban redevelopment process: (a) designate the redevelopment areas; (b) approve the redevelopment proposals made by the associations formed by property owners and developers; (c) approve the plan of compensation for the affected property owners; and (d) grant additional plot ratio and tax exemptions to make the redevelopment more financially viable.

The views of the Delegation Members on the relevance of Tokyo's urban redevelopment model to Hong Kong

- Many favoured the idea that affected property owners within a redevelopment area might choose to move back to the area after completion of redevelopment. They believed this would reduce confrontation and contribute to preservation of the existing social network.
- The Tokyo Metropolitan Government provided various incentives to redevelopment associations (including the developers), but there was not much transparency in the negotiation process.
- A member noted that though not all affected property owners in Hong Kong would probably choose to move back to the same area after redevelopment, it would be good for them to have such an option.
- Some members noted that the tenants affected by URA's redevelopment projects in Hong Kong were better treated than their counterparts in Tokyo.
- Redevelopment projects in Tokyo placed a lot of emphasis on participation and consensus of the affected owners. A member noted that the redevelopment projects in Tokyo usually involved turning low density wooden houses into multi-storey office or residential buildings. Hence, there were lots of room for negotiation with the affected owners to fulfil their needs.
- A member suggested the Policy Study Consultant to study some other cases from the perspective of community engagement (e.g. whether other stakeholders, not just the property owners, were engaged and at what stage).
- A member considered that the current Hong Kong urban redevelopment model placed a huge burden on URA. He considered that the Government should encourage more private developers to take part in urban redevelopment.