Value Trends under the Transition in Urban Renewal

The Case Study of Shenzhen

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True Smart & Green Urban Planning and Governance
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Background of urban renewal in Shenzhen

Shortage of land
Rapid Expansion process
Current difficulties

Planning reform
Comprehensive planning
New allocation
New conception

Land use

Renewal as a trend

Solution
Transition institutional arrangement
New

Present
Change & challenge

Value
Urban renewal imbalances

Process

History
Review on urban renewal in Shenzhen

Transition at the transitional point
Urban renewal in China

Discussion
Value trend
1 Urban Renewal Background
Shenzhen
Population (2013)
- Urban 10,630,000
- Urban density 5,300/km² (14,000/sq mi)

Source: https://en.wikipedia.org/wiki/Shenzhen
Shenzhen in 1979
Urban Renewal Background
Rapid Expansion Process
Urban Renewal Background

Rapid Expansion Process
Urban Renewal Background

Rapid Expansion Process
Urban Renewal Background
Rapid Expansion Process
Four difficulties for The new land use and development planning

- Shortage of land and space for further development;
- Shortage of energy and water;
- Population exploration for economy growth which is beyond the city’s capability;
- Environment capability crisis.
In 2010, land of 750 km² had been used for construction. According to the planning Index limit, only 150 km² was left, which will be used up in 10 years if urban development would still relay on the explosion and sprawl of new towns.
Planning reform

New conception

Land Use Planning in Shenzhen (2006-2020)

Built-up Renewal: 190 km²

Comprehensive planning in Shenzhen (2010-2020)

Upper Limit for construction: 140 km²

Four New conception for Land Use

1. From extensive planning to intensive planning
   Optimize the layout of land
2. Improve land management
3. Improve management objectives
4. Create new mechanism for land renewal

Two Changes for Urban Spatial Development:

1. From sprawl to urban renewal
2. Expand the task of planning from physical one to comprehensive one concerning about sustainability
### Planning reform

**New allocation**

#### Land Use Planning in Shenzhen (2006-2020)

**Built-up Renewal**: 190 km²

Including:
- Urban village, old industry land,
- old residence: 60 km²

#### Comprehensive planning in Shenzhen (2010-2020)

**Upper Limit for construction**: 140 km²

Ensure for the needs of:
- industrial transformation,
- public service facilities,
- municipal infrastructure,
- transportation,
- affordable housing.

| Planning index for land use | added (ha) | percentage | Urban renewal (ha) | percentage | Total (ha) |
|-----------------------------|------------|------------|-------------------|------------|------------|
| 2014                        | 550        | 31%        | 1200              |            | 1750       |
| 2013                        | 700        | 41%        | 1010              |            | 1710       |
| 2012                        | 800        | 43%        | 918               |            | 1868       |
| 2011                        | 1952       | 85%        | 340               |            | 2292       |
| 2010                        | 2070       | 78%        | 600               |            | 2670       |
| **Total**                   | **6072**   | **50%**    | **5976**          | **1120**   | **12198**  |
New primitive way of development for Chinese urbanism

Urban renewal
2 History & Challenges & Changes
## HISTORY

### Review on urban renewal in Shenzhen

| First Period | from early 1980s to late 1980s |
|--------------|--------------------------------|
| approach     | Rebuild the old buildings by the owner, quite few |
| Urban development stage | The beginning of development |
| Targets      | Old buildings |
| Character& value | The initial exploration, blur development direction |
| problems     | Reconstruction is scattered, lack of planning control and guide, ignore the overall appearance of the city |
| Second Period | 1989-2000 |
|---------------|-----------|
| **approach**  | Tear-down and clean up, then rebuild |
| **Urban development stage** | Expansion period with high speed |
| **Targets**   | Urban village, old industrial land, Small parcels, old commercial area |
| **Character& value** | Government-led and profit-driven period, lack of restraint and the public interest is ignored |
| **problems**  | Transformation is primitive, neglect to the requirements of the residential environment, break upper planning control index, high density, lack of overall planning, "village in city" problem |
| Third Period | 2000-2009 |
|--------------|-----------|
| **approach** | Large scale of planned renewal |
| **Urban development stage** | Improving period |
| **Targets** | Expand to all built-up area |
| **Character& value** | Government-led, ignorance of market effectiveness  
**Profit orientation with some consideration of public** |
| **problems** | Problems of complexity, resulting in difficulty in demolition; the neglect of social problems, and ignored the market demand |
CHALLENGE 1: how to ensure the construction for public interest in renewal projects?

Through the renewal, the developer should pay for the cost of implementation of a large number of public interest to meet the requirements of the project.

