Transforming Urban Neighbourhoods:

Limits of Developer-led Partnership and Benefit-sharing in Residential Redevelopment,
with reference to Seoul and Beijing

Hyun Bang Shin

London School of Economics and Political Science

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Abstract

The thesis studies the dynamics of urban residential redevelopment programmes in Seoul and Beijing that have been effectively transforming dilapidated neighbourhoods in recent decades.

The policy review shows that neighbourhood renewal programmes saw difficulties in ensuring cost-recovery and replicability in both cities, and that this has led to the formation of residential redevelopment programmes that depend heavily on the participation of real estate developers in spite of social, economic and political differences between the cities of Seoul and Beijing. Based on research data collected from a series of area-based field research visits in Seoul and Beijing between 2002 and 2003, the thesis examines how developer-led partnerships in urban redevelopment take place in different urban settings, what contributions are made by participating actors and how redevelopment benefits are shared among the existing and potential residents in redevelopment neighbourhoods.

The main arguments in this thesis are as follows. Firstly, the emergence of profit-making opportunities in dilapidated neighbourhoods forms the basis of developer-led partnership among property-related interests that include the local government, professional developers and property owners. Poor owner-occupiers and tenants in both Seoul and Beijing assume a more passive role. Secondly, local authorities intervene to ensure that the partnership framework works, but this is carried out largely in favour of professional developers and absentee landlords whose material contributions are significant. Thirdly, redevelopment benefits are shared among existing residents in differentiated ways. The most affected in negative ways are the marginalised population whose social and economic status is increasingly threatened by the market risks in times of globalisation, urban growth and redevelopment in the 1990s.

This thesis concludes that partnerships in neighbourhood redevelopment do not have benign outcomes for all. Stronger government intervention is necessary in order to safeguard the interests of existing residents in dilapidated neighbourhoods, ensure their participation, and in particular, increase the protection of those increasingly marginalised by the process of redevelopment.
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Statement of Originality

I hereby declare that the work presented in this thesis - Transforming Urban Neighbourhoods: Limits of Developer-led Partnership and Benefit-sharing in Residential Redevelopment, with reference to Seoul and Beijing – is my own work.

Signed: Hyun Bang Shin
Romanisation of Korean and Chinese

The Romanisation of Korean words in this thesis follows the Revised Romanisation system proclaimed by the Ministry of Culture and Tourism of the Republic of Korea in July 2000. For Chinese words, this thesis follows the Chinese Pinyin system.

Some authors’ names and terms might be spelt out according to other Romanisation systems if they appeared as such in original publications. When referencing primary sources in Korean or Chinese language, its bibliography details include titles translated into English, followed by the romanised forms of titles.
Abbreviations

BMG  Beijing Municipal Government
FAR  Floor-to-area ratio
GDP  Gross Domestic Product
GFCF Gross Fixed Capital Formation
GNI  Gross National Income
HPF  Housing Provident Fund (in mainland China)
JRP  Joint Redevelopment Programme
KNHC Korea National Housing Corporation
KRW  Korean Won, the official currency in South Korea
MLSS Minimum Living Security System
   (means-tested social assistance programme in mainland China)
NBLS National Basic Livelihood System
   (means-tested social assistance programme in South Korea)
NHF  National Housing Fund (in South Korea)
ODHRP Old and Dilapidated Housing Redevelopment Programme
PIR  Price-to-income ratio
RMB  Renminbi (or yuan), the official currency in mainland China
SMG  Seoul Municipal Government
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1.1 Urban regeneration in Seoul and Beijing: the need for empirical research

The Global Strategy for Shelter to the Year 2000, setting out the official position of the United Nations originally endorsed in December 1988, called for international efforts to “facilitate adequate shelter for all by the year 2000” by adopting “enabling policies, whereby the full potential and resources of all governmental and non-governmental actors in the field of human settlements are utilised” (United Nations 1988). Such efforts, however, seem to have been far from adequate, as a recent UN report suggested that one third of the world’s urban population is still living with inadequate access to housing, safe water or sanitation (UN-Habitat 2003a: 13-14). In developing regions, such residents accounted for 43% of total urban population.

The history of tackling shelter problems in developing countries since the 1950s revealed two contrasting approaches: slum improvement and upgrading versus clearance and redevelopment. The former strategy was largely popular among academics and practitioners, who were in favour of housing improvement set in local contexts, emphasising residents’ own initiatives for the mobilisation of their own skills, knowledge and resources (Aldrich and Sandhu 1995; Choguill 1999; Werlin 1999). Mass clearance and wholesale redevelopment were often denounced due to their destructive nature that caused irreversible damages to the delicate fabric of social networks within subjected neighbourhoods (Mukhija 2003).

The national and local governments in the Republic of Korea (hereafter South Korea) and the People’s Republic of China (hereafter mainland China) thought otherwise. In these countries, slum upgrading only occupied a marginal position, and wholesale redevelopment has been a dominant urban renewal strategy. In the case of Seoul, an official survey conducted in 1979 indicated that nearly 17% of its housing stock turned out to be substandard and dilapidated. Most dwellings were informal and illegal as they were built on public lands without formal land tenure (EPBK 1982; KRIHS 1981: 961). From 1984, the majority of these dilapidated dwellings became subject to a revised urban renewal approach that was titled the Joint Redevelopment Programme (hereafter JRP). It aimed at wholesale redevelopment of dilapidated neighbourhoods, transforming them into high-rise estates. By 1995, dwellings provided through redevelopment accounted for 17% of all the dwelling stock (or 25% of all the apartment units) in Seoul (Seoul Development Institute 1996: 188). The core feature that differentiated it from preceding
urban renewal approaches was the JRP’s project financing and management structure, which largely depended on real estate developers’ participation in partnership with property owners. In the course of its application, the JRP, however, faced resistance from local residents, especially tenants, who were forcefully evicted without compensation. This was particularly true of the 1980s and early 1990s when tenants’ protests, violence, eviction and arrests were part of daily life, something that urbanites lived with and to some extent, ignored if not directly affected.

In the case of Beijing, a municipal survey of housing conditions conducted in 1990 revealed that more than one quarter of inner city dwellings required urgent attention due to their structural instability and severe deterioration (Liu 1991a: 16). The mayor of Beijing gave a speech at the end of April 1990, which signalled a shift in the direction of Beijing’s urban renewal strategy towards enforced adoption of market principles (BMG 1990). The particular programme devised thereafter was known as the Old and Dilapidated Housing Redevelopment Programme (hereafter ODHRP). As in Seoul, Beijing’s ODHRP also aimed at wholesale redevelopment that mostly resulted in high-rise commercial flats, which could be sold at market prices in the city’s expanding new housing market. This was to guarantee participating developers’ recovery of project costs and acquisition of development profits.

Since their inception, JRP and ODHRP have become the dominant urban policy for the renewal of dilapidated neighbourhoods in Seoul and Beijing, and transformed urban landscapes. While these programmes helped local authorities tackle housing problems in dilapidated neighbourhoods by resorting to the private sector’s financial resources and expertise, the end products (that is, new dwellings) of JRP and ODHRP projects appear to remain beyond the reach of most low-income residents. To the extent that poor residents in dilapidated neighbourhoods are excluded from entering their neighbourhoods transformed to accommodate more affluent groups of municipal population (Smith and Williams 1986b), JRP and ODHRP depict a process of gentrification as “the new urban colonialism” (Atkinson and Bridge 2004), having extended its reach to these East Asian cities.

Despite these programmes’ relatively long-standing history of implementation, their assessment is far from adequate. With regard to the JRP, academics and pundits began to interpret such renewal activities from a critical political economic perspective (Jang 1998a,
1998b) or social justice and human rights perspective (ACHR 1989b; CIIR 1988; Ha 2001b; Kim 1998; Seo 1999). Most critiques focused on assessing urban renewal from a welfare perspective, criticising the lack of government attention to the provision of affordable housing for poor residents (e.g. Ahn 2002; Cho and Park 1995; Choi 1991; Ha 1994, 1999, 2002; Kim et al. 1996; J.Y. Lee 2000; Sohn 1995; Yoon 1997). Such literatures, however, were mostly macro-level without providing an insight into the nature of redevelopment and its post-redevelopment impacts on residents in local contexts.

With regard to Beijing’s ODHRP, in spite of the programme’s decade-long application, few international debates have taken place, which critically examine the programme. The news of intensifying urban renewal activities began to appear sporadically in international media only recently. The media attention, however, was mostly on evolving housing markets and the soaring prices of commercial flats in cities like Beijing and Shanghai which raised concern over increasing affordability gaps (e.g. The Economist 14 July 2001; The Economist 16 April 1998). At the outset of this research, only a handful of academic literature was available. This alerted us to the increasing influence of the real estate industry in urban renewal projects (Leaf 1995; Lu 1997), the issue of redevelopment compensation as a source of residents’ discontent (Abramson 1997; Zhang 1997), inner city residents’ relocation to suburban estates and development of informal housing consumption on urban peripheries (Leaf 1995), and urban renewal as part of the broader process of urban restructuring (Gaubatz 1999; Wu 1997). These thought-provoking writings, however, presented limited views on what was going on in Chinese cities at neighbourhood level, and how residents were affected and reacted in the process.

There is a lot more to learn regarding the renewal processes in Seoul and Beijing. Informed views on how different sectors (that is, the public sector, the private sector and local communities) partake in redevelopment neighbourhoods are limited. We are yet to understand why the JRP and ODHRP have become predominant renewal strategies in Seoul and Beijing, what contributions are made by participating developers, local authorities and residents, and what benefits are shared (or not shared) by partaking entities. In this respect, this thesis aims to present detailed empirical analyses of how the JRP and ODHRP operate at neighbourhood levels. The thesis aims to provide opportunities to gain insights into urban processes that strongly influence many families at low levels of income who find it increasingly difficult to settle due to the demolition and displacement which are part of neighbourhood transformation. The findings apply far more widely
than the two countries studied.

### 1.2 Key hypothesis and research questions

The overarching objective of this research is to examine how developer-led partnerships in urban redevelopment came to operate in different urban settings, what roles were undertaken by participating actors and how redevelopment benefits are shared among the existing and potential residents in redevelopment neighbourhoods. Given the negative experiences in western cities and in other developing countries of having private sector participation in low-income neighbourhoods (UN-Habitat 1993), the key hypothesis that I propose at the outset of this research is:

‘Developer-led redevelopment does not benefit local residents.’

This key hypothesis is to be addressed in the light of the following questions that are considered throughout this study:

- What were the living conditions in dilapidated neighbourhoods before redevelopment?
- What opportunities were there in dilapidated neighbourhoods that enabled the establishment of developer-led redevelopment strategy? How were developers able to exploit these opportunities?
- What roles were played by the private and public sectors in sustaining residential redevelopment?
- What were the patterns of displacement and relocation of local residents upon redevelopment? What difficulties did local residents face upon displacement?
- What were the impacts of redevelopment on local residents’ housing conditions? Did all the residents share redevelopment benefits?
- Were local residents able to contribute and participate as equal partners in neighbourhood transformation?
- Who really benefited and lost?

### 1.3 Research framework and theoretical foundation

This section lays the theoretical foundation for the design of the research framework. Two main theoretical underpinnings are discussed: (1) the rent gap theory on urban renewal and gentrification and (2) the constraints perspective on residential mobility.
Rent gap theory: a critical perspective on urban renewal and gentrification

This research uses the theory of ‘rent gap’ as the main tool for the critical understanding of Seoul and Beijing’s urban renewal processes. The rent gap refers to the situation in which the actual rents derived from current conditions are far below the potential rents of newer development displacing the old. The rent gap theory allows us to understand and explain the main impetus behind the real estate investment in dilapidated neighbourhoods and developers’ participation. The theory focuses on the political economic conditions that lead to the production of gentrifiable properties in urban neighbourhoods, and how the human intervention is necessary to realise the development opportunities.

Rent gap theory, urban renewal and gentrification

Urban renewal with increased private sector participation is closely associated with the displacement of local residents who are too poor to afford upgraded or redeveloped dwellings. The phenomenon of local residents’ displacement due to housing rehabilitation or redevelopment at neighbourhood scale is often referred to as gentrification (Smith and LeFaivre 1984: 50-51). Here, gentrification is defined as a process that accompanies capital reinvestment in dilapidated neighbourhoods and subsequent replacement of poor households with more affluent groups that largely include growing number of professional/managerial class in post-industrial cities. Smith and Williams define gentrification as “the rehabilitation of working-class and derelict housing and the consequent transformation of an area into a middle-class neighbourhood” (Smith and Williams 1986a: 1).

The rent gap theory was first introduced by Neil Smith to emphasise the structural changes that drove gentrification (Smith 1979). Since its introduction, the theory has become a powerful analytical framework for the understanding of inner city decline, its renewal and residents’ displacement and gentrification (Clark 1988, 1992, 1995; Smith 1987, 1992, 1996, 2002; Smith and LeFaivre 1984; Smith and Williams 1986b).

The rent gap theory explains that neighbourhoods go through a devalorisation cycle before experiencing capital reinvestment and gentrification (Smith 1996; Smith and LeFaivre 1984). The devalorisation cycle includes new construction of structures and their first use, disinvestment and abandonment. According to Neil Smith, there are three main sources that contribute to the devalorisation of properties: (1) improved labour productivity that makes it possible to build a similar structure at lower costs; (2) physical
wear and tear; and (3) obsolescence of building style (Smith 1996: 63-64). The devalorisation cycle eventually leads to the “systematic decrease in the capitalised ground rent, reflected in lower house rents in an area and a relatively lower selling price for structures” (Smith and LeFaivre 1984: 50). Here, ground rent refers to the “claim made by landowners on users of their land,” and capitalised ground rent is defined as “the quantity of ground rent that is appropriated by the landowner, given the present land use” (Smith 1996: 62).

As a neighbourhood goes through the devalorisation cycle, house values fall and so do the levels of capitalised ground rent (Smith 1996: 62-67). As the devalorisation cycle continues, it leads to the growth of a rent gap, which refers to the disparity “between the ground rent actually capitalised with a given land use at a specific location and the ground rent that could potentially be appropriated under a higher and better land use at that location [that is, potential ground rent]” (Smith and LeFaivre 1984: 50). Figure 1-1 shows this process of devalorisation and rent gap expansion. The rent gap expansion is further aided “by continued urban development and expansion…that has historically raised the potential ground rent level in the inner city” (Smith 1996: 67-68). For professional developers, owner occupiers and absentee landlords, the rent gap represents development opportunities.

Figure 1-1: The devalorisation cycle and the expansion of the rent gap
(Adapted from Smith 1996: 65)
Arguing against the consumption-side critics who focus on the production of gentrifiers (that is, new urban elites comprised of professional, technical and administrative workers) and their consumption preference (Beauregard 1986; Hamnett 1991, 1992; Ley 1980; Munt 1987), the proponents of the rent gap theory argue that it is not the existence of gentrifiers but the presence of rent gap which provides a fundamentally necessary material condition for urban renewal and gentrification processes. Consumer choice is still seen as important, but it is regarded as being ‘boostered’ by producers to create effective demand. For the proponents of the rent gap theory, gentrification is more influenced and in fact produced by “builders, developers, landlords, mortgage lenders, government agencies and real estate agents involved on the production and supply side, and their actions and profit motives are essential to the process of rent gap expansion and closure” (Clark 1992: 359).

Although the rent gap thesis was initially proposed to explain the causes of inner city gentrification in post-industrial cities, the rent gap expansion could also be “essential to the redevelopment process” (Clark 1992: 359). It is understood that gentrification encompasses rehabilitation and redevelopment. Gentrification through redevelopment occurs when demolition becomes the main method of closing the rent gap (Williams 1984).

**Presence of capital for the closure of the rent gap**

As Clark noted, “Rent gap closure hinges on the active expression of demand for ‘higher and better uses’ of a site” (Clark 1992: 360), and the rent gap itself does not determine the type of end products a gentrifying area would come to possess. The closure of the rent gap requires a substantial presence of capital to be invested in built environment for higher profits (Smith and LeFavre 1984: 53). It is argued that the capital to complete the closure of rent gap comes into existence through ‘capital switch,’ which refers to the process of capital flow redirection from the primary, production circuit to the secondary circuit of fixed assets and built environment (Smith 1986: 29-30; Wu 1997: 643).

According to the interpretation of David Harvey, capital switch takes place as a solution to the problem of capital over-accumulation, which is an inherent tendency in the primary (production) circuit of capital (Harvey 1981: 93-97). The capital flow into built environment presupposes two conditions: (1) the production of surplus capital and labour, which fosters long-term asset formation; and (2) the existence of a functioning capital
market to enable the creation of ‘fictional capital’ (Harvey 1981: 96-97). The second condition is deemed necessary as the investment in built environment (or capital flow into built environment) is often difficult for individual capitalists. In this respect, the presence of “a State willing to finance and guarantee long-term, large-scale projects with respect to the creation of the built environment” (Harvey 1981: 97) would facilitate the capital switching process.

The switch of capital into the real estate sector has its own advantage and disadvantage. The investment in built environment in the form of infrastructure and land development for further expansion of production capacity is an advantage for the facilitation of the primary circuit of capital flow as it provides an opportunity for further accumulation and profit retaining. On the other hand, the investment in built environment requires a long-term commitment, and spatially fixes capital in a locality. As the new opportunities are found for additional investment, the tendency of over-accumulation prevails in the secondary circuit of capital in the form of over-investment in built environment, leading to potential crises of devaluation (Harvey 1981: 101).

**Human intervention in closing the rent gap**

In gentrification literature, the proponents of consumption-side explanations commonly acknowledge that “neighbourhood decline is necessary but is not sufficient for gentrification to occur” (Beauregard 1986: 47). They argue that it is important to look at the emergence of gentrifiers as a social group and their role as agents and consumers that enables and completes the process of gentrification (Beauregard 1986; Hamnett 1991; Munt 1987). This perspective, however, limits our understanding within the domain of individual consumerism and consumer behaviour with less attention paid to the socio-economic and political contexts within which gentrifiable properties are produced.

The proponents of the rent gap theory argue that gentrification is not realised by the gentrifiers who merely close the circuit of production-consumption by consuming rehabilitated housing stock, and that the rent gap is not to be treated as a mechanistic determinant. Production-side critics focus on social relations and power struggles in a given locality that lead to human interventions.

“…the rent gap does not determine property development. Property development and rent gaps are determined by social relations and power struggles centring on the making and taking of values in the built environment” (Clark 1995: 1490-1491)
Contrary to consumption-side critics who treat state policies as “of secondary importance” (Bailey and Robertson 1997: 563), production-side critics argue that it is the political intervention that completes the transformation of ‘rent gap’ into actual development gains and, together with the conditions in a given locality, determines the end products of neighbourhood transformation. To the extent that the rent gap condition only provides material conditions for capital reinvestment, and that the profit realisation is achieved only by active political intervention, the public sector assumes a catalytic or an enabling role (Smith 1996).

The growth in the rent gap could also be influenced by “blighting effect of state and local government policy” (Badcock 1989: 142). For instance, school development, building height restrictions or land use zoning to restrict commercial development may discourage the full closure of the rent gap. As Smith (1987) noted, it is possible that “Not all neighbourhoods experiencing the rent gap may experience gentrification or redevelopment; some economic opportunities remain unexploited and specific local conditions may discourage the process” (ibid, p.464).

**Constraints perspective on residents' displacement and relocation**

Part of the objectives of this research is to find out the impacts of neighbourhood redevelopment on local residents by closely examining the changes in their housing experiences upon displacement. In redevelopment projects, most local residents are displaced involuntarily from their homes, forced to make decisions to move while facing various constraints that are beyond their control. In this regard, this research adopts a constraints perspective on residential mobility. This perspective views that institutional and structural constraints are more determinant for residential relocation than individual housing demands or preferences.

Since the seminal work on residential mobility by Peter Rossi in 1955, the existing literatures on residential relocation could be divided broadly into two main strands: the demand-oriented perspective and the constraints perspective. The demand-oriented perspective identifies residential mobility or relocation as a spatial adjustment process initiated by individual households to meet their needs arising from family life cycle, job relocation or personal life style preferences. This perspective focuses on the behavioural aspects of housing choice, placing households’ “life cycle changes at the top of the list of
sources of residential moves” (Rossi 1980: 37). The desire of households for a larger space, tenure change and more affordable accommodation significantly explains relocation behaviour (Clark and Onaka 1983). The homeownership of a high-quality, single-family home in a suburban setting is regarded as the stable state, suitable for child-bearing, and became a norm for middle-class families (Kingsley and Turner 1993: 2; Michelson 1977).

In contrast to the demand-oriented perspective, the constraints perspective emphasises the supply-side constraints within which choices are made (see for example, Flowerdew 1982; Moore and Rosenberg 1993; Murie 1974; Rex and Moore 1967). In this perspective, instead of focusing primarily on individual choices as in the behavioural approach, residential mobility was viewed as influenced by household expenses on the one hand, and the presence of institutional constraints such as households’ access to existing financial provisions and public housing on the other (Flowerdew and Manion 1982: 10-12).

These constraints might also be generated by the urban managers and ‘gatekeepers’ who controlled and distributed scarce urban resources and facilities (Pahl 1970). Rather than adopting a narrow focus on local urban managers, it is important to set constraints within wider socio-economic processes (Cadwallader 1992: 18; Flowerdew and Manion 1982: 13-20). For example, in the United States, the exodus of middle-income families in the 1960s and 1970s from the inner city neighbourhoods to outer suburban areas once played as impetus for residential relocation, leading to the sharp increase in suburban population from 24% of national population in 1950 up to 70% in 1980 (Kingsley and Turner 1993: 2). For urban poor families, however, the affordability crisis due to increasing income inequalities and limited availability of affordable rental units outside the central city led them to be trapped within inner city areas despite the situation that most new low-wage jobs were created in suburban cities (Apgar 1993; Kingsley and Turner 1993).

The supply-side constraints perspective acknowledges that residents also face information-constraints when making decisions to move. For instance, the study of Turner and Wienk (1993) on the residential segregation in Canadian cities reveals that fewer houses in minority areas or integrated neighbourhoods had been advertised in newspapers than those in ‘white areas.’ The study also showed that real estate agents practiced discriminatory treatment against minority home-seekers, and steered them away toward minority areas, hence acting as barriers to the housing choice by minority households (Turner and Wienk 1993).
From a structural viewpoint, such constraints would be shaped by the structure of housing provision that influenced the patterns of housing consumption and production through the dynamics of relationships among social agents involved (Ball 1986a, 1986b). The development of ‘rent gaps’ (the difference between the ground rent appropriated by landlords under current land use and the anticipated ground rent under a different land use) in inner city areas would drive gentrification, hence displacing or forcefully relocating low-income families (Smith 1996). Such processes could not readily be captured by the housing choice and demand-oriented perspective. Those supply-side constraints upon the decisions to move “tend to be much more place-specific” and “reflect the historical character of the stock …as well as specific mixes of local regulation and development controls which interact with more general economic and programmatic trends” (Moore and Rosenberg 1993: 125).

All the literatures above suggest that the decision to move by residents is not simply a function of housing adjustment to fulfil individual household’s housing preferences and needs, but is conditioned by institutional and structural constraints. The supply-side constraints perspective is particularly persuasive in this research that examines the experiences of residents subject to involuntary relocation and displacement within the context of neighbourhood restructuring through residential rehabilitation or redevelopment programmes. Such experiences are often beyond the control of residents, and are involuntary to the extent that their relocation is induced by external forces that change the existing neighbourhood structure.

1.4 Urban regeneration and partnership: evidence from the West

The research on which this thesis is based was first conceived by the realisation that the two cities, having experienced different urban development trajectories and distinct socio-economic and political backgrounds, came to share a similar urban renewal strategy that relied heavily on developers.

Since the 1980s, urban renewal strategies in many European and North American cities have increasingly been shaped by partnership with the private sector (UN-Habitat 1993). Existing literatures on private-led development in western cities are mostly focused on the experiences of the UK and the US. The rise of New York, London and other of their post-industrial cities in the global competition for investment capital also seems to have
made private-led, place-oriented regeneration more attractive in these cities. For these reasons, the background to how private sector participation in urban regeneration has been analysed and assessed largely draws on the experiences of the UK and the US. Existing literatures on East Asian experiences including South Korea and mainland China will be referred to throughout this thesis when necessary.

**Private sector participation in urban regeneration**

In the UK, with the development of the welfare state during the post-war years, local authorities carried out public service delivery, and when short of resources to meet service demands, received central government grants (Fainstein 2001: 6). In a similar vein, urban renewal in the 1950s and 1960s was mostly implemented by local authorities, focusing on the provision of social housing, but it was the private sector that undertook the actual construction. In this respect, as Healey et al (1992) noted, public and private interests were in “a synergetic relationship” (Healey et al. 1992: 216).

The UK experience differed from that of the US where the private sector actively participated in urban renewal during the post-war years. Scholars such as Squires (1996) point out that in the US, “the private partner dominated as the public sector's role consisted principally of ‘preparing the ground for capital’” (Squires 1996: 275). Public-private partnership in the 1950s and 1960s largely focused on sub-urban expansion and slum clearance in urban ghettos near business centres and more affluent neighbourhoods (Fainstein 2001: 6). Public subsidies were provided to facilitate commercial development in downtown areas, to promote homeownership and sub-urbanisation through highway construction (Squires 1996: 273-276). Gregory Squires (1996) refers to the long-standing ideology of privatism in the USA for explaining the nation's increasing reliance on public-private partnership for economic restructuring and urban redevelopment:

“The central tenet of privatism is the belief in the supremacy of the private sector and market forces in nurturing development, with the public sector as a junior partner whose principal obligation is to facilitate private capital accumulation” (Squires 1996: 267)

Since the 1980s, there has been a lot of policy interest in establishing partnerships with the private sector for carrying out urban regeneration. In the US, diminishing federal reserves for social services and urban renewal programmes led to re-visiting the concept of partnership, which is “widely perceived to be an innovative approach that is timely in
an age of austerity” (Squires 1996: 267). In Britain, public-private partnership received renewed attention, this time the private sector assuming a leading role for rebuilding inner city areas where problems of declining industry, decaying infrastructure, poverty concentration and social polarisation were prevalent (Edwards 1984; Gore 1991; Healey et al. 1992; UN-Habitat 1993). In the changing environment, the private sector became “a legitimate provider of public policy initiatives,” providing finance that used to be largely in the domain of local authorities (Healey et al. 1992: 217).

As the public sector’s direct intervention in urban renewal and housing development was substantially curtailed, public-private partnership was seen as a way of tapping the private sector’s financial resources and managerial skills (Cameron 1992). The Conservative government in this period considered partnership “as a means of transferring responsibility for urban regeneration to the private sector” (Bailey et al. 1995: 1). In his study on partnership agencies in Britain, Bailey et al (1995) identifies several factors that set the background for the rise of partnership in Britain. Firstly, economic recession in the 1990s coupled with loss of jobs and declining manufacturing industry led to local authorities to seek for alternative strategies including “closer links with the private sector” (Bailey et al. 1995: 7). Secondly, local government control of major services was substantially transferred to the central government. For instance, local authorities were excluded from allocating development funds such as the City Grant that replaced Urban Development Grant in 1988. For local authorities, partnership was regarded as one of “new institutional arrangements at the local level in order to maximise both their influence and the leverage by which limited funds, or resources such as land, could be used to maximum advantage” (ibid, p.8). Thirdly, departmental competitions in central government to implement inner city initiatives led to the fragmented programme implementation, which called for “new alliances between local government, local businesses and the voluntary sector at the local level…as a partial response to the array of ill co-ordinated government initiatives” (ibid, p.9). Fourthly, there had been attempts by the central government “to give the private sector greater ownership of urban policy” (ibid, p.11), also supported by business organisations such as the Confederation of British Industry.

**Prevalence of property-based regeneration**

Property-based regeneration has prevailed while pursuing public-private partnership approaches, and has become a governing strategy of urban regeneration in post-industrial
cities (Cameron 1992; Healey et al. 1992; Quilley 1999). Property-based redevelopment is also being preached in cities of developing countries that try hard to compete in globalising world, and a recent evidence of this process is witnessed in Shanghai (Wu 2000, 2003). Place promotion and urban re-imaging through ‘flagship’ projects have become dominant themes of urban regeneration (Bianchini et al. 1992), along with revitalisation of dilapidated or derelict urban lands in inner city areas which economic activities and affluent population once fled from. As Quilley (1999) noted:

> There has been a pervasive homogeneity in the models of urban regeneration pursued by western cities since the 1980s. Common strands include flagship property developments and an emphasis on physical regeneration; environmental, and infrastructural developments aimed at increasing the quality of life (“liveability”) and attracting the expanding service class; waterfront and harbour developments typically featuring the development of marinas and the recycling of nineteenth-century warehouses for residential and office developments and as “heritage”; the expansion of the central business district; and a commitment to the twenty-four-hour city and café society”

(Quilley 1999: 189)

Proponents of property-based regeneration argue that place-oriented inner city renewal is expected to generate further investment by enhancing commercial development opportunities (e.g. improved general appearances and increased funding possibilities) and reap economic benefits (e.g. job creation and new demand for service industry) that would eventually trickle down to poor neighbourhoods (Cameron 1992). Turok, for example, argue that property-based regeneration creates construction-related jobs, contributes to the expansion of indigenous companies, acts as a catalyst to attract further investment, revitalises run-down neighbourhoods, and initiates area-wide economic restructuring (Turok 1992).

Although inner city areas were experiencing multi-faceted problems including job losses, crime, poverty, poorly managed infrastructure and dilapidated housing, social problems in the worst neighbourhoods were of secondary importance, as governmental responses had largely taken a physical approach. In the UK, various subsidies such as the City Grants and Urban Development Grants were provided to support property-led regeneration and local economic growth. According to Jones (1996b), the UK government in the 1980s “sought to withdraw from the direct provision and subsidization of industrial property” (Jones 1996b: 801), and remove supply-side constraints to attract and win the confidence of private capital (Jones and Watkins 1996: 1129). The establishment of the Urban Development Corporations (hereafter UDCs) in the UK in the 1980s is often cited as
representing the Conservative government’s property-led regeneration strategy. The UDCs were “non-elected agencies…set up with sole powers to execute policies leading to market-led, property-based regeneration” (Bailey et al. 1995: 15). As Parkinson (1988) noted, the UDCs were based on the assumption that “regeneration should be physically led by a single-purpose agency, free from the constraints of local democracy, which should establish at minimal public cost the conditions for private investment, which will generate wealth that will eventually flow back into the community” (Parkinson 1988 cited in Bailey et al. 1995: 15).

In the UK, the New Labour government since the late 1990s has focused on implementing area-based regeneration and tackling social exclusion. In addition, improving urban environmental quality such as the physical and visual appearances of buildings and public space has been prevalent (Urban Task Force 1999). To this extent, it could be said that place-oriented property-led regeneration has survived under the Blair administration. Whereas such promotion of physical appearances was left to the private sector under the Conservative government, it was actively sought by the Blair administration (Booth 2005).

**Role of the public sector in regeneration partnerships**

The emphasis on private sector led to the modification of the role of the public sector, which increasingly became an enabler or facilitator, focusing on removing supply-side constraints and providing incentives and financial subsidies to attract private capital. Bailey et al. (1995) state that the centralisation of control in Britain in the 1980s weakened the autonomy of local authorities, which used to be strong and interventionist in the preceding decades. The central government in this process “engineered the transition of local government from being the primary agency to tackle inner city area problems to being one of many players” (Bailey et al. 1995: 18). This in turn laid the foundations for the formation of local growth coalition in order for local authorities to salvage what was left of its autonomy. Local authority initiatives that required allocation of central grants, however, had to be justified by involving support or participation of the private sector (Bailey et al. 1995: 18-19).

Critical literature links the changes in urban renewal strategy closely with the change in urban governance from managerialism to entrepreneurialism (Griffiths 1998; Harvey 1989; Quilley 1999). The managerial form of governance, according to Griffiths (1998:
is characterised by state resource allocation and bureaucratic organisation of social services delivery on the basis of social welfarism. Structural changes (such as the economic recession, declining basis of manufacturing industry in traditional metropolitan areas, and changes in employment structure and relations) have led to the erosion of the basis of managerialism. A new form of class alliance has replaced managerialism in order for cities to survive and succeed in the new environment of diminishing territorial barriers for global capital movement and of intense inter-urban competition for jobs, resources and private capital investment (Harvey 1989). Local authorities have become more desperate “to pin down increasingly fleet-footed capital” (Weber 2002: 531). David Harvey (1989) notes:

“The new urban entrepreneurialism typically rests, then, on a public-private partnership focusing on investment and economic development with the speculative construction of place rather than amelioration of conditions within a particular territory as its immediate (though by no means exclusive) political and economic goal” (Harvey 1989: 8)

The ‘speculative construction of place’ under entrepreneurialism entails risks, which are absorbed by the local public sector (Harvey 1989: 7). In other words, public sector subsidies ensure “private sector manoeuvrability…especially in areas of high risk” (Healey et al. 1992: 218). Throughout the 1980s and early 1990s, both local and central government initiatives to enhance private sector participation had “a remarkably consistent approach with the promotion of private investment and confidence by both financial pump priming and the removal of constraints” (Jones 1996a: 205). The transformation from managerialism to urban entrepreneurialism in the UK is thus government-led, fuelled by local authorities that strive to maintain its limited autonomy in times of centralisation of control by the central government. As Healey et al. (1992) argues:

“Not only has central government remained highly active in promoting and sustaining partnership, but local government, the original object of exclusion, has become increasingly entrepreneurial as it has fought to maintain its position in the public policy arena of economic development” (Healey et al. 1992: 219)

In the US, the local authorities are known to be more business-oriented, seeking economic growth in coalition with other private interests. This is interpreted as a growth machine, which is manoeuvred by a local growth coalition that combines land-based interests including local officials, their counter parts in the federal government, developers, real estate agents, mortgage lenders and so on (Logan and Molotch 1987; Molotch 1976).
Social consequences of urban renewal

Urban renewal during the last several decades has made profound changes to the landscape of major cities in the UK and the US. Policy makers and proponents of place-focused, private-led renewal processes seem to assume that urban renewal not only brings benefits for local economy and raise fiscal revenues for local government but also affects local neighbourhood positively by bringing in more affluent groups of population (Bailey and Robertson 1997: 564-566).

On the other hand, a large number of researchers focus on analysing urban renewal and resulting gentrification as a negative outcome (Allen 2000; Atkinson 2000a, 2002; Goetz 2002; LeGates and Hartman 1986; Marcuse 1986; Smith and Williams 1986b). They tend to focus on the scale of displacement, loss of affordable housing and to a lesser extent, social implications of gentrification (Atkinson 2002). In the United States, studies (LeGates and Hartman 1986; Marcuse 1986; Sumka 1979) showed that a substantial number of residents were found to be displaced due to gentrification. Marcuse (1986), for instance, showed that up to 60,000 households were displaced from abandonment, and between 10,000 and 40,000 households from displacement annually in New York. LeGates and Hartman (1981) also found that 2.5 million persons were displaced annually in the United States (LeGates and Hartman 1981 cited in LeGates and Hartman 1986: 197). In Britain, few studies attempted to measure the scale of gentrification-induced displacement, but a recent longitudinal study based on 1981 – 1991 census data found that losses of working class, inactive and elderly groups of population from gentrified areas of Greater London turned out to be profound (Atkinson 2000b). The presence of social housing in gentrifying city centres in UK cities, however, seemed to have lessened the risk of displacement, though the economic opportunities resulting from urban regeneration were not shared by residents in deprived neighbourhoods due to labour market segmentation (Cameron and Doling 1994). Bianchini et al. (1992) are also sceptical of the redistributive effect of flagship projects in urban regeneration, arguing that they contribute little to local communities (in terms of the number of new jobs allocated) and small local business. It was also suggested that residents in deprived neighbourhoods would find it difficult to access new attractions often located in city centres (Bianchini et al. 1992: 252-253).

Loss of affordable housing is also pointed out as a negative outcome of urban renewal and gentrification. In the United States, urban renewal in the 1960s led to the demolition
of 404,000 dwellings by 1967, while only 41,580 replacement units were built to accommodate low- and middle-income families (Friedland 1983: 85 cited in Squires 1996: 275). Redeveloped or gentrified dwellings are often beyond the financial reach of original poor residents. Gentrification occurs at a neighbourhood level (Smith and LeFaivre 1984), and this leads to the reduction of affordable housing available to original residents, resulting in what Marcuse (1986) termed as ‘exclusionary displacement’ (ibid, p.156). LeGates and Hartman (1986: 190-194) found in the review of existing studies that displacees tended to resettle within or close to their original neighbourhoods, and certainly within the same city. This came however at the expense of spending more on housing.

Other research examined the consequences of gentrification upon displacees placed in wider social contexts. Displacement of disadvantaged residents through gentrification in the United States is reported to have resulted in increased racial and class conflicts (LeGates and Hartman 1986: 194-196) and aggravated “residential polarisation of the city by income, by education, by household composition, and by race” (Marcuse 1986: 169).

At the individual level, displacement also affected the well-being and health of the displacees especially when they were rid of “the opportunities to exercise an appropriate level of control” (Allen 2000: 459). Moreover, housing renewal and forced relocation had a significant impact upon people's psychological well-being by disrupting the residents’ continuity in life through the demolition of one’s home that once helped construct his/her identity (Ekström 1994).

**Inclusion of local communities in partnership**

The focus on property-based redevelopment or physical approaches throughout the 1980s and early 1990s overshadowed social approaches. In the UK, the evaluation of the operation of the UDCs conducted by the House of Commons Employment Committee called for the inclusion of local communities in sharing regeneration benefits (in this case, increased employment opportunities). The Committee argued that “UDCs cannot be regarded as a success if buildings and land are regenerated but the local community are bypassed and do not benefit from the regeneration” (House of Commons Employment Committee 1988: xxv para 89 cited in Jones and Watkins 1996: 1130). The stronger emphasis on communities and social needs was eventually reflected in the Conservative government’s design of a series of Challenge Funds including the City Challenge (initiated in 1991) and the Single Regeneration Budget (hereafter SRB; initiated in 1994), which at
the outset “sought to achieve a balance between investing in people and places” (Oatley 1998b: 14). These programmes aimed at allocating funds on the basis of opportunities rather than level of needs through competitive bidding processes. Each bidder was to form a non-hierarchical multi-sectoral partnership among various stakeholders including local business interests and local communities in affected areas, moderated by the local authority (Oatley 1998a: 148-149).

The orientation toward place-based policies for urban regeneration paid less attention to the betterment of local residents, as it was often believed that the development gains accrued would eventually trickle down to local residents by means of creating demands for new jobs and service industries. Findings in the late 1990s in Britain, however, suggested that there was no concrete evidence of redistributive effect of property-based urban regeneration. In fact, it was noted that income inequality was exacerbated and social polarisation increased with some of the worst neighbourhoods becoming more isolated (Glennerster et al. 1999; Power 1996; Power and Mumford 1999; Smith 1999; Social Exclusion Unit 1998).

The attempts by the UK Conservative government as previously reviewed were also criticised as having lacked consultation with and representation of local communities in decision-making and evaluation processes. For instance, Baeten (2000) examines the regeneration process of the South Bank, London, and concludes that regeneration partnership and competitive bidding for funding failed to contribute to the empowerment of the disadvantaged population in these neighbourhoods despite the claimed objective of meeting social needs (Baeten 2000). Hart et al. (1996) also criticises the inclusion of business elites and the lack of representation of local community interests in non-elected agencies (in this case, the Training and Enterprise Councils or TEC) for doing little to prevent “the purposeful skewing of TEC boards in favour of business interests” (Hart et al. 1996: 440) and made it difficult to reflect the needs of local communities.

Attempts to reflect community interests moved to the centre of urban policies in the late 1990s. The impetus came from the New Labour government’s emphasis on tackling social exclusion and the concentration of multi-faceted problems in the worst-performing neighbourhoods (Glennerster et al. 1999; Wallace 2001). To some extent, New Labour’s area-based policies were the extension of place-oriented urban regeneration under the Conservative government in the 1980s and 1990s, but the main difference lay in New
Labour’s emphasis on encouraging local communities to spearhead changes to come (Imrie and Raco 2003). Involving communities in planning and consultation and encouraging residents’ active participation in neighbourhood rebuilding were also regarded as a means to increase social capital (Social Exclusion Unit 1998). One of the latest policy interventions in area-based initiatives includes the promotion of a social mix through Low Demand Pathfinders programme (Cameron 2003). Stuart Cameron (2003) comments that this programme “reflects an explicit concern to ‘rebalance’ the population of disadvantaged and stigmatised neighbourhoods through ‘positive gentrification’” (p.2367).

Though it may be too early to evaluate New Labour’s attempts to foster community participation in urban regeneration, some literature provides a critical understanding of these. Community participation, tackling social exclusion and improving the environmental quality of urban space have been chosen as three main areas of action (Booth 2005: 262-263). The strategy to improve environmental quality leads to the process of gentrification disguised by the use of terms such as ‘urban renaissance’ and ‘diversity’ without effectively addressing its potential negative consequences upon disadvantaged population (Lees 2003). Rob Atkinson (2003) argues that the participatory system of governance has provided communities with opportunities to exercise greater control over their lives, but failed to realise its full potential as communities lacked the right power, capacity and access to resources. He further speculates that a successful implementation of neighbourhood initiatives to transform a neighbourhood might lead to the displacement of many socially excluded individuals elsewhere (Atkinson 2003). Difficulties in accessing ‘insider’ knowledge and information along with cultural injustice (that is, negative portrayal of local neighbourhoods) also make it difficult to realise full participation of local communities (Morrison 2003). New Labour’s initiative to involve communities in project evaluation also seems to have failed to include local knowledge that could have contributed more telling stories of area improvement (Wilks-Heeg 2003). The importance of valuing local knowledge and listening to residents for regeneration policy evaluation has been also put forward by Mumford and Power (2003) in their work on family and community in East London.

**Summary**

This section has reviewed the evidence from the West regarding the increasing participation of the private sector in urban regeneration and its assessment. Drawing on
existing literatures largely on UK and the USA experiences, we learnt that private sector participation in urban regeneration has been in place for many decades. From the 1980s, it received renewed attention in order to supplement the public sector's withdrawal from direct intervention and also to rebuild decaying inner city areas. The private sector was given a more leading role in pursuing property-based regeneration, which aimed at exploiting commercial development opportunities and economic growth. The public sector still played an important role and led the changes in regeneration strategies by removing supply-side constraints and providing incentives and financial subsidies to attract mobile capital. This role was that of an enabler or facilitator, interpreted in the context of urban entrepreneurialism. In social terms, urban regeneration led to the gentrification of regeneration areas, which was viewed as a negative outcome as it involved local residents’ displacement and loss of affordable dwellings. Although urban partnership promoted participation of all sectors concerned, it was far from achieving local residents’ empowerment, and failed to engage them in policy design, implementation and evaluation processes.

The review in this section has shown us that the increasing participation of developers in Seoul and Beijing’s urban regeneration has been a shared experience with the cities of the developed world, and that the study of Seoul and Beijing’s experiences would present an exciting opportunity to provide a platform to bridge conversations across borders. This review has also allowed this research to adopt a more critical approach for assessing developer-led partnerships with regard to the role of participating actors and impact on residents.

1.5 Thesis structure

The remaining part of this thesis is organised into nine chapters. Chapter Two reviews urban demographic and housing contexts to understand the production of dilapidated neighbourhoods in Seoul and Beijing. It also reviews the historic development of urban renewal policies in these cities, and outlines the implementation process of Seoul’s JRP and Beijing’s ODHRP.

Chapter Three explains the research methodology adopted in this research. It explains the use of a multiple case study approach applied at neighbourhood levels, the selection of field research neighbourhoods and interviewees, methods of data collection and analysis and research constraints encountered during field research visits.
Chapters Four to Nine include research findings and discussions. Chapter Four examines the physical and social conditions that residents were exposed to before redevelopment. The findings help us set the local contexts within which public and private participation took place. The findings also provide us with information on local residents that could be used to discuss residents’ redevelopment benefits at later chapters.

Chapter Five addresses the issue of developers’ participation. It is argued in this chapter that the flow of capital into real estate sector and the expansion of rent gap in dilapidated neighbourhoods provided the economic rationale for their participation in neighbourhood redevelopment. This chapter also uses case studies of redevelopment projects based on my field research visits to understand the process of real estate capital participation at the neighbourhood level.

Chapter Six addresses the issue of government intervention. This chapter explains that the growth of both JRP and ODHRP projects has been supported by the government intervention that provided policy incentives for participating professional developers and property owners. The chapter also examines the emergence of revised JRP and ODHRP approaches and their strengths and shortcomings by looking at case studies from my field research. The chapter also examines the degree of local residents’ displacement as a result of each redevelopment approach.

Chapters Seven to Nine document research findings about local residents’ experiences in redevelopment processes. Chapter Seven identifies constraints on residents’ decision to move upon displacement. Chapter Eight then examines residents’ post-displacement housing experiences by looking at dwelling space, physical conditions, tenure, housing costs and means of financing post-displacement housing. Chapter Eight discusses the limits of existing redevelopment framework regarding local residents’ participation in redevelopment processes, and examines their individual and collective responses to their neighbourhood transformation.

Chapter Ten concludes this thesis on the nature of developer-led partnerships and residents’ access to redevelopment benefits. It also provides a summary of beneficiaries and losers in Seoul and Beijing’s neighbourhood redevelopment. A reflection on the findings of this thesis draws lessons from this research. The chapter then outlines this study’s contributions to the existing body of knowledge, and identifies further research agenda.
1.6 Conclusion

This chapter has laid the foundation for this research by emphasising the need for empirical research to study developer-led partnership in Seoul and Beijing’s urban redevelopment and by outlining the key hypothesis and main research questions for the enquiries to follow. Two main theoretical foundations were introduced to construct the framework of this study’s analysis and discussion: rent gap theory to understand neighbourhood gentrification and urban renewal in dilapidated neighbourhoods; and the constraints perspective to explain residents’ moves and changes in housing experiences upon displacement. Evidence from the west where urban regeneration partnership has long been implemented was reviewed in order to gain insights into how partnership and property-based redevelopment have developed and what impacts they have made on local residents. Existing relevant literature on urban growth and renewal in South Korea or mainland China will be used throughout this thesis. It is hoped that the comparative analysis of Seoul and Beijing’s redevelopment experiences will provide opportunities to gain greater insights into the understanding of the urban development in these East Asian countries.
Chapter 2
Urbanisation, urban housing and the evolution of renewal policies

2.1 Urbanisation and demographic changes
   South Korea: from rapid population growth to stabilisation
   Mainland China: growth, stagnation, then expansion

2.2 Urban housing conditions
   The case of South Korea and Seoul
   The case of mainland China and Beijing

2.3 Evolution of urban renewal approaches
   Seoul: slum clearance, ad hoc settlements and renewal experiments
   Beijing: traditional settlements, over-crowding and renewal experiments

2.4 Implementation of partnership-based redevelopment
   Joint redevelopment programme in Seoul
   Old and dilapidated housing redevelopment programme in Beijing

2.5 Conclusion
Urban conditions in Seoul and Beijing differed from each other, and also differed from those of developed countries where, as Anne Power noted, inner city problems in post-industrial societies originated from prolonged decay and abandonment (Power 1993; Power and Mumford 1999). Dilapidated neighbourhoods subject to redevelopment in Seoul and Beijing were exposed to lack of maintenance and originated under differing circumstances, but they were far from being abandoned. This chapter reviews urban demographic and housing contexts to understand the production of dilapidated neighbourhoods within each municipal context. It also reviews how Seoul and Beijing came to face the same problems of ensuring cost-recovery and replicability of urban renewal programmes before implementing the Joint Redevelopment Programme (hereafter JRP) and the Old and Dilapidated Housing Redevelopment Programme (hereafter ODHRP).

This chapter consists of five main sections. The first section reviews urbanisation and demographic changes in Seoul and Beijing. The second section reviews urban housing conditions and identifies the extent of housing problems by the time these municipalities were to introduce the JRP and the ODHRP. The third section introduces the historical development of urban renewal policies to tackle dilapidated neighbourhoods. The fourth section outlines the structure of Seoul’s JRP and Beijing’s ODHRP, and the final section sums up this chapter with brief discussions.

2.1 Urbanisation and demographic changes

South Korea: from rapid population growth to stabilisation

Over the last five decades, South Korea has witnessed rapid urbanisation, converting itself from a war-torn nation into a highly urbanised, industrial society. This process was facilitated by the government’s industrialisation drive, supported through the implementation of a series of 5-year economic development programmes that started in 1962. These programmes were aimed at creating and enhancing manufacturing and heavy industries in major cities around the country. The resulting employment and earning opportunities became major pull factors for urban in-migration. For instance, in 1966, the natural population growth in Seoul was estimated to be 1.92%, whereas the growth of municipal population due to in-migration was 7.4% (SMG 1975: 253).
The pace of urban population growth was outstanding. Whereas only about one-quarter of the national population resided in urban areas in 1960, the urban share of national population was 74.4% in 1990 (NSO Korea 2001a: 22-23). As of 1990, the level of urbanisation achieved between 1950 and 1990 was the second greatest increase of all Asian countries with 10 million or more inhabitants (UN-Habitat 1996: 75-77). The urban share of national population has been stable at around 80% since the mid-1990s (NSO Korea 2001a: 22-23).

Table 2-1 below clearly shows that until the 1990s, the growth rates of urban population and households were much higher than the national rates. The household size also decreased considerably during the urbanisation period, increasing the share of nuclear families (Yoon 1994: 23-25). The average size of urban households decreased from 5.12 persons per household in 1970 to 3.76 in 1990, and then 3.18 in 2000 (EPBK 1973; NSO Korea 1992, 2001a).

Table 2-1: Annual growth rates of population and households in South Korea

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<tbody>
<tr>
<td>Population</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.5%</td>
<td>1.6%</td>
<td>1.4%</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Households</td>
<td>3.0%</td>
<td>2.9%</td>
<td>3.4%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>2.7%</td>
<td>2.0%</td>
</tr>
</tbody>
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</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>6.4%</td>
<td>5.3%</td>
<td>5.0%</td>
<td>4.3%</td>
<td>4.1%</td>
<td>1.6%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Households</td>
<td>7.3%</td>
<td>6.2%</td>
<td>6.5%</td>
<td>6.3%</td>
<td>6.0%</td>
<td>3.5%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

One of the major characteristics of the urbanisation process in Korea is the expansion of Seoul to urban primacy. Seoul occupies only 0.6% of Korea’s total land area, but the share of municipal population in the national population grew from 13% in 1966 to 24.4% by 1990 (EPBK 1968: 93; NSO Korea 2001a: 22-23). With one quarter of the national population living in Seoul, the city was positioned as the 11th largest urban agglomeration in 1990 next to Calcutta and Buenos Aires (UN-Habitat 1996: 16-17).

Mainland China: growth, stagnation, then expansion

Soon after its establishment in 1949, the People’s Republic of China was noted for its rapid expansion of urban population. This 1950s’ growth was propelled by the industrialisation drive, set out by the new Communist government as an attempt to catch
up with developed countries. There was a net urban inflow, supported by an increasing number of new recruits into expanding state enterprises, voluntary migrants in search for urban jobs, and involuntary migrants who were driven out in the process of rural collectivisation (Chan 1994: 33-48). Urban natural growth was also at high rates as a result of a post-war baby boom and reduced mortality rates.

In the 1960s and 1970s, however, the urban share of national population remained stagnant, a phenomenon often referred to as ‘zero urban growth’ (Szelenyi 1981: 1-14). Those migrating into cities during the period of Great Leap Forward (1958-1960) were sent back to their places of origin. The decade-long Cultural Revolution from the mid-1960s also led to the massive rustication of urbanites (Chan 1994: 33-48). Extreme control was imposed on regional migration with the implementation of household registration system (commonly known as hukou in Chinese). Formally implemented in 1958, the hukou system has been functioning since then as a means to prohibit urban migration by associating people’s registration status with their access to social benefits and urban services. Since its implementation, only those non-agricultural segments of urban residents have been eligible for such benefits and services (Solinger 1999).

From the early 1980s, urbanisation took off again with the introduction of open-door reform policies. The share of urban population came to be more than 21% of national population in 1982, and since then increased rapidly to reach 40.5% by 2003 (see Figure 2-1). It was recently forecast by the National Bureau of Statistics to rise at a faster rate in the coming years (NBS China 2004: 95).

**Migrants in Beijing**

Official statistics in mainland China make a distinction between permanent population (*changzhu renkou* in Chinese) and temporary population (*liudong renkou*). According to the
hukou system, taking the example of Beijing, permanent population refers to those who hold permanently registered residence status within Beijing’s municipal jurisdiction. On the other hand, temporary population refers to those who have migrated from other provinces into Beijing for a limited period. In this case, their original hukou does not change and is kept in their place of origin. By regulation, migrants in mainland China are required to register for a temporary hukou if they are to stay more than three months away from their place of original residence (B. Li 2004). By 2002, the total number of Beijing population reached 15 million, and one quarter were registered temporary migrants (BMBS 2003a; NBS China 2004).

In official statistics, only ‘registered’ migrants have been reported, neglecting a large number of ‘unregistered’ temporary migrants. For instance, according to the result of a municipal survey in 1994, the total number of registered and unregistered temporary migrants in Beijing reached 3.3 million. Only one third of them turned out to be officially registered (BMG 1995; Zhang 1997: 91). The migrants’ average stay reached 19.5 months, and 63.1% of them had been residing in Beijing for six months or longer (AGRI 2002).

Due to complexities and burdens of acquiring official residence and employment permits, a large number of temporary migrants remained unregistered, facing limited accesses to fair employment conditions and social benefits including public housing (B. Li 2004: 21-24). Most migrants were of rural origin, and the majority of them were engaged in low-paid labour-intensive secondary or tertiary industries or in insecure temporary jobs (Gu and Liu 2002: 201-202). Accommodation was provided by their employers. If not, migrants relied heavily on private renting in the urban fringe where they could rent private housing from villagers, or joined existing migrant enclaves established in the suburbs (Gu and Shen 2003: 117-118; Jie and Taubmann 2002: 187-194). Therefore, temporary migrants were effectively excluded from sharing the benefits of rapidly expanding commercial housing market. Only a small portion of migrants who were highly skilled and educated enough to find well-paid jobs would have access to the private rental sector in inner city districts.

2.2 Urban housing conditions

This section discusses the urban housing contexts in Seoul and Beijing, and the degree of urban housing deterioration at the time of devising developer-led redevelopment programmes (JRP and ODHRP) in these municipalities. This section shows that the way
in which housing was produced and consumed went through different trajectories since the 1950s, but both municipalities had a large number of dilapidated dwellings which posed problems to budget-constrained municipal governments.

**The case of South Korea and Seoul**

**Post-war ‘housing shortage’ and production bias**

The three-year-long Korean War (1950 – 1953) had deleterious influence upon urban infrastructure and housing provision. Sources suggested that during the war, up to 18% of the national housing stock was destroyed or made uninhabitable, and this rate reached 50% in Seoul (W.-J. Kim 1996: 106; Steinberg 1989: 52). Makeshift shelters and refugee camps were hastily erected with the help of foreign aid agencies (W.-J. Kim 1996: 107). Illegal dwellings were built in any open space available. Such dwellings were often known as ‘panjajib,’ which would be literally translated as a ‘wooden-board framed house.’

Facing such a situation, housing debates in South Korea were dominated by a quantitative bias. This was strengthened by the government attitude that advocated the approach of ‘one house per family.’ This became a government catch-phrase as early as 1971:

> “Under the present condition of having 54.4% of housing supply ratio, the first priority is to overcome quantitative aspects of housing difficulties [shortage of dwellings], and hence, the first direction of municipal policies should be the ‘orientation towards one house per family’ so as to endeavour at resolving the housing shortage phenomenon”

(1SMG 1971a: 117)

The outspoken concern was constantly about the rapid growth of urban population and small households, which were thought to have undermined the current growth of housing production capacity. Such a mismatch between housing supply and demand was coined as ‘housing shortage.’ The degree of housing shortage was quantified in terms of the proportion of the total number of dwellings to the total number of households, and this ratio was known as ‘housing supply ratio.’ Increasing the housing supply ratio has been a major government agenda to this date, and has been a barometer to judge governments’ competence to achieve housing welfare for the general population. In urban areas, such housing supply ratio was estimated to be 55% in 1970, implying that nearly one in every two households had to share a dwelling unit on average (EPBK 1973: 43-49).

In Seoul, the municipal administrative outline stated that the housing supply ratio for the municipality was worse than the national average, having decreased from 50.1% in 1966 to
45.7% in 1972 (SMG 1973: 185). An annual housing construction plan included target ratios to be achieved, which were often too idealistic. The Seoul municipal government set out an ambitious aim to achieve the housing supply ratio of 80% by 1981 (SMG 1973: 186). However, the reality was that even a conservative measurement would yield a housing supply ratio of less than 60% by 1985 (Yoon 2002: 82).

**Weak private sector and low investment in housing**

In the 1960s, the housing supply in Korea was dominated by small-scale private builders who produced nearly 90% of new housing (see Table 2-2). Between 1962 and 1971, only 12.6% were constructed by the public sector (KNHC 2001b: 232). A public housing agency called the Korea National Housing Corporation (hereafter KNHC) was established in 1962 to build homes for low-income households nation-wide, but its contribution remained minimal (1.4% of total housing production) (KNHC 2001b: 232).

<table>
<thead>
<tr>
<th>Period</th>
<th>Housing Construction: Planned Output</th>
<th>Housing Construction: Actual Output</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
<td>% of planned total output</td>
</tr>
<tr>
<td>1962 - 1966</td>
<td>475,340</td>
<td>40.266 8.5%</td>
</tr>
<tr>
<td>1967 - 1971</td>
<td>500,000</td>
<td>30.000 6.0%</td>
</tr>
<tr>
<td>1972 - 1976</td>
<td>833,000</td>
<td>250.400 30.1%</td>
</tr>
<tr>
<td>1977 - 1981</td>
<td>1,260,000</td>
<td>477,000 37.9%</td>
</tr>
<tr>
<td>1982 - 1987</td>
<td>1,731,000</td>
<td>798,000 46.1%</td>
</tr>
<tr>
<td>1988 - 1992</td>
<td>2,000,000</td>
<td>900,000 45.0%</td>
</tr>
<tr>
<td>1993 - 1997</td>
<td>2,850,000</td>
<td>1,350,000 47.4%</td>
</tr>
</tbody>
</table>

Note: 1) The planned output figures for these years are taken from the Ministry of Construction and Transportation’s Housing White Paper (2002: 61, 95).

The central government’s attempt to increase housing production was often overly ambitious, and its projection under-achieved. For instance, the second five-year economic development programme (1967 – 1971) aimed at the construction of 800,000 dwelling units, which was roughly equal to one-fifth of the total number of existing dwellings in 1965 (MoCT Korea 2002c: 27; Planning and Coordination for the Cabinet Office 1967: 397). Once put into the implementation stage, the plan was substantially scaled down to aim for 500,000 units in order to save the government from humiliation (MoCT Korea 2002c: 27).

The reality of the housing sector until the mid-1980s was that the private sector was weak, and the level of housing investment stayed relatively low despite policy emphasis on increased production. According to a report from the Korea Research Institute for
Human Settlements, the share of housing investment in GNP (gross national product) averaged 1.6% between 1962 and 1966, and below 3% between 1967 and 1971 (KRIHS 1981: 13-14).

When the Korean economy took off in the 1970s, the gross investment in fixed capital formation expanded sharply to support the nation’s industrialisation. The value of gross fixed capital formation (hereafter GFCF) as a share of gross domestic product (hereafter GDP) at 2000 constant prices increased from 14.9% in 1970 to 26.1% in 1985, and hit the ceiling of 39.3% in 1996 (The Bank of Korea 2004). The absolute amount of housing investment increased substantially in line with the expansion of investment in fixed capital, but the share of housing investment in real GDP hardly exceeded the 5% threshold level between 1970 and 1985 (see Table 2-3). In other words, the housing investment received less emphasis in comparison with other investments in facilities and non-residential construction in times of rapid economic development. Only from the late 1980s did the housing sector experience a substantial increase in investment when the newly elected government in 1987 announced a massive housing scheme to supply two million flats between 1988 and 1992. This period also coincided with the introduction and proliferation of developer-led urban redevelopment, indicating a renewed emphasis on strengthening the private sector.

Table 2-3: Annual rate of national housing investment in South Korea
(The Bank of Korea 2004)

<table>
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<tbody>
<tr>
<td>% of GDP at 2000 constant prices</td>
<td>3.7%</td>
<td>3.9%</td>
<td>5.2%</td>
<td>4.5%</td>
<td>5.7%</td>
<td>7.7%</td>
<td>5.8%</td>
</tr>
<tr>
<td>% of GFCF(^1) at 2000 constant prices</td>
<td>24.9%</td>
<td>24.5%</td>
<td>20.9%</td>
<td>17.8%</td>
<td>18.8%</td>
<td>20.8%</td>
<td>17.3%</td>
</tr>
<tr>
<td>GFCF as % of GDP</td>
<td>14.9%</td>
<td>15.9%</td>
<td>24.9%</td>
<td>25.4%</td>
<td>30.4%</td>
<td>37.2%</td>
<td>33.4%</td>
</tr>
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</table>

Note: 1) GFCF: Gross Fixed Capital Formation

High-rise orientation

One interesting feature of the Korean housing market is the construction bias towards high-rise flats. As far back as 1969, the central government stressed apartment construction as one of its three main policy directions, stating that “in large cities, it is no longer encouraged to build individual houses, and the construction of apartment flats is to be facilitated” (Planning and Coordination for the Cabinet Office 1969: 366). The municipal administrative document also confirmed this policy shift:
The housing construction by the municipality has been transformed as of 1969 to accord with the urban structure and to strengthen the degree of land utilisation by building high-rise apartments as per the [central] government policy.

(SMG 1971a: 253)

For instance, when the government made an announcement of its ten-year urban housing programme (1972 – 1981), the programme gave emphasis to the development of large-scale medium- to high-rise estates (called danji in Korean) (Planning and Coordination for the Cabinet Office 1972: 253-254). It was understood that such building practices would maximise the economy of scale and land utilisation. These estates were largely found in Seoul in its urban fringe where land mobilisation was relatively easier and cheaper. Each estate was huge in scale: for example, Mokdong danji in southwest Seoul accommodated 26,629 apartment flats (Yoon 1994: 86).

The increasing orientation towards flat construction can also be seen in other evidence. Firstly, an increasingly large share of planning permits issued for new housing construction was for high-rise flats. In 1975, among the 131,850 units that received construction permits from the central government, high-rise flats (that is, above 5 storeys) constituted 21.0% (W.-J. Kim 1996: 145). The share rose further to 66.8% by 1990 (W.-J. Kim 1996: 145; KNHC 2001b: 232-233). Secondly, the public housing agency, KNHC, also focused mostly on medium- and high-rise flat construction. The share of apartment flats in the company’s annual housing production was on average 34.8% between 1962 and 1966, but increased to 97.8% for the period between 1972 and 1981. Since 1987, the company has been producing apartment flats only (KNHC 2001b: 530).

**Homeownership orientation**

It is still the case that more than half of urban households are in the rental sector, and it is common for Korean families to share a sub-divided dwelling among multiple households. With the rapid growth of urban population and small households, accompanied by weak housing production capacity, the share of owner occupying households in urban areas decreased from 62.0% in 1960 to 41.3% in 1985 (EPBK 1987; Yoon 1994: 27). The urban home-ownership rate has gradually increased since then, but it remained at around 40% in Seoul during the last two decades (see Table 2-4 below).
Table 2-4: Changing trends of tenure structure in South Korea, 1980 - 2000

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<tbody>
<tr>
<td>Urban areas</td>
<td>Owner occupation</td>
<td>43.0%</td>
<td>41.3%</td>
<td>46.3%</td>
<td>49.0%</td>
</tr>
<tr>
<td></td>
<td>Tenancy</td>
<td>55.4%</td>
<td>55.7%</td>
<td>51.9%</td>
<td>48.8%</td>
</tr>
<tr>
<td></td>
<td>Others (e.g. rent free)</td>
<td>1.6%</td>
<td>3.0%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
</tbody>
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</thead>
<tbody>
<tr>
<td>Seoul</td>
<td>Owner occupation</td>
<td>44.5%</td>
<td>40.8%</td>
<td>39.7%</td>
<td>40.9%</td>
</tr>
<tr>
<td></td>
<td>Tenancy</td>
<td>54.2%</td>
<td>56.5%</td>
<td>58.8%</td>
<td>57.5%</td>
</tr>
<tr>
<td></td>
<td>Others (e.g. rent free)</td>
<td>1.3%</td>
<td>2.7%</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

In contrast with the tenure distribution, new housing production was targeting prospective homebuyers, and long-term public rental housing was scarce. A vivid example would be the share of housing produced by the KNHC for rental and sale (see Table 2-5 below). The KNHC produced 682,988 units in total between 1962 and 1991, and about one third were for sales on the market. From this, one would mistakenly conclude that the public agency focused on producing rental units to supplement the homeownership-oriented private market. However, the reality was that the majority of these rental units supplied were for less than 5 years’ rental period, after which they became subject to sales. Rental units for a longer lease period appeared only in the late 1980s.

Table 2-5: Total output of KNHC housing in South Korea, 1962 - 1991
(KNHC 1993: 258-259; 2004: 486-487)

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Output</th>
<th>For sales</th>
<th>% of total output</th>
<th>For rental</th>
<th>% of total output</th>
<th>Renting Period</th>
<th>Employer-provided rental flats</th>
<th>Rental dwellings for foreigners</th>
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<tr>
<td></td>
<td></td>
<td>① + ②</td>
<td>①</td>
<td>②</td>
<td></td>
<td>1 Years</td>
<td>5 Years</td>
<td>20 Years</td>
</tr>
<tr>
<td>1962 - 1966</td>
<td>5,159</td>
<td>5,097</td>
<td>98.8%</td>
<td>62</td>
<td>1.2%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1967 - 1971</td>
<td>7,739</td>
<td>6,731</td>
<td>87.0%</td>
<td>1,008</td>
<td>13.0%</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1972 - 1976</td>
<td>54,420</td>
<td>35,770</td>
<td>65.7%</td>
<td>18,650</td>
<td>34.3%</td>
<td>18,015</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1977 - 1981</td>
<td>154,031</td>
<td>106,314</td>
<td>69.0%</td>
<td>47,717</td>
<td>31.0%</td>
<td>46,632</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1982 - 1986</td>
<td>186,678</td>
<td>151,384</td>
<td>81.1%</td>
<td>35,294</td>
<td>18.9%</td>
<td>0</td>
<td>29,994</td>
<td>5,000</td>
</tr>
<tr>
<td>1987 - 1991</td>
<td>274,961</td>
<td>86,185</td>
<td>31.3%</td>
<td>188,776</td>
<td>68.7%</td>
<td>0</td>
<td>76,015</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>682,988</td>
<td>391,481</td>
<td>31.3%</td>
<td>291,507</td>
<td>68.7%</td>
<td>64,947</td>
<td>106,009</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Note: 1) These are built by the KNHC, and sold to other companies to be rented out to their employees. The rental period was set to be 50 years initially, but in 1994, it was reduced to 10 years, and again in 1998, to 5 years; 2) These dwellings are provided for those foreigners stationed in Korea.

Housing poverty and sub-standard dwellings in Seoul

By the early 1980s, housing poverty still prevailed in cities despite the government’s emphasis on new housing construction, providing justification for intense renewal activities in the years to come. Table 2-6 below presents a summary of housing conditions...
since 1980. By 1980, just before the introduction of the Joint Redevelopment Programme (JRP), nearly two thirds of existing urban dwellings turned out to have no access to modern kitchens and flush toilets. Close to half of all dwellings in Seoul were in similar conditions. The per capita floor space for urban households was estimated to be 9.3 m².

From 1990, the census started to take the number of households as the basis for the estimation of housing conditions. The result of the 1990 census revealed that, although the per capita floor space increased to 13.0 m², a little more than one third of all urban households still had no access to modern kitchen and flush toilet.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ordinary households as reported in the census (households)</td>
<td>4,669,976</td>
<td>6,330,798</td>
<td>8,462,417</td>
<td>10,031,978</td>
</tr>
<tr>
<td>Housing stock (units)</td>
<td>2,468,209</td>
<td>3,349,327</td>
<td>4,666,241</td>
<td>6,562,695</td>
</tr>
<tr>
<td>Average household size (persons)</td>
<td>4.49</td>
<td>4.10</td>
<td>3.76</td>
<td>3.45</td>
</tr>
<tr>
<td>Per capita use floor space (square metre)</td>
<td>9.3</td>
<td>11.0</td>
<td>13.0</td>
<td>16.3</td>
</tr>
<tr>
<td>No access to modern kitchen</td>
<td>65.2%</td>
<td>45.0%</td>
<td>39.3%</td>
<td>12.9%</td>
</tr>
<tr>
<td>No access to modern flush toilet</td>
<td>63.0%</td>
<td>45.6%</td>
<td>36.0%</td>
<td>15.8%</td>
</tr>
</tbody>
</table>

Note: 1) From 1990, the census started to report the proportion of those households with no access to such facilities, while the previous census only reported such conditions based on the number of dwellings.

The prevalence of dilapidated substandard dwellings exacerbated the housing conditions. Such dwellings were formed through illegal erection on unoccupied lands or through subdivision without legal permits in times of rapid urbanisation. The problem was particularly acute in Seoul. According to an official announcement, one in every three units in Seoul (37.8% of total municipal housing stock) was estimated to be illegal and/or substandard in 1966 (amounting to 136,650 illegal units). By 1972, the share of such dwellings was 10.5%.

---

1 There are no comparable data for the 1960s and 1970s as the census results from these years did not report categories such as households’ access to various housing facilities.
dwellings still reached 25.5% (163,543 units) (SMG 1973: 185).

Since 1972, the Seoul municipal government took a decisive step, which somewhat resembled a military action, in order to prevent any further construction of illegal dwellings. Throughout the whole municipality, aerial photographs were taken four times a year while 159 ground surveillance posts were set up in informal settlements to prevent any new construction of illegal dwellings. Existing residents were encouraged to report any new illegal dwellings, and officials deployed routine patrols (ibid, 192). Such comprehensive measures to identify and eradicate new illegal dwellings did provoke a widespread feeling that illegal dwellings, if ever built, would soon be found and demolished by the government. The annual number of new illegal dwellings noted by the municipal government decreased considerably from 21,589 units in 1970 to 1,160 units in 1973, and then to 783 units in 1976 (SMG 1977: 175).

Such draconian measures were, however, far from eliminating existing informal settlements in Seoul. Municipal statistics still showed that the share of illegal and substandard dwellings in the total municipal housing stock remained as high as 15.5% in 1980 (Ha 2001b: 387-388). Only with the implementation of large-scale residential redevelopment from the mid-1980s did illegal, substandard dwellings start to be extensively removed.

**The case of mainland China and Beijing**

Public housing provision during the pre-reform period, 1949 – 1978

In mainland China, the rapid urbanisation in the 1950s increased urban housing demand. Moreover, the new government initiation of large-scale capital projects in cities led to the demolition of many existing dwellings, offsetting any growth in the overall urban housing stock. The ruling of the Communist Party and the political instability discouraged housing production in the private sector. Urban authorities also lacked resources either to provide new dwellings within their jurisdiction or to carry out maintenance of rental dwellings under their control. Instead, major investment in housing came from the central government via state enterprises and institutions which were striving to provide accommodation for their expanding work force, as they rapidly increased their share in the total industrial output (Wang and Murie 1999b: 63-67).

During the pre-reform period, the state sector came to account for more than 80% of
total national industrial output (NBS China 1999: 423). Under the planned economy, state enterprises had to turn over most of their profits to their supervisory government agencies, and in return, received central construction funds that could be invested in their operations. Part of these central construction funds were retained so as to provide their employees with welfare benefits. While the staff and workers in work units generally received a low salary, the consumer price was heavily subsidised, and it was the distribution of in-kind benefits including housing, which largely compensated the nominal wage. As the state sector expanded its share of industrial output, so did the public housing sector. According to the first national survey on housing stock in 1985, almost 75% of total urban housing stock was provided by employers (Wu 1996: 1603).

*Lack of investment in housing*

During the pre-reform period, housing investment largely depended on the capital construction investment funds allocated by the state to local governments and enterprises. The capital construction investment funds included “the productive investment for the main part of a project and the non-productive investment for facilities and services attached to it” (Wu 1997: 649). The investment in housing fell in the non-productive investment category under the planned economy, receiving low priority. With the structural tendency for underinvestment in non-productive areas, the investment in housing was even suppressed in times of economic boom (Wu 1997: 649-651).

*Figure 2-2: National housing investment in mainland China, 1955 - 1989*

(Compiled from Tables 2-1 and 2-2 in Hong 1999: 104-105, 110)
According to the World Bank, housing investment as a proportion of GNP averaged only 1.5% during the pre-reform period of 1949 to 1978 (World Bank 1992: 2). In the case of the share of housing investment within capital construction investment, it stayed at only around 5% during the same period. This, in fact, contrasted sharply with the estimates since the reform began (see Figure 2-2). Such lack of investment in housing during the pre-reform period not only discouraged new housing construction but also led to the poor maintenance of existing stock. It was reported in a national housing conference in 1977 that “in all the then 187 designated municipalities (she si) as a whole, the average annual repair bill (let alone management, maintenance and additions to the housing stock) per square metres of public housing stood at 2.1 yuan, whereas the rental income was a mere 1.09” (Kirkby 1990: 297).

**Allocation of public rental housing**

Before the reform, the capacity of employers to provide housing for their employees largely depended on the allocation criteria of central construction investment funds. The allocation of such resources was carried out “through negotiations between the central and local governments, and between the government department and subordinated enterprises” (de Rosario 1988 cited in Wu, 1996: 1607). The rank of state enterprises and institutions in the administrative hierarchy was, therefore, significant. Enterprises directly under a ministry of the central government were in a more favourable position than small municipal enterprises. As Bian et al. found, the housing system before the reform favoured enterprises and institutions “that were (1) in the state sector, (2) managed by central ministries, and (3) local, with a higher bureaucratic rank” (Bian et al. 1997: 234). Within state enterprises, larger enterprises or those engaged in large capital projects were more likely to receive larger shares of the capital construction funds from the central government. Informal contacts with the gatekeepers, known as guanxi in Chinese, were also deterministic, distorting state policies in many cases (Wu 1996: 1607-1608).

On the other hand, small/street-level enterprises were short of funds to provide welfare housing for their employees. They had to rely on public rental dwellings managed by the municipal housing bureau, which itself was under budget constraints (Wu 1996: 1606). Major state enterprises in cities were under the direct control of their supervisory central government organs, which meant that revenues generated by such enterprises were directly transferred to their supervisory government agencies, bypassing municipal governments. In such circumstances, urban authorities could only rely on the revenue
transfer from those enterprises under their direct control. Such municipal-level enterprises were mostly smaller in size and weaker in terms of financial capacity than state enterprises.

**Urban housing reform and increased investment**

Since the 1980s, urban housing has been central to urban reform policies in order to improve the performance of state enterprises and the living conditions of urban residents. Housing reform was first introduced with an emphasis on sharing responsibilities by adopting a so-called ‘three-pillar system.’ This called for diversified sources of investment from the local government, enterprises and employees (Hou 1999; Li 2005). A strong emphasis was placed on promoting homeownership and introducing market components in the housing sector so that housing was no longer treated as welfare goods but as a commodity in a market (Duda et al. 2005; Wang and Murie 1996, 1999b; Zhou and Logan 2002). Monthly rents in the public rental sector were to be substantially increased from 1~3% of household income to 15% to cover basic maintenance and management costs (World Bank 1992: 28). Public rental dwellings in good conditions became open to sales to sitting tenants, and potential buyers were drawn towards the expanding commercial housing sector to become owner occupiers. To assist homeownership, the Housing Provident Fund was established as the backbone of China’s new housing finance system. It was fundamentally an employment-based system, first introduced in Shanghai in 1991, and received monetary contributions from both employers and employees (World Bank 1992: 30-32).

The urban housing stock experienced a dramatic increase during the reform period. There was a massive boom in housing construction as well as a surge in housing investment throughout the whole nation. The housing investment as a proportion of GNP jumped to 7.6% by 1988 from an average of 1.5% during the pre-reform period. The housing investment as a share of national gross fixed asset formation also dramatically increased from 7.4% in 1978 to 25.8% in 1989 (World Bank 1992: 2-5). Unlike the pre-reform conditions under which the major source of housing investment came from the central government’s capital construction investment funds, a large share of the increased investment in housing in the 1980s came directly from the state and collective enterprises.

This was made possible by the financial reform in the 1980s, which included the introduction of a ‘contract responsibility system.’ This system enabled enterprises to gain some degree of operational autonomy and retain self-raised funds that could be used to
improve their performance and invest in projects outside their state budgetary constraints (Morris et al. 2002: 363). The growth of self-raised funds fuelled the increase in housing-related investment especially between mid-1980s and mid-1990s when the state enterprises emerged as the main buyer and financier of new commodity housing (Wang and Murie 1996, 1999a; World Bank 1992; Wu 1996, 1997).

However, the poor performance of state enterprises in recent years has also created difficulties for the state sector to provide welfare housing as before. The World Bank (1996: 1-6) reports that since the end of the 1980s, the state enterprises experienced a radical decline of their profitability, measured as per cent of their fixed assets, from about 15% in 1987 down to below 6% in 1994 (World Bank 1996: 1-6). Consequently, the role of state sector as the main financier would be subject to a serious question.

**Deteriorating urban housing conditions**

By 1978, the housing conditions in cities were in need of urgent attention. Per capita living space in cities declined from 4.5 m² in 1952 to 3.6 m² in 1978 (Kirkby 1990: 295). Due to the under-investment in the housing sector and the lack of construction of new dwellings for many decades until the end of the Cultural Revolution, “densification and subdivision of the existing housing stock” had been the main means of accommodating urban growth (Wu 2004: 456). Despite the increased housing investment during the early years of reform implementation, the conditions of older dwellings in cities worsened. One of the major problems was the lack of maintenance and management funds. For instance, in Beijing, the maintenance and management fees in 1987 were, on average, 0.46 and 0.10 yuan/m² respectively. The average rent of dwellings, however, was 0.11 yuan/m² in 1987, and the rent for one storey dwellings (known as pingfang in Chinese) was even lower, causing further deterioration due to near negligence (Sun and Zhang 1989: 7).

According to a nation-wide survey of urban housing conditions in 1985, more than half of the residents in Beijing (52.7%) did not have a private kitchen (Fan 1989). Nearly two thirds (62.7%) had no access to private toilets, and only half (49%) had in-house tap water connection. Beijing’s per capita use space turned out to be 8.77 m², placing the capital city as one of the regions with the worst conditions (see Figure 2-3 below).
Close to one quarter of Beijing residents (24.39%) were classified as the housing poor.\(^2\)

The incidence of ‘housing poverty’ was much more severe in inner city districts (25.58% of those surveyed) than in suburban districts (9.91%) (Fan 1989: 32-33). Only 43.9% of Beijing residents lived in self-contained dwellings (cheng-tao in Chinese). The results of a housing survey carried out by the Beijing Municipal Property Management Bureau in 1990 revealed a wide scale of run-down pingfang dwellings, most of which were concentrated in inner city districts (see Table 2-7). Of all the pingfang dwellings in the municipality, more than one quarter (13.62 million m\(^2\)) were classified as Grade 3, 4 or 5 dwellings\(^3\) that were eventually subject to urban renewal (Liu 1991b: 16).

---

\(^2\) ‘Housing poor’ was defined as follows: (1) those families residing in uncomfortable conditions (e.g. three generations living together in one room; parents and a child of 12 years old or older living together in one room; two or more children of different gender, aged 12 years or older, living together in one room; two couples living together in one room); (2) those families living in over-crowded conditions (i.e. households whose per capita living space is less than 2 square metres); and (3) homeless families (e.g. couples without their own dwelling after marriage; households residing in non-residential units; households living in make-shift shelters or in relatives’ or friends’ dwellings) (Hong 1993).

\(^3\) The grading system refers to the classification by the Beijing Municipal Property Management Bureau, which is applied to each dwelling: “Grade 1 is new and in good condition; Grade 2 is structurally sound and weatherproof but in need of repair; Grade 3 is structurally sound (i.e., columns, beams, and bearing walls are intact) but suffers from leaking roof, crumbling masonry, and/or broken windows or doors; Grade 4 is structurally unsound but not in imminent danger of collapse; Grade 5 is hazardously dilapidated” (Wu 1999: 225).
Table 2-7: Old and dilapidated housing distribution in Beijing
(Compiled from Table 1 in Liu 1991b: 16)

<table>
<thead>
<tr>
<th>District</th>
<th>Total pingfang dwellings (million m²)</th>
<th>Old and dilapidated pingfang dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Grade 3 (million m²)</td>
</tr>
<tr>
<td>Total</td>
<td>48.60</td>
<td>7.52</td>
</tr>
<tr>
<td>Inner city districts</td>
<td>21.92</td>
<td>5.60</td>
</tr>
<tr>
<td>Near suburban districts</td>
<td>26.68</td>
<td>1.92</td>
</tr>
</tbody>
</table>

### 2.3 Evolution of urban renewal approaches

In spite of the differences in the development of housing systems in Seoul and Beijing, both cities came to have a large number of dilapidated dwellings in the 1980s. Policies proposed to tackle this problem were experimented with and revised to produce what have come to be known as the Joint Redevelopment Programme (JRP) in Seoul since 1984, and the Old and Dilapidated Housing Redevelopment Programme (ODHRP) in Beijing since 1990. This section examines these renewal experiments and their shortcomings.

**Seoul: slum clearance, ad hoc settlements and renewal experiments**

**Slum clearance, eviction and relocation in the 1960s and 1970s**

After the Korean War, Seoul was overwhelmed by the prevalence of illegal and substandard dwellings and informal settlements that occupied any available lands in and around its inner city districts. Public authorities largely regarded them as ‘cancerous elements’ that deterred ‘continuous implementation of capital building’ (SMG 1970: 263), or undesirable components that ‘damaged urban landscape’ (SMG 1973: 4). The quality of such illegal/informal dwellings was conceived to be substandard in nature, and formal upgrading or land tenure formalisation was marginal.

Policy responses in the 1950s and 1960s were mostly focused on containing further growth of such settlements and demolishing identified illegal dwellings. Annual plans were drawn to monitor the progress. A report stated that between 1958 and 1972, the Seoul municipal government managed to relocate approximately 0.3 million residents from 48,718 dwellings to city outskirts (Jeong 1984 cited in Jang 1998: 27). Disciplinary measures were announced occasionally to discourage additional construction of such
dwellings. For instance, right after the military coup in 1961, the owners of illegal dwellings subject to demolition were to be put on trial in a military court (Chosun Ilbo news report on 20 May 1961 cited in Kim et al. 1996: 74).

The slum clearance and relocation of residents, however, faced certain limitations that made it difficult for the municipal government to carry it out for long. First of all, there was lack of public land for existing residents’ relocation (Kim et al. 1996: 79). In the 1960s, the number of illegal and substandard dwellings was increasing rapidly despite the municipal efforts to contain them. The provision of public lands for residents’ relocation was not a sustainable option in the long term. Secondly, relocation sites were located on urban outskirts, and were not adequately serviced for living. Moreover, only about 20% of these sites were found to be fit for residential use, and displacees often had to bear land preparation and development costs themselves (Jang 1998a: 27-28). Thirdly, many displacees faced the loss of employment opportunities as jobs were scarce around relocation sites. They had to pay for the increased transportation costs to commute back to the city centre. Eventually, they re-sold the de facto use rights of their allocated public lands, and returned to the city centre (Jang 1998a: 27-29).

An exemplary case was a site-and-services programme on a large site called Gwangju danji, which was located south of Seoul, 20 km away from the city centre. Started in 1966, it was proposed as a relocation site of displacees from illegal settlements in city centre (Ha 1994: 109; S.-H. Kim 1996: 91-92). It was planned that 550,000 residents in total were to be relocated, accounting for 14.5% of the municipal population in 1966 (S.-H. Kim 1996: 91-92; SMG 1999: 82). Despite its ambitious layout, however, the scheme came to an abrupt halt in 1971 when large-scale protests by the relocated residents broke out. The scheme was doomed to failure, given that the provision of infrastructure and services was poor, that there was no alternative employment in the area, and that residents’ original places of work were beyond the reach of many households due to high transportation costs. Only about 20% of the original target population were relocated in the end (S.-H. Kim 1996: 92).

**Experiments in the 1960s: formalisation and self-help programme**

While the Seoul municipal government carried out the demolition of illegal dwellings and residents’ relocation to city outskirts, it did not completely rule out more benign approaches. One such measure was to formalise some designated illegal settlements on
the condition that they be upgraded to conform to urban planning regulations. This measure was put into practice in 1967. In total, 10,161 illegal dwellings were subject to this measure, about 7.4% of all illegal dwellings identified at the end of 1966 (Kim et al. 1996: 75, 81). Designated settlements were to rid themselves of any illegal and substandard characteristics. All the expenses incurred, however, were to be borne by the owners of such dwellings. There was no other support from the government apart from its supervisory administration (Kim et al. 1996: 81-82). The financial pressure imposed upon dwelling owners made it difficult to sustain this programme in the long run.

Another programme conceived by the municipal government was a self-help programme, named the ‘Citizen’s Apartment Programme.’ This programme aimed at replacing illegal dwellings with modern walk-up blocks. It first appeared in 1968, and lasted only about 3 years. In this programme, the municipal government was to provide services for the land preparation and the construction of the basic building framework. Dwelling owners were to complete any remaining building works at their own expenses (Kim et al. 1996: 81). It initially aimed at constructing 2,000 blocks (90,000 flats), but only achieved to build 406 blocks as the programme came under serious criticisms when one of the completed blocks collapsed in 1970 due to poor structural conditions. Criticisms included that there was a large-scale corruption in awarding building contracts and that the owners of illegal dwellings could not afford the financial burdens and sold their stake to off-site higher income residents (Ha 1999: 277).

Experiments in the 1970s: ‘Temporary Act on the Promotion of Housing Improvement

In light of the difficulties in dealing with mushrooming illegal dwellings in Seoul, the municipal government made a proposal to the central government for the enactment of a special law so as to enable the municipal government to apply more systematic efforts to eradicate illegal dwellings and settlements. Temporary Act on the Promotion of Housing Improvement (hereafter Temporary Act) was thus enacted in 1973. It aimed at completing the ‘improvement’ of all illegal and substandard dwellings by 1981, which was the year the Act expired. The key to this Act was to allow the free transfer of ownership of those public lands occupied by squatter dwellers from the state to the municipal government. In this way, when an illegal settlement on such public land becomes subject to renewal, land sales revenues could be retained by the municipality, providing it with financial resources to proceed with subsequent renewal of other settlements (Kim et al. 1996: 85). The ideas
behind the enactment of this Temporary Act could be seen in the administrative statement by the Seoul municipal government below:

“What is urgent in reality is to tackle the illegal, substandard dwellings that exist in disorder in great numbers all around the city…these dwellings impoverish mountains and fields; cause inundation of rivers and flooding of urban districts; make citizens sick due to the pollution from contamination; cause low self-esteem that produce social problems as there are no benefits of having cultural facilities; and degrade the façade of Seoul. [Therefore] it is inevitable to improve these illegal dwellings and put them in order” (SMG 1974: 331)

The Temporary Act was the first attempt by the government to legislate the renewal process of illegal/informal settlements in South Korea. It ultimately targeted approximately 121,000 dwellings in 230 project areas in Seoul, which accounted for about three quarters of 155,467 illegal dwellings identified in December 1973 (SMG 1974: 345-346). Any units excluded from this programme were subject to demolition (Kim et al. 1996: 86). The main urban renewal method adopted under the 1973 Temporary Act was the self-help renewal by means of either ‘in situ upgrading’ or ‘clearance and redevelopment’ depending on site conditions.

**In situ upgrading under the 1973 Temporary Act**

In the case of *in situ* upgrading, owner occupiers were to take the initiative, pay for the expenses of upgrading their dwellings to the standard prescribed by the Building Act. Any conflicts among residents were to be resolved by negotiation (Kim et al. 1996: 83; J.Y. Lee 2000: 11). The municipal government was responsible for carrying out public works including the installation of tap water connections and the construction of at least 4 metre wide thoroughfare (Kim et al. 1996: 83). The *in situ* upgrading programme was initially introduced in 1971, targeting 47,887 illegal dwellings in 220 project areas, and was later incorporated into urban renewal programmes under the 1973 Temporary Act.

The programme, however, only managed to achieve the upgrading of 9,976 units by 1973, and 1,203 units between 1974 and 1983 (J.Y. Lee 2000: 11). The major reason for such hindrance was, again, too much financial burden upon dwelling owners. They bore as much as 54% of all the costs incurred (J.Y. Lee 2000: 10). There were also difficulties in coming to a compromise among the residents for the installation of basic infrastructure and services, as such works involved selective demolition of dwellings in the path (Kim et al. 1996: 84).
Clearance and redevelopment under the 1973 Temporary Act

The focus of the 1973 Temporary Act was on implementing ‘clearance and redevelopment’ programmes, which consisted of two different approaches. The first approach was often referred to as the ‘self-help clearance and redevelopment,’ applied between 1973 and 1975 (Kim et al. 1996: 87). Lands were to be re-defined into larger housing lots (usually at least 165 m²) so that shared ownership among several households could make it easier to build ‘corporative housing’ of higher density. The dwelling owners were required to finance all the costs incurred for the purchase of public lands they illegally occupied; for temporary accommodation until re-housing; and for the reconstruction of houses after clearance.

The second approach that presented important implications for the practices in the 1980s was the ‘consigned redevelopment.’ It called for the organisation of a steering committee among owner occupiers, and consigned the clearance of dwellings as well as the construction of apartment flats or multi-dwelling houses to a private builder. The municipal government was to recommend private builders of good reputation, and assumed a supervisory role during the project period. Twenty to thirty households were to come together so as to define approximately 1,000 m² of housing lot, and construct dwellings with higher density (Kim et al. 1996: 96).

These two approaches were very limited in scale. The ‘self-help clearance and redevelopment’ programme was only applied to 1,418 illegal dwellings, far from reaching the municipal government’s initial target of 6,731 dwellings (Kim et al. 1996: 92). The total number of dwellings that were redeveloped by the ‘consigned redevelopment’ programme only reached 2,253 dwellings in 12 project areas (Kim et al. 1996: 96).

Limits of renewal programmes in the 1970s

The renewal programmes trialled in the 1970s faced many problems. Firstly, for most owners who were under considerable financial constraints, it was too costly to meet all the building requirements imposed upon them, leading to a very low participation rate (Jang 1998a: 45). These trial programmes all incurred large costs on the residents’ side in order to finance the construction of dwellings and temporary accommodation during a project. Secondly, many dwelling owners opted for in situ upgrading that required less financial input compared to clearance and wholesale redevelopment. Such request was, however, often against the municipal preference that hoped to transform the façade of the
municipality to establish a ‘modern’ look before the expiration of the Temporary Act in 1981 (Kim et al. 1996: 95-101; SMG 1983: 335-336). Thirdly, conflicts among residents also deterred the smooth operation of redevelopment projects. When in situ upgrading was applied, it was difficult for them to come to an agreement regarding which dwellings were to be demolished in order to give way for infrastructure installation and road construction. Furthermore, the promotion of shared ownership to define larger housing lots in order to build apartment flats or multi-dwelling houses was also subject to disputes, as some dwelling owners considered it as a restriction upon their exercise of property rights (Kim et al. 1996: 95-101; SMG 1983: 335-336).

Despite all these problems associated with the trial measures in the 1970s, they still presented a set of useful experiences that fed into the establishment of the Joint Redevelopment Programme in mid-1980s.

**Beijing: traditional settlements, over-crowding and renewal experiments**

The tendency for under-investment in ‘non-productive’ sectors such as urban housing and services led to near negligence of existing dwellings’ maintenance. When opportunities of increased investment rose, state enterprises focused on new housing construction. In Beijing, the redevelopment of substandard dwellings only began to take a meaningful shape after the implementation of housing reform measures from the 1980s. During the early period of reform era in the 1980s, the focus was still on the construction of new dwellings by utilising unleashed investment in ‘non-productive’ sector. Facing the mounting problems of deterioration in inner city districts in particular, the Beijing municipal government began to seriously take the issue of urban renewal, acknowledging the absence, and hence the needs, of uniform policies for the redevelopment of dilapidated dwellings and neighbourhoods. In this regard, this section summarises the evolution of redevelopment approaches in Beijing from the planned economy period, and outlines the shaping of the Old and Dilapidated Housing Redevelopment Programme (ODHRP) that began to appear from 1990.

**Capital building, 1949 – 1966**

The period from the Liberation in 1949 until the commencement of nation-wide fever of the Cultural Revolution in the mid-1960s could be characterised as the period of capital building that involved major building and infrastructure projects (e.g. administrative buildings around the Tiananmen Square and the Beijing railway station). Dwellings that
stood in the way were demolished, and residents were displaced to relocation dwellings provided by the municipality.

In the Old City area (defined as the area within the second ring road), there was approximately 17 million m² of building space at the time of the Liberation, 65% of which was of residential use. Most dwellings were pingfang units. Only about 5~6% of such pingfang units could be identified as old and dilapidated, posing no immediate threat to the overall quality of urban housing stock at that time (Dong 1989: 11; Wu 1999: 49). The approaches taken towards the Old City area in general by the municipality could be identified as follows: (1) use of the Old City area as the centre of the national capital city in order to save the costs of building a new centre elsewhere; (2) redevelopment of the Old City area as soon as possible, demolishing outdated and dilapidated pingfang units; and finally, (3) more emphasis on redevelopment than preservation (Dong 1989: 11). In this regard, there was lack of attention given to such pingfang dwellings for their management and timely maintenance.

**Replacement of pingfang dwellings with higher density flats, 1966 – 1974**

This period was under the influence of the Cultural Revolution, which advocated minimal destruction of workers’ dwellings. If any dilapidated pingfang dwellings were to be demolished, they were replaced with two- or three-storey jianyi zhufang, literally translated as simply constructed housing (Dong 1989: 12). These were of low standard, built with thin brick walls to accommodate one bedroom in general with residents to share kitchen and toilet.

In the 1970s, a more systematic approach, known as ‘rolling snowball (in Chinese, gun xueqiu)’ approach, appeared for housing reconstruction (ibid, 12). This was in principle to provide three times as many dwellings as before demolition by means of building five- or six-storey walk-up blocks. Original residents would be re-housed upon project completion. Remaining vacant units were to be reserved as relocation dwellings for other residents subject to similar projects. In this way, it was envisaged that the overall number of new dwellings would expand rapidly as such renewal projects took place. In reality, this

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4 According to the 1985 Housing Survey, these one-stoery pingfang was found to be the major housing form, accommodating 45% of the surveyed urban residents in Beijing. The next most common built form was medium-rise residential blocks, home to about one third of the residents surveyed (Hong 1993).
ambition was never fully realised. Although this approach survived until the late 1980s, each project took a long time to complete, and such long project cycles made the approach unpopular (Dong 1989: 12). Furthermore, the densification of residential space placed more constraints upon under-invested infrastructure and utility services within the municipality (Wu 1999: 50).

**Infilling instead of renewal, 1974 – mid-1980s**

From 1974, employers were given the right to develop housing units for their employees on their own premises. This led to a phenomenon of ‘jianfeng chabun,’ meaning that any available spaces were filled in with buildings. At the same time, existing pingfang dwellings (traditional courtyard houses in particular) underwent a massive infilling process to provide temporary shelters to accommodate refugees from the Tangshan earthquake in 1976 (Dong 1989: 12; Wu 1999: 51). About 2 million m² of such temporary shelters were built. A documentation of an infilling process in a courtyard house showed that a typical courtyard house experienced “55 per cent increase in built area within the confines of the lot and a loss of …about 75 per cent of the 1950s courtyard area” between 1950s and late 1980s (Gaubatz 1999: 1516). These measures led to a dramatic increase in the total amount of housing construction. During the period from 1974 to 1986, the total amount of new housing construction recorded about 7 million m², which represented 70% of total housing construction since the Liberation.

**Renewal experiments in the late 1980s**

Prior to the ODHRP announcement, the Beijing municipal government implemented a few pilot projects in 1987 to test the feasibility of different approaches towards urban renewal. These included projects in Ju’er Hutong, Xiaohoucang, Dongnanyuan and Debao. Based on the outline by Liangyong Wu who took the lead for Ju’er Hutong project (Wu 1999: 52-54), these approaches are summarised below.

The first approach was concerning the ownership. The original residents residing as public rental tenants in pilot project areas were presented with an opportunity to buy redeveloped dwellings at a preferential price that only covered basic costs, and become homeowners. If they were to pay in one lump sum, they were given 20% discount. They could also pay in instalment over the period of 10 years or less. Loans were provided by approved banks at low rates, and some were able to get financial support from their employers. If households were too poor to buy a completed dwelling, they could rent a
redeveloped unit on site at low rents with a deposit of 50 ~ 80 yuan per m². The low rents, however, re-created the municipal-wide problems of poor maintenance and management, as the rents could not cover necessary costs.

The second approach was to propose residents’ relocation to suburban districts by offering favourable terms. “Because of the rent differential in the city core and the suburbs” (ibid, 53), the residents who could not afford to pay for a redeveloped unit were presented with an option to be re-housed in the suburbs. Such dwellings were usually provided by the developer in charge of the redevelopment project. If a family did not prefer any of these options, they could also “exchange their right to a unit in the redeveloped neighbourhood directly with another household in the Old City” (ibid, 53).

The third approach was regarding the recovery of the costs by developers. Commercial spaces or any units which were not taken up by original residents could be sold or leased by developers on the commercial housing market. In Xiahoucang project, the revenues generated in this way could finance 63% of the total investment. In Debao project, it was 85%. “There is an incentive, therefore, from both the developer’s and the government’s point of view, to limit the number of original residents who may return: the more units sold as commodity housing, the more funds can be raised for profit and further redevelopment” (ibid, 54).

Finally, the fourth approach was regarding the regulatory support framework by the government to provide incentives for developers. These included interest-free loans to developers, tax incentives and reduced charges to developers for the provision of infrastructure services in redevelopment neighbourhoods.

2.4 Implementation of partnership-based redevelopment

Having experimented with various renewal approaches, the municipal governments of Seoul and Beijing came up with partnership-based wholesale redevelopment programmes that relied heavily on professional developers to solve the problems of cost recovery and replicability and ensure financial feasibility of redevelopment projects. This section examines the establishment of the JRP and ODHRP, their progress since inception and the outline of their key principles and implementation processes.
Joint redevelopment programme in Seoul

Establishment of the JRP: key principles and its progress

The emergence of the Joint Redevelopment Programme (sometimes known as ‘cooperative’ or ‘partnership’ redevelopment programme) was based on the reflection of the municipality’s trial programmes up until the early 1980s. Redevelopment financing was defined as the most important pre-requisite for the successful transformation of dilapidated neighbourhoods which experienced heavy concentrations of substandard dwellings and low-income households.

The key to the JRP approach was to build high-rise flats to the maximum density permitted by the planning regulation so that any remaining units after allocation to participating property owners could be sold on the market to recover development costs. In this way, it was expected that financial contributions from property owners could be reduced as much as possible, hence encouraging greater participation. The Seoul municipal government announced a detailed guideline on 24 January 1984, titled ‘Detailed Implementation Guideline for the Joint Redevelopment Programme.’ Its main contents were as follows (Jang 1998a: 57; 1998b: 270; Kim et al. 1996: 106): (1) property owners (owner occupiers and absentee landlords) would form a redevelopment association, which becomes the main organisational body for redevelopment implementation; (2) the redevelopment association would select a professional developer (or a consortium of developers) as its partner to carry out the redevelopment; (3) professional developers would pay for up-front costs and provide subsidies to assist residents’ temporary relocation; (4) upon completion of relocation, illegal dwellings would be demolished without compensation whereas legal dwellings would be entitled to a certain amount of compensation subject to an independent appraisal; and finally, (5) the developer would construct up to twice as many dwellings as the demolished units so that remaining units after allocation to the property owners could be sold on the open market to recover their investment and retain profits. Although there have been changes to the guideline over the years, the principle of establishing partnership between property owners and developers, and of participating developers as the main financier remains unchanged to this date.

Table 2-8 below shows the summary of redevelopment projects that received ‘project implementation permission’ (Stage 2 in Figure 2-4 on p.71) between 1972 and 2004. ‘Self-help upgrading’ in the table refers to all those programmes that tried to mobilise the
dwellling owners as the main financier of up grading programmes. As shown in the table, the JRP has been the dominant renewal strategy since the mid-1980s, and continued to flourish throughout the 1990s. Of 129,867 dwelling units subject to redevelopment since the early 1970s, 80% became subject to the JRP. Since there were in total 160,686 dilapidated dwellings in Seoul (about 17% of total municipal housing stock) identified by an official survey conducted between March and April 1979 (EPBK 1982; KRIHS 1981: 961), the majority of these dilapidated dwellings could be said to have been subject to the JRP.

Table 2-8: The status of neighbourhood redevelopment implementation in Seoul
(Housing Bureau of SMG 2005)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Sub-total</td>
<td>17</td>
<td>44</td>
<td>48</td>
<td>47</td>
<td>79</td>
<td>55</td>
<td>32</td>
<td>347</td>
</tr>
<tr>
<td>Project areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land area (m²)</td>
<td>815,647</td>
<td>2,420,507</td>
<td>1,504,232</td>
<td>1,858,238</td>
<td>5,022,021</td>
<td>2,036,825</td>
<td>800,273</td>
<td>15,143,655</td>
</tr>
<tr>
<td>5.4%</td>
<td>16.0%</td>
<td>9.9%</td>
<td>12.3%</td>
<td>33.2%</td>
<td>13.5%</td>
<td>5.3%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Dwelling demolished</td>
<td>6,821</td>
<td>16,713</td>
<td>13,425</td>
<td>15,557</td>
<td>45,289</td>
<td>19,608</td>
<td>7,760</td>
<td>129,867</td>
</tr>
<tr>
<td>5.3%</td>
<td>12.9%</td>
<td>10.3%</td>
<td>12.0%</td>
<td>34.9%</td>
<td>15.1%</td>
<td>6.0%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>JRP</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land area (m²)</td>
<td>0</td>
<td>0</td>
<td>38</td>
<td>47</td>
<td>79</td>
<td>55</td>
<td>32</td>
<td>276</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>1,317,495</td>
<td>1,858,238</td>
<td>5,022,021</td>
<td>2,036,825</td>
<td>800,273</td>
<td>11,720,764</td>
<td></td>
</tr>
<tr>
<td>Dwellings demolished</td>
<td>0</td>
<td>0</td>
<td>11,769</td>
<td>15,557</td>
<td>45,289</td>
<td>19,608</td>
<td>7,760</td>
<td>104,677</td>
</tr>
<tr>
<td>Self-help</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>up grading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land area (m²)</td>
<td>815,647</td>
<td>2,420,507</td>
<td>186,737</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,422,891</td>
</tr>
<tr>
<td>Dwellings demolished</td>
<td>6,821</td>
<td>16,713</td>
<td>1,656</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25,190</td>
</tr>
</tbody>
</table>

Note: The summary is based on the approval year of the project implementation plan by the government.

Outline of the JRP implementation process

The JRP was designed to redevelop old and dilapidated urban neighbourhoods by implementing projects on a partnership basis (Choi 2002). Local authorities, developers and property owners assume a different role and contribute their financial and/or organisational resources to transform such neighbourhoods into modern high-rise estates.

At the core of this approach lies the partnership agreement between the redevelopment association of property owners (who own land and/or dwellings) and a professional developer (or a consortium of developers). The latter is selected by the association through an open bidding process. The association of property owners is a legal entity, representing property owners in a redevelopment project. Once the agreement between an association and a developer is made, the developer also becomes part of the association, completing the partnership structure.

From the viewpoint of professional developers, the JRP is an attractive option, because
property owners transfer all the rights to the developers to clear occupied land and dwellings. Such an arrangement effectively reduces the large amount of initial investment in land acquisition (Yoon 1997: 108). The sales of redeveloped flats enable cost recovery and profit maximisation. In return, a portion of redeveloped flats is set aside for sales to property owners (that is, redevelopment association members) at discounted price.

As for the property owners, their partnership with professional developers provides, in principle, an opportunity to trade their existing dilapidated dwellings with new units at discounted price. They are given an opportunity to redevelop their dwellings and neighbourhood by relying on the financial and technical contribution from developers of their choice (Ha 2001b). They are released from the burden of financing, and managing to some extent, the whole project as this is taken care of by participating developers. If their dwellings stand on public lands, they are entitled to purchase the land to formalise their land tenure.

Because JRP’s financing is achieved by the involvement of developers, the obvious advantage for the municipal government is the transformation of dilapidated neighbourhoods with low budget contribution. The JRP has also become a good source of revenue for the central and local governments through the sales of public lands in redevelopment neighbourhoods (Bae 1997: 197). On the average, nearly half of the lands in JRP project areas turned out to be owned by either the central or municipal governments (Ha 2001a). Furthermore, the construction of public facilities such as administrative office buildings and road networks within a redevelopment neighbourhood are built at the expense of project finance (Seoul Metropolitan Government 2000). The municipal government also makes financial contributions in the form of paying for the public rental flats provided for re-housing tenants who are eligible for redevelopment compensation (Ministry of Construction and Transportation. 2000).

Figure 2-4 below shows the implementation process of a JRP project, and the responsible parties at each stage. The process can be broadly divided into five stages: (1) project preparation that includes the designation of a neighbourhood as a redevelopment district; (2) acquisition of project implementation permission, which is the process of obtaining a formal approval of the project implementation plan prepared by a redevelopment association; (3) finalisation of management disposal plan to determine the sales price of redevelopment flats; (4) project implementation that involves residents’ displacement,
relocation and actual construction works; and (5) project liquidation to settle the bills among participating property owners and developers.

**Figure 2-4: Redevelopment process of a JRP project**  
*(MoCT Korea 2000)*

<table>
<thead>
<tr>
<th>Major stage of redevelopment</th>
<th>Breakdown of each stage</th>
<th>Responsible parties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project preparation</td>
<td>Selection of a neighbourhood and preparation of a project outline</td>
<td>District mayor</td>
</tr>
<tr>
<td></td>
<td>Designation of a neighbourhood as a redevelopment district</td>
<td>City mayor</td>
</tr>
<tr>
<td><strong>Stage 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project implementation permission</td>
<td>Establishment of ‘redevelopment association’</td>
<td>Property owners</td>
</tr>
<tr>
<td></td>
<td>Selection of a developer, which then joins the association as a co-member</td>
<td>Redevelopment association (property owners)</td>
</tr>
<tr>
<td></td>
<td>Preparation and submission of a ‘project implementation plan’</td>
<td>Redevelopment association (property owners + developer)</td>
</tr>
<tr>
<td></td>
<td>Review and approval of the project implementation plan</td>
<td>District mayor</td>
</tr>
<tr>
<td></td>
<td>(Tenants’ displacement begins)</td>
<td></td>
</tr>
<tr>
<td><strong>Stage 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management disposal plan</td>
<td>Application for a redevelopment flat</td>
<td>Members of redevelopment association (property owners)</td>
</tr>
<tr>
<td></td>
<td>Preparation of a ‘management disposal plan’</td>
<td>Redevelopment association (property owners + developer)</td>
</tr>
<tr>
<td></td>
<td>Approval of the management disposal plan</td>
<td>District mayor</td>
</tr>
<tr>
<td><strong>Stage 4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project implementation</td>
<td>Completion of residents’ relocation and demolition of dwellings</td>
<td>Redevelopment association</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
<td>Redevelopment association (developer)</td>
</tr>
<tr>
<td><strong>Stage 5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidation</td>
<td>Final estimation of each member’s financial contribution</td>
<td>Redevelopment association (property owners + developer)</td>
</tr>
<tr>
<td></td>
<td>Liquidation of redevelopment association</td>
<td></td>
</tr>
</tbody>
</table>
As shown in the figure, each stage of a JRP project is mostly initiated by a redevelopment association. Property owners and professional developers who constitute a redevelopment association are in principle to consult each other and work together in partnership to produce plans such as the project implementation plan and management disposal plan. Since the expertise and financial contributions from participating developers are crucial for the successful implementation of a JRP project, it can be assumed that professional developers take the lead.

**Old and dilapidated housing redevelopment programme in Beijing**

**Establishment of the ODHRP: key principles and progress**

Having experimented with various renewal approaches, the Beijing municipal government launched the ODHRP in 1991 to demolish and redevelop 2.5 million m² of old and dilapidated dwellings by 1995 (BMG 1991). The core idea behind the ODHRP was to bring in real estate developers as the main financier and project implementer, while local authorities provided administrative support. This was seen as an inevitable solution to the severity of dilapidated housing problems and the limits of public finance. According to Sun and Zhang (1989: 7), the total investment necessary to redevelop old and dilapidated dwellings in the Old City of Beijing (that is, areas within the second ring road) in 1989 would be “more than 200% of total urban housing investment in the Old City since the Liberation.”

The turning point was the speech by the mayor of Beijing on 30 April 1990, which emphasised the ripening opportunity for the redevelopment of inner city districts (BMG 1990). It was stressed that a series of new estate developments in suburban districts provided new dwellings that could be used for the relocation of inner city residents. To facilitate the implementation of ODHRP projects, an ODHRP office was opened at the municipal government to supervise and support the overall process. Furthermore, the municipal government set aside 200 million yuan to lend to those four inner city districts (namely Dongcheng, Xicheng, Chongwen and Xuanwu), which received particular attention due to the severity of their housing problems (BMG 1990). Figure 2-5 below shows the locations of dilapidated housing areas as of 1990.
Upon promulgation of the ODHRP in April 1990, 37 areas were initially assigned as redevelopment project areas. 22 of them were located in inner city districts, 11 in near suburban districts and 4 in outer suburban districts of Beijing (Lu 1991). The number of households affected by this initial assignment reached approximately 50,000, housed in 1.6 million m² of dilapidated dwellings (Wu 1999: 52). By the end of 1994, the total number of ODHR project areas increased up to 221, targeting about one million residents.

According to Zongyong Wen at the Planning and Management Office in the Dongcheng district government, the ODHRP in the 1990s could be divided into two different phases (Wen 1998: 39). The first phase applies to the period from April 1990 until May 1992. In this period, the municipal government carried out the first stage of redevelopment in 22 redevelopment neighbourhoods, demolishing 824,100 m² of old and dilapidated housing and relocating 29,385 households. This period could be characterised by the following features. Firstly, the dwellings subjected to redevelopment were the most dilapidated dwellings such as *jianyi zhufang* (that is, simply constructed dwellings). Secondly, project areas were mostly located just outside the second ring road. Thirdly, original residents’ re-housing ratio was relatively high, most projects having achieved more than 60%.

The second phase was carried out from May 1992 until 1997 in 114 redevelopment project areas (Wen 1998: 39). This phase showed contrasting features. Traditional courtyard houses in the Old City of Beijing also became subject to redevelopment. This indicated that redevelopment advanced into the Old City. The main strategy was to demolish and redevelop the project area, and there was hardly any other consideration.
High-rise flats and commercial buildings were favoured as the end products, and very few original residents were able to be re-housed (Lee 1999: 23; Wen 1998: 39). To carry out the redevelopment in a financially feasible way, it was thought inevitable to sell as many redeveloped flats as possible (UCMCBMPPCC and JSSBC 1992: 21):

“At present, apart from the limited funding sources such as 200 million yuan of state funding and little resources from those homebuyers, the main method is to rely on housing management, that is, selling many housing units so as to acquire funding” (UCMCBMPPCC and JSSBC 1992: 21)

The characteristics of the second phase basically continued to dominate throughout the late 1990s and early 2000s. A major change took place in 1998 regarding the way residents were to be compensated. Through this change, a stronger emphasis has been placed upon monetarised (cash-based) compensation, and this was expected to strengthen the market-oriented characteristics of redevelopment.

By 1999, the number of ODHRP projects reached 279 (Fang and Zhang 2003). Between 2001 and 2005, it was reported that Beijing anticipated another 340,000 households to be displaced as part of urban redevelopment projects (People's Daily 1 April 2002). The preparation for the 2008 Olympic Games in Beijing would facilitate the progress. Considering the number of inner city residents, the scale of displacement indicated that approximately 14% of inner city residents would be subject to the redevelopment (BMBS 2003a).

Outline of the ODHRP implementation process

Unlike Seoul's JRP project in which local residents and developers team up together, residents in Beijing do not enjoy the same status when ODHRP projects are implemented. It is the partnership with local authorities and developers that plays a crucial role in completing the transformation of dilapidated neighbourhoods. This is shown in Figure 2-6 that summarises the process of an ODHRP project. This is based on the government notice in June 1994, which gave greater power and autonomy to inner city district governments for authorising ODHRP projects within their jurisdiction (BMG 1994a; Fang and Zhang 2003: 155).

Local authorities hold the right to designate a project area, but it's common for developers to choose an area and make an application to initiate redevelopment. Once the local district government receives an application, it reviews and approves the application based
on its planning criteria. One important criterion is the proportion of dilapidated dwellings within a proposed neighbourhood. In order to be designated, more than 70% of the dwellings in a neighbourhood must be Grade 3, 4 or 5 dwellings (see footnote 3 on page 58 for the explanation on the grading classification). Furthermore, at least 30% of the neighbourhood dwellings should be either Grade 4 or Grade 5 dwellings (Fang 1999: 61).

Figure 2-6: Redevelopment process of an ODHRP project
(BMG 1994a; Fang 1999: 69-70)

The process of authorising and implementing an ODHRP project as shown above indicates that there is little room for residents’ participation until a project reaches the stage of their displacement and relocation. In this regard, Beijing’s ODHRP could be said to have a typical top-down character in the sense that ODHRP projects are imposed upon residents as part of a lawful government action – a government programme realised by the developers for the betterment of urban residents.
Nevertheless, local residents are still considered to be important contributors since their cooperation is one of the key factors in the success of ODHRP projects. The land use rights, enjoyed by the local residents, are taken away in exchange for redevelopment compensation (Fang and Zhang 2003: 157). If residents are offered re-housing, they are required to purchase redeveloped flats, and this is the moment they make financial contributions.

### 2.5 Conclusion

This chapter reviewed urban demographic and housing conditions embedded within the national contexts, and examined the development of urban renewal policies for the transformation of dilapidated dwellings and neighbourhoods in Seoul and Beijing.

The review showed that the origins of dilapidated neighbourhoods in these cities differed considerably. In Seoul, dilapidated dwellings which became subject to the JRP were largely an outcome of informal and illegal building practices, carried out by urban residents including in-migrants who had to find a foothold in cities when there were simply not enough dwellings during the post-war period of rapid urbanisation. Forced eviction and clearance actions were taken by the municipal government especially in inner city districts, but a large number of such settlements managed to survive through the 1970s.

In Beijing, the origin of old and dilapidated dwellings that were subject to the ODHRP was not illegal in character. Their eventual deterioration was the result of long-time under-investment in housing by the state sector that considered such input as ‘unproductive’ during the pre-reform period of the planned economy. A large proportion of dilapidated dwellings were traditional one-storey courtyard houses called pingfang, which lost their character over the years due to inadequate management and maintenance. Major infill processes in the 1970s also exacerbated the problem of over-crowdedness.

The review of urban housing conditions showed that Seoul and Beijing were both facing severe housing problems by the time they were to introduce the JRP and ODHRP. In Seoul, the policy orientation towards new housing construction and homeownership did not succeed in eradicating housing poverty. By the early 1980s, about a half of urban residents still had no access to modern in-house facilities. About 16% of existing dwellings in Seoul were illegal and informal in character. In Beijing, by the mid-1980s, the majority of dwellings lacked in-house facilities, and close to one quarter of Beijing
residents were housing poor. The problem was more acute in inner city districts.

In the case of renewal experiences, both cities experimented with several approaches before implementing the JRP and ODHRP. In Seoul, the experiences in the 1960s and 1970s suggested that neither the government nor the residents could finance redevelopment on its own. With no heavy financial input coming from the government to subsidise the lack of funding on the residents’ side, the prospect of redeveloping a dilapidated neighbourhood seemed near impossible. In Beijing, the Communist government’s supposedly egalitarian nature did little to avoid decades-long neglect of old dwellings. State enterprises and institutions began to make use of their newly-found capacity to make additional investment in employees’ housing provision in the 1980s, but the Beijing municipal government found it near impossible to implement urban renewal due to its constrained budget and weak tax base. It was the housing market, and hence the real estate capital and potential homebuyers’ savings, which were considered to be the solution.

Seoul’s JRP and Beijing’s ODHRP were, in this regard, a means to resolve persisting problems of project financing by attracting professional developers to urban renewal projects. These programmes signified responsibility sharing among the state, the market and local communities. The structure of the programmes, however, differed. In both cities, professional developers took the leading role in that they were to provide project management skills and financial resources. Local authorities provided regulatory support and took planning control. As for the residents, the JRP in Seoul was based on a formal contractual relationship between property owners (that is, dwelling owners and absentee landlords in a redevelopment neighbourhood) and participating developers. In Beijing’s ODHRP, professional developers had no formal contract with residents for project initiation. Instead, it was the agreement between developers and local authority that started the project implementation process. More details of how the interaction among developers, local authorities and residents unfolded will be discussed in subsequent analysis in this thesis.

Having reviewed urban housing contexts and the development of renewal policies, the next chapter explains the research methodology of this thesis.
3.1 Case study approach
3.2 Field research visits
   Field research neighbourhood selection
   Data collection methods
   Selection of residents for interviews
   Field encounters
3.3 Data analysis
   Transcription
   Classifying the data
   Coding and developing a framework for interview analysis
   Analysis and tabulation
   Access to other raw data
3.4 Conclusion
3.1 Case study approach

This thesis set out to understand how Seoul and Beijing came to implement a common strategy of developer-led redevelopment programmes despite their different urban contexts, what contributions were made by various sectors and what impacts these programmes had on local residents. It aimed to gain a contextual understanding of how developer-led partnerships unfold within local contexts in order to find out how the public sector, the private sector and local residents interact with each other, and how local residents cope with the transformation of their neighbourhoods. In this way, it is hoped that this research provides an insight into the process of neighbourhood transformation at a local level, which has been understudied despite these programmes’ relatively long-term operation.

To examine the impacts of redevelopment on local residents, I aimed to find out the degree of displacement due to redevelopment, to identify constraints that would have influenced residents’ decision to move, and to examine the changes in housing conditions upon their displacement. As Bailey and Robertson (1997) noted, studies of urban regeneration and residents’ displacement have been largely concerned with the scale of displacement. This focus was strengthened by the trend for existing studies to infer the scale of displacement by using census data rather than taking a direct measurement due to difficulties in tracking displacees (Atkinson 2002: 9). This research hoped to overcome the narrow focus, expand the scope of study to include post-displacement experiences of local residents and hence deliver the views and voices of local residents.

To accomplish these objectives, this research adopts a case study approach, which allows social science researchers to focus on the contextual effects upon social phenomena (Yin 1993). The approach has the advantage of examining “the specific institutional, historical and political features of each country covered, instead of imposing a standardising framework whereby only pre-selected items of data are accepted for incorporation into the analysis” (Mabbett and Bolderson 1999). A case study approach employed in an international comparative study also enables researchers to obtain findings that can “shed light on shared processes at work in disparate circumstances” (Cheek and Lindau 1998: 5). In this study, the benefits of comparing Seoul and Beijing’s redevelopment experiences include the shedding light on the shared processes of developer-led partnership approaches, local authorities’ mounting task of tackling urban dilapidation in fast growing societies, lack of public resources to enable direct government intervention, strong
government leadership and emphasis on economic growth which absorbs available resources. By employing a case study approach and detailed preparation as outlined in this chapter, this research overcomes the difficulties of international comparative research, and provides a rich understanding of the shared experiences through comparable findings.

The case studies in this research were conducted at neighbourhood level, and took a multiple case study approach within each municipality, which entailed the selection of a case within a wider case (Stake 2000: 446-447; Weitzman 2000: 812). In other words, if the primary case was a residential neighbourhood, the neighbourhood was nested within a local administrative district, which was subsequently nested in a municipality, which in turn was identified as to be nested in a city and country. Figure 3-1 below demonstrates such a nested approach.

3.2 Field research visits

A series of field research visits were carried out between December 2001 and September 2003. The field research took the form of area-based studies. In order to understand redevelopment neighbourhoods, I attempted to identify a physical pattern (that is, what
the physical condition of the area was like, and how they were internally organised and externally related to the rest of the city) as well as institutional (that is, what institutions were involved in transforming the area, and how they were related to each other) and social portrait (that is, what the life conditions were like in subjected neighbourhoods, and how the residents therein adjusted to the changes and attempted to overcome any difficulties that were confronted).

This section explains how field research neighbourhoods were selected, what data collection methods were used and how residents were recruited for interviews. It also discusses the barriers that I encountered and overcame during my field research. Unlike in Seoul where I, as a South Korean, possessed natural advantages (e.g. no barriers with language, understanding social and cultural contexts, social network), Beijing presented institutional and cultural obstacles that required more detailed preparation and adaptation to local circumstances to conduct field research.

**Field research neighbourhood selection**

The selection of neighbourhoods for this research was conditioned by several factors. Firstly, there was the *policy factor*. My baseline research on municipal renewal policies in Seoul and Beijing showed that both municipal governments revised their existing redevelopment programmes (Joint Redevelopment Programme or JRP in Seoul and Old and Dilapidated Housing Redevelopment Programme or ODHRP in Beijing). In Seoul, the revision was enacted at the end of 1995, and was known as the ‘rolling redevelopment.’ Its details are discussed in Chapter 6, and it would suffice here to mention that this rolling redevelopment was aimed at enhancing the range of work of the public housing agency in order to promote the housing security of tenants eligible for redevelopment compensation. In Beijing, the revision was made in March 2000, and its main feature was to increase the re-housing rate of existing residents by providing subsidised redevelopment flats. Therefore, at the time of selecting field research neighbourhoods, I hoped to include those neighbourhoods where these revised approaches were applied in order to see their nature and impact upon residents.

The second factor was the *time factor*. As a redevelopment project usually takes several years from the planning stage to the final delivery of end products, the resource constraints of PhD research mean that it is near-impossible for a PhD researcher to carry out longitudinal research to cover the whole progress of neighbourhood redevelopment.
It was, therefore, necessary to conduct field research visits by taking a cross-section of redevelopment projects. In this respect, I tried to look for a neighbourhood where its redevelopment or residents’ displacement and relocation were phased so that residents’ pre- and post-displacement conditions could be examined.

Bearing these two factors in mind, I established neighbourhood typologies to help me search for field research neighbourhoods. This is shown below in Figure 3-2.

![Figure 3-2: Selection typologies of field research neighbourhoods](image)

Finally, the third factor to consider was the issue of access. Redevelopment often gives rise to tensions between residents and developers, between residents and local authorities, and among residents themselves. A researcher who is alien to the neighbourhoods would find it difficult and time-consuming to penetrate existing social networks and win the trust of local residents. My access to the field research neighbourhood in Seoul was helped by a local NGO leader who was highly respected in the neighbourhood. In Beijing, because independent access to neighbourhoods as an individual researcher was impossible, I received administrative support from a local research centre that I was attached to during my stay in Beijing (see later in this chapter for fuller explanation).

**Neighbourhood selection in Seoul**

The field research in Seoul was carried out in one neighbourhood called Nangok. It is located about 15 kilometres away from the city centre and on the south-western edge of Gwanak district (see Figure 3-3). Gwanak district is one of the twenty five administrative districts that make up Seoul.
The selection of Nangok neighbourhood was on the basis of a number of careful considerations. Firstly, it was one of the only two neighbourhoods in Seoul where aforementioned ‘rolling redevelopment’ was implemented. Therefore, it belonged to Neighbourhood Type C in Figure 3-2. The other neighbourhood, known as Sillim 2-1 redevelopment district, was also in Gwanak district, and its redevelopment was completed in May 1999. The selection of Nangok neighbourhood over Sillim 2-1 redevelopment district was due to the difficulty in tracking the relocation of Sillim 2-1 redevelopment district’s original residents. Nangok neighbourhood, at the time of commencing my field research, was still in its final stage of residents’ displacement and relocation, thus having the characteristic of Neighbourhood Type A in Figure 3-2. To some extent, Nangok neighbourhood could also be classified as to having the characteristics of Neighbourhood Type B as the residents’ displacement and relocation took two and a half years to be completed. As such, it provided greater opportunities to get in touch with two distinct groups of residents: those who moved out, and those who were awaiting displacement.

Sillim 2-1 redevelopment district, however, was not completely disregarded. Its redevelopment accompanied the construction of 818 public rental flats, which were used for the relocation of residents from Nangok neighbourhood. In this regard, Sillim 2-1 redevelopment district was also included in this research in that it constituted part of Nangok neighbourhood redevelopment project as a relocation site.
Secondly, Nangok neighbourhood was selected as it was subject to the JRP in the mid-1990s before its renewal was switched into the rolling redevelopment programme in 2000. My baseline research indicated that in the mid-1990s, property owners signed an agreement with a private developer for the neighbourhood redevelopment. The Asian Financial Crisis in 1997, however, endangered the financial liability of the participating developer, which had to subsequently withdraw from the project. Such events provided a unique opportunity to examine both advantages and disadvantages of the JRP and of the ‘rolling redevelopment.’

**Neighbourhood selection in Beijing**

The field research in Beijing was carried out in 2002 and 2003 in two different phases. Most interviews with local residents and key actors took place in the summer of 2003. The researcher spent half a year in 2002 in Beijing to review the national and municipal urban policies, and be immersed within the local environment as part of the familiarisation process.

The selection of field research neighbourhoods was carried out by this researcher presenting the selection criteria to the local authority (via a local research institution), who subsequently pinpointed several neighbourhoods that met such criteria. The reasons for such an arrangement are explained later in this section when the access problems are discussed. The main reason was the practical difficulty in conducting independent field research as a foreign researcher in mainland China. This was especially so when the research topic was as sensitive as the neighbourhood redevelopment and its compensation. The neighbourhoods selected were Xinzhongjie (marked ‘A’ in Figure 3-4 below) and Haiyuncang (marked ‘B’). They were all located within one of the four inner city districts called Dongcheng district. Xinzhongjie neighbourhoods belonged to Dongzhimen Street Office, while Haiyuncang neighbourhood was part of Beixinqiao Street Office. Their neighbourhood contexts are further explained in the following chapter.

These neighbourhoods turned out to fit my research design. Haiyuncang neighbourhood was one of the four pilot project areas in Beijing for the implementation of the revised

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5 In Beijing, the administrative hierarchy is as follows: Municipal (shì) Government – Local District (qu) or County (xiàn) Government – Street (jiedao) Office. Each jiedao consists of neighbourhood committees (juweihui), and neighbourhood committee leaders (zhuren), appointed by the district government, undertake daily administrative tasks.
ODHRP approach (therefore, Neighbourhood Type C in Figure 3-2). Its redevelopment was completed at the end of 2002, and the re-housing took place throughout the first half of 2003.

Figure 3-4: Location of field research neighbourhoods in Dongcheng district, Beijing (Original administrative map from DDG 1998)

Xinzhongjie neighbourhood was an area where the neighbourhood redevelopment was implemented by a private developer, and its redevelopment was phased in (therefore, Neighbourhood Type B in Figure 3-2). At the time of my field research, its Phase I redevelopment was already completed, converting one quarter of its neighbourhood into a modern estate of high-rise commercial flats. The Phase II redevelopment was yet to start, and residents in Phase II area were not informed of their displacement timing. The majority of my interviews with residents in Beijing were with former or present Xinzhongjie residents.

Figure 3-5 below shows the summary of selected neighbourhoods in both Seoul and Beijing, showing the progress of redevelopment in relation to the corresponding
redevelopment policies.

Data collection methods

Focusing on the neighbourhood contexts and redevelopment processes meant that the research required multiple data collection methods (Yin 1993). Three main data collection methods were used, which were: (1) collection of local documents and archival records related to the fields study areas; (2) on-site observation; and (3) semi-structured interviews with residents and key actors. The research was also supplemented by the acquisition of a survey data set on former Nangok residents, provided by a local welfare centre in Seoul.

Collection of local documents and archival records

The first methodological step was to carry out a literature search through local policy documents and archival records to supplement my understanding of the national and municipal housing policies, specifically of the local housing contexts within which
redevelopment policies were implemented. The range of documents and archival records included: (a) policy announcements and amendments to existing housing and urban renewal laws and regulations; (b) minutes and proceedings from South Korea’s National Assembly or local district assembly, and their equivalents in mainland China if available; (c) performance reports from public agencies if accessible; (c) local media coverage; (d) official statistics and yearbooks from local district governments. Once the field research neighbourhoods were selected, efforts were also made to gather materials related to these neighbourhoods. These included local authorities’ reports and statistics on these neighbourhoods; media coverage on the housing redevelopment in the field study sites; and reports, if any, from non-governmental or not-for-profit organisations on the field research neighbourhoods.

On-site observation

The second methodological step was on-site observation. On-site observation was used for the researcher to become familiarised with the field research neighbourhoods, and to provide the researcher with a clear picture of the physical and social conditions in the residential areas. The information gathered from my observation formed the background for conducting interviews with local residents and officials, and was “used to validate or corroborate the messages obtained in the interview” (Robson 1993: 192). The details of information collected through on-site observation were as shown below in Table 3-1.

Table 3-1: Details of information and their mode of recording during on-site observation

<table>
<thead>
<tr>
<th>Information Type</th>
<th>Details</th>
<th>Mode of Recording</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwelling Conditions:</td>
<td>Typical examples of dwelling types</td>
<td>Photographs; note-taking</td>
</tr>
<tr>
<td></td>
<td>Degrees of visual deterioration and in-house facilities</td>
<td>Photographs</td>
</tr>
<tr>
<td>Infrastructure and Utilities Services</td>
<td>Public transportation connection and the frequency of its operation; Street lighting; Public toilets; Methods of excrement collection, and its frequency; Sewage system and the degree of its development</td>
<td>Ordinance survey or cadastral map, if available, with different colour codes; note-taking; photographs</td>
</tr>
<tr>
<td>Services and activities</td>
<td>Existence of local amenities and their location</td>
<td>Ordinance Survey Map, if available with different colour codes; note-taking; photographs</td>
</tr>
<tr>
<td></td>
<td>Existence of any public gathering places or community centres</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adjacency of markets and employment places</td>
<td></td>
</tr>
</tbody>
</table>
actors and local residents. Interviews with local residents, in particular, were carried out in order to collect individual case histories. Collection of individual case histories is one of the data collection methods that “provide an enormously detailed and substantiated account of one person’s ‘history’ with reference to some specific personal characteristic or series of events they have experienced” (Hakim 2000: 63). The collection of individual case histories focuses on particular aspects of a person’s life. In this research, this particular aspect was individual household’s housing and redevelopment experiences, narrated through a member (usually household head) or members (household head and spouse) of each family.

I devised an interview schedule to conduct semi-structured interviews in Seoul (see Appendix A1). This was also used in Beijing, but the interviews in Beijing were further assisted with a questionnaire that I produced on the basis of the interview schedule (see Appendix A2 for the questionnaire sample in Chinese). This was to make sure the basic household details and housing conditions were recorded correctly at the beginning of an interview in order to minimise the possibility of misinterpretation due to language barriers. In total, 40 residents were interviewed: 20 in Seoul and 20 in Beijing (see Appendix B1 for the list of residents interviewed). The selection of residents for interviewing is explained later in this chapter.

Semi-structured interviews with key actors included local officials, neighbourhood committee leaders and managers working for developers engaged in neighbourhood redevelopment. These interviews were to collect their comments and views in relation to the contemporary urban housing and renewal policies in each municipality as well as their views on residential redevelopment projects taking place in field research neighbourhoods. In Seoul, 18 interviews were conducted with key actors. In Beijing, 15 interviews were carried out, and a formal meeting with six officials from Dongzhimen Street Office and Dongcheng district government was held to listen to their views on neighbourhood redevelopment (see Appendix B2 for the list of interviewees).

**Raw survey data from a local welfare centre in Seoul**

In addition to my field research data, the research was further aided by the acquisition of a set of raw survey data from a local welfare centre (that is, Sillim Welfare Centre). The survey was conducted in Seoul in June 2002 to gather information on former Nangok residents who were displaced as part of its neighbourhood redevelopment. Thanks to a
senior research fellow at the Korea Centre for City and Environment Research, I was introduced to the local welfare centre and had a chance to take part in the survey activity, collecting responses from 11% of total sample population (156 households). When the survey was taking place, I was nearing the completion of semi-structured interviews with local residents. There was little chance, therefore, that my research design was influenced by the welfare centre’s survey. Nevertheless, the survey data turned out to be very beneficial for this research, as it supplemented quantitative interpretation of the changes in Nangok residents’ housing conditions due to redevelopment. The survey responses were coded by the welfare centre, and the data set was available in SPSS for Windows format.

**Selection of residents for interviews**

**Interviewees in Seoul**

Selecting residents in Seoul to interview for this research was done using a snowball sampling technique, which is a non-probability sampling method often employed when the acquisition of sampling characteristics is difficult.

> “[Snowball sampling] involves contacting a member of the population to be studied and asking him or her whether they know anyone else with the required characteristics… The nominated individuals are interviewed in turn and asked to identify further sample members. This continues until no further sample members are obtained. Then another member of the population of interest is identified, preferably from a different area or social class, and the process of asking for contacts with the required characteristics begins again” (Arber 2001: 63).

In this respect, the most important criteria for selecting interviewees were their diversity and range of experiences (Stroh 2000: 203). For this research, four main categories were considered when selecting residents: (1) income status; (2) employment status; (3) displacement and relocation status; and (4) eligibility for redevelopment compensation.

The use of this technique was deemed appropriate in this research for three main reasons. The first was the fact that it was difficult for an individual researcher to obtain a set of household registration records that would assist probability sampling. This problem was even more acute in Beijing where the degree of social control was tighter. An uninformed random door-to-door visit by a foreign researcher would have provoked suspicion in Beijing’s social and political environment.
The second reason was the resource constraints in individual research. Conducting a survey of a meaningful sample population required a lot of financial resources and a considerable amount of time when implemented on one’s own. The fact that this research was to be conducted in two municipalities in different countries exacerbated such constraints.

The third reason was the potential hostility among local residents towards visitors including researchers. This is particularly problematic in redevelopment neighbourhoods where tensions build up as work progresses. Residents might feel offended by the way ‘outsiders’ were treating them. They would also feel reluctant to meet outsiders due to their residence in dilapidated neighbourhoods that might have led to the sense of being disadvantaged or excluded. Such feeling was confirmed in Seoul while having a discussion with a local NGO leader in Nangok neighbourhood (interviewee KSS7-INW-01). He said that some of the local residents actively working for tenants’ housing rights were hostile towards the so-called ‘intellectuals’ who used to come to the neighbourhood for the sake of their own research projects without adequate consultation. In addition, many people including some journalists were visiting the neighbourhood to take photographs for various reasons before the commencement of its demolition. For these reasons, it was more sensible to conduct interviews through a snowballing (that is, referral) method so that I could win the trust of local residents and overcome the obstacle of being treated as one of such ‘outsiders.’

**Interviewees in Beijing**

In Beijing, I initially tried to apply the same snowball sampling strategy. Initially, this seemed even more appropriate as I feared it was near impossible to obtain the cooperation of Beijing’s local authorities if any survey was proposed. The snowball sampling, however, turned out to be problematic in Beijing, as it faced additional constraints originating from access problems. Arranging interviews with local residents was only possible through the coordination of neighbourhood committee leaders, who could have acted as ‘gatekeepers.’ Neighbourhood committee leaders were themselves residents, but they also served the government as the lowest branch of local administrative organs. Being aware of this potential problem, I proposed four main categories as above (that is, income status; employment status; relocation status; and eligibility for redevelopment compensation) to the local street office and neighbourhood committee leaders in order to avoid the situation in which only those relatively better off
were recruited.

In the end, the number of interviews conducted with residents in coordination with neighbourhood committee leaders was somewhat fewer than I had originally envisaged. The number of recruited households decreased on two occasions. First, the local authority (that is, Dongzhimen Street Office) scaled down the number of interviewees at the time of initial negotiation. Second, in the course of conducting interviews, the neighbourhood committee leaders grew weary of accompanying researchers while carrying on with their daily administrative tasks. I eventually agreed to stop recruiting more households when I felt I had learnt as much as practical under the constrained research circumstances in Beijing.

**Summary of residents interviewed in Seoul and Beijing**

Table 3-2 shows the distribution of resident interviewees according to their former residence and their household move status at the time of interviewing. Appendix B1 shows all the residents interviewed in Seoul and Beijing (Box 3-1 on p.98 explains how the coding for interviewees’ identification was constructed by this researcher). In Seoul, 20 residents were interviewed in total. Eleven of them were already displaced and relocated at the time of interviewing, and nine were yet to be displaced. In Beijing, 20 residents were interviewed in total. Three of them were displaced from Xiangheyuan neighbourhood (also under the administrative control of Dongzhimen Street Office), located adjacent to Xinzhongjie neighbourhood. Because Xinzhongjie and Haiyuncang neighbourhood committee leaders found it difficult to contact those displaced to outer suburban districts, these former Xiangheyuan residents were recruited in order to guarantee the diversity of interviewees. These three households were displaced from their former residence in Xiangheyuan neighbourhood as part of its redevelopment⁶ in April and May 2001 (Haiyuncang residents were also displaced in this period). One of the twenty households was recruited through my personal acquaintance as neighbourhood committee leaders were not able to come up with any households who were temporarily re-housed upon displacement.

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⁶ According to a Xiangheyuan neighbourhood committee leader, part of Xiangheyuan neighbourhood went through redevelopment in the summer of 2001, displacing 866 households (44% of its registered households). She stated that re-housing was considered unnecessary as the redevelopment was to construct high-rise modern flats called *Wanguocheng*, which were beyond the reach of displaced residents. Three households interviewed were all displaced from Xiangheyuan neighbourhood in 2001 and moved to an outer suburban estate called Yinghuayuan in Shunyi district.
Table 3-2: Distribution of resident interviewees as per their former and current place of residence

**In Seoul**

<table>
<thead>
<tr>
<th>Status of household move</th>
<th>Moved to relocation rental flats (in Sillim 2-1 District)</th>
<th>Moved to other neighbourhoods adjacent to Nangok</th>
<th>Subject to displacement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>

**In Beijing**

<table>
<thead>
<tr>
<th>Former residence (before displacement/relocation)</th>
<th>Current residence (after redevelopment)</th>
<th>Redevelopment approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Former residence (before displacement/relocation)</td>
<td>Subject to displacement</td>
<td>Re-housed</td>
</tr>
<tr>
<td>Xinzhongjie Phase I area</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Xinzhongjie Phase II area</td>
<td>9</td>
<td>ODHRP (yet to start)</td>
</tr>
<tr>
<td>Haiyuncang</td>
<td>2</td>
<td>Revised ODHRP (yet to start)</td>
</tr>
<tr>
<td>Xiangheyuan (adjacent to Xinzhongjie)</td>
<td>3</td>
<td>ODHRP (completed)</td>
</tr>
<tr>
<td>Dongsi (adjacent to Haiyuncang)</td>
<td>1</td>
<td>ODHRP (completed)</td>
</tr>
</tbody>
</table>

**Field encounters**

**Gaining access**

In this research, gaining access to field research neighbourhoods and recruiting interviewees required particular attention. Researchers working in a foreign country often become subject to suspicion. As Razavi (1992) noted retrospectively about her research in Iran where she came from, she struggled to win the trust of local people in part because she was attached to a Western academic institution as a female researcher.

“Relationships are not created in a vacuum. Upon entering any community as an outsider, various suspicions have to be dispelled, depending on the particular circumstances of the community and the individual researcher” (Razavi 1992: 154)

In her case, the suspicion ranged from the fear of espionage to the possibility of future taxation based on the information interviewees were requested to provide (Razavi 1992). Razavi’s recommendation was to choose a safe channel to conduct field research, and this principle also applied to the field research in Seoul and Beijing.

In the case of field research in Nangok neighbourhood in Seoul, the access to the neighbourhood was made through a church minister who was well-connected with and trusted by Nangok residents. He understood the purpose of the research, and was eager to share the residents’ experiences with regard to the neighbourhood redevelopment with...
anyone who was sympathetic with the residents’ fate. I was introduced by him to the initial batch of local residents to conduct interviews, and this allowed me to win their trust at the early stage of field research. For instance, an interviewee who was blacklisted by financial institutions due to her husband’s credit delinquency record agreed to do an interview only because the minister introduced me to her:

“When the redevelopment of this neighbourhood began, there were a few journalists who came here to do interviews, and I never accepted any request. I didn’t want to risk revealing my identity as my family was kind of hiding away from the creditors…I am only doing this interviewee as a favour because the minister asked me personally.”

(Interviewee KSS7-INT-01)

The field research in Beijing was more problematic than what was encountered in Seoul. The access problems experienced in Beijing were two fold. On the one hand, there was the usual issue of winning the trust of local residents. On the other hand, there was a serious administrative issue, which could have jeopardised the whole research. As a foreign researcher, it turned out that it was near impossible to conduct an independent, individual research in Beijing, since this required a legal approval from the government statistical bureau. The Interim Measures for Administration of Foreign-related Social Survey Activities, which became effective as of 15 August 1999, stated that:

Article 3 Organisations and individuals from outside the territory, subsidiaries of foreign enterprises and resident representative offices of foreign enterprises within the territory and resident institutions in China of other foreign organisations shall not, by their own, conduct such survey activities within the territory of China. Where there is a need to conduct such surveys, they shall be conducted by domestic institutions with the qualification of conducting foreign-related social survey. Institutions without such qualification shall not be commissioned for any survey.

Article 12 The conduct of foreign-related social survey activities must be submitted to the statistical institution’s of the people’s governments at or above the provincial level for review and approval.

(NBS China 2001b)

In order to get around this obstacle, this researcher was based at a government-run research institution called the Chinese Academy of Social Sciences (hereinafter CASS) during the field research period. The CASS worked as an umbrella institution for this researcher’s field research, and coordinated meetings with local officials and interviews with local residents. For the selection of neighbourhoods and interviewees, the researcher made it clear to ensure that all the researcher’s criteria were met while negotiating with the local officials. This researcher prepared a guideline for neighbourhood selection, which was shared with the CASS before presenting it to the local officials.
Influence of public authority on the research

In Seoul, there was hardly any influence of public authority upon this research as there was no restriction on carrying out individual research. In Beijing, however, this was not the case. As explained above, due to the administrative constraints, the local officials at the Dongzhimen Street Office had to be informed, and the interviews with local officials and residents were coordinated by the CASS. The arrangement of actual interviews with local residents was further assisted by neighbourhood committee leaders. This process raised some concern on two accounts.

Firstly, the recruitment of residents through neighbourhood committee leaders left room for potential screening. As mentioned earlier, the snowball sampling for recruiting interviewees was not feasible in Beijing. Although I made every attempt to make it clear to the neighbourhood committee leaders in order to identify and recruit those displacees who remained as tenants either in private or public sector after displacement, those interviewees who moved to suburban districts turned out to be all owner occupiers. The committee leaders said that they could not track back those who remained as tenants in private rental sector after displacement. While the difficulty of tracing all the displaced households should be fully acknowledged, their responses were not fully convincing since those committee leaders also admitted that most households kept their household registration in their former place of residence. This remained as the limitation of this study, and should be noted when interpreting the interview results.

In order to supplement this shortfall, I managed to recruit, with difficulties, a couple through a personal acquaintance. The couple was displaced from a dilapidated neighbourhood close to Haiyuncang neighbourhood in Dongcheng district, and the couple was residing temporarily in their father’s residence while searching for the right opportunity to buy a house within the district.

Secondly, there was the possibility that Beijing interviewees were concealing their true feelings towards the redevelopment processes and their relationship with the local authority. Nine out of twenty interviews with local residents were conducted in the presence of a neighbourhood committee leader. In this circumstance, there was the possibility that the presence of a neighbourhood committee leader would have ‘toned down’ their negative voices towards local officials or government policies. Furthermore, at each time of interviewing, a researcher from the CASS was also present to accompany
this researcher. It was possible therefore that the status of the CASS as the government-
run research institution could have influenced the responsiveness of interviewees. All in
all, those interviewees who completed their relocation to suburban districts were less
enthusiastic to express their views towards the redevelopment. In the case of those
interviewees who were subject to imminent redevelopment, they were more ready to voice
their frustration regardless of the presence of neighbourhood committee leaders. When
the neighbourhood committee leader was present, however, interviewees were tactful
enough to make comments to ‘save the face’ of the committee leader as shown below:

“If this neighbourhood is to be demolished, I don't know which compensation
policy is going to be applied….I ask the committee leader about how much
[compensation] is to be given out, and she says she doesn't know… She also lives in
this area, and she must be worried as well... Premier Zhu also explained that the
redevelopment was to improve residents' living condition. Has it been improved in
Beijing? According to our current policies, it's impossible to improve, isn't it? This
demolition and displacement method is problematic”  (Interviewee CBX-INT-03)

Coping with unexpected interruption of research schedule

In Beijing, the actual interviews with local residents and government officials in field
research neighbourhoods were originally planned to take place between April and June
2003. This plan, however, had to be postponed by several months due to the SARS
(Severe Acute Respiratory Syndrome) epidemic that swept the whole country in the first
half of 2003. When the outbreak in Beijing was dramatically disclosed in early April, the
local authority (Dongzhimen Street Office) was reluctant to invite any outsiders to enter
their neighbourhoods while they were coping with the epidemic. It was only in late July of
the same year that the epidemic came under control, and the local authority agreed to
resume the research work.

Research ethics and raised expectations

As Elizabeth Francis noted, “(L)ocal-level research…places the researcher and the
researched in a social relationship” which raise difficulties in carrying out research since
the researcher and the researched “bring expectations that are unlikely to coincide”
(Francis 1992: 86-87). This is particularly the case when carrying out field research and
interviews in redevelopment neighbourhoods. When the researcher was introduced to the
local community in Beijing by the local government as mentioned above, it was possible
that the researcher could be regarded as a government representative, and treated as such
to express the residents’ on-going concern in relation to the redevelopment.
In fact, instead of under-reporting their concern towards the neighbourhood redevelopment, some interviewees were expressive of their needs and expectations in a hope that their voices could be delivered to the local authority via the researcher. Two of the interviewees in Beijing were very eager to do the interview as they thought we were government representatives. They became much less enthusiastic when it became clear that we were not related to the local authority. These interviewees initially thought that they could take the opportunity to explain their frustration towards the developer and the estate management company. Another interviewee initially refused to do the interview as she mistook us for having come from the developer. All these suggested that the research visits to a redevelopment neighbourhood could have influenced residents’ views.

In Seoul, it was also evident that residents in the field research neighbourhood hoped to use the interview as a chance to express concern regarding their neighbourhood redevelopment. The tone, however, was different from Beijing. Most interviewees were aware that the researcher’s field research would not make any difference to their situation. Instead, they were making suggestions and recommendations from their own perspectives so that these could be summarised by someone like the researcher to be written and publicised for future reference.

At the beginning of every interview, the researcher made it clear that we were not from the government, that the interview was only part of research activities, and that their views and identity would remain anonymous and confidential. A form was prepared for each interviewee to sign in order to gain their consent for the use of interview material for this research. These processes helped them understand the purpose of the research and interviews.

**Overcoming language barriers in Beijing**

Another problem of conducting field research in a foreign environment was the linguistic barrier. By the time of conducting interviews with local residents and officials, the researcher was well aware of local customs and code of conducts by being exposed to the culture for a number of months prior to these interviews. The researcher was also relatively fluent in standard Mandarin Chinese. Nevertheless, the use of strong local dialectics by the local residents raised concern for potential misunderstanding. In order to minimise this, two provisions were made. Firstly, a questionnaire was prepared to collect the basic information regarding the interviewees’ household details and housing
conditions. The questionnaire was based on the interview schedule employed in Seoul. Secondly, all the interviews were tape-recorded for future retrieval. The recording was all performed with each interviewee’s consent.

3.3 Data analysis

This research is based on the data collected from local documents and archival records, on-site observation and semi-structured interviews with local residents and key actors. Due to the nature of comparative case study approach that this research adopted, such data were diverse and rich in quality. From the early stage of research design, data collected and compiled were cross-checked against each other by means of triangulation to ensure the rigour of this research. “Triangulation means gathering and analysing data from more than one source to gain a fuller perspective on the situation you are investigating” (Lacey and Luff 2001: 23). This method proved to be particularly useful and effective in this research as one type of data was far from adequate to establish a full picture of redevelopment projects. The analysis of field data involved transcribing the interviews, classifying the collected data, preliminary coding and developing a framework for further comparison and thematic classification.

Transcription

As Pfaffenberger notes, the act of writing up is “an important form of data analysis and theoretical discovery” since researchers reconstruct the snapshots from the field encounter to establish internal coherence (Pfaffenberger 1988: 26). The interviews with local residents and key actors constituted an important part of the data collection in this research. Most interviews were tape-recorded with the consent from interviewees, and were transcribed verbatim. When interviews were not tape-recorded, the researcher made hand-written notes in as much detail as possible, and these notes were written up right after each interview not to lose any details while still vivid in the memory. When the researcher encountered casual contacts or engaged in casual conversation with local residents, the researcher tried to produce verbatim transcriptions of such activities. For these activities, the researcher kept field research journals and took photographs to ensure the loss of detail was minimised.
Classifying the data

The field data collected were organised by assigning document identification numbers. One example would be the classification of interview transcripts according to each resident interviewee’s identification number coded by the system explained in Box 3-1 below. The coding was devised to identify a resident interviewee according to his/her place of residence (area), method of recording (date type) and sequence of interviewing (sequence). This method was used to ensure easy retrieval when analysing as well as to protect interviewees’ anonymity.

Box 3-1: Identification of residents interviewed

The researcher created the following assignment system to identify each interviewee. The identification is composed of three parts: Area - Data type - Sequence

<table>
<thead>
<tr>
<th>Area: Country - City - Administrative District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>City</td>
</tr>
<tr>
<td>Admin. district where interviewees were living at the time of interviewing</td>
</tr>
<tr>
<td>S7 for Sillim 7-dong in Seoul, where Nangok neighbourhood is located</td>
</tr>
<tr>
<td>S6 for Sillim 6-dong and 510 for Sillim 10-dong in Seoul, where Nangok residents moved to upon displacement</td>
</tr>
<tr>
<td>X for Xinzhongjie neighbourhood in Beijing</td>
</tr>
<tr>
<td>K for Kangjaegou neighbourhood in near suburban Beijing, where some of Xinzhongjie residents moved to upon displacement</td>
</tr>
<tr>
<td>H for Haiyuncang neighbourhood in Beijing</td>
</tr>
<tr>
<td>Y for Xiangheyuan neighbourhood in outer suburban Beijing, where some of Xiangheyuan residents moved to upon displacement</td>
</tr>
<tr>
<td>D6 for Dongsi 6-tiao in Beijing</td>
</tr>
</tbody>
</table>

| Data type: |
| INT for tape recording |
| INW for note-taking without tape recording |

| Sequence: |
| 01, 02, 03... |

An example of interviewee identification: Interviewee CBX-INT-01 would refer to an interviewee living in Xinzhongjie neighbourhood in Beijing. The interview was tape-recorded.

Following a similar approach, all electronic and non-electronic field research data including photographs were also organised thematically for ease of retrieval at the stage of analysis and writing-up (see Appendix C for the details).

Coding and developing a framework for interview analysis

The transcripts of interviews with local residents were analysed by means of the framework analysis, which is increasingly used in the analysis of qualitative research (Lacey and Luff 2001: 9-13; Spencer et al. 2003). According to Lacey and Luff (2001: 9-10), there are five main stages to develop to conduct a framework analysis: (1) familiarisation; (2) identification of a thematic framework; (3) indexing; (4) charting; and (5) mapping and interpretation.
For this research, themes were produced on the basis of the interview schedule, and then were arranged in a case chart produced in a spreadsheet format. That is, themes are arranged in columns, and cases in rows. In this research, each case would refer to each interviewee. Once this chart was established, this researcher went through each interview transcript carefully to index those verbatim accounts by the interviewees and chart them in the corresponding cell. Once these were completed, the contents under each theme were compared across cases to identify “patterns, associations, concepts, and explanations” (Lacey and Luff 2001: 11). Figure 3-6 below shows the themes used for the indexing and charting.

Figure 3-6: Themes for indexing and charting residents’ interviews

A. Household circumstances and conditions
   A-1 Household circumstances
   A-2 Household constraints
B. Housing experience and history
C. (In Beijing) Housing reform measures and their influences upon interviewing households
D. Description of current residence and the method of its acquisition
   D-1 Housing conditions of current residence (inc. in-house utilities and services)
   D-2 Method of acquisition of current residence
E. Views on living in current house
F. Views on life in the neighbourhood
G. Reasons for choosing current place of residence
H. Attempts to solve housing problems
I. Commuting method to work or school
J. Social Network and participation
   J-1 Local environment / Amenities
   J-2 Participation in neighbourhood activities
   J-3 Support Network
K. Description of previous residence and the method of its acquisition
   K-1 Housing conditions of previous residence
   K-2 Method of acquisition of previous residence
L. Finding an alternative house to live after displacement
   L-1 Expectation level for relocation dwellings
   L-2 Opportunities for housing mortgage (or bank loan)
   L-3 Concerns for living in new flats after relocation
   L-4 Difficulties in finding an alternative residence to live
M. Displacement and relocation
   M-1 Negative experiences regarding displacement and relocation
   M-2 Access to information on redevelopment schedule (including displacement)
   M-3 Attitudes toward neighbourhood redevelopment
N. Views on urban renewal policies
O. Views on local authorities
P. Expectation of re-housing after redevelopment
Q. Redevelopment compensation
   Q-1 Expectation for the type of compensation
   Q-2 Alternative way of using cash compensation

Analysis and tabulation

Wherever possible, residents’ responses were quantified or precisely coded. Such
responses included their household characteristics (e.g. number of co-habitating households, gender, age, education attainment), employment status (e.g. regular, temporary, unemployed), and housing conditions (e.g. tenure status, dwelling size). These were coded into the SPSS for Windows software for the ease of producing descriptive statistics if necessary.

**Access to other raw data**

As mentioned earlier, the field research data from Seoul was further aided by a set of raw survey data from a local welfare centre whose service area covered Nangok neighbourhood. The data were supplied with a code book produced by the Centre. They were used to support part of the arguments in Chapter 8 of this thesis which discuss the changes in housing experiences of Nangok residents after their displacement. In most cases, the researcher carried out descriptive statistical analysis, but in some cases such as the comparison of rent levels before and after house-moving, a paired-samples T-test was performed. These were all conducted using the SPSS for Windows software.

**3.4 Conclusion**

Emphases on redevelopment processes and local contexts led this research to adopt a multiple case study approach that involved nesting a neighbourhood within a wider context. Such an approach enabled me to examine how a developer-led partnership in a neighbourhood redevelopment unfolded within local contexts against the backdrop of wider socio-economic processes. International comparative research on cities which developed in different urban contexts is a challenge, which requires strenuous efforts but provides a rich understanding of their shared experiences. In conducting research in redevelopment neighbourhoods, I came up against numerous constraints including access problems, data collection, and research ethics and raised expectations. The research methodology covering neighbourhood selection, data collection and analysis was carefully chosen and designed to overcome such constraints while ensuring consistency and rigour. The research methodology itself adds competency and strength to this research in comparison with other previous research on urban redevelopment in Seoul and Beijing, as this research established a direct dialogue with key actors and, most of all, residents in redevelopment neighbourhoods. The following chapters present findings of this research, and begin with the examination of residents’ living conditions before redevelopment.
Chapter 4
Living conditions in neighbourhoods targeted for redevelopment

4.1 Living conditions in Seoul
   Seoul, Gwanak district and Urban Redevelopment
   Formation and growth of Nangok neighbourhood
   Physical conditions
   Social conditions
   Housing tenure
   Summary

4.2 Living conditions in Beijing
   Beijing, Dongcheng district and urban redevelopment
   Different phases of housing construction
   Physical conditions
   Social conditions
   Housing tenure
   Summary

4.3 Conclusion
This chapter addresses my first research question: to find out what kind of physical and social conditions residents were exposed to before redevelopment. These findings were expected to serve two purposes. Firstly, to help us better understand the operation of developers and local authority intervention in neighbourhood redevelopment, which is embedded within local contexts. Secondly, to provide information on local residents that could be used to determine the benefits of neighbourhood redevelopment from residents’ perspective.

The data for this chapter largely come from my own observations during the field research visits to redevelopment neighbourhoods in 2002 and 2003, and also from my interviews with local residents. In the case of Seoul, this research also benefited from the raw survey data provided by a local welfare centre (that is, Sillim Welfare Centre), which carried out a questionnaire survey of 156 households displaced from the neighbourhood where I also conducted my field research. Physical and social conditions discussed herein are largely taken from Nangok neighbourhood in Seoul, and Xinzhongjie neighbourhood (second phase redevelopment area) in Beijing, which were yet to face demolition at the time of my field research.

This chapter is divided into three main sections. The first two sections are devoted to Seoul and Beijing respectively. For each city, four main topics are discussed: (1) demographic and geographic conditions of field research neighbourhoods placed in wider urban contexts; (2) formation and growth of field research neighbourhoods; (3) neighbourhoods’ physical conditions with emphasis on housing form and in-house facilities; and (4) residents’ social conditions, covering their occupational structure, poverty and housing tenure. The last section sums up the findings of this chapter.

4.1 Living conditions in Seoul

Seoul, Gwanak district and Urban Redevelopment

Gwanak district in Seoul, where Nangok neighbourhood was located, first became part of Seoul in 1961 when the municipality was pursuing a rapid expansion of its administrative jurisdiction. At the time of incorporation, the district was largely rural. It had just over ten thousand residents in 1965, but grew very rapidly to become a densely populated district. By 1975, the total population reached 326,393 with a population density of 12,612 people
per km² (SMG 1976: 30). By 1980, the population density reached 18,227 people per km² and since then, it has been stable (GDG 1986: 28-29).

According to the district government’s own account, such demographic expansion in the 1970s was largely due to the mass relocation of evictees from more centrally located districts in Seoul. This was said to be experienced similarly by other newly incorporated municipal districts in the periphery (GDG 1997: 280-281). Indeed, the provision of relocation sites to accommodate those evictees was extensively practiced in Gwanak district until the early 1970s. For instance, during the five year period between 1964 and 1968, 11,660 households in total were relocated in Gwanak district after their eviction from central Seoul (GDG 1997: 283). Considering that the average number of household members in Seoul in 1970 was five persons (SMG 1971b), this would equate to about 60,000 people, which meant that half of the district population increase between 1965 and 1970 came from the resettlement of these evictees.

Figure 4-1: Population density of districts in Seoul (as of the end of 1997)
(SMG 1998b: 70, 82-83)

![Population density of districts in Seoul](image)

Figure 4-1 above shows the population density of each district in Seoul by the end of 1997. Gwanak district turned out to be the 14th most densely populated district. Gwanak district was, however, one of the few districts in Seoul with a heavy concentration of forestry within its jurisdiction. If the forestry area was not included, the population
density of Gwanak district surged from 18,087 to 44,102 people/km², becoming the most densely populated in Seoul.\(^7\)

The progress of urban redevelopment in Gwanak district was slow in the 1970s. In December 1973, when the municipal government announced the designation of 196 redevelopment neighbourhoods, 12 were from Gwanak district (GDG 1997: 291). However, for the next ten years, as was the case for the whole municipality, redevelopment was hardly initiated in these designated neighbourhoods due to the problems with project financing. It was only with the commencement of the Joint Redevelopment Programme (hereafter JRP) in Seoul that the neighbourhood redevelopment was actively promoted. Table 4-1 below shows the details of JRP projects completed in Gwanak district by December 2004. In total, 13 projects were completed, subjecting 94.6 hectare of surface area and demolishing 10,605 units of dilapidated dwellings. This accounted for about 17% of total dwelling stock available in the district by 1985 (GDG 2000: 86). Upon project completion, 23,008 flats were provided, a 117% increase in terms of the number of dwellings.

### Table 4-1: Details of JRP project completion in Gwanak district (as of December 2004)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of projects completed</th>
<th>Surface area (m²)</th>
<th>Number of dwellings demolished (units)</th>
<th>Number of new flats supplied (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>1 15,391 215 251</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>2 108,381 596 2,266</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>3 112,292 1,520 2,856</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>4 325,789 4,281 9,265</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>1 264,225 1,954 5,387</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>2 119,521 2,039 2,983</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13 945,599 10,605 23,008</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Formation and growth of Nangok neighbourhood**

In terms of administration, Nangok neighbourhood belonged to Sillim 7-dong, which was

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\(^7\) By the end of 1997, about 59% of the district's administrative land was designated as forestry area (SMG 1998b: 70). In Seoul, a substantial share (26%) of municipal land was taken up by forestry areas, which were largely consisted of mountains and hills along the periphery (SMG 2001b: 72). As of the end of December 2000, 70% of these forestry areas were protected from development in accordance with the Urban Planning Act (SMG 2002c).
one of the sub-districts of Gwanak district. Sillim 7-dong consisted of three main neighbourhoods as shown in Figure 4-2 below.

Figure 4-2: Sillim 7-dong in Gwanak district and Nangok
(Original map from Lee 1989)

Nangok was formed along a hillside whose slope could be as steep as 45 degrees. Nangok redevelopment neighbourhood adjoined Sillim Redevelopment District 7. The latter redevelopment district had about 200 dwelling units, and obtained government authorisation in September 2002 to implement its redevelopment. Whereas 92.6% of Nangok redevelopment neighbourhood was public land with the majority of dwelling owners having no formal land tenure, the land within Sillim Redevelopment District 7 was largely privately owned. This explains why Nangok redevelopment area in the cadastral map above largely remained empty with no signs of dwellings. The remaining area of Sillim 7-dong included formal dwellings built in the 1980s, and was not subject to
redevelopment. Figure 4.3 in the next page shows some of the views of Sillim 7-dong.

In the 1960s, when evictees from central Seoul were relocated to Gwanak district, dwellings prepared by the municipal government were hastily done. Their standard was far from adequate. For instance, in 1963, 45 one-storey buildings were prepared to accommodate 450 displaced households. Each household was allocated to a floor space of 13 m², having only one bedroom and a kitchen (GDG 1997: 281). Not all the displaced households were given a completed dwelling. Many were only allocated to a barren site where land preparation was performed to the minimum. Evictees were left to build their own dwellings at their own expense.

Nangok was designated in 1968 as a relocation site for about 2,700 households, evicted from various inner city districts of Seoul (GDG 1997: 649). When the evicted families arrived at Nangok, each family was allocated to a piece of land along the hillside. Each lot measured about 25 m². The intention was that evicted families could start building a dwelling at their own expense. Interviewees who had been living in Nangok since its first establishment reported similar experiences of eviction and relocation. For instance:

“I was in my second year of primary school when we were evicted and built a new house here. It’s been more than 30 years since then, since 1968…I came home after school, and my house was gone. I looked for my mom, and on a main road, there were my mom and dad, on a vehicle that resembled one of those garbage trucks. That night, we came here, and the life in Nangok began.”

(Interviewee KSS7-INT-02)

“I first came to Nangok in 1968 with my wife and children. At that time, it was all mountainous…We evictees were allocated to a parcel of land that was roughly a 5-metre square. The boundary was marked by lime powder and each parcel was numbered so that it was allocated to a family by drawing a number. There was no other thing apart from the barren land, so we had to erect a tent as a makeshift.”

(Interviewee KSS10-INT-03)
Figure 4-3: Various views of Sillim 7-dong including Nangok
(Photos taken by the author in 2002)

Point A. Formal housing outside Nangok neighbourhood

Point B. Uphill view to the south. Nangok redevelopment neighbourhood is effectively hidden behind the low-rise commercial buildings along the street

Point D. View to the north showing a steep thoroughfare

Point C. A few more steps further up from Point B, and the street becomes much narrower, and turns into an alley just enough for a car to drive through
Figure 4-3: Various views of Sillim 7-dong including Nangok (continued)

Point E. View to the north. The area below white line is Nangok redevelopment neighbourhood

Point F. View to the east
Nangok neighbourhood expanded in the 1970s and 1980s, absorbing many poor families and new migrants from rural areas. According to a municipal report in 1991 on Nangok, there were in total 4,416 households in the neighbourhood, accommodated in 2,732 illegal dwellings (SMG 1991: 186). The total resident population reached 16,734 people, which was about two thirds of the total population of Sillim 7-dong (GDG 1996: 28). Nangok itself occupied less than 20% of Sillim 7-dong area, which indicated that the resulting population density of Nangok could have been as high as 107,753 people per km² (SMG 1991: 186). This suggested excessively crowded conditions, and was far higher than Gwanak district’s average of 19,381 people per km² (GDG 1996: 28).

Nangok was originally designated as a redevelopment neighbourhood in 1973, but the designation was lifted in 1982 as no further government action was carried out to initiate renewal work in the neighbourhood. With the commencement of the JRP in the mid-1980s, rumours were spread around the neighbourhood that a JRP project would take place soon in the neighbourhood. It was only in 1995, however, that Nangok was designated as a JRP district, and that a redevelopment steering committee was approved by the district government as the first step of project implementation. The lack of formal land tenure for most dwellings in the neighbourhood and rumours about potential redevelopment in the 1980s and early 1990s created unfavourable conditions for neighbourhood expansion, limiting any further growth or physical improvement. Nevertheless, Nangok remained a large community. By 1996, a year before the formal approval of redevelopment comprehensive plan, the total number of residents in the neighbourhood still reached 14,640, with a population density of 85,364 people per km² (GDA 1996). The number of dwelling turned out to be 2,609 units. All but nine units were without formal land tenure (GDA 1996).

**Physical conditions**

**Dwelling form and housing space**

As was mentioned earlier, the evictees who settled down in Nangok in 1968 were first allocated to a piece of land whose size was only about 8 pyeong (an indigenous term often quoted by local residents; 1 pyeong is 3.3058 m² in metric terms). Families mobilised their own resources to self-build homes. As the neighbourhood population increased, transactions also took place among the residents, which sometimes led to the merging of two dwellings into one to allow more residential space (SMG 1991: 188). The original
A former owner occupier, whose dwelling space used to be less than 8 pyeong during their residence in Nangok neighbourhood, recollected that she used to sub-let one of her two bedrooms to receive rent income. With four sons and her husband, they were cramped into one bedroom:

“I wish we were to use two bedrooms [at that time]. One [of the two bedrooms] was sub-let, and we lived in one bedroom. So, what can I say, we were extremely poor… My husband, he couldn't make any money, didn't have any capacity for living. But, he didn't let me find a job. Not even once. He was saying women should stay at home…So, there was no room for children to study. In that small room, with one bedroom sub-let, it was difficult even to sleep…Then, after my husband passed away [16 years ago], I started to work, saved some money, and turned the tenants out of the house. Afterwards, it was so comfortable. Children slept together in the...
other bedroom, and I slept alone, or sometimes with one or two children…”
(Interviewee KSS10-INT-01)

The analysis of Sillim Welfare Centre’s survey data indicates that the average housing space of 113 respondents before their displacement from Nangok neighbourhood turned out to be 37.8 m² (see Table 4-2 below). This was still lower than the urban average of 61.3 m² in 2000, but much higher than the 1991 estimate. This could be explained by the decrease in the total number of on-site residents throughout the 1990s. Households came to occupy a whole dwelling on their own rather than co-habiting with another household.

“I started my family in 1986. I have two children, a 15-year-old son and a 13-year-old daughter. Both are in junior high school in the vicinity…When we were living in Nangok before relocation, the house [with a construction space of less than 26m²] originally had one bedroom, and we subdivided it into two. We used one room as a storage space, and four of us all lived in one bedroom…The condition of the previous house was so appalling, and it was very small. It didn’t even have a toilet, so we had to use our neighbour’s…”   (Interviewee KSS7-INT-18)

“The house [rented by the interviewee in Nangok at the time of interviewing] has two bedrooms…The rent was cheaper here in this upper hill-side than down there. Also, the landlord didn’t want to leave the house empty, as the house might collapse if the house had no warmth…”   (Interviewee KSS7-INT-03)

| Table 4-2: Dwelling floor space in Nangok neighbourhood before redevelopment |
|---------------------------------|-----------------|-----------------|-----------------|
| Total                          | Owner occupiers | Tenants         |
| Valid responses (households)   | Mean            | Standard deviation | Mean            | Standard deviation |
| 113                            | 37.8            | 15.20            | 26              | 42.3            | 16.83            |
| Source: Sillim Welfare Centre survey in Summer 2002 |

**Dwelling conditions and facilities**

Nangok neighbourhood was connected by a web of narrow alleyways, which were often not more than two or three metres wide at the most (see previous Figure 4-4). For residents, getting from one place to another within the neighbourhood was not a problem if they were able to navigate through the web, but the steep slope made uphill journeys on foot difficult, especially for the elderly. Few roads were capable of allowing through traffic, which therefore hampered the approach of vehicle in times of fire or medical emergency.

Figure 4-5 and Figure 4-6 in the following pages provide some visual examples of physical conditions of Nangok neighbourhood and its dwellings.
Figure 4-5: Various views of Nangok’s physical conditions before demolition
(Photos taken by the author in 2002)

(a) View of an alley. The letters on the wall say “do not dump rubbish here”
(b) View of an alley. LPG cylinders are stacked against the wall, and electric and telephone cables are hanging above roof
(c) View of a slope way
(d) Temporary toilets
(e) Rear wall of the house on the right lower than road surface. No sun light through rear window
(f) View of public toilets provided and managed by the local authority.
(g) Roof-top extension along the main thoroughfare
(h) Another example of a roof-top extension
Figure 4-6: An example of a dwelling’s physical conditions in Nangok
(Photos taken by the author in 2002)

Point A. Exterior view. Exhausted briquettes are stacked against the wall. The number ‘2419’ is a dwelling identification number attributed by the developer.

Point B. Entry area, also used for washing-up, with a kitchen sink in the middle. The vertical pipe in the foreground is from a briquette stove.

Point C. Bedroom #1, used by the interviewee’s daughter.

Point D. View of kitchen.

Point E. View of bedroom #2, used by the interviewee.

Note: This is a floor plan of the interviewee, KSS7-INT-05’s dwelling. Original drawing by the author.
Within the neighbourhood, the most frequently found dwelling type was a one-storey dwelling whose floor space was not more than what was originally assigned at the time of initial settlement in the late 1960s. Each dwelling consisted of one or two bedrooms and a kitchen area. Indoor flush toilets were rarely found. The pictures and floor plan in Figure 4-6 above show a typical example of what such a dwelling would look like. Wherever possible, residents built a backhouse to have a private access to toilet, but the odour was hard to endure. Over the years, the local authority provided public toilets, and where permanent structure was hard to be built, installed temporary ones. An interviewee made a comment seasoned with humour that “public toilets are the finest” in Nangok (Interviewee KSS7-INT-05). These public toilets were more commonly found as one walked further uphill:

“People living further up there used public toilets. There, 1 out of 4 houses had a toilet of its own...We are located in the middle, and usually toilets are outside the main entrance [of each house]. In our case, our toilet seemed to have been originally outside the house, next to the gate, but the previous occupants must have pushed the front door further outward so that the toilet came inside the walls”

(Interviewee KSS7-INT-01)

At an individual household level, dwelling upgrading was carried out over the years in various ways. Coal-fired heating and cooking system was replaced with oil-fired heating system and/or LPG-connected (Liquefied Petroleum Gas) cooking facility. When LPG was used, gas cylinders were placed against the wall outside each house. This was a dangerous, but inevitable, setting, because electric cookers were hardly used in South Korea. It was difficult to carry out underground piping work to install feed pipes for conventional LNG (Liquefied Natural Gas) supply system around the neighbourhood due to the steep slope and high building density.

When a dwelling was wholly rented out, tenants had to carry out maintenance and adjustment works in order to fix equipment and facilities that were abandoned or out of order. Especially in the 1990s, landlords were anticipating a redevelopment project to take place in Nangok in the immediate future. Housing maintenance was carried out just enough to prevent a dwelling from collapsing, in which case the concerned landlord would not be able to fully claim his/her rights in a redevelopment project. This was because, as mentioned earlier, the dwellings in the neighbourhood were largely absent of formal land tenure. Under such circumstances, maintenance and repair works had become largely a burden for tenants to bear. A typical situation for tenants who signed a new tenancy contract was described by interviewees as follows:
“This house [in Nangok] was vacant at the time of our moving-in [in October 1997], and was like in ruins. We had to fix the house and repair the boiler ourselves…There was nothing in this house. The boiler was out of order, and the roof was near collapsing…”

(Interviewee KSS7-INT-01)

“Our house has two rooms and about 33 m² of floor space. It has a small yard in front. The landlord said it used to be an empty plot, and he built a wall around it for his own use…There was no toilet at the time of our house moving-in [in 1995]. My husband was in construction business, so he built one himself. Of course it was just like a backhouse, a simple brick structure with a roof, and no tiling…Kitchen was like a semi-basement due to the slope. It's awfully small and very inconvenient…We installed the boiler ourselves. Originally the heating was by coal, but it smelled a lot. Because we were raising children, we spent a lot of money as there was no other choice. The landlords in this neighbourhood [Nangok] don’t do such things even if you ask them. So, we squeezed our money, and it was worthwhile as we have lived here for several years…Any repair work for the piping or electricity all had to be taken care of by us. The landlords never show up. They simply trade the property between themselves, and you never know who the landlord is…”

(Interviewee KSS7-INT-02)

Social conditions

Residents in urban renewal areas and also in Nangok neighbourhood showed a high incidence of non-regular jobs and unemployment. This is well demonstrated in Table 4-3 below, which summarised three studies. Between 40% and 55% of residents were either unemployed or engaged in jobs that could be regarded as precarious and unstable in terms of job security (see the shaded rows in the table). The proportion of office or factory workers (top three job categories in the table) reached 23% in the 1991 study, and much lower in the case of Nangok residents.

To some extent, this reflected the characteristics of South Korea’s labour market, which was noted for its low share of employees in regular/permanent jobs (OECD 2000: 33-39). Even then, the rate of unemployment as shown in Table 4-3 turned out to be far higher than the national average. The national unemployment rate was effectively kept under 3% since 1988 until the national economy was hit by the Asian Financial Crisis in 1997 (NSO Korea 2001d: 196). The unemployment rate of 6.8% in 1998, which was the highest

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8 In Table 4-3, three studies are introduced: the 1991 study published by the Seoul Municipal Government was to examine the housing situation of low-income residents residing in low-income neighbourhoods including urban renewal districts through the selection of several case study sites (SMG 1991). The other two studies were conducted by Sillim Welfare Centre, once in April 2000 and again in June 2002. The study in April 2000 was to look at the living conditions and find out the needs of the residents in Nangok neighbourhood (Sillim Welfare Centre 2000). Because the study was conducted before the large-scale displacement took place, it provided a latest insight into the profile of the residents before displacement.
during the last three decades, was still much lower than what was experienced in urban renewal neighbourhoods including Nangok.

Table 4-3: Occupational structure of residents in urban renewal areas including Nangok

<table>
<thead>
<tr>
<th>Job category</th>
<th>1991 (All household members)</th>
<th>April 2000 (Household head only)</th>
<th>June 2002 (All household members)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Residents in urban renewal areas</td>
<td>Residents in Nangok neighbourhood before displacement</td>
<td>Displacees from Nangok neighbourhood</td>
</tr>
<tr>
<td>Administrative work</td>
<td>190 12.7%</td>
<td>12 4.5%</td>
<td>22 5.5%</td>
</tr>
<tr>
<td>Factory work</td>
<td>95 6.4%</td>
<td>23 8.7%</td>
<td>10 2.5%</td>
</tr>
<tr>
<td>Managerial/supervisory</td>
<td>57 3.8%</td>
<td>9 3.4%</td>
<td>4 1.0%</td>
</tr>
<tr>
<td>Service and sales</td>
<td>109 7.3%</td>
<td>50 18.9%</td>
<td>34 8.5%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>67 4.5%</td>
<td>n.a.</td>
<td>10 2.5%</td>
</tr>
<tr>
<td>Peddlers/handicraftsmen</td>
<td>21 1.4%</td>
<td>n.a.</td>
<td>2 0.5%</td>
</tr>
<tr>
<td>Manual labour (casual/construction)</td>
<td>154 10.3%</td>
<td>68 25.8%</td>
<td>54 13.5%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>420 28.1%</td>
<td>54 20.5%</td>
<td>78 19.5%</td>
</tr>
<tr>
<td>Unpaid family work</td>
<td>n.a.</td>
<td>n.a.</td>
<td>70 17.5%</td>
</tr>
<tr>
<td>Public work (NBLS-based)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>16 4.0%</td>
</tr>
<tr>
<td>Students</td>
<td>320 21.4%</td>
<td>n.a.</td>
<td>72 18.0%</td>
</tr>
<tr>
<td>Others</td>
<td>62 4.1%</td>
<td>48 18.2%</td>
<td>29 7.2%</td>
</tr>
<tr>
<td>Total</td>
<td>1495 100.0%</td>
<td>264 100.0%</td>
<td>401 100.0%</td>
</tr>
</tbody>
</table>

Note: 1) SMG (1991); 2) Sillim Welfare Centre (2000); 3) Sillim Welfare Centre (2002); 4) The number of unemployed workers may also include unpaid family workers in the case of the studies by Sillim Welfare Centre in 2000, and by Seoul Metropolitan Government in 1991, as unpaid family workers do not appear as an independent category.

The 2002 survey on displaced households by the Sillim Welfare Centre provided another interesting piece of information on the job status of Nangok residents. It was found that only 39.2% of all the employed household members had full-time permanent positions, and 19.0% were working full-time but temporarily employed. The proportion of those working on hourly or daily basis among all those household members employed was estimated to be 39.2% (Sillim Welfare Centre 2002).

In South Korea, the major means-tested social assistance programme is called the National Basic Livelihood Security (NBLS) system. It was put into operation in October 2000, replacing the Livelihood Protection Programme that was in practice since 1961. The NBLS system was an attempt by the central government to re-align its existing social assistance programmes in line with the principle of ‘productive welfare’ (for more information, see Lee et al. 2001: 59-81; OECD 2000: 127-143). By the end of 2000, the total number of NBLS beneficiaries in Gwanak district reached 4,570 households, or 2.4% of all the households in the district. The proportion of NBLS beneficiaries was much higher in Sillim 7-dong, where Nangok was located, having reached 14.1% (GDG 2001a: 38-39, 138). The second highest figure, experienced in Bongcheon 5-dong, reached only 6.7% (ibid). This suggests that poverty was more likely to be prevalent among the
residents in Sillim 7-dong than in any other sub-district within Gwanak district. The high proportion of NBLS beneficiaries was also witnessed among the displacees from Nangok. Among 2,067 households displaced from the neighbourhood between September 2000 and March 2002, 12% were NBLS beneficiaries (Sillim Welfare Centre 2002: 10-11).

**Housing tenure**

According to the data provided by the Housing Bureau of the Gwanak district government, there were in total 2,450 households in Nangok neighbourhood by the end of 2000. Of these, 421 households were owner-occupiers, suggesting a very high proportion of absentee landlords (83.1%) (GDG 2001b). Such low proportion of owner occupation was in contrast with the general tenure distribution in Seoul where about 40% of all the municipal households were owner-occupiers (NSO Korea 2001a). The dominant form of rental tenure in Seoul was called **Chonsei** in Korean which I explain below, accounting for two thirds of tenant households in the city (41% of total municipal households). The remaining tenants were mostly in deposit-based monthly rental tenure. The popularity of Chonsei tenure in Seoul is also witnessed in Nangok neighbourhood, as Table 4-4 below indicated.

<table>
<thead>
<tr>
<th>Pre-relocation tenure status</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Valid responses N = 134)</td>
<td>Owner occupation</td>
<td>Chonsei</td>
<td>Deposit-based monthly rent</td>
</tr>
<tr>
<td></td>
<td>22.4%</td>
<td>69.4%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

Table 4-4: Nangok residents’ pre-displacement tenure status

Source: Data from Sillim Welfare Centre study in summer 2002

Chonsei in Korea requires a substantial amount of up-front costs as key money or deposit upon signing a contract, and does not require monthly rent payment. This key money is returned to tenants in full at the end of their contract, and could be used in part or in full as key money for the tenants’ subsequent Chonsei contract or housing contract (Renaud 1989: 12). As for the deposit-based monthly rental tenure, it occurs usually when tenants

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9 This key money is usually invested by landlords in formal and informal financial market, and their “interest earning represents an imputed rent” (Ha 2002: 197). The real value of the key money may be depreciated in line with price inflation, and the tenants are to give up the opportunity to gain interest income. For the landlords, Chonsei tenure works as “a source of funds,” and “exemplifies the inherent qualities of residential real estate as collateral. Instead of borrowing from a bank against this collateral, the owner of the dwelling is receiving a loan from his tenant (or tenants)” (Renaud 1989: 13). Landlords often use “the deposit to pay for real estate or business activities” and if not, deposit the money “with an informal dealer on the curb market” that may yield high interests (Renaud 1989: 13).
are in shortage of imposed Chonsei key money. If agreed with their landlords, some of the key money is turned into monthly rents. Because there is no regular monthly rent payment involved with Chonsei, it provides relatively stable tenure security during the contract period even if they do not have regular income. The amount of Chonsei deposit is often increased upon renewal of its contract. If tenants are able to meet this renewed demand from their landlords, the increased Chonsei deposit would be equated to an increase in the tenants’ accumulated savings. In this way, it works as “a contractual savings scheme” by functioning as “a vehicle for self-imposed savings and asset accumulation” (Renaud 1989: 12).

When residents were residing in Nangok neighbourhood before displacement, two major advantages were their low spending on housing costs, and the relatively secure and affordable housing provided by Chonsei tenure. The average amount of Chonsei deposit was estimated to be KRW 7,834,000 during their residence in Nangok neighbourhood (Sillim Welfare Centre 2002). This was about 73% of average annual disposable income for the bottom 20% of income decile for salary and wage earners’ households in 2001 (NSO Korea 2002a).

**Summary**

This section has examined the neighbourhood formation and growth, living conditions of the residents in Nangok neighbourhood before its full-scale redevelopment. It was shown that Nangok was initially established as a relocation site for evictees from central Seoul, and had grown in the 1970s and 1980s to become an over-crowded informal settlement. Like in other redevelopment neighbourhoods, informal jobs and unemployment were prevalent among the residents. The majority of dwellings had no formal land tenure. Residents’ living space was far smaller than the municipal average, and the majority of dwellings lacked basic facilities. Nangok provided residents with affordable dwellings, and the dominant tenure form was Chonsei tenure that involved up-front deposit payment without monthly rents.

4.2 Living conditions in Beijing

**Beijing, Dongcheng district and urban redevelopment**

Beijing consists of 16 districts and 2 counties within its jurisdiction, which are usually
grouped into three categories: inner city districts (sometimes referred to as ‘city proper’), near suburban districts and outer suburban districts and counties. Figure 4-7 below shows the administrative boundaries in Beijing. Inner city districts, positioned at the centre of the map, had been the urban core during the imperial period, and remain so now. They consist of four districts, namely Dongcheng, Xicheng, Xuanwu and Chongwen.

In terms of land size, the inner city districts occupy only 0.5% of Beijing’s total surface area, but their population accounts for more than two fifths of total municipal permanent population (BMBS 2003a). As such, inner city districts have been the most densely populated in Beijing with the highest population density of 34,027 people per km² in Xuanwu district by the end of 2002. Dongcheng district, where my field research was conducted, had a population density of 25,847 people per km², which was more than 6 to 7 times denser than neighbouring near suburban districts.

Over the years in the 1990s, in spite of the implementation of the Old and Dilapidated
Housing Redevelopment Programme (hereafter ODHRP), the population density of inner city districts did not experience much reduction. This was the same for Dongcheng district. Between 1992 and 2002, the population density of Dongcheng district only decreased by 1% (BMBS 2003a; BMG 1995). This was far less than the 10% reduction, which was set out by the Beijing Municipal Commission of Urban Planning.10

When the ODHRP was first introduced in Beijing in 1990, 37 neighbourhoods in total were designated to carry out the programme. Five of them were located within Dongcheng district. In 1992, Dongcheng district assigned another 19 neighbourhoods to its list of redevelopment districts. By 1995, another 17 neighbourhoods were added, bringing the total number of ODHR neighbourhoods to 41. The total land area subjected to the ODHRP reached 6.22 km², which accounted for approximately one quarter of Dongcheng district's total surface area. The total number of households subjected would reach 65,300 households. By 1997, ODHRP projects in 5 neighbourhoods were

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10 Beijing Municipal Commission of Urban Planning set out an aim to gradually disperse municipal population so that the number of urban permanent residents within the second ring road would be reduced from 1.75 million in 1990 to 1.6 million by 2000. By 2010, it was hoped to reach below 1.5 million (BMG 1993).
completed, 14 still in progress, and work was yet to start in 22 neighbourhoods (Wei 1997: 49). The redevelopment of these remaining 22 neighbourhoods started in 1999 (DDG 2000: 280).

Residents’ composition in Dongzhimen Street Office

Administratively, Dongcheng district is subdivided into 10 Street Offices (known as jiedao banshichu in Chinese). Xinzhongjie neighbourhood, the field research neighbourhood, was part of Dongzhimen Street Office. As of the end of 1999, the permanent residents in Dongzhimen Street Office were organised into 39 neighbourhood committees (in Chinese, juweihui). The population density in the area under Dongzhimen Street Office’s jurisdiction reached 23,471 people per km² in 1999, which was slightly lower than the district average of 24,770 people per km² (DDG 2000: 331, 353). The residents’ composition in Dongzhimen Street Office area in Table 4-5 below shows a glimpse of its social conditions.\textsuperscript{11}

Table 4-5: Household registration and employment status in Dongzhimen Street, Beijing

<table>
<thead>
<tr>
<th>Household registration status (as of October 2003)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of registered households</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>19,711</td>
</tr>
</tbody>
</table>

Employment status

<table>
<thead>
<tr>
<th>Total number of registered residents</th>
<th>Residents excluding students and children under schooling age</th>
<th>Students</th>
<th>Under schooling age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>Retired</td>
<td>Laid off or unemployed</td>
<td>Beneficiaries of social assistance</td>
</tr>
<tr>
<td>53,144</td>
<td>44,163</td>
<td>28,531</td>
<td>9,823</td>
</tr>
<tr>
<td>Male</td>
<td>Female</td>
<td>64.6%</td>
<td>22.2%</td>
</tr>
</tbody>
</table>

Source: Dongzhimen Street Office

Different phases of housing construction

According to the director of Dongzhimen Street Office, the housing construction in Dongzhimen Street area could be broadly divided into four phases since the 1949 Liberation. The first phase referred to the period of the 1950s when the municipality was swept with capital construction to provide major facilities and landmark buildings such as The People’s Congress Hall, Beijing Railway Station, Worker’s Stadium and Worker’s Gymnasium. During this period, one-storey pingfang dwellings were erected in

\textsuperscript{11} The other field research neighbourhood, Haiyuncang, belonged to Beixinqiao Jiedao, which was located adjacent to Dongzhimen Jiedao. The residents’ composition in Beixinqiao Jiedao was not available.
Dongzhimen area and in its precincts (including Xinzongjie neighbourhood) as residential quarters for those workers put into large-scale post-war capital construction projects (see Figure 4-9a and Figure 4-9b).

“The first phase was right after the Liberation, in the late 195s. Worker's Stadium and Gymnasium were also built at that time. In addition, when the Ten Major Construction Projects [commonly referred to as *shida jianshe* in Chinese] took place, residential compounds were also built to accommodate those workers put into the construction projects. This covers all the areas around here, and also includes Xinzongjie”

(Director of Dongzhimen Street Office)

Figure 4-9: Built forms from the 1950s and 1980s in Dongzhimen Street
(Photos taken by the author in August 2003)

The second phase referred to the period from the late 1970s to the early 1980s when multi-storey walk-up blocks including some high-rise flats were constructed in areas such as *Hujiayuan* (north of Xinzongjie; see Figure 4-9c above). The third phase referred to the period in the 1990s when Dongzhimen Street area began to transform itself into a development zone, experiencing a stream of investment for large-scale building projects to provide hotels, office buildings and the like. These projects were all closely located to
Xinzhongjie neighbourhood. The projects sometimes accompanied residential flats, which re-housed some of the original residents, but in most cases, original residents were relocated to other districts in the east or northeast Beijing outside Dongcheng district. The fourth phase referred to the recent years of carrying out the ODHRP projects in dilapidated neighbourhoods.

**Physical conditions**

Xinzhongjie neighbourhood lies across the Workers’ Stadium outside the eastern section of Beijing’s second ring road. The redevelopment of Xinzhongjie neighbourhood was phased in two separate phases. The first phase was already completed by the time my field research was carried out, covering about one quarter of the neighbourhood into a high-rise commercial estate called the Sun City estate. The dwellings subjected to the redevelopment in Xinzhongjie depicted typical characteristics of old and dilapidated dwellings found in other redevelopment neighbourhoods in Beijing. The juxtaposition of modern high-rise flats and dilapidated dwellings in the second phase redevelopment area in Xinzhongjie presented a strikingly contrasting picture (see Figure 4-10).

In the case of the second phase redevelopment area in Xinzhongjie, there were two distinguishable dwelling forms. On the one hand, there were one-storey pingfang dwellings. Unlike those former imperial courtyard houses largely found within the second ring road, pingfang dwellings in Xinzhongjie neighbourhood were mostly built in the 1950s, arranged in rows along hutong alleys. Most pingfang dwellings were not self-contained, unequipped with facilities such as private toilet or kitchen.

On the other hand, there were five-storey walk-up blocks, which were also built in the 1950s with the financial and technical assistance from the former Soviet Union. These walk-up blocks consisted of one- or two-bedroom flats, most of which were not self-
contained either. Two flats often shared a kitchen, and each floor had one public toilet installed. Indoor heating depended on individual coal-fired heating system.

The physical conditions of the dwellings in Xinzhongjie neighbourhood were subject to residents’ discontent and complaints, as some of the quotes below implied:

“In winter, it gets pretty cold in this small room, especially near the south wall, which gets freezing and damp…” (Interviewee CBX-INT-01)

“I always longed for relocation. Look at this house, look at lower part of those walls. I did some maintenance of the house in 1995 when I retired, pulling [all the wallpaper] off the wall, but the lower part of those walls is covered with mould…” (Interviewee CBX-INT-03)

“At the moment, I just wish to have a place to wash and also a private toilet. Because my mom requires to have someone to look after [because she is ill and is in a wheelchair]. It is inconvenient when she goes to [public] toilet...If you go other place to take a bath, you have to pay the fees. The house is always in the shadow due to the tree in front of the house. There’s no way to dry clothes here. See the leak in the house?” (Interviewee CBX-INT-06)

In terms of dwelling space, a Xinzhongjie neighbourhood committee leader commented that a flat in a walk-up block would usually have a floor space of approximately 35~40 m², whereas the floor space of a pingfang unit would only reach 14 m² at the most. This was only taking the formal dwelling space into account. Old and dilapidated neighbourhoods in Beijing were often characterised by the high incidence of informal extension (known as zijianfang in Chinese) to existing formal dwelling space to meet household needs. This was also commonly found in Xinzhongjie neighbourhood. Such space constituted about one-third of their total floor space, but was not subject to any rent payment, nor was it subject to compensation at the time of demolition and redevelopment. Unlike pingfang dwellings, the structural rigidity of the walk-up blocks did not allow informal extension, and their original design feature appeared to have remained largely untouched.
Figure 4-11: Various views of neighbourhood conditions in Xinzhongjie’s second phase redevelopment area
(Photos taken by the author in August 2003)

(a) View of an alley used for small vehicle

(b) View of a cul-de-sac. 1980s’ walk-up flats lie in the background behind pingfang dwellings

(c) Front façade of pingfang dwellings

(d) View of retail shops and small restaurants behind the main street in the neighbourhood

(e) View of an alley. About 1.2m wide

(f) View of a walk-up block built in the 1950s

(g) Another view of a walk-up block built in the 1950s
Figure 4-12: Physical conditions of a pingfang unit in Xinzhongjie
(Pictures taken by the author in August 2003)

Point A. View of bedroom
Point B. View of bedroom
Point C. View of a wash basin and a cooking table
Point D. View of a wash basin outside the house in the alleyway

Note: This is a floor plan of interviewee, CBX-INT-05's dwelling. Original drawing by the author.

Figure 4-13: Physical conditions of a walk-up flat in Xinzhongjie
(Pictures taken by the author in August 2003)

Point A. View of Bedroom 1
Point B. View of Bedroom 1 towards the corridor that leads to the main entrance
Point C. View of kitchen with a ventilation duct installed at a later stage, as the original structure is enclosed with no opening in the wall.
Point D. View towards Bedroom 1 from the main entrance
Point E. View of corridor while standing next to the main entrance

Note: This is a floor plan of interviewee, CBX-INT-07's dwelling. Original drawing by the author.
Table 4-6 below summarises the extent to which the housing space of interviewees depended on the self-built portion of their residence. It clearly indicates the important role the informal extension had played for the residents who were allocated only a small portion of formal dwelling space by their employers or the municipal housing bureau. Self-built space constituted approximately one-third of their total floor space.

Table 4-6: Extent of residents’ use of informal self-built space in Beijing

<table>
<thead>
<tr>
<th>Category</th>
<th>Floor space per household</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Formal space</td>
<td>Self-built space</td>
</tr>
<tr>
<td>Total</td>
<td>20.2</td>
<td>9.0</td>
<td>29.2</td>
</tr>
<tr>
<td>Current dwellings of households subject to displacement (N=9)</td>
<td>19.4</td>
<td>7.7</td>
<td>27.1</td>
</tr>
<tr>
<td>Pre-relocation dwellings of households displaced and relocated (N=6)</td>
<td>21.5</td>
<td>11.0</td>
<td>32.5</td>
</tr>
</tbody>
</table>

Note: The data for the displaced and relocated households refer to their floor space of their pre-relocation dwellings.
Source: Data from interviews conducted by the author in 2003

When the number of co-habiting household members was considered, the per capita floor space for those nine households, subject to Xinzhongjie’s second phase redevelopment, turned out to be only 6.8 m² even after including the self-built space. If the self-built portion of their housing space was excluded, their per capita floor space would turn out to be merely 4.9 m². This meant that these households fell into the category of official housing poor in accordance with the municipal statute, experiencing over-crowded living conditions. 12 The lack of housing space was therefore a major concern to the residents:

“In winter, I usually sleep on the upper bunker [and her son sleeping in the lower bunker], but in summer, it gets pretty hot up there, so I can't sleep well….As for this neighbourhood, it’s a good place. As for the house, however, I really don’t want to stay here. The house in the countryside where I used to live has a toilet which is bigger than this room…” (Interviewee CBX-INT-01)

“How are we all going to live here? We are a three-person household, and has a 17-year-old child, who has been all along sleeping in the same bedroom with us. He has grown up so big, and surely wants a room of his own” (Interviewee CBX-INT-02)

12 The municipal government issued a measure on the management and implementation of low-rent housing in August 2001, which required rent subsidies and the provision of low-rent rental units for the poor households who fell into the bottom 20% of decile income groups and who reside in dwelling units whose floor space didn't exceed 7.5 m² per person (BMBLRHM 2002; Shi 2001: 203).
“[Before the children got married and left this house], my son and husband slept on this wooden plank bed, bending over to fit in, and my daughter and I slept on this double bed [all in this one bedroom]. When the summer came, it’s impossible to sleep like that in here with my son and daughter, so my son and husband just slept on the ground outside. Life was just like that. It was so difficult…”

(Interviewee CBX-INT-03)

**Social conditions**

Neighbourhood committees in Chinese cities maintained a detailed record of permanent residents within their jurisdiction as part of household registration system (known as *hukou* in Chinese). A neighbourhood committee leader in Xinzhongjie explained that many residents displaced in December 1999 as part of the neighbourhood’s first phase redevelopment still kept their registration record within Xinzhongjie neighbourhood.

“People were displaced and went away, but their household registration didn’t change, and is kept here. So, if their children enrol into the army or if they apply and be recipients of minimum living security allowances, they would still have to make applications here [that is, Xinzhongjie neighbourhood]”

(Xinzhongjie neighbourhood committee leader)

According to the summary record of Xinzhongjie residents, there were 1,539 officially registered households (see Table 4-7 below). The number of actually residing residents reached 1,237 or 80% of the total registered residents. The average size of a household turned out to be 2.7 persons, but the record did not show how many households co-habited a dwelling.

<table>
<thead>
<tr>
<th>Table 4-7: Household registration status in Xinzhongjie</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Registered in the neighbourhood</strong></td>
</tr>
<tr>
<td>No. of households</td>
</tr>
<tr>
<td>1,539</td>
</tr>
<tr>
<td>Male</td>
</tr>
</tbody>
</table>

Source: Xinzhongjie neighbourhood committee

Table 4-8 below shows the occupational structure of all the registered Xinzhongjie residents. Among the residents excluding students and children under school age, 48.5% turned out to be in employment, but the record itself did not indicate the proportion of residents in part-time or temporary employment. Twenty nine percent turned out to have retired, and ten percent lost their jobs by being laid-off or unemployed. This shows that
Xinzhongjie neighbourhood had a high incidence of unemployment in municipal or national standard. The number of people registered as unemployed in Beijing reached 51,900 by the end of 2001, resulting in an unemployment rate of only 1.18% (BMG 2002: 216). Such a rate of unemployment was even lower than the national average for urban areas, which was 3.6% (NBS China 2002: Table 5-1).

Part of the reason for such a high incidence of unemployment in Xinzhongjie neighbourhood was the suburban relocation of factories from inner city districts, which took place since the mid-1990s as part of enterprise reform and municipal economic restructuring. As a Xinzhongjie neighbourhood committee leader states:

“In the case of factories in Beijing, especially since the reform and open-door policies, especially since 1995, there was this policy of ‘reduce burden and increase efficiency’ and Beijing’s enterprises came to suffer. The residents in this area used to be part of the state enterprise in the area, Dabeiyao. It wasn’t possible to build a factory there anymore. That factory was very big. Premier Ziang Zemin also made his visit twice in the past. Indeed a very good enterprise. But, it’s gone...it just vacated the area, and moved to a suburban place where it was too far to commute from the inner city. Once moved it didn’t need people...it simply found rural labour in the relocated area, which was cheaper”

(Xinzhongjie neighbourhood committee leader)

As of March 2002, sixty two households were subject to the receipt of Minimum Living Security System (hereafter MLSS) benefits. By August 2003, the number of recipient households increased to 103, accounting for 6.7% of all the registered households in the neighbourhood. MLSS is a means-tested social security system that has expanded to cover the whole urban areas in mainland China by the end of the 1990s. It is to guarantee minimum income to the lowest income strata of urban households. The system targets

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<table>
<thead>
<tr>
<th>Total number of registered residents</th>
<th>Residents excluding students and children under schooling age</th>
<th>Students</th>
<th>Under schooling age</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,151</td>
<td>3,283</td>
<td>795</td>
<td>73</td>
</tr>
<tr>
<td>Employed</td>
<td>Retired Retired</td>
<td>Laid off or unemployed Others</td>
<td>Others</td>
</tr>
<tr>
<td>1,593</td>
<td>942 942</td>
<td>319 319 429 429</td>
<td>429 429</td>
</tr>
<tr>
<td>48.5%</td>
<td>28.7% 28.7%</td>
<td>9.7% 9.7% 13.1% 13.1%</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

Source: Xinzhongjie neighbourhood committee

---

13 Dabeiyao area was located west of the Temple of Sun outside the eastern section of the third ring road. It was 3.5 km away from Xinzhongjie neighbourhood, which was within easy reach for daily commuting.
those urban households whose per capita income falls below the income threshold announced each year by local governments (Zhu 2002). In 2002, those households eligible for such benefits in Beijing were to have per capita income less than 290 yuan, which was 28% of per capita disposable income of average Beijing residents in the same year, or 51% of per capita disposable income of the bottom 20% of income decile (Beijing Qingnianbao 26 June 2002; BMBS 2003a: 180).

**Housing tenure**

According to the director of Dongzhimen Street Office, most dwellings found in redevelopment neighbourhoods were public rental housing. The privatisation of existing public housing units was part of the reform agenda, and helped public housing tenants become owner-occupiers. This was not the case for Xinzhongjie residents whose dwellings were too dilapidated to be considered for such transfer of ownership.

All the interviewees but two were tenants in public rental units during their residence in dilapidated neighbourhoods. One household was residing in a completely rent-free self-built unit with no formal contract with the municipal housing bureau, thus not paying any rent. The other interviewee owned her place, because her family used to be registered as agricultural households until 1978, and her house was allowed to remain in her family’s possession when the area of her residence was incorporated into urban built-up space.

Those interviewed households, subject to displacement due to the second phase Xinzhongjie redevelopment, reported that their monthly rents averaged less than 2% of their monthly household income. This was much lower than reform policies had anticipated. While the reform measures aimed at increasing the level of rent to reach 15% of household income, the rent level in Beijing had not risen to meet this target. The standard rent in the public housing sector at the beginning of the reform policies in the late 1980s was 0.11 yuan/m² (c.0.81% of household monthly income). It was increased to 1.3 yuan in 1999, and was further increased to 3.05 yuan/m² as of 1 April 2000, but this still constituted only about 6.3% of household income (BMG 2000a; China Daily 22 June 2000, 22 March 2000).

**Summary**

This section has examined pre-redevelopment neighbourhood conditions in Beijing,
including dwellings’ physical status and residents’ social conditions. In Beijing’s redevelopment neighbourhoods, those dwellings subject to redevelopment were not illegal in character when they were first built, but came to have informal self-built space over the time in order to accommodate residents’ housing needs. Dwelling space was far too small even if self-built space was included, and in-house facilities were poor. Public rental tenure was dominant, as most dwellings belonged to the municipal housing bureau. Residents experienced a high incidence of out-of-job conditions (e.g. retired or unemployed), suggesting unstable or weak income activities.

4.3 Conclusion

This chapter has examined the physical and social conditions residents were exposed to before redevelopment. Redevelopment neighbourhoods and residents in Seoul and Beijing shared some common features. As expected, dilapidated dwellings were prevalent, lacking basic facilities such as private kitchen or toilet. Most dwellings were built decades ago, and apparently experienced lack of investment for upgrading or maintenance. Although residents tried sub-division or external extension to meet their housing needs, per capita dwelling space was much lower than the municipal average. A large number of existing residents were either unemployed or engaged in precarious jobs, having difficulties in securing stable income.

On the other hand, redevelopment neighbourhoods in Seoul and Beijing also displayed some differences. In Seoul, dwellings were mostly privately owned with no formal land tenure, as they were originally built on public land without conforming to municipal building codes. Private rental tenure known as Chonsei was the dominant tenure form. In Beijing, dwellings were not illegal in its origin, and in fact, they constituted Beijing’s public housing stock. External extension was commonly practiced to increase dwelling space, adding informal characteristics. Public rental tenure was the dominant tenure form in Beijing.

Such differences in housing ownership, tenure structure and dwellings’ origin imply that the relationship between the local authority, developers and residents may not be the same across municipalities in the process of neighbourhood redevelopment. To some extent, this explains partly why the initiating parties for redevelopment projects are property-owners/developers in Seoul’s JRP, and developers/local authorities in Beijing’s ODHRP.
(see Chapter 2 on JRP and ODHRP structure). As far as the ownership is concerned, JRP projects in Seoul involves public/private lands (mostly public land in the case of Nangok neighbourhood), and dwellings in individuals’ possession. Beijing’s ODHRP is largely concerned about public housing on state-owned land, making it simpler for project design and execution. In the case of residents, such situations may bring about differing opportunities for their participation, and influence the way in which residents in different tenures would respond to their neighbourhood redevelopment.

JRP and ODHRP projects have proliferated in Seoul and Beijing for nearly two decades, attracting developers. Dilapidated dwellings and neighbourhoods might be unpleasant for local authorities and inconvenient for residents’ living, but over time, they came to be attractive for profit-seeking developers. The next chapter explains what opportunities there were in such neighbourhoods for developers, and examines how they exploited such opportunities by taking one project from each city.
Chapter 5
Real estate capital and its profiteering in neighbourhood redevelopment processes

5.1 JRP and Real Estate Capital in Seoul
   Production of surplus capital and its switch into the built environment
   Dilapidated neighbourhoods and rent gap
   Real estate capital and Nangok redevelopment, 1973 – 1998
   Summary

5.2 ODHRP and Real Estate Capital in Beijing
   Economic growth and capital switch into the built environment
   Dilapidated neighbourhoods and rent gap
   Xinzhongjie neighbourhood and real estate capital
   Summary

5.3 Conclusion
This chapter addresses the issue of developers’ participation in neighbourhood redevelopment in Seoul and Beijing. Earlier reviews of the evolution of redevelopment policies revealed that the initial aim of Seoul’s Joint Redevelopment Programme (hereafter JRP) and Beijing’s Old and Dilapidated Housing Redevelopment Programme (hereafter ODHRP) was to overcome the financial burden of local authorities and property-owners. By involving developers as the main financier and project managers, it was believed that replicable and cost-effective redevelopment at city-wide scale could be achieved.

The track record of implementing JRP and ODHRP projects indicates that developers’ participation was indeed a break-through for these programmes’ sustainability. The key question in this respect is what propelled the developers’ participation in redeveloping dilapidated neighbourhoods. More precisely, what opportunities were presented to participating developers in redevelopment projects, and how did they exploit such opportunities?

This chapter uses rent gap theory to explain that the development opportunities arising from the expansion of rent gap in dilapidated neighbourhoods provided the main impetus behind developers’ participation. The way in which rent gap expansion has occurred in Seoul’s dilapidated neighbourhoods differs from that in Beijing. The expansion was possible with the presence of surplus capital produced in the main production circuit, which made its switch into the secondary circuit of fixed asset and built environment. A case study supplements discussions on each city to closely examine the way in which developers made their participation at neighbourhood scale.

### 5.1 JRP and Real Estate Capital in Seoul

Between 1970 and 1985, the share of housing investment in real GDP (at 2000 constant prices) remained more or less lower than 5%. It increased, however, to 5.7% between 1986 and 1990 (The Bank of Korea 2004), and then 7.7% between 1991 and 1995 (see also Table 2-3 in Chapter 2). This indicates that the commencement and intensification of the JRP in Seoul since the mid-1980s coincided with the expansion of housing investment in both relative and absolute terms. The question is: where did the investment come from? What propelled such increase in capital input into the real estate sector? In particular, what opportunities were there in Seoul’s dilapidated neighbourhoods that attracted developers, and how were these opportunities exploited?
Production of surplus capital and its switch into the built environment

Economic growth and capital accumulation

For the last three decades from the commencement of industrialisation in the mid-1960s, the Korean economy had been noted for its exceptionally rapid economic development, sustained by government-led export-oriented macro-economic strategies and heavy investment in key industries to build up fixed assets (Kim and Leipziger 1993). The average annual growth rate of real GDP (at 2000 constant prices) between 1970 and 1996 was a stupendous 7.9% (The Bank of Korea 2004). Per capita gross national income (hereafter GNI) increased at a higher rate of 16.1% per annum during the same period (ibid). There was also a phenomenal growth in exports, increasing “from 2 per cent of GDP in the early 1960s to around 35 per cent in the late 1980s” (OECD 2000: 25). Such growth was achieved in spite of an economic set-back at the time of 1970s’ international Oil Crisis, followed by structural adjustment measures in the early 1980s, which focused on price stabilisation and market liberalisation (Suh 1992: 25-29).

The turning point for the Korean economy came in the second half of the 1980s. For the first time since the Korean War, the country witnessed a net trade surplus (The Bank of Korea 2004). Korea was also internationally recognised as having achieved the fastest growth of per capita GNI in the 1980s among all countries with more than a million inhabitants (UN-Habitat 1996: 75-77). Figure 5-1 below shows the growth of per capita GNI and the growth rates of real GDP in Korea between 1970 and 2001.
The relationship between gross saving and domestic investment as well as between gross saving and gross domestic capital formation noticeably changed between 1970 and 2002, and this is shown in Figure 5-2. The figure indicates a few noteworthy aspects as follows. Firstly, the gross saving ratio had been on the increase in the 1970s and 1980s until it hit a ceiling of 40.4% in 1988. In the 1990s, it remained largely stable at a high rate of more than 35% with a slight downturn after the 1997 Asian Financial Crisis.

Secondly, up until the mid-1980s, the gross domestic investment ratio was higher than the gross savings ratio, indicating that the issue of external borrowing was important within the economic agenda in order to finance the investment shortage. The Korean economy favoured external borrowing over direct foreign investment when the domestic savings could not finance the total investment in the capital formation in times of rapid economic growth (Schätzl et al. 1997: 38-40). The total amount of foreign debts accumulated by 1985 recorded US$ 46 billion, registering South Korea as the fourth largest debtor among developing countries after Brazil, Mexico and Argentina (Schätzl et al. 1997: 51). The foreign loans were directed towards key industries prioritised by the central government via state-supported financial institutions (W.-J. Kim 1996: 25-26).14

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14 In contrast to external borrowing, foreign direct investment (FDI) was of much less significance. During
Thirdly, the ratio of gross savings to gross domestic capital formation was relatively low in the 1970s. During the boom period of the 1980s, however, the ratio of gross savings to gross domestic capital formation exceeded 100%, and even recorded as high as 129.3% in 1988. The total amount of gross domestic investment was lower than the gross savings during the same period. This suggests that a considerable amount of money capital was formed and couldn’t find investment areas to be engaged in capital formation. Such money capital represents the manifestation of surplus capital that is “lacking opportunities for profitable employment” (Harvey 1981: 94).

Such surplus capital would be a good resource of investment in real estate and built environment if it was no longer profitably employed in direct production circuit. Three factors in combination could be identified as having facilitated this channelling process. The first factor was the falling rate of profit of manufacturing industry in South Korea (Shin 1998) that pushed away surplus capital from the primary production circuit to the secondary circuit of fixed asset and built environment (Harvey 1981). It was found that since the commencement of industrialisation, the average rate of net profit of manufacturing industry fell from 39.7% (1963-1971) to 27.7% (1972-1980), and then further to 16.9% (1981-1990) (Jang 1995 cited in Shin 1998). The second factor was the announcement by the central government in 1987 to build 2 million dwelling units as part of the ‘Five-year Housing Plan (1988 – 1992)’ and to develop new towns around Seoul (MoCT Korea 2002c). The third factor could be identified as the speculative environment in real estate sector that accompanied significant increases in land and housing prices in the 1980s. This is explained in further detail below.

Speculation and the real estate sector

Given the situation that about 70% of the land in South Korea is uninhabitable (KIHASA and UNDP 1998: 11), the urbanisation process and the rapid industrialisation in times of economic take-off and maturation created a surge of real estate demand for industrial, commercial and residential uses. Since the mid-1970s, land prices have occasionally witnessed precipitous increases, as displayed in Figure 5-3 below. The figure strongly suggests a highly speculative environment regarding land transaction.

the whole period of economic take-off and maturation from the 1960s until the mid-1990s, the total amount of FDI hardly exceeded 0.5% of national GDP (MoCIE Korea 2001; NSO Korea 1994a, 2002c). Of these, the share of FDI invested in construction and/or real estate sector was minimal.
Figure 5-3: Rate of changes in land prices in South Korea  
(Compiled from Table 3-1 in Park et al. 2000: 34)

From the figure above, it appears that opportunities to make capital gains from land investment have been superior in urban areas, especially in large cities, as the land price fluctuation has resulted in an unequal distribution of land value. The six largest cities in South Korea (that is, Seoul, Busan, Daegu, Incheon, Gwangju and Daejeon) occupied only 1.7% of national lands, but accounted for 39.8% of combined value of national land in 1982, and 58.0% in 1994. Seoul occupied only 0.6% of Korea’s total surface area, but its total land value accounted for 23.5% of combined value of national lands in 1982, and 36.9% in 1994 (Jung 1998: 134-136).

The sales price of dwellings also increased considerably in the late 1980s (see Figure 5-4 below). The housing sales price index in Seoul, regularly compiled by Kookmin Bank, indicates that the sales price index increased by 61.3% between 1986 and 1990. The sales price was stabilised throughout the 1990s, largely due to the successful implementation of national housing programme that added more than 2-million new dwellings on the market. The prices of real estate (both land and housing), having risen rapidly in the 1980s, remained at a high level throughout the 1980s and 1990s, creating ample opportunities for real estate capital to acquire profits in less developed neighbourhoods.

15 Jung also pointed out that “land prices in the larger cities increased faster than prices in rural and smaller cities. During the past twenty-two years from 1974 to 1996, land prices for all the nation’s land increased by 17.6 times, in rural areas by 10.2 times and in smaller cities by 20.2 times. However, land prices in the six largest cities increased by 28.9 times, and in Seoul by 32.9 times” (Jung 1998: 136).
Two main factors could be pointed out as having supported the profit acquisition in the real estate sector. Firstly, the highly speculative environment in the sector and the frequent transaction of lands prevented capital entrapment. For instance, it was reported that 10 ~ 20% of urban land changed hands each year during the 1980s (KRIHS 1989 cited in Jung, 1998: 141). This was much more than, for example, Japan where only 2.2% of residential land was traded in 1987 (Noguchi 1990 cited in Jung 1998: 141). Such a high frequency of land transaction in times of price inflation provided opportunities for the landed capital to realise its profits, guarantee its mobility, and be ready to seek further investment opportunities.

Secondly, major real estate and construction companies that had been investing heavily in built environment were also subsidiaries of large conglomerates (commonly known as Chaebols in Korean). The investment in real estate enabled these Chaebols to use acquired lands as collateral for more financial loans, and at the same time, safeguard their assets against business risks. Furthermore, as Meredith Woo-Cumings pointed out, the Korean Chaebols had been operating to increase their market share and follow the logic of diversification that would provide them with opportunities to gain from economies of scope, building their managerial skills, albeit with low profitability (Woo-Cumings 2001). Many of these Chaebols operated construction companies, one reason being that it was easy to forge construction companies’ accounting books in order to produce ‘black money’ for bribery, and another reason being that the investment in the rapidly expanding real estate market would guarantee profits that supplemented low profitability in their business operation.
**Dilapidated neighbourhoods and rent gap**

In the late 1980s, the production of surplus capital and the speculative property markets in South Korea channelled increased investment into the real estate sector. In particular, development gains were anticipated in dilapidated neighbourhoods in Seoul where the pressure to secure lands for commercial and residential development was particularly high. The JRP, initiated in Seoul since 1983, has been based on the partnership between the property-owners and developers, who have taken advantage of the development potential in dilapidated neighbourhoods that experienced low capitalised ground rents.

**Rent gap in informal/illega settlements**

The rent gap theory has evolved in market economies, and explains that a neighbourhood goes through a devalorisation cycle that reduces the amount of capitalised ground rent that property-owners could claim on users (Smith 1996). Three sources are identified as having contributed to the devalorisation of properties: (1) improved labour productivity that makes it possible to build a similar structure at lower costs; (2) physical wear and tear; and (3) obsolescence of building style (Smith 1996: 63-64). As the surrounding conditions change and new economic needs arise to transform the land into “highest and best use,” the rent gap expands, eventually providing the economic basis of neighbourhood rehabilitation/redevelopment.

In the case of informal/illega settlements often found in major cities of developing countries, land invasion by squatters in prime locations, for example, may take away the opportunity for the land to be mobilised for “highest and best use.” Informal/illega settlements in less prime locations may initially grow to accommodate migrants as they lie outside the real estate capital’s immediate interest, but would eventually come into conflict as the city expands and new demand for land rises for economic and residential uses. For owner-occupiers in informal/illega dwellings, they may carry out maintenance or upgrading, but are likely to be deterred from making full investment due to restrictions imposed by planning regulations. As for real estate developers, informality and illegality of such neighbourhoods often make it difficult for them to make a formal entry to exploit the rent gap. Real estate investment in the neighbourhoods, if any, would be speculative in nature unless uncertainties are removed (e.g. formalisation of land tenure, slum clearance and land preparation).
Rent gap in redevelopment neighbourhoods in Seoul

A large proportion of land in neighbourhoods subject to the JRP was in state ownership, and most dwelling owners did not enjoy the full recognition of *de jure* property rights. According to the Master Plan for Housing Redevelopment in Seoul, finalised in 1998, the proportion of public land in 106 JRP districts turned out to be around 43% on average. The proportion of illegal dwellings (that is, dwellings in violation of planning regulations) was found to be much higher in these districts, reaching on average 57% of all dwellings (SMG 1998a: 20-21). The absence of *de jure* property rights may not hinder usual maintenance and repair works by landlords or owner-occupiers to offset physical deterioration, but poses serious risks to those who plan to make any long-term investment in such neighbourhoods. Under such circumstances, it is unlikely for a neighbourhood to experience positive ‘neighbourhood effects,’ that is, the arrival of higher-income individual ‘gentrifiers’ who would purchase dwellings, make significant renovation and contribute to the revalorisation of the neighbourhood. The rent gap expansion would be greatest just before redevelopment. If the prospect of neighbourhood redevelopment prevails, speculative interests would prevail, leading to an increase in the amount of capitalised ground rent. As Eric Clark noted, “[c]apitalized land rent rises rapidly, and the rent gap narrows rapidly, towards the end of the cycle when the property becomes an object of speculation with a view towards redevelopment” (Clark 1988: 252).

Furthermore, if a neighbourhood is designated as a redevelopment district, any further structural extension, addition or modification of the dwellings are restricted in accordance with the Urban Planning Act until the demolition of such dwellings takes place (MoCT Korea 2000: 40-41). Together with the absence of *de jure* property rights, the legal restriction to prevent dwelling’s improvement leads to a condition similar to ‘redlining’ in western cities that effectively curtails inward investment (Smith 1996: 66-67). This would force property-owners to “keep the building appropriate to its site, or, withhold investment, minimize maintenance and variable costs, and milk it as it stands, resulting in a broadening of the rent gap” (Clark 1988: 252).

One of the major problems associated with many redevelopment districts is that it not only takes years for an area to be designated as a redevelopment district, but it also wastes

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16 The Urban Planning Act has been absorbed into the Act on Planning and Use of National Territory from 1 January 2003.
(largely from the developer’s point of view) another several years to prepare detailed plans (that is, project implementation plan and management disposal plan; see Figure 2-4 in Chapter 2) and acquire government approval.\textsuperscript{17} My own estimation on the basis of municipal data on 167 JRP districts indicates that it took 39 months on average to acquire formal approval of project implementation plans from the date of district designation. The longest duration was 215 months (see Figure 5-5 below).\textsuperscript{18} Such lengthy preparation results in disinvestment by property-owners, contributing to the further expansion of rent gap in redevelopment neighbourhoods.

![Figure 5-5: Duration between district designation and formal approval of project implementation plan](http://www.seoul.go.kr/info/organ/subhomepage/housing/data/statistics/1217503_7276.html)

While those dilapidated neighbourhoods, subject to redevelopment, experience low capitalised ground rent, the continued urban densification and real estate boom in Seoul as explained earlier increases the capitalised ground rent of the surrounding

\textsuperscript{17} The government approval of project implementation plan is important for anyone who is interested in obtaining redevelopment gains, as the approval leads to the next stage of preparing a management disposal plan that includes the evaluation of property values in redevelopment districts.

\textsuperscript{18} The period entails the formation of redevelopment association among property-owners, the selection of a developer (or developers) to form a partnership, and the finalisation of detailed project implementation plans including those for the relocation and compensation.
neighbourhoods that enjoy de jure property rights. This, in turn, places development pressure on dilapidated neighbourhoods, and increases their potential ground rent in anticipation that such neighbourhoods could be put into their ‘highest and best use’ with full property rights. Such processes increase the disparity between capitalised ground rent in redevelopment districts and their potential ground rent.

**Closure of rent gap to exploit development gains in JRP neighbourhoods**

The JRP designed and implemented by Seoul municipal government has allowed the conversion of land use in dilapidated neighbourhoods into a ‘higher and better’ use, if not the ‘highest and best,’ in the most financially viable way. The transfer of ownership of public land in a redevelopment neighbourhood demonstrates a vivid example of how the rent gap is exploited. Since a large number of existing dwellings in a redevelopment neighbourhood were erected on public land, dwelling owners are not in possession of legal title to their land. When redevelopment takes place, they are therefore required to purchase the title of their occupying land as a mandate in accordance with the Urban Renewal Act. The land sales price represents the existing value of the land under current use, and is determined through the price evaluation by an independent party consigned by the redevelopment association. Past experiences indicate that the sale price of public land in redevelopment districts could be as low as half the price of those private lands in adjacent neighbourhoods. For example, in the case of redevelopment of Sang-gye 4-1 District,\(^{19}\) completed just before the 1988 Olympic Games, the purchase price of public land was KRW 90,750 per m\(^2\), while the land prices in the neighbouring private land reached KRW 181,500 per m\(^2\) (Jang 1998a: 58-59).

Another way to see how the rent gap propels redevelopment would be to look at the

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\(^{19}\) The district is located in north east Seoul. Its formal authorisation for the project implementation in Sang-gye 4-1 District was given on 17 November 1986 (Housing Bureau of SMG 2005).
increase in land price during the life cycle of a redevelopment project. One example from
the 1990s is the redevelopment of Shindang 3 district, located in one of the inner city
districts in Seoul (see Figure 5-6). This redevelopment project started in the mid-1990s,
and was completed in 2002, covering 22 hectares of surface area. Approximately 60% of
the project area were public lands (Kim et al. 1996: 123; Seoul Jung-gu Office 2005; SMG
2000a: 509-520). The evaluation of the value of public land was made in 1997, and the
average sale price of public lands turned out to be KRW 1,196,012 per m².

Table 5-1 below shows another interesting set of data on official land prices between 1991
and 2002 in Shindang 3 district together with the year-on-year changes in average land
price in Seoul. The official land prices are estimated annually for tax purposes. Although
acknowledging the limitation that “[a]ssessed [land] values for tax purposes are much too
rough and arbitrary to be useful” (Smith 1987: 464) for the estimation of rent gap, it is
envisaged here that the results presented in the table would still provide two useful
insights. Firstly, the data set suggests that the redevelopment of Shindang 3 district led to
the considerable increase in land value, which was much higher than the municipal land
price changing rates. This would suggest a wide rent gap at the outset, and its closure
towards the end of the redevelopment project. The nominal land price in Shindang 3
district had increased by nearly two fold between 1991 and 2002. Secondly, the data set
also shows that the anticipated profits helped to limit price fluctuation in Shindang 3
district when the municipal real estate market in general was experiencing a downturn in
the 1990s. For instance, the rate of land price increase in Shindang district since 1997 was
much higher than the municipal average.

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</thead>
<tbody>
<tr>
<td>Shindang 3 District (Land plot no. 373-3006)</td>
<td>756</td>
<td>907</td>
<td>907</td>
<td>900</td>
<td>920</td>
<td>950</td>
<td>980</td>
<td>1,000</td>
<td>1,350</td>
<td>1,300</td>
<td>1,500</td>
<td>1,600</td>
<td>1,700</td>
</tr>
<tr>
<td>Year-on-year rate</td>
<td>-</td>
<td>20.0%</td>
<td>0.0%</td>
<td>-0.8%</td>
<td>2.2%</td>
<td>3.3%</td>
<td>3.2%</td>
<td>2.0%</td>
<td>35.0%</td>
<td>-3.7%</td>
<td>15.4%</td>
<td>6.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Average year-on-year rate in Seoul</td>
<td>31.2%</td>
<td>11.2%</td>
<td>-2.8%</td>
<td>-8.7%</td>
<td>-1.4%</td>
<td>0.2%</td>
<td>0.9%</td>
<td>0.3%</td>
<td>-16.3%</td>
<td>2.7%</td>
<td>0.1%</td>
<td>1.9%</td>
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</tr>
</tbody>
</table>

(http://lmis.seoul.go.kr/sis/index.html)

The land price refers to the official land price compiled by the government for tax purposes, and doesn’t
include the value of built structure. They do not fully reflect the capitalised ground rent, however, as tax-
purpose land prices often remain unchanged for some time (Clark 1988: 247).
Real estate capital and Nangok redevelopment, 1973 - 1998

As was pointed out in the previous section, the rent gap in dilapidated neighbourhoods was prominent in redevelopment neighbourhoods, presenting development opportunities to be exploited by real estate capital through neighbourhood transformation. Rent gap expansion, however, doesn’t lead to an automated process of gentrification or redevelopment. Local conditions count, and the social and political interactions among the residents and institutional actors influence the way in which rent gap closure occurs.

The redevelopment progress discussed in this section covers the first phase of Nangok neighbourhood redevelopment until 1998, which includes the period of private developer’s participation and withdrawal before subsequent public sector intervention. The discussion will show that the presence of rent gap in Nangok provided the economic basis of redevelopment, but it was the action of the local authority and property-owners as well as the participation of real estate developer within the JRP framework that made the redevelopment possible.

Rent gap and development opportunities in Nangok neighbourhood

As was the case for Shindang 3 district earlier, the official land price data between 1990 and 1998 was taken to infer the presence of a rent gap in Nangok. Two plots of public land from Nangok and a plot of private land located close to Nangok were chosen to compare the degree of the rent gap. The results are presented in Table 5-2 below. The table shows that in 1991, the official land price for public lands in Nangok was less than one third of the official price of private lands close to Nangok. This indicates that the potential ground rent in Nangok would be much higher, and that its transformation to put the urban space into a higher and better use would yield higher rents. In 1998, the transformation was yet to take place, but the official land price for public lands in Nangok was updated and increased in order to partially reflect the rising expectation of yielding higher rents after transformation. The rising expectation was represented by highly speculative transactions that took place in the mid-1990s.
Table 5-2: Changes in official land price for public land in Nangok and private land outside

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nangok neighbourhood</td>
<td>Public</td>
<td>Land plot San97-9</td>
<td>-</td>
<td>260</td>
<td>260</td>
<td>240</td>
<td>220</td>
<td>223</td>
<td>226</td>
<td>300</td>
<td>470</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Year-on-year rate</td>
<td></td>
<td></td>
<td>-7.7%</td>
<td>-8.3%</td>
<td>1.4%</td>
<td>1.3%</td>
<td>32.7%</td>
<td>56.7%</td>
<td></td>
</tr>
<tr>
<td>Neighbouring land outside</td>
<td>Public</td>
<td>Land plot San104-6</td>
<td>-</td>
<td>260</td>
<td>260</td>
<td>240</td>
<td>220</td>
<td>220</td>
<td>237</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Year-on-year rate</td>
<td></td>
<td></td>
<td>-7.7%</td>
<td>-8.3%</td>
<td>0.0%</td>
<td>7.7%</td>
<td>68.8%</td>
<td>25.0%</td>
<td></td>
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<tr>
<td></td>
<td>Private</td>
<td>Land plot 673-18</td>
<td>690</td>
<td>906</td>
<td>906</td>
<td>880</td>
<td>869</td>
<td>860</td>
<td>860</td>
<td>860</td>
<td>860</td>
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<tr>
<td></td>
<td></td>
<td>Year-on-year rate</td>
<td>31.3%</td>
<td>0.0%</td>
<td>-2.9%</td>
<td>-1.3%</td>
<td>-1.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td></td>
</tr>
</tbody>
</table>


Initial progress

Nangok was originally designated as an urban redevelopment district in 1973 in accordance with the ‘Temporary Act on the Promotion of Housing Improvement’ introduced in the same year. Like many other dilapidated districts, however, redevelopment didn’t take place during the 1970s, and the designation was lifted in 1982. When the JRP was implemented in the early 1980s, rumour was spread throughout the second half of the 1980s and early 1990s that a redevelopment project was soon to take place in Nangok. There were at least four failed attempts by the local district government (that is, Gwanak district government) between 1985 and 1988 to apply for the designation of the neighbourhood as a redevelopment district. The district government made an attempt once again in 1992, this time to include the neighbourhood redevelopment as part of the Municipal Master Plan for Redevelopment. The major cause of such failed attempts was the presence of public lands that constituted almost 96% of the neighbourhood. These lands were designated as ‘natural green land’ and/or ‘parkland’ in terms of municipal land use planning, prohibiting any residential redevelopment. Their land use re-classification into ‘residential use’ was only realised in 1994.

When the land use re-classification was granted, the district government re-submitted its application for the designation of Nangok as a redevelopment district in May 1994 (Stage 1 in Figure 5-7 below), and received conditional designation a year later (Stage 2 in Figure 5-7). The condition was to make sure the building density represented by the site’s floor-
to-area ratio\textsuperscript{22} (hereafter FAR) didn’t exceed 300%. This could be considered as a good outcome, given the fact that an average FAR in the early 1990s was about 300% and that the neighbourhood developed along a steep hillside.

When this conditional designation was made, neighbourhood property-owners organised a redevelopment steering committee (formally approved by the Gwanak district government on 30 August 1995), and selected a developer (Daewoo Engineering and Construction Co.) in a general assembly on 20 April 1996. A consulting firm was also chosen and signed a contract with the steering committee to help them prepare a project implementation plan.\textsuperscript{23}

\textbf{Figure 5-7: Initial process of Nangok redevelopment, 1994 - 1997}

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application for the designation of Nangok neighbourhood as a redevelopment district</td>
<td>Conditional designation of Nangok neighbourhood as a redevelopment district</td>
<td>Application for the approval of Nangok neighbourhood redevelopment comprehensive plan</td>
<td>Approval of Nangok neighbourhood redevelopment comprehensive plan</td>
</tr>
<tr>
<td>From Gwanak-gu government To Seoul municipal government</td>
<td>By Seoul municipal government</td>
<td>From Gwanak-gu government To Seoul municipal government</td>
<td>By Seoul municipal government</td>
</tr>
<tr>
<td>FAR: 314%</td>
<td>FAR to be less than 300%</td>
<td>FAR 292.69%</td>
<td>FAR 250%</td>
</tr>
</tbody>
</table>
| Project area 171,500 m\textsuperscript{2} | Project area 171,878 m\textsuperscript{2} | Project area (Public lands: 164,170 m\textsuperscript{2}) | Project area 171,878 m\textsuperscript{2} (
| No. of buildings 2,609 units (2,600 illegal units) | Building height 70m or lower (25 floors) | Number of flats designed: 4,980 units Sales 3,520 units Rental 1,470 units (re-housing of tenants) | Number of flats designed: 4,168 units Sales 2,588 units Rental 1,580 units (re-housing of tenants) |
| Building height: 25 floors | Building height 55m or lower (20 floors) | Number of flats designed: 4,980 units Sales 3,520 units Rental 1,470 units (re-housing of tenants) | Number of flats designed: 4,168 units Sales 2,588 units Rental 1,580 units (re-housing of tenants) |

The district government made a formal application to the municipal government on 11 November 1996 to obtain its approval of the redevelopment project implementation plan.

\textsuperscript{22} Floor-to-area ratio refers to the ratio of a building’s gross floor space to the net area on which the building is constructed. For example, if a building, having total floor space of 1200m\textsuperscript{2}, is built on a site whose total land size is 500m\textsuperscript{2}, then the floor-to-area ratio would be 240%.

\textsuperscript{23} Handout prepared by the Sillim 1 District (Nangok) Redevelopment Steering Committee and presented at the Property-owners’ General Assembly on 20 May 2000. Source: KNHC web site \url{http://www.jugong.co.kr/gisa/seoul/sinlim1/chujin/chu/chu13.htm} (accessed on 05 June 2002)
and to clear the conditions regarding the FAR imposed at the time of area designation (Stage 3 in Figure 5-7). In the application, the redevelopment of Nangok neighbourhood was proposed to construct 4,980 flats replacing 2,609 units of existing dwellings. 3,520 units were to be sold to property-owners and prospective buyers, and had an average use space of 85 m². The remaining 1,470 units were proposed to be public rental units for re-housing tenants eligible for redevelopment compensation. These rental units had an average use space of 32.95 m².

The approval of Nangok’s redevelopment comprehensive plan by the municipal government was, however, contrary to the expectation of the district government and the redevelopment steering committee (Stage 4 in Figure 5-7). The FAR was reduced to 250% from what was proposed as 292.69% in the original application. The maximum building height was also restricted to 55 metres. Furthermore, the number of rental units for eligible tenants was to be increased from 1,470 units up to 1,580 units. The result was a 26% reduction in the total number of flats to be sold in the new housing market. Nevertheless, a formal agreement was signed between the developers and the steering committee soon after the municipal approval was made.

**Changing environment towards low density**

The reasons behind the reduced building density (that is, the FAR reduction) in the municipal approval were the concerns over crowded residential conditions and potential damage to the urban landscape due to building high-rise flats along the hill. When the municipal government’s Urban Planning Committee (consisting of planning officials and experts) reviewed applications from the district government in February 1997 along with a few other similar applications, there was a heated debate regarding the problems of unmanaged, high-density redevelopment of dilapidated neighbourhoods. 24 The Urban Master Plan for Seoul was under thorough revision at the time, and one of the principles was to emphasise low-rise, low-density land uses on hillsides. This was indeed contrary to what was envisaged by the property-owners in Nangok. In fact, the revised version of the municipal master plan for housing redevelopment published in 1998, indicated that the FAR in the administrative district that encompassed Nangok should be kept below 180% (SMG 1998a: 124). In this respect, Nangok was fortunate to have 250% of FAR by

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24 Session meeting minute of the Urban Maintenance Committee during the 92nd Session (Extraordinary) of the Seoul Metropolitan Council held on 19 February 1997.
obtaining this approval before this revised guideline was officially produced.

Such an approval was a major step towards Nangok redevelopment. As a member of Nangok’s redevelopment steering committee enthusiastically commented, it was envisaged that “the project implementation plan would receive government approval by June 1998, and once the construction starts, the whole project could be completed by the end of 2002” (Yoo 1997). The future prospect was bright as the media coverage below displayed:

“Compared to the situation prior to the approval of the redevelopment comprehensive plan, the price of [on site] properties are strong, and there are queries streaming in. There is a strong expectation that the price [of the on site properties] would go through a further increase before the acquisition of the formal approval for project implementation...The purchase of a 43-pyeong flat [that is, 115 m² of use space] would require KRW 230 million. Upon moving in, the price of the flat is expected to be at least KRW 300 million when compared with those units in the neighbourhood, and hence, even after deducting financial costs, it is expected to raise around KRW 50 million of investment return…”

(Seoul Gyeongje, 27 November 1997)

Such a rosy picture, however, couldn’t be drawn by most owner-occupiers who would find such revised built density as a severe blow to their original expectation. The tougher restriction on built density meant a significant reduction of those flats subject to sales. Because there were 2,489 property-owners who were entitled to make a claim for a completed flat, the final approval of Nangok’s redevelopment comprehensive plan (see Stage 4 in Figure 5-7) suggested that there were only 99 units remaining for sales to prospective buyers in new housing market. This could be considered too few to raise any substantial revenue to lessen property-owners’ financial contribution. This would in turn increase the likelihood of owner-occupiers selling their rights (to a redeveloped flat) to those speculators who could withstand the increased financial burden.

“As for these people [on-site property-owners], suppose that a person has a plot of 10 pyeong [that is, 33 m²], and say an additional amount of KRW 100 million needs to be paid for a completed flat of 30 pyeong [that is, 99 m²], it is too much of a burden... Then, there is this land price. When redevelopment takes place, the land price rises, and they can sell their lands, take the money and find an old flat somewhere. This would eventually suit part of their purposes.”

(Head of a redevelopment section in a private developer)

As the redevelopment prospect became more concrete, speculators began to invade the neighbourhood more vigorously. The dwelling prices in Nangok rose sharply, luring many owner-occupiers to the sales of their properties when the prices were good. According to the recollections of an interviewee who was a former owner occupier, the price of a 26m²
dwelling reached as high as KRW 65,000,000 by the time the neighbourhood was designated as a redevelopment district and a developer joined in. This was two to three times more expensive than the usual transaction price.

As for the developer, the reduction in the number of sales units could have been discouraging news, but for them, the bottom line is to carry out the construction works, from which a certain amount of profits could be secured. When a developer initially signs a contract, they make a rough estimate of the total project costs by considering the local conditions as well as similar projects in other areas. The developer makes room for profits at this initial stage, commonly referred to as ‘normal profits.’ Once this initial contract amount is decided, its escalation depends on the normal price inflation rate, and on whether or not the project is significantly delayed due to unforeseen circumstances such as the disputes and/or conflicts regarding the relocation of on-site tenants and owner-occupiers.

Asian Financial Crisis and the withdrawal of the developers

The situation was overturned completely with the arrival of Asian Financial Crisis that engulfed South Korean economy at the end of 1997. The real estate sector was hit badly. The total number of dwellings authorised for construction in 1998 was just over 300,000 units, which was only about 50% of the 1997 level (NSO Korea 2001c). The prospect of Nangok redevelopment was seriously threatened as the participating developer was part of the conglomerate, which came close to bankruptcy at the time of the Crisis. The developer’s capacity to mobilise capital to carry out the project was severely undermined. As it couldn’t finance the large amount of up-front costs, it had to withdraw from the redevelopment of Nangok early May 1998. From then on, the project went astray, and there was no prospect of finding another private developer who could step in to salvage the project. Nangok property-owners contacted a public agency, Korea National Housing Corporation, which had begun to engage in neighbourhood redevelopment projects since the mid-1990s, to no avail. A letter from the company to the property-owners dated 19 January 1999 showed that the gloomy prospect of project financing was the single most

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25 This was the most commonly found dwelling size in the neighbourhood. See Section 4.1 in Chapter 4 for more descriptions on the neighbourhood dwelling conditions.

important factor that made it hesitant.27

With the reduced built density, the merit of redeveloping such a crowded neighbourhood with a large number of property-owners was not present any more. The high share of public lands on site also further worsened the situation. The quote below shows the typical attitude of a developer regarding the Nangok redevelopment:

“That place, Nangok area, we also thought of doing a business there in the past. About three years ago [in 1999], we carried out an appraisal ourselves. I think every other company must have considered the area as well. But, that area, more than 90% of the lands in that area are public lands. For a private company, it was very difficult due to the burden of leasing the funds for them [on-site property-owners] to purchase those public lands. Usually, when carrying out a redevelopment project, we lend the relocation money to the property-owners by taking their lands as collateral. But, here, there was no property to be used as collateral. This was the same for banks. Existing dwellings couldn’t be collaterals, since they get demolished. This aspect was the biggest obstacle. This made it difficult for us to get involved in the project.” (Head of a redevelopment section in a private developer)

Eventually, the Korea National Housing Corporation (KNHC), a public agency established with an aim to provide homes for low-income residents, took over the project. How the KNHC decided to participate will be examined more in detail when the role of the public sector is discussed in the following chapter. Here, it would suffice to mention that the total number of rental units allocated for the re-housing of on-site qualified tenants was reduced by mobilising the company’s existing stocks elsewhere, and as a result, the number of units for sales was increased. The position of KNHC as a public agency also placed a pressure upon the company, as there were numerous requests from the property-owners via local and municipal governments.

Summary

This section has examined the production of surplus capital in South Korean economy and the production of rent gap in dilapidated neighbourhoods that provided the economic basis for neighbourhood redevelopment. The discussion showed that a substantial amount of money capital was formed that could flow into the real estate sector, which was experiencing a highly speculative environment in the 1980s and 1990s. As exemplified by the early experiences of Nangok redevelopment, the JRP provided a policy

framework to direct the capital switching into built environment to transform dilapidated
neighbourhoods into a higher and better use. Property-owners and private developers
seized opportunities to take advantage of the rent gap within the JRP framework and
enjoy development gains. As shown from the withdrawal of developers from Nangok
redevelopment project, the participation of real estate developers could be considered as
being more critical than that of property-owners and the local authority.

5.2 ODHRP and Real Estate Capital in Beijing

Having examined the participation of real estate capital in Seoul's JRP, this section seeks
to explain that a similar environment of increased real estate investment and rent gap has
appeared in Beijing as well, attracting developers to engage in neighbourhood
redevelopment. The economic conditions that led to such an environment, however, were
different from those of Seoul, reflecting the transitional nature of the economy in the
midst of pursuing reform policies.

Economic growth and capital switch into the built environment

The economic growth of the Chinese economy since the implementation of reform
policies has been phenomenal from an international perspective and has accompanied a
huge amount of investment in fixed assets. A large portion of this investment went into
the real estate sector, providing the conditions for extensive restructuring of urban space
that includes redevelopment of dilapidated neighbourhoods.

Economic growth and capital accumulation

The average growth rate of real GDP (at 1990 constant prices) between 1980 and 2000
was 9.7%, outpacing that of the South Korean economy (7.6%) (IMF Web Database
2004; The Bank of Korea 2004). The national GDP per capita increased by more than 15
times during this period, reaching RMB 7625 by 2001. In Beijing, the municipal economy
expanded at a comparably fast rate, its real GDP (at 1990 constant prices) between 1980
and 2000 having increased by an annual average rate of 9.1% (All-China Marketing
Research 2004). By 2001, the per capita GDP of Beijing reached RMB 25,523, which was
more than three times the national level. Figure 5-8 below shows the overall growth trend
of real GDP and per capita GDP in mainland China and Beijing since 1980.
During the last two decades, only in 1989 and 1990 did China experience an annual growth rate of real GDP lower than 5%. These years could also be noted by the soaring inflation rate of 18.8% in 1988 as well as the political turmoil which peaked at the Tiananmen Square incident. The latter event led to a temporary set-back of reform initiatives, which was only overcome when Deng Xiaoping made his historical southern tour to Shenzhen in 1992 to re-assure “the legitimacy of economic liberalization” (Lin 1999: 461). The response to his visit was overwhelming as the national economy expanded, re-positioning the nation on the track of a high GDP growth rate. The boom period, however, came with costs, the inflation rate rising again up to 24.1%, the highest figure since the 1980s. The excessive inflation was curtailed only through the implementation of an austerity programme by the central government to restore macroeconomic balances (Lin 1999: 462).

According to Wu (1997), one of the distinctive features of the Chinese economy during the reform period has been the surge of non-productive investment. The pre-reform socialist system operated “to concentrate social surplus and allocate the surplus to strategic state projects,” which led to the situation in which any “production of consumption space could only be effectively carried out by the use of the product, i.e. project specific development” (Wu 1997: 650). The reform measures relieved the economy from such bottleneck conditions, and this was more apparent in large cities such as Beijing. For instance, as indicated in Table 5-3 below, the share of gross fixed capital formation
(hereafter GFCF) in regional GDP of Beijing recorded 45.5% in 1990. The share decreased significantly in times of political turmoil in the early 1990s, but increased rapidly to record 63.7% in 1995. Throughout the second half of the 1990s, the share of GFCF remained at around 55~58%. All these were much higher than the national level.

Table 5-3: Gross fixed capital formation and investment in real estate as a share of GDP in China

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<tbody>
<tr>
<td>National GFCF (% of GDP)</td>
<td>25.5%</td>
<td>27.5%</td>
<td>31.2%</td>
<td>37.5%</td>
<td>36.0%</td>
<td>34.7%</td>
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<tr>
<td>Investment in Real Estate (% of GDP)</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>5.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Beijing GFCF (% of GDP)</td>
<td>45.5%</td>
<td>30.8%</td>
<td>28.3%</td>
<td>37.8%</td>
<td>47.9%</td>
<td>63.7%</td>
</tr>
<tr>
<td>Investment in Real Estate (% of GDP)</td>
<td>4.5%</td>
<td>4.0%</td>
<td>4.8%</td>
<td>6.8%</td>
<td>9.2%</td>
<td>25.3%</td>
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<tbody>
<tr>
<td>National GFCF (% of GDP)</td>
<td>34.4%</td>
<td>33.8%</td>
<td>35.3%</td>
<td>35.9%</td>
<td>36.5%</td>
<td>37.8%</td>
</tr>
<tr>
<td>Investment in Real Estate (% of GDP)</td>
<td>4.7%</td>
<td>4.3%</td>
<td>4.6%</td>
<td>5.0%</td>
<td>5.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Beijing GFCF (% of GDP)</td>
<td>57.1%</td>
<td>55.3%</td>
<td>58.3%</td>
<td>56.7%</td>
<td>55.6%</td>
<td>57.3%</td>
</tr>
<tr>
<td>Investment in Real Estate (% of GDP)</td>
<td>20.3%</td>
<td>18.2%</td>
<td>18.8%</td>
<td>19.4%</td>
<td>21.1%</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

Source: All-China Marketing Research (2004); NBS China (various years) China Statistical Yearbook

The examination of the investment structure shows that capital flow into real estate played a significant role in this explosive capital formation in Beijing. While the table above exhibits an incremental increase in the share of real estate investment in national GDP, the real estate investment in Beijing skyrocketed from 4.0% of its regional GDP in 1991, to 9.2% in 1994, and then further up to 25.3% in 1995. The year-on-year changes in real estate investment, as compared to other investment components of fixed assets, are illustrated in Figure 5-9. The figure also indicates an explosive growth of real estate investment in the mid-1990s. The annual growth rate in 1994 was recorded to be 70.5%, and in 1995, a record high level of 254.4% (see also Figure 5-10 that shows the investment in real estate sector as a share of total investment in fixed assets). This reflected the real estate boom in this period, and the trend had been more or less similar in other major competing cities such as Shanghai (Wu 2002b: 155-159).

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28. The investment in real estate constitutes part of total investment in fixed assets in Chinese statistics. The real estate investment has been reported in the statistics as a separate item since 1990, and “refers to investment in the development of properties that can be sold in markets (commonly housing and offices)” (Wu 2002b: 157). Other major components of the total investment in fixed assets include: (1) investment in capital construction (that is, new construction); (2) investment in innovation (that is, addition to the existing assets); (3) other investment by state-owned enterprises and collectives (ibid).
Since 1998, contrary to the earlier experiences of high inflation, signs of deflation were evident when neighbouring countries including South Korea had been badly hit by the Asian Financial Crisis. The central government measures to tackle the deflation were active fiscal policies to achieve the target growth rate of 8%. Those policies include increased investment in fixed assets such as infrastructure provision, and housing has been one of the key areas. Accordingly, the increase in real estate investment in Beijing gained
momentum, and the recent estimate indicated that the annual growth rate in 2001 reached 50.1%, more than double the rate achieved in 2000 (see Figure 5-9 above). The revised housing reform in 1998 (designed to stop the allocation of welfare housing and to promote full-scale housing commodification) was envisaged to work together with the economic policy so as to attract domestic savings and have spill-over effects on other related industries (Lin 2000; Wu 2001: 283).

Reform measures, capital switch and real estate sector

The previous discussion on economic growth and capital accumulation in mainland China as a whole and in Beijing showed a definite trend towards an increased input into real estate sector during the reform period. Then, what made it possible for such capital switch into the real estate sector during the reform period? The following discussion considers a number of factors concerning housing production and consumption.

First of all, the reform measures have facilitated gradual expansion of commodity housing market. When the World Bank was analysing China’s housing reform progress in 1992, it raised concerns over the “absence of market signals providing information, and a dearth of market-motivated agents able and willing to act on such signals” (World Bank 1992: xv). Only about one-quarter of total housing floor space completed in 1991 in mainland China was commodity housing. The production and distribution of housing in market ways, however, has had a slow but definite progress throughout the 1990s. In 1994, the share of commodity housing had increased to 37.3% (Data from the Real Estate Management Department of the Ministry of Construction cited in Wang and Murie 1999a: 1480). The implementation of the 1998 housing reform aimed at stopping all types of in-kind housing allocation, and thereafter, the majority of new houses were put on to the market. In Beijing, 83% of total residential floor space completed in 2002 was sold on the open market (BMBS 2003a).

From the demand side, the expansion of the commodity housing sector led to the rise of individuals as one of the main actors. In mainland China as a whole, individuals purchased more than one quarter (28.7% in floor space terms) of commodity housing sold on the open market in 1990. Within two years, the rate had increased to 38.2% (Wu 1996: 1614). In Beijing, the progress was somewhat slower, largely due to the heavy concentration of state enterprises and government institutions that were more resilient to the adoption of market-oriented practices of housing consumption. In 1990, less than 1% of commercial
housing sold in Beijing was taken up by individuals (ibid). Seven years later, however, the rate had reached 38.4% (Beijing Municipal Housing System Reform Office cited in Y.P. Wang 2001: 627). The prohibition of in-kind housing allocation since 1998 has changed the situation radically, and any prospective homebuyers have to purchase a unit on the open market rather than relying on their work units. By 2002, individuals have purchased almost 97% of those commercially-sold housing space in Beijing (BMBS 2003a).

Furthermore, the land use reform since the late 1980s has produced a favourable environment for long-term real estate investment. The most important piece of legislation was the 1988 Amendment to the Constitution that officially ratified the transaction of land use rights. The Land Administration Law was also subsequently revised, thus laying the foundation of the land market that used to be virtually non-existent before the reform (Fang and Zhang 2003: 150). This legislation dictated that land ownership still lay with the state, but the right to use would be detached from the bundle of property rights, and become subject to transaction through tender, auction or negotiation. The leasehold of land secured in this way could last up to 70 years for residential use, 40 years for commercial use, and 50 years for comprehensive use (Xie et al. 2002: 1378-1379).

Finally, until the late 1990s, the role of state enterprises and institutions was critical in sustaining and expanding commodity housing market, compensating for the lack of individuals’ purchase power. They made significant contributions into the real estate sector both as main consumers and investors. As much as 46% of total investment put into housing in Beijing between 1992 and 1997 was reportedly coming from state enterprises and institutions, while the rest was from commercial developers (Data from Beijing Municipal Housing System Reform Office cited in Y.P. Wang 2001: 626). Investment from the state enterprises and institutions was put into “their house-building programme” or purchasing “new housing from the commercial sector at full market prices for distribution to employees who had reached the housing allocation standards” (ibid, 627). In Beijing or Shanghai for example, most dwellings developed commercially between the 1980s and mid-1990s were purchased by state enterprises and institutions, which were then rented out to their employees at nominal rents. Such practice effectively re-capturing those commercially developed units within the traditional welfare housing system (Wang and Murie 1999a: 1487; Wu 1996: 1612-1618). The low rate of direct sales of commodity housing to individuals, as explained earlier, was the direct result of such institutional consumption of commodity housing.
Dilapidated neighbourhoods and rent gap

Given the amount of investment in built environment and the rise of real estate sector during the reform period, the question is how the urban rent gap was created in Beijing, especially in inner city districts. What changes were made in the process of municipal-wide urban spatial restructuring that contributed to the rise of inner city districts as attractive loci of real estate investment? Did these changes present a similar opportunity for the ‘market-motivated agents’ to enjoy development gains from the rent gap?

Rent gap and urban (re-)development in mainland China

Because of the late formation of marketised housing production and consumption in urban China, the application of the rent gap theory requires a brief explanation. In short, China’s reform initiatives during the last two decades including the development of housing market, redistribution of property rights to individuals and the transaction of land use rights have made it possible to perceive the process of redeveloping dilapidated neighbourhoods from the perspective of rent gap thesis. As Fulong Wu has argued, state socialism in mainland China displayed a structural tendency to disinvest in built environment including housing for residents, but this “engendered a rent gap, which laid down the foundation for the phase of redevelopment when the constraint on land transactions was lifted through land reform” (Wu 1997: 659).

Most dilapidated neighbourhoods subject to redevelopment through demolition consist of state-owned rental dwellings whose rent level is fixed low, subsidised heavily by the state or work units. This suggests that the amount of capitalised ground rent is also fixed and could be determined by the state: “In the pre-reform era, underinvestment through the administrative allocation of land and the fixity of the built environment inherent in project-specific development pushed down the rent that could be capitalised” (Wu 1997: 646). Housing and land market formation in the process of urban restructuring in mainland China enabled the transaction of land (in the form of land lease premium) and the sales of dwellings, thus eliminating, albeit gradually, such ‘artificial’ oppression of potential ground rent. This has created basic conditions for the creation and expansion of rent gap, subsequently providing opportunities for urban redevelopment.

In market economies, individual gentrifiers (or occupier developers, to use Neil Smith’s terminology) constitute one of the three major gentrifying agents (the other two being professional developers and landlords) (Smith 1979; 1992: 112). In its earlier period of
implementing housing reform, as discussed earlier in this chapter, consumers of new dwellings had been state enterprises and institutions, and their employees. This process has been well-documented by Fulong Wu in his 1996 paper on the structure of housing provision in reform China (Wu 1996).

**Expansion of rent gap in Chinese cities in their transition to market economies**

The capitalised ground rent in Chinese cities in the midst of implementing reform measures could be assumed as being represented by the rent level imposed upon public rental dwellings. As urban expansion and spatial restructuring take place in Beijing, disparities occur between ‘potential ground rent’ and ‘capitalised ground rent.’ To carry out a detailed analysis, time series data such as land rents and building sale prices in redevelopment sites are crucial (Clark 1988). Due to the absence of such data in Beijing, the discussion herein on rent gap would be inevitably reduced to examine the factors that contributed to the expansion of such rent gap in Beijing’s urban (re-)development contexts. Such discussion, however, would still be beneficial to enhance our understanding about the underlying force behind intense urban redevelopment in Beijing.

Firstly, the introduction of the market mechanism in the real estate sector through the implementation of housing and land use reform measures presented opportunities to extract market rents from urban land and dwellings (Wu 1997). Under the planned economy, rents were collected by the state, and hence there was less chance of forming rent gradient within urban built-up areas. The development of employees’ residential compounds in Beijing followed the socialist principle of communal living (French and Hamilton 1979b). As Gaubatz (1999) noted, “most urban residents would rarely have any need to travel beyond the walls of their work-and-living unit” (Gaubatz 1999: 1497). The reform initiatives changed such a way of living. Many residents now face commuting long distances to their work place in central Beijing from their suburban residence, and companies are increasingly interested in locating their offices in strategic locations, mostly within and around inner city districts. The study of 1463 cases of land lease transaction that took place between 1993 and 2000 in Beijing showed that the land lease unit price showed a clear locational hierarchy in favour of those lands closer to the centre (Ding
Secondly, the rent level in public rental units was much lower than market rents. Housing in state socialism was one of the major collective consumption goods, and rents were heavily subsidised by residents’ employers to assist their nominal wage. Long-term under-investment in housing maintenance and management also contributed to the decline of housing value and ground rents that could be capitalised. One of the earlier housing reform measures in mainland China was to increase monthly rents to reach 15% of household income so that usual maintenance and management activities could be financed. This itself was not an easy task, given the condition that the housing rent in dilapidated neighbourhoods accounted for “only about 15 to 20% of the maintenance and management fees” (Sun and Zhang 1989: 7). The official monthly rent for public tenants was planned for a gradual increase from 0.55 yuan/m² in 1994 to reach 3.86 yuan/m² in 2000 (Y.P. Wang 2001: 625). In Beijing, the monthly rent in the public rental sector was 1.3 yuan/m² only by 1999, and then experienced a sharp increase to 3.05 yuan/m² as of 1 April 2000. The increased monthly rent constituted about 6.3% of household disposable income in Beijing (BMG 2000a; China Daily 22 June 2000, 22 March 2000).

On the contrary to much subsidised public renting, private renting would yield much higher rents. The disparity between state subsidised rents and actual market rents was also reported to be prominent in the early 1990s (Wu 1997: 652-653). A clear example of this is the rent level in the Sun City estate in Xinzhoujie neighbourhood where I conducted field research. The completion of the Sun City estate as part of the neighbourhood’s first phase redevelopment led to a sharp contrast in the rent level between commercial flats in the Sun City estate and public rental dwellings located in the area subject to the second phase redevelopment. While the public rental tenants were paying nominal rents set by the municipal regulations, the market rent for a two-bedroom Sun City flat with a construction space of around 110 m², for example, was envisaged by residents to be at least 4,000 yuan per month at the time of field research visits. A talk with an on-site sales representative by the author in July 2004 came back with an even higher rent level of

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29 The predominance of price negotiation as a land lease method over tender or auction has led to the arbitrary determination of land value, increasing the risk of land transaction through corruption and informal relationship. Only in June 2002 did the Beijing Municipal Government issued a policy to terminate the lease of state land for business through negotiation, and the first state land auction took place on 19 July 2002 (Jinghua Ribao 20 July 2002; Ye and Shan 26 July 2002).
7,500 yuan for a two-bedroom flat, the sales representative claiming that the estate’s high standard and central location in Beijing attracted many buyers and tenants. Such disparity between state subsidised rents and actual market rents provide ample opportunities for the acquisition of development gains.

Finally, as for entrepreneurs, inner city districts present additional incentives to be located therein. Major central and regional government offices are concentrated in inner city districts. Embassies and foreign representative offices are also largely concentrated in and around the eastern section of the second ring road, which also makes it attractive for overseas capital to look for office spaces in the vicinity. Industries formerly located in and around the inner city districts are moving outward to give way to other more commercial development (Gaubatz 1999: 1503-1504). Development zones are forming at various locations in near and outer suburban districts, but the delayed provision of ground transportation network means that a mono-centric urban development with the inner city districts at its focal point is more favoured over polycentric development (Deng and Huang 2004). In an attempt to promote Beijing to be on a par with other global cities, Beijing municipal government has been investing a lot to develop a central business district (CBD) as well as a financial centre at each end of the horizontal main avenue (Jianguomen Dajie) where it meets with the second ring road (Beijing Today 18 May 2001; Cheng 11 May 2001). These measures in turn increase the level of potential ground rents in those old and dilapidated neighbourhoods, subjecting them to development pressure and spatial transformation.

**Xinzhongjie neighbourhood and real estate capital**

In the previous section, it was noted that market-oriented reform measures created conditions for the rise of real estate sector and the rent gap expansion, providing ample opportunities for real estate capital to gain profits by exploiting the rent gap in dilapidated neighbourhoods.

In the following section, the first phase redevelopment in Xinzhongjie in Dongcheng district is discussed to show how real estate capital operates within local contexts in order to realise development opportunities presented by the expansion of rent gap. The discussion also shows that unlike the situation in Seoul where property-owners were actively promoting neighbourhood redevelopment as ‘occupier developer’ (Smith 1992: 112), the dominance of public rental dwellings in Xinzhongjie meant that it was the real
estate developer that actively promoted neighbourhood redevelopment in close partnership with the local authority.

**Dongcheng district and real estate investment**

When examining fixed asset investment in Dongcheng district, the investment in real estate has been overwhelming. Between 1996 and 2000, the total amount of fixed asset investment in the district reached 18.74 billion yuan, of which 87% went into the real estate sector (SBDD 2001a). Such a share of real estate investment is far higher than the municipal average (37%) during the same period (All-China Marketing Research 2004). The district’s heavy investment in the real estate sector could be understood as being in line with the municipal government’s effort to transform its urban landscape to be ‘modern’ and ‘global.’ The district’s locational advantage of being at the heart of Beijing also made it attractive for real estate investment (Gaubatz 1999, 2005).

As the District Mayor mentioned in January 2004, the total number of households relocated during this period reached 44,800 households, which were twice as many as those relocated during the preceding ten years (Lu 2004). This means that roughly one-fifth of all the households in the Dongcheng district were directly affected by the redevelopment process. The redevelopment of Xinzhongjie was initiated during this heightened period of pursuing real estate development and residents’ displacement.

**A summary of the redevelopment progress**

The redevelopment of Xinzhongjie was proposed to take place in two phases. The whole project was expected to last eight years, aimed at transforming the existing neighbourhood into “a new type of community where housing, retail and offices come together” (SBDD 2000). The neighbourhood was divided into six districts (Districts A to F). The first phase (Phase I) was to build four high-rise blocks of commercial flats in Districts A and D whose combined surface area reached 2.3 hectare. Phase I took three years to complete.³⁰

Regarding the land lease process, the case of Xinzhongjie redevelopment exemplified

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³⁰ Unless otherwise mentioned, the source of information on the status and progress of Xinzhongjie neighbourhood redevelopment in this sub-section is from the Dongcheng district government news website, [http://www.bjdeh.gov.cn/](http://www.bjdeh.gov.cn/) (last accessed on 15 October 2005), and also from the author’s interview with a former manager affiliated with China Homes Limited (Interviewee CB99-INT-12) who wished to remain anonymous.
what Fang and Zhang (2003) described as ‘allocation first, bid later.’ For the first phase Xinzhongjie redevelopment, the demolition notice was delivered to the neighbourhood on 19 December 1999, which gave 20 days for the residents to move out (Interview with CBK-INT-001). In total, 550 households were displaced from the neighbourhood. For District A, the contract for the payment of land lease premium in return for its use rights was concluded in the first half of 2000 with the total contract amount of RMB 54.67 million. This was equal to the land lease unit price of RMB 5,015 per m², which was about one third more expensive than the average unit price of seven other land lease contracts for residential projects made in Dongcheng District in the same period (BLRHMB 2000). The contract amount for the land lease of District D couldn't be found. The total construction space for Phase I amounted to 140,000 m². The sales process began in November 2000 with an expected moving-in date of one year later. In January 2002, the residents began to move into those two blocks in District A, which were completed one year earlier than the other two blocks in District D.

The letter of intent for Phase II redevelopment was signed on 26 May 2002 between the District Government and a Hong Kong-based investment company. A formal contract followed on 11 February 2003 in the presence of the District Mayor. An initial survey of the households regarding their housing conditions, in order to determine compensation, was carried out by the end of May 2003. As of September 2003, the actual date for the commencement of area demolition and relocation was yet to be announced.

**Investment and project financing**

The Xinzhongjie redevelopment was carried out through a joint cooperation between foreign investors, local developers and the local authority. Here, the local authority refers to Dongzhimen Street Office within Dongcheng District. The Director of Dongzhimen Street Office states:

> “On the one hand, in the case of the national government, particularly close attention was paid in these years to the reform issues of redeveloping dilapidated areas. On the other hand, I feel this is the benefit of the reform and open door policy, this is my personal viewpoint, this policy should be said to have driven the government towards construction. I feel nowadays there’s still no financial capacity. Like this Phase I development here [Xinzhongjie]. There was a Malaysian businessman, who had many friends. The businessman looked around some of his friends, and among them was the American Prudential insurance. Americans don’t invest in the real estate projects in China. Those countries such as Germany do not invest in the real estate sector in China. They feel the policies in China change too fast. However, I feel these countries have gained confidence with their investment..."
in our country by means of this joint cooperation.”

(Director of Dongzhimen Street Office)

The local representative of the foreign investment was China Homes Limited (hereafter China Homes). The foreign investment itself originated from two overseas investors, one of which was a US-based insurance company, Prudential Financial, which held 100% share of a Bermuda-based company, PRICOA China (Residential) Ltd. China Homes was a subsidiary of PRICOA China (Residential). The other overseas investor was Tan & Tan Developments Berhad, a Malaysian investor mentioned earlier. A joint venture was established between China Homes Limited and a local private developer (Beijing Zhonghong Real Estate Company Ltd.; hereinafter Beijing Zhonghong) in order to carry out the Xinzongjie redevelopment, and was named as Beijing Huaju Workers’ Gymnasium Real Estate Development Company Ltd. (hereinafter Beijing Huaju) The total amount of investment that went into the Xinzongjie redevelopment amounted to US$ 33.7 million (China Securities Journal 16 October 2004). Figure 5-11 below shows the organisational structure of the project.

China Homes held 95% share of the newly established Beijing Huaju in order to take full operational control of the company, and Beijing Zhonghong held the remaining 5%. The total investment of US$ 3,372 million was made by the joint venture as per related government regulations that required minimum capital investment of one third of total project costs. The rest of the project costs were financed through the sales of Sun City
flats. Figure 5-12 shows some of the marketing posters that emphasise the international nature of the completed estate in terms of design and investment. The former manager at China Homes commented:

“30% of the total project costs were required to be invested as minimum capital by us investors. This was used for the payment of land premium after the project lands were granted, and also for some upfront construction costs. Two thirds of the total project costs were then financed by the bank mortgages and down payment by the homebuyers.”

(Former manager at China Homes Limited)

**Densification**

8.5 hectare or 85,000 m² of land was subject to redevelopment, which was to transform the pingfang-dominated low-rise neighbourhood into a modern district dominated by commercial flats of high-rise (Editorial Committee of Beijing Dongcheng District 2000: 330). The total construction space, as envisaged at the project outset by the District Government was 255,000 m², leading to the FAR of 300%. This was an average FAR estimated for the whole project by the local authority.

The final building density of the Sun City estate, however, was much higher (see Figure 5-12 at the end of this section for the view of the estate). Upon the completion of Phase I redevelopment, the total construction space built on the land parcel of 23,000 m² reached nearly 140,000 m², resulting in the FAR of about 600%. Considering the fact that Phase II redevelopment would focus on commercial and office-oriented development that normally entailed high density, the average density for the whole project site would be bound to be much higher than the local authority envisaged initially. The orientation of the district government towards the real estate development and its strong emphasis on the sector for its economic development would explain such preference of high building density.

The use of foreign investment and the densification have led to the changing landscape from a low-rise dilapidated neighbourhood to a high-rise modern estate. For the developers, the increased built density would be equal to higher returns to their investment. As for the local authority, the transformation of the neighbourhood provides the basis of increased tax revenue, and proves the competitiveness of its administrative capacity. In terms of re-housing the original residents, however, the neighbourhood redevelopment has been an effective process of gentrification. This will be dealt with in
Summary

This section has examined the substantially increased investment in the real estate sector in the process of economic growth and capital accumulation in mainland China and Beijing. The growing emphasis on real estate sector and the expanding rent gap in dilapidated neighbourhoods in times of urban spatial restructuring under reform policies led to the creation of ample development opportunities. The experiences of Xinzhongjie redevelopment showed that the ODHRP provided a policy framework to invite real estate capital (in this case, both local and foreign) to transform dilapidated neighbourhoods into a commercial high-rise estate of much higher density than initially envisaged. Real estate developers and local government made a contractual relationship for the land lease and redevelopment of Xinzhongjie neighbourhood.
Figure 5.12: Samples of marketing posters for the Sun City estate and its view upon completion

Pictures ① and ② are marketing posters that emphasise the global look of the Sun City (①) and its competitiveness of having attracted a Fortune 500 company (Prudential Financial) as the major investor (②).

Picture ③ shows the model of the estate, displaying four high-rise blocks on site.

Picture ④ is the view of completed Sun City estate.

Sources:

Picture ④ was taken by the author on 15 August 2003.
5.3 Conclusion

One of the questions of this thesis was why developers participated in the redevelopment of dilapidated neighbourhood within the JRP and ODHRP framework. As the UN-Habitat report pointed out, private sector puts profits at the centre of its operation, which traditionally “limited its involvement in low-income shelter in the cities of developing countries because the commercial private sector has normally been unable to provide housing at a profit, at a price the poor can afford” (UN-Habitat 1993: Chapter 2A). From the discussions presented in this chapter, we were able to understand that the flow of capital into real estate sector and the expansion of rent gap in dilapidated neighbourhoods provided the economic rationale for developers’ participation in neighbourhood redevelopment. Case studies of redevelopment projects based on my field research visits also allowed us to understand the process of real estate capital participation at the neighbourhood level.

In Seoul, the creation of surplus capital coincided with the expansion of a speculative property market, and the under-development of old and dilapidated neighbourhoods has led to an expanding rent gap. The absence of de jure property rights and subsequent restrictions on property maintenance and development contributed to the rent gap expansion. In Beijing, reform measures encouraging the transaction of state land and dwellings in newly developed property market gave rise to the importance of locational advantages of inner city districts, and eventually to the creation of a rent gap that was foreign in the planned economy. This provided developers in the property market with opportunities to extract profits. The exclusion of those dilapidated public rental dwellings from the process of privatisation facilitated the process of rent gap expansion.

Seoul and Beijing municipal governments both experienced lack of financial resources to carry out redevelopment in dilapidated neighbourhoods, and the participation of real estate developers certainly proved to be effective in neighbourhood transformation within the urban policy framework of JRP and ODHRP. Developers’ skills to manage projects and their capacity to mobilise capital to finance upfront development costs surpassed those of local residents and local authorities. The case of Nangok redevelopment showed that the success of a redevelopment project relied heavily on the capacity of participating developers. In such an arrangement, developers’ stake was the least to be threatened, as the bottom line for them was to secure their ‘normal profits’ through building practices. Opportunities to secure development gains were enormous, but could only be
materialised when real estate capital intervened as financiers. The case of the Nangok redevelopment, however, showed that such heavy reliance on developers also carried risks of jeopardising a project when participating developers dropped out of the project.

In the case of Xinzhongjie neighbourhood, the Sun City project was a success from the local authority perspective that opted for the transformation of its built environment into a modern cityscape. The local authority's inadequate financial resources and expertise to manage such a large-scale development in the locality were compensated by the participation of foreign investment through the establishment of a joint venture with a local private developer. The Sun City project had favourable conditions such as high density, high sales price, good location and wide rent gap, which were attractive for the developers to participate. It exemplifies developer-led redevelopment that has increasingly become a common practice in urban China in transforming old neighbourhoods in good locations with a high land value, where high returns to capital investment are promising (Y.P. Wang 2003: 258). The case of Xinzhongjie redevelopment also showed that the presence of overseas developer was crucial in salvaging the project when local developers were short of capacity to carry it out on their own, again suggesting the risks inherent in developers’ participation.

This chapter showed an interesting contrast between Seoul and Beijing in terms of developers’ participation in redevelopment projects. In Seoul, developers were in a contractual relationship with property-owners to carry out neighbourhood redevelopment, while the local authority provided regulatory framework and was not in direct business relationship with either property-owners or developers. In Beijing, developers entered into a legal contract with the local authority for the land lease and redevelopment of neighbourhood, indicating that a stronger alliance between the state and capital could be formed in Beijing. Such differing role of local authorities leads us to the next chapter that examines the way in which the public sector makes its intervention in neighbourhood redevelopment in Seoul and Beijing.
Chapter 6
Government intervention in redevelopment: driving neighbourhood changes

6.1 Government intervention: the case of Seoul
   Policy incentives
   JRP in Seoul and gentrification
   Direct intervention: Nangok and the rolling redevelopment
   Summary

6.2 Government intervention: the case of Beijing
   Policy incentives
   ODHRP in Beijing and gentrification
   Government’s search for an alternative approach: the Haiyuncang model
   Summary

6.3 Conclusion
The presence of rent gap in dilapidated neighbourhoods as examined in the previous chapter only provides material conditions for capital investment, and does not serve as a mechanistic determinant of profit realisation. The closure of rent gap requires active human intervention, and in this respect the public sector performs a catalytic role (Smith 1996). The recent UK experiences in urban renewal showed that property-based urban renewal would not have been possible without the sponsorship of local authorities, which used a range of powers at their disposal (e.g. planning, building control, infrastructure and compulsory purchase powers) to remove supply-side constraints and facilitate private sector participation (Jones 1996a; Jones and Watkins 1996).

In Seoul and Beijing, the design and implementation of the Joint Redevelopment Programme (JRP) and the Old and Dilapidated Housing Redevelopment (ODHRP) were part of such human interventions. These programmes provided the redevelopment framework within which participating stakeholders from the public and private sectors could interact in order to close the rent gap and acquire development gains. In this context, this chapter examines the public sector intervention that was made to ensure the successful implementation of JRP and ODHRP projects, and hence, the closure of the rent gap in dilapidated neighbourhoods.

Discussions of each are divided into three main sections. The first section examines the policy incentives to facilitate the operation of the JRP and ODHRP. This section will show that these incentives have been largely provided in order to lessen the financial burdens on participating developers. The second section examines the degree of residents’ displacement and gentrification, which shows that the JRP and ODHRP resulted in mass displacement of original residents and neighbourhood gentrification. The third section discusses the effect and implications of the public sector’s direct intervention in neighbourhood redevelopment by closely examining a case study in each city.

6.1 Government intervention: the case of Seoul

**Policy incentives**

Having initiated the JRP framework in which developers and property-owners took the lead, the central and local governments provided policy incentives to encourage developers’ participation in JRP projects and ensure that the framework worked.
Project finance

Financial input from the government into neighbourhood redevelopment is usually made by marking government revenues for targeted use in redevelopment projects, or by providing direct or indirect subsidies to developers and/or residents. In Seoul, in accordance with the Urban Redevelopment Act and the Municipal Ordinance on Urban Redevelopment, a certain proportion of urban planning tax income (5% until 1982, and 10% thereafter) was earmarked to be channelled into a special municipal account for urban redevelopment. The fund accumulated in this way was called the ‘redevelopment project fund.’

The redevelopment project fund became one of the major means for the municipal government to make financial contributions to the JRP as the municipal government had to purchase public rental units provided in redevelopment neighbourhoods for eligible tenants’ re-housing. Since 1989, JRP projects have been required to construct public rental flats within project areas for the tenants eligible for redevelopment compensation if they chose to return for re-housing upon project completion (Kim et al. 1996: 110). Public rental flats provided in this way were to be purchased and managed by the municipal government. The redevelopment project fund was to finance such purchases (Kim et al. 1995). The sales revenue of public land in redevelopment districts was also earmarked for the purchase of these rental units. In particular, the central government transferred state-owned public land in redevelopment districts to the hands of local government free of charge so that local government could use the revenues from land sales.

The financing of JRP projects has also been supported by the National Housing Fund (NHF), which was established in July 1981 and operates to provide financial support for homebuyers and builders in the public and private sectors (Ha 1987: 107-109). Its main sources have been the central government budgetary contribution and the National Housing Bonds (MoCT Korea 2002c: 232). Below-market rate interest loans from the NHF are provided to developers when constructing flats with a floor space of less than 85 m² (MoCT Korea 2002c: 272). The NHF was also the major source for supplementing funding shortages when the redevelopment project fund and land sale revenue were insufficient to finance the purchase of public rental flats in JRP projects (Kim et al. 1995). The Seoul municipal government had to resort to loans from the National Housing Fund, which provided low-interest (3%) long-term loans to be repaid in instalments over 20 years after a 10-year grace period (MoCT Korea 2002c: 227).
The JRP or real estate sector in South Korea in general was not much influenced by foreign capital. Foreign loans and foreign direct investment focused on the economic development, concentrating on the growth of key industries (W.-J. Kim 1996: 25-26). The share of FDI invested in construction and/or the real estate sector was minimal until the late 1990s (MoCIE Korea 2001; NSO Korea 1994a, 2002c). The FDI in real estate sector only became noticeable in the late 1990s when overseas capital began to take interest in the Korean market to take advantage of the devaluation of Korean currency after the 1997 Asian Financial Crisis. The interest focused largely on purchasing buildings at prestigious locations rather than getting involved directly in property development.

**Land transaction**

In Seoul, the history of implementing JRP projects in the 1990s showed that 50% of the land in redevelopment neighbourhoods turned out to be publicly owned, and that nearly 60% of dwellings were without possession of formal land title (SMG 1998a: 20-21). The owners of these dwellings are required to purchase the land when the redevelopment project is authorised for implementation. In this regard, the conditions of purchase including the terms of redemption become an important factor for the facilitation of redevelopment projects.

Until April 1994, the State Properties Act and its enforcement decree stipulated that dwelling owners on state-owned lands had to pay for the land in instalments at a 5% annual interest rate with a 5-year redemption period. In April 1994, in order to reduce the financial burden on dwelling owners, the terms of payment were relaxed so that instalments could be paid over 10 years at 8% interest rate. From July 2000, the redemption period was further extended to 15 years, and the interest rate reduced to 5% (MoCT Korea 2000: 98).

**Housing transaction**

In South Korea, as part of government attempts to control housing speculation, the central government implemented a ‘resale control policy’ in the new housing market. The resale control policy was first put into practice in April 1981, and prohibited the resale of new dwellings for two years from the date of purchase (MoCT Korea 2002c: 305-308). In May 1982, this period was reduced to six months, and the policy was completely abolished in February 1999 in an attempt to revive the real estate market since its collapse in the aftermath of the 1997 Asian Financial Crisis. During the two decades of its operation, the
resale control was never applied to homebuyers of redeveloped flats. Despite the prevalence of housing speculation in JRP projects, speculators entering redevelopment neighbourhoods faced no restrictions on their property transaction.

**Off-plan purchase: buyers’ contribution to project financing**

In line with the rapid expansion of new housing construction since the 1980s, off-plan purchase had been widely practiced. The system was first introduced by the enactment of the Ordinance on Housing Supply in 1977 in order to encourage housing construction in general, and also became a powerful tool for the implementation of the JRP. Under this system, developers were permitted to sell their flats at an early stage of a project, usually when a project reached 10% or 20% of project schedule. The down payment and period instalment from homebuyers assisted developers with the remaining work. The final instalment is made upon their moving-in (Yoon 1994: 70-72). For a JRP project, it was found that about one third of the total project costs were spent by developers before they began to receive down payment through the off-plan purchase system (Korea Housing Institute 2001: 56-57; Lee and Bae 1998: 277-279).

**Planning control and densification**

According to the Housing Bureau of Seoul Metropolitan Government, there were 134 completed redevelopment projects, which received implementation permits after 1990. Of these, 97 provided public rental flats for tenants’ re-housing. By the end of December 2004, the total number of rental flats reached 43,453 units, accounting for about 30% of redeveloped flats (Housing Bureau of SMG 2005). Under such circumstances, an effective means of encouraging property-owners and developers to proceed with residential redevelopment was to allow higher density development. The prevailing rhetoric in JRP projects was to build as many flats as possible to the maximum density permitted by the planning regulations in order to maximise development profits.

One way to judge the degree of densification is to look at the floor-area ratio (hereafter FAR), which is the ratio of a building’s gross floor space to the net area on which the building is constructed. FAR has been an effective planning tool for the government in controlling real estate development. In Seoul, until the late 1990s, the planning regulations on building density control were relaxed on several occasions to allow high density development (Lee and Bae 1998: 268). Between 1983 and 1990, the maximum FAR in general residential areas was 250% for north Seoul and 300% for south Seoul (Seoul
Building Ordinance No.1766 issued on 4 May 1983). From November 1990, it was increased to 400% (Seoul Building Ordinance No.2660 issued on 9 November 1990) before decreasing to 300% in 1998 (Seoul Building Ordinance No.3499 issued on 30 April 1998).

The high density redevelopment led to significant increases in both dwellings and residents in redevelopment neighbourhoods. According to the Housing Redevelopment Bureau of Seoul municipal government, 65 redevelopment districts completed between 1990 and 1996 experienced an increase in households of 32% on average, and in the number of dwellings by 303% (SMG 1998a: 32). Indeed, the average FAR for redevelopment districts as shown in Figure 6-1 below indicates that the building density of redevelopment districts increased substantially throughout the 1980s, and stayed at around 300% in the 1990s.

![Figure 6-1: Increase in the floor-to-area ratio in JRP projects, 1983 - 1996](SMG 1998a: 28)

Note: FAR data taken from 154 redevelopment districts authorised for project implementation

**JRP in Seoul and gentrification**

The previous section examined policy incentives from the government aimed at facilitating dilapidated neighbourhood redevelopment. Then the question is: does this intervention help existing residents to ‘stay fixed’ in their original neighbourhood? In this section, I will examine the scale of existing residents’ permanent displacement and gentrification in accordance with conventional and revised redevelopment strategies.

In Seoul, owner-occupiers, in principle, work in partnership with developers and
implement the redevelopment of their neighbourhood. In practice, however, a large number of them are being replaced by off-site investors (or ‘speculators’ as they were commonly referred to). In a JRP project, as soon as professional developers are selected and the project enters into the stage of preparing a project implementation plan (see Figure 2-4 in Chapter 2 for the JRP’s implementation process), project uncertainties are lifted and speculation becomes rampant. With low re-housing prospect due to the high prices of redeveloped flats, the speculation encourages low-income owner-occupiers to sell their properties and withdraw from the redevelopment association (the issue is discussed in more details in Chapter 9). The result is the displacement of poor owner-occupiers by higher-income residents who can afford redeveloped flats. This process is considered to be unavoidable by the local authority under the JRP framework:

“The owner-occupiers just possess dwellings built with a licence on public lands…and don’t have enough money even to pay for their Chonsei deposit elsewhere, nor do they have capacity to pay for construction costs…In general, the proportion of owner-occupiers being re-housed is known to be less than 20%, but this is exaggerated…In my view, it’s less than 5%, because many properties change hands even before the project implementation plan is approved or before a project is concretised…When these neighbourhoods are redeveloped, it’s an inevitable consequence” (Head of Housing Bureau at Gwanak District Government)

In a report published by Seongdong District Office in east Seoul that closely examined three redevelopment projects (Hawang 1-2 District, Ogsu 9 District and Geumho 1-6 District), the proportion of absentee landlords among property-owners reached 54%, 49% and 59% respectively by the time their project implementation plans were approved by the government. Furthermore, less than one third of these owner-occupiers were able to be re-housed upon project completion (Seongdong-gu Office 2001: 132). Another example of the low re-housing rate of owner-occupiers could be taken from the data compiled by the Housing Bureau of the Seoul municipal government in 1996. The data, which were gathered from 28 JRP districts completed between January 1993 and June 1996, revealed that only 30.5% of owner-occupiers were re-housed upon project completion (Kim et al. 1996: 221-222). These statistics indicate that despite the initial aim of the JRP to encourage owner-occupiers to implement neighbourhood redevelopment, the JRP has been actually driven by absentee landlords, and that the majority of owner-occupiers have been displaced.

In a JRP project, the redevelopment association carried out a survey on tenants in order to find out the number of tenants eligible for redevelopment compensation and who wish
to choose in-kind compensation. Here, in-kind compensation refers to the access to public rental flats provided on site as part of neighbourhood redevelopment. By law, the redevelopment association has to incorporate the required number of public rental flats in their preparation of the project implementation plan. This requirement prevents complete gentrification of a redevelopment neighbourhood as a certain proportion of redeveloped flats are built as public rental flats for low-income tenants.

Nevertheless, