

# **URBAN RENEWAL IN A FAST GROWING METROPOLIS: CASE STUDY OF SHANGHAI, CHINA**

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## **Introduction and Background**

China has undergone a tremendous rate of urbanization in the last century especially during the post-reform era. The long-awaited changes and new development brought about by the reform and open door policy was much needed to rectify and rejuvenate the economy and the urban sector, which was damaged or put on hold due to socio-political circumstances, characterized by civil wars, the Cultural Revolution and other turbulent events in the last century. Against the background of the transition era, from a self-reliant planned economy to a socialist market-driven consumer society, the country is experiencing an unprecedented rate of economic growth. A large part of it is manifested in the growth of big coastal megapolis like Shanghai.

The reason for Shanghai's choice as a case study on urban renewal is that, apart from being one of China's more developed cities, it is also rich in history and cultural resources, with a glorious heritage coming from a part-colonial and part-feudalistic past. Like many other cities undergoing globalization and urbanization, it has its fair share of urban challenges such as high-density population, overcrowded housing, deteriorating environmental quality, etc. As a fast growing metropolis spearheading the country's economic development, it is also taking on new challenges like its aspirations to become World City by year 2020 and host to the World Trade Expo in year 2010. To meet these demands, the city has taken on large-scale urban renewal with a rapid expansion of infrastructure and property development. These also bring together a series of other types of urban challenges.

## **Theoretical Framework**

Urban renewal theories were largely influenced by social, economic and historical developments as well as city planning movements immediately after the Second World War (WWII). After the war, many countries embarked on rebuilding efforts, characterized by demolition of old dilapidated areas, large-scale clearance of city slums and construction of modern high-rises. Large-scale redevelopment created many social problems, and encouraged many city planners and scholars to question its effects and functionalities. Lewis Mumford pointed out that city planning effort in the past has done more damage to the city, and that planning should be based on human scale and needs, thereby questioning the functionality of

gigantism. Jane Jacobs agrees, criticizing the ineffectiveness of large-scale investment that she said did not resolve the ‘unslumming’ effort. Later, E. F. Schumacher promoted the idea of human-scale production and appropriate technology concepts. Indeed, large-scale renewal and redevelopment efforts have been criticized for neglecting the complexities of the urban fabric; it is not only uneconomical, but also damages the city’s heritage and degrades various socio-environmental qualities.

The advent of sustainable development thinking and movements has improved and widened the scope of theories on and implementation of urban renewal. The goals and content of urban renewal are now more holistic and encompassing, imparting sensitivity towards the protection of resources and environment, and seeking multi-sector and multi-disciplinary cooperation. The Western experience demonstrated that the urban renewal process has gone through leaps and bounds, with some aspects of it still involved in trying to fix and restore mistakes and damages inflicted along the way. The earlier large-scale and gigantic rebuilding efforts were slowly replaced by smaller, more human scale settlements. Emphasis has been shifted to economic revival and participation of the community. More attention has been diverted from pure physical design and restoration towards overall socio-economic development and integrated planning, with emphasis on process and continuity. Large-scale renewal projects by developers slowly evolved into smaller-scale, more carefully planned and community-oriented efforts.

#### Current development direction

The urban character of Shanghai was largely shaped by historical events over the past one hundred years. From the early decades of *lilong* settlements and substantial areas leased out as Foreign Concessions, the city has been witness to various historical events that formed its socio-cultural history. In the late 1990s and early 2000s, Shanghai was given the additional role of future World City. Thus, it is timely to invest its rich socio-cultural capital in parallel with other aspects of development. The term “World City” was coined by Jean Gottmann in his 1961 publication, *Megalopolis*, to denote an emerging phenomenon in the Asia Pacific region. The megalopolis concept stressed the development of supporting regions, creating an urban corridor to boost the economy of the region. To become a World City, Shanghai is tapping on the resources offered by its neighboring cities and regions under the ‘One Dragon, Three Centers’ policy. Shanghai is the ‘Dragon Head’ with development centered around NanJing, ShangHai and HangZhou. In the early twenty-first century, Shanghai was given another challenge to host the World Expo in 2010. Following this, high-speed and mega-scale urban construction and development projects were launched throughout the city. In line with aspirations to a build a *xiao kang she hui* or ‘small middle-income family society, Shanghai has embarked on strategies to improve the housing situation. The goal of achieving the per capita living space of 10 square meters by 2000 seemed successful, with the average living space per person increased from 6.4 sq. m. in 1990 to 13.1 sq. m. in 2002 (Table 1).

## Urban renewal in Shanghai – trends, intensity and approaches

Generally, urban renewal in Shanghai can be divided into three phases. The first phase is in the 1920s and 1930s. Due to the socio-political circumstances, with the opening up of foreign concessions and huge influx of immigrants, renewal efforts were focused on removing the urban squatters living in wooden makeshift temporary settlements (*peng hu*) and various types of *lilong* houses then. The second phase covers the era between 1949 after the Communist took over China and the late 1980s, which saw large-scale demolition of urban slums and the erection of workers' quarters or *Gong Fang* in their place. . The renewal effort in the fifties and sixties turned towards improving living conditions of 'workers.' Some of the *lilong* housing also underwent rebuilding. Due to stagnation in urban construction in the late sixties and seventies, only a few apartment buildings were built. The early eighties saw the influx of workers returning to the city, causing an acute housing shortage at that time. Many workers had to squeeze themselves in *lilong* houses or build makeshift temporary shelters. Due to shortage of funds and the pressing need to relieve congestion in the city, rebuilding efforts mainly concentrated on renovating the existing *lilong* housing with better facilities and living conditions. The eighties also saw the beginning of proper city planning and the opening up of new land for housing purposes. In the early eighties, redevelopment was mostly initiated by the government. Participation of private entrepreneurs began only in the late eighties.

The third phase began in the 1990s up till today. During this period, Shanghai witnessed tremendous urban transformation characterized by more diverse property investments, development of old areas and the construction of modern multi-storey commodity housing (*Shang Ping Fang*). Similarly, the early nineties also faced a tremendous task of resettling the growing urban population. However, in comparison with the mid-eighties, the rate of resettlement has increased by 34%, and as of now, there are still 3,090,000 poor families waiting for assistance. Since the nineties, urban renewal was geared towards a 'whole scale redevelopment' approach (*cheng tao gai zhao*), which includes the setting up of Redevelopment Offices (*jiu qu gai zhao pan gong shi*). Renewal was carried out by improving an entire area of housing, with coordinated planning and design, instead of piecemeal improvements. The 'whole scale redevelopment' or 'package redevelopment' approach also encouraged the demolition of entire neighborhood (*chai luo di*), and the construction of apartment buildings imitating the architectural style of the old *lilongs* or European buildings. The lucrative financial returns from building higher-density housing have attracted investments from the private sector. However, the new housing with different designs and layout created different ways of social interaction and living habits which diluted the spirit of neighborliness.

Under the socialist-market economic model, the redevelopment of old areas in Shanghai has attracted huge investments. Throughout the nineties, the city managed to complete 3,650,000 sq. m. of renewal, demolished various kinds of residential units totaling 27,870,000 sq. m.,

relocated 1,800, 000 urban dwellers, as well as resettled and improved living conditions for 640,000 residents (Chen, 2002). Although the city witnessed a tremendous influx of population, evident from the increased density, the average per capita living space has increased from 3.8 sq. m. in the 1960s to 6.6 sq. m. (1990) and to 13.1 sq. m. in 2002. Indeed, investment in residential housing has increased substantially, especially from 1990 onwards. (See Table 1)

Table 1: Investment in Residential Housing & Floor Space of Buildings Completed in Shanghai

Year	Floor space of residential housing completed (10,000 sqm)	Total household (10,000)	Dwelling Area per capita (sq.meter)	Average person per household	Density of population (person per sq.km)
1960	67.04	234.14	3.8	4.5	1787
1970	21.65	253.40	4.4	4.2	1734
1980	304.32	303.87	4.4	3.8	1854
1990	1,330.02	415.28	6.6	3.1	2024
2000	1,724.02	475.73	11.8	2.8	2084
2002	1,880.50	481.77	13.1	2.8	2104

Source: Shanghai Statistical Bureau (2003) Shanghai Tong Ji Nei Jian 2002 上海统计年鉴2002 (Shanghai Statistical Yearbook 2002), Zhong Guo Tong Ji Chu Ban She (China Statistical Press), Beijing.

To synergize on the dynamism of the property sectors, a new strategy on land exchange (*tu di pi zhu*) was established. This was carried out by making use of the differences in land costs in different parcels of the city, allowing land exchange to create investment opportunities and profitability in the renewal process. The returns from this exercise are then used for resettling the residents and building city infrastructure. This practice of making use of the differences in land costs has improved the living conditions of many people. To a certain extent, by allowing multi dimensional investments along the way, it has also resolved the problems of funding in the urban renewal process. Some of these examples are BeiJing Tong Lu 71 Streets in HuangPu Districts, Yao Sui long in Putuo Districts, Tien Mu Xi Lu in ChaPei District and other hot spots in the city centre (Fan, 2004). The sporadic renewal process in the early nineties which sacrificed the traditional character of the city prompted the government to do a review. In 1999, The Shanghai City government made adjustments to the regulations and suggested that urban renewal process should strike a balance between “demolition, improvement and preservation” (*Chai, Gai, Liu*), more attention would be given to conservation and preserving the old character of buildings.

Since the nineties, the city government also implemented several new regulations aimed at controlling the rapid renewal process. Among these are regulations pertaining to preserving cultural relics and to managing the process of demolition and relocation. Areas and buildings of historical importance were listed in categories of national, municipal and district importance. In 2002, the Shanghai Municipal People’s Congress approved *Shanghai Historical and Cultural Relics and Historical Buildings Preservation Regulations*, which has been implemented since 1 January 2003. The Regulations set forth the standards, criteria and scope of preservation, planning requirements and management procedures. It also advocates a balanced relationship

between preservation and redevelopment, effective utilization of market mechanisms; importance of expertise input and consultation. In terms of planning policies, the new *Shanghai City Master Plan (1999-2020)* designate streets, buildings and sites of historical and cultural significance. In conjunction with its ambition to become World City, Shanghai uses the new master plan to emphasize concepts of sustainable development such as better planning and management, urban design, proper ways of dispersing residents in the high density old areas, systematic and careful laying out of high rise buildings.

Other key regulations pertaining to urban renewal include the regulations concerning demolition and resettlement. The first regulation of this kind was established in 1991 when the *Shanghai City Housing Demolition and Relocation Administration Implementation Detailed Regulation* or *cheng shi fang wu chai qian guan li tiao lie* came into being. The regulation defines the actual terms of negotiation and what constitutes appropriate compensation. During the one decade of implementation, it still showed traces of the pre-reform socialist signs, but this legislation has helped smoothen the process of redevelopment of old precincts in the cities, has improved urban living conditions and infrastructure, has uplifted functional capacities and has increased the value of properties. However, after ten years of implementation, the old ruling appeared to be outdated and not suitable to the current market forces and the legislative requirements.

The old ruling was established with the then new reform and open door policies while the new ruling has to suit the current rapid development of housing needs and market demands. With the evolving housing reform policies and consequent diversification of home ownerships patterns, emphasis has been shifted from government enterprise owned properties to individual ownerships. In line with this, a new regulation was created in 2001 to answer the needs of the current situation. The new ruling has more details and thorough provisions on protecting the rights and benefits of all parties in the housing demolition and resettlement process. It spells out the rules of conduct for various parties including those of the private sector and government in managing this process. The new ruling emphasizes an open and fair valuation process using the market mechanism to determine compensation. One of the important breakthroughs was that the valuation process is now based on the market value of the residential units instead of the number of residents in the dwellings as prescribed in the old ruling. It also provides several types of compensation from which may choose, either by cash or property exchange, depending on location, usage and floor space of the units.

## Emerging issues and strategies

### *Increasingly expensive renewal*

Urban renewal process is increasingly expensive as the redevelopment process involves not only building new structures but also resettling the original residents. After several decades of renewal, some areas in the inner city with low density have already been cleared, leaving the “hard-core” problematic areas. According to a source, the amount of compensation and relocation can reach 80-85% of the cost of redevelopment (Shi Xue Hui Huang Pu Fen Hui , 2003). With China’s accession to WTO of which high income, high consumption patterns and building high-end properties will be part of the climate to cater for the increasingly globalized local economy, the rising cost will make the renewal effort expensive and lower the quality of the new development in that area.

Since the investments usually incur high numbers and a long payback period, the way in which the government shoulders all redevelopment costs under the socialist state is no longer feasible. Funding and liquidity has to come from private and corporate sectors taking advantage of the reforms under the market economy. Permitting developers to build higher density than what the normal standard allows was a strategy that originated from the System of Land Usage and Rewards. Other similar attempts such as Land Readjustment Techniques, Bridging Subsidies Plan, ‘match-making’ the hotspots in the inner city with land designated for development, are designed to shift the attention of the investors to land that are desperate for development. This is also in line with the “one city, nine towns’ (*yi cheng jiu zheng*) policy which entails dispersal of high-density population from the inner city to the neighboring suburbs. By shifting to nearby satellite towns, the residents were exempted from taxes related to rental and housing purchase. The satellite towns are exempted from commercial property, land development and even individual income taxes, in addition to heavy investment on infrastructure to improve the residents’ quality of life and environment.

### *Affordability and social disparity*

Although encouraging the resettlement of urban residents to urban fringes is in line with the “one city, nine towns” policy, the government also has a policy under the Implementation of the New Regulation encouraging the existing residents to move back to their place of origin by offering various monetary or housing options of compensation. This appears to be an ambiguity on the part of the government, it seems unable to decide whether to relocate the existing residents to the urban fringes or encourage them to move back after renewal. Resettling and encouraging private investments in the urban fringe is laudable as it can disperse the high density population in the inner city and at the same time, stimulate the growth of the urban fringes. The residents also enjoy higher quality of housing with bigger living spaces and better public amenities. However, relocating the old residents out of the city also causes social disintegration

and creates a sense of dislocation among the residents which affect their livelihood and children's education, and causing the loss of a sense of community. Encouraging the original residents to move back to the original place prevents the old areas in the city from dying. However, this may be difficult to implement simply because the original settings and neighborhoods no longer exist; the prices of new houses may be beyond the reach of the old residents. Under the New Regulation, the amount of compensation is now based on the size of the buildings rather than on the number of dwellers. In the high density downtown areas such as Huang Pu, Jing An and LuWan, where more than 50% of the old residents are living under 10 sq. meters of space, this will indeed pose more difficulties for the poorer households with big number of dwellers. In tackling this issue, some of the local authorities, such as the Jing An Authority, have implemented a minimum guaranteed living space for housing compensation (*bao di mian qi*) so that those households with big family size can get a minimum living area of 16 square meters in Grade 5 and 6 lands in the suburbs.

### *Preserving cultural and historical identity*

The urban renewal process has shifted from the initial stages of piecemeal renewal with the intention to improve the living condition to a more progressive approach, starting in the nineties with the *chai luo di* or tearing down and *cheng tao gai zhao* or whole scale redevelopment strategies. This has its benefits but at the same time, it may come at the expense of bulldozing away the cultural and historical heritage of the city. Many of the unpretentious *Shikumen Lilong* buildings have been the melting pot of the unique urban character today and they bear testimony to its glorious history. In the last decades especially, many old buildings in the prime areas were torn down to make way for urban development. Some of these old buildings were then 'recreated' elsewhere in the not-so-prime land. There were attempts to captivate the nostalgic atmosphere by introducing modern elements to the old buildings, but the new developments failed to integrate with the old, hence destroying the unique urban character. Many traditional *lilong* neighborhoods were torn down haphazardly and hastily. Today, Shanghai is signified by gigantic high-rises overshadowing rows of old *lilong* houses and other historical significant buildings below. Ensuring that the 'new' blends and integrates well with the 'old' is a tricky proposition. The inauguration of the new *Shanghai Historical and Cultural Relics and Historical Buildings Preservation Regulations*, implemented since 1 January 2003, was geared towards improving the situation.

### *Role of government and grey areas in demolition and relocation process*

In 10 October 2001, Shanghai announced the implementation of the new *Shanghai City Housing Demolition and Relocation Administration Implementation Detailed Regulation*. The

new ruling advocated a market-based mechanism of compensation for housing demolition. Its major shift is from compensation based on the number of dwellers to calculations based on the size and quality of the dwelling units. Although the new ruling has spelled out the dos and don'ts of demolition and relocation, the management process of demolition and relocation appears to be a huge gray area with loopholes for misuse of power and unfair treatment, especially in the process of arranging relocation and negotiating compensation. There are cases of falsifying or carrying out demolition without certificates and official approval, etc. This is coupled with the lack of monitoring and enforcement to ensure that the demolition exercise follow the actual specifications required in the valuation exercise.

Throughout the nineties, city governance was geared towards *Zhen Fu Jing Ying Cheng Shi* (Government as CEO of a city). Local authorities were given additional roles to bring prosperity to their area. Thus one way was to embark on a more aggressive redevelopment of the old areas by increasing their land value in order to attract investments and development. One of the reasons for the fast-paced urban demolition and relocation in Chinese cities like Shanghai is that land in the cities belong to the government; thus, the government could 'buy-back' the land with low value and sell it at a higher price. General public awareness is still low with regard to property and ownerships rights. The majority would resort to a compromise in order to make way for what seemed to be the government's efforts in development and modernization. The interchangeable roles of government appear to be an interesting subject to observe. The government can play the roles of regulator and arbitrator in one case and it can also become the project initiator in another.

## Conclusion

Urban renewal in China, specifically in Shanghai, has consolidated the western experience in less than a decade. A large part of it happened after the post reform era with aggressive rebuilding effort, not so much as to rectify the "damages of war" (as in the west) but as an answer to progress and modernization. While the western experience has arrived to the age of sustainable development thinking after learning from their past mistakes, China is not anywhere near this, as rapid development and "gigantomania" is still the way forward. The rate, intensity and purposes of urban renewal have changed over the years according to the social, political and economic circumstances of different eras. From the earlier decades of purely social objectives to improve the living conditions, it has transformed into an energy that will uplift the city as it rises to the challenges of globalization and demands of the market economy.

Learning from the past and maturing over the years, Shanghai's renewal process now has new strategies and mechanisms being developed simultaneously for her new challenges. Through land exchange, whole scale redevelopment and other incentives, the government has managed to stimulate large-scale property development and improved the housing shortage condition.

However, despite these new policies, regulations and financial mechanisms, there are still weaknesses in the implementation of these policies, especially in the enforcement and monitoring aspects. Marginalized and displaced communities, issues of affordability due to rising home prices and loss of cultural heritage are some of the emerging issues. In adapting to current demands, the city and local governments have also taken on new role as “CEO of the city” under the concept of “government operates the city,” with the heavier charter to bring in investments and economic prosperity to the city. With the current scenario, it is suggested that more attention be given to balancing economic interests with social needs by focusing on long-term sustainable planning based on actual demand; stricter control on land available for development; more affordable and subsidized housing, and better monitoring and regulation of the property market.

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