The contribution of roads, schools, green -- such as an independent area of facilities;
Housing construction area of security -- the contribution of community service facilities;
-- public parking.

But the core problem is: lack of effective means to protect the public interest.
CHALLENGE 2: how to balance the interest of different subjects—original & new coming ones?

Renewal unit involves a number of land, property with different interests.

From the individual point of view, all hope to share more space increment, and take less public interest, it’s hard to achieve fairness and efficiency in the absence of rules.

But there is no normative regulations and mechanism.
CHALLENGE 3: how to simplify the procedure to reduce costs?

Only when the renewal makes more than 14% profit can the project balance the costs and achieve economic feasibility.

And the cost of planning or management is also a large amount of cost.

Problems: lack of effective cost evaluation method of the project feasibility

SOURCE: Wang Jia. Redrawn by the author.
CHALLENGE 4: what role does the government or planning authority play in the transition?

Leading by the government, land use planning and the renewal process aim at the ultimate blueprints, which deviates from the balance of interests between the demand on the basis of property right system and market economy. And the value crisis from bottom-up public is ignored.
New challenge for Chinese urbanism

CHANGE AT THE TRANSITIONAL POINT

Urban renewal

Interests • trade off • value
CHANGE AT THE TRANSIT POINT

The developers
Ensure the developing rights to be protected

Urban renewal
Ensure the public value
Ensure share of the added value

Related Right owners

Normative management

Regulations
Laws
Mechanism

Efficiency & justice

Ensure the public value
Ensure the developing rights to be protected
Ensure share of the added value
3 Theory & Solutions

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| Fourth Period | 2009-2014 |
|---------------|-----------|
| approach      | Many approaches for **bottom-up or top-down**, with a normative institutional construction |
| Urban development stage | The maturely developed city |
| Targets       | all built-up area |
| Character & Value | **Shared responsibility by stakeholders and authority, a new era with effective operation by market** |
why does the new institutional arrangement can be seen as effective and justice?

What`s the value orientation behind?
Key policy for new institutional arrangements

Measures for the implementation of renewal in Shenzhen. 2009.

**Implementing Procedures for Shenzhen Urban Renewal. 2012.**

Application of Shenzhen renewal units guidelines (Trial). 2010.

Interim provisions for remaining Land Disposal. 2013.

Interim provisions of affordable housing collocated with urban renewal project in Shenzhen. 2010.

Shenzhen innovative industrial space management (Trial). 2013.

Suggestion on accelerating the development of industry accessory residence by the Government. 2013.
1. Institutional arrangement is one kind of contract by which we could establish regulations for resolving conflicts, identifying rights borders, clarifying rules for redevelopment, to achieve effective urban renewal.

2. Property rights.

   In urban and peri-urban areas the value of a piece of land lies in the rights attached to it. (Renard V., 2007) The demarcation of interests relies on property rights identification. Clear property relation will prevent disputes, interest conflicts, and remove the gray space (the remaining property, etc.).
3. The transaction costs.

The implement of urban renewal partly depends on the amount of transaction costs. Reducing the transaction costs will increase the possibility for redevelopment, while otherwise, will decrease. Transaction costs is related to property rights transfer and control, in a world that transaction costs is zero, there is no institution and organization. (Coase R, 1998) but in the real world, this ideal situation does not exist, so the initial arrangement, namely the allocation of resources, will lead to different results.

| Stage                                    | Possible costs                                      |
|------------------------------------------|----------------------------------------------------|
| In the transaction progress              | Trade or not                                       |
|                                          | Numbers of participating subjects                  |
|                                          | Conflict of interest involved                       |
|                                          | Various information of possibility                  |
| To achieve consensus                     | Property identification                             |
|                                          | Government`s regulation                             |
|                                          | Reach an agreement or not                           |
|                                          | Numbers of participating subjects                  |
|                                          | Conflict of interest involved                       |
|                                          | Consensus structure: fixed or flexible              |

4. Principal – agent. It means to prevent the public sector to become the "economic man", otherwise the defenders of public interest will deform. While a positive approach to economic externalities can lead to some public-private goods that the pure market cannot supply (Alexander E.R.A, 2001)
Efficiency-oriented: institutional tools for renewal

1 Clarity of property rights

land rights survey before urban renewal, including:
land information certification
building information verification
maps of ownership distribution
map for building attributes

And the legality of land & building rights should be confirmed

if it's not clear, the departments will deal with illegal land or building by compensation or punishment, disposal the unclear land right according to the files.

Application for urban renewal and the information certification form

SOURCE: http://www.szpl.gov.cn/
Analysis:

Property right is the core element for coordination of interests.

With clearly definition of initial ownerships and property right from the very beginning, and added-value proportion, Shenzhen government safeguards rational allocation ratio of each subject involved, and balances between stakeholders’ benefits, which ensures a justice process and avoids costs of loophole by institutional reason.

The rigor of this process reflects a shift of governance towards more attention to public rights, equitable public policy, importance of legalization and normalization.
Efficiency-oriented:

2 Turn land added-value into package of public goods

The Measures sets a mechanism of bundling public facilities together with renewal. The renewal process brings added-value to the land and space. When the right property is transferred from the owner to the developers, the developers should pay for the added part to compensate for the external loss of the overall urban interests.
Efficiency-oriented:

Analysis:

This process is actually to counteract the externality of added value caused by redevelopment.

In the past, most of the profits benefit the government and developing agents. The Measures in Shenzhen takes a big step forward. Through assessment and reallocation of renewal profits, the interests are divided into three parts. That is, one part for the government in the form of reserved land for further sustainable development. One part of the profits is directly invested into public housing construction by a way of bundling projects for public facilities described above and one part for the people who bear the loss as compensation.

Thus, the advantage of market is expanded to public goods production, which contributes to social justice. Nevertheless, the quality and location of affordable housing still needs further supervision to ensure the efficiency.
The guideline for declaration also requires for a pre-stage survey of renewal willingness of the owners. Project needs to meet basic standards in order to be implemented.

For example, if it involves in only a single parcel of renewal unit or village in inner city, there should be more than $\frac{2}{3}$ percentage of the total owner amount or the total construction area, if it involves in many parcels, the percentage should be increased to $\frac{4}{5}$. If it is a residential community, the percentage for admission reaches to 90%.

SOURCE:http://www.szpl.gov.cn/
If one looks back the urban renewal in the past, although the mechanism of public participation is always advocated by planners, it finally turns to be a slogan or concept with no impact.

There has been no regulation before taking it seriously in normative provision form.

We see the prototype of bottom-up collection methods of the public voices in Shenzhen’s measures which reflect the pluralistic value. This provision minimizes the initial transaction costs, and makes it easy to reach a consensus for a smooth progress.
Justice-oriented: reflection of public value----

2 Arrangement of the agents for public facilities and infrastructure

The regulation clarifies an arrangement of infrastructure and public facilities construction within the renewal program including:
- scale, proportion, division of responsibility, mode of construction and pricing standards to ensure its implementation.

For small parcels, there are specific regulations for infrastructure, public facilities, affordable housing, rights and responsibilities.

A case of infrastructure and public facilities construction arrangement in renewal project

SOURCE: Wang Jia. redrawn by the author
Solution
NEW institutional arrangement

Justice-oriented: reflection of public value

2 Arrangement of the agents for public facilities and infrastructure

Residence of the urban village

Residence of the old residential area

Residence for industrial area

The complex

SOURCE:http://www.szpl.gov.cn/
The above provision about the construction subjects is responsible for public goods and reflects the attention for public governance responsibilities and rights. The goal is to ensure the supply of urban public goods.

However, since the whole process is top-down arrangement for the “public goods”, it still shows a strong ideological elitism.
4

Value orientation
Oriented by different values, such as public value orientation, government benefits orientation, private interest orientation, community interest orientation,

it will result in totally different social structure and resource allocation.

The government is like a game-rule maker, to determine who will get involved in and how to balance interests, and also who will get compensation.

Therefore, within the context of China`s social transition, it`s vital to explore the value trends for this specific period, which will have a crucial impact on the spatial space, land use, social structure, and economic growth in built-up area.
Through arrangements of property rights, Shenzhen achieves urban redevelopment that is normalized and efficient.

By setting the procedures of renewal and bundling construction of public goods, social justice is included.

Combination of both leads to a balance point where the demands of diverse subjects’ interest are satisfied.
Public interest is a hot issue. Academia often define it as the need of multi-subject, as a standard for assessment of public policy effects. Then whose benefits are the public interest? Zhang (2005) mentioned in the "public interest, Problems and Solutions,"

"public interests is a collection of private interests, public and private interests are not, in essence, a completely different concept, there is no clear gap, if safety of residents is recognized as public interest, then the prosperity of local economy should also be treated as."

Therefore, public interests is not a banner of utopian.

In fact, the issue of interest should be discussed directly. Interests is not about one group, instead, it should be a bundle of interests, including several groups in the development progress.
The most important thing is to ensure effective expression of rights and needs of each group.
Reseasches in urban planning are supposed to be extended gradually, it`s vital to identify the mainstream value which emphasis on public interests, effective markets, and flexible regulation of governance.

Works are needed for more elaborated governance for further urban renewal and other constructions in urban area.
Q&A

THANKS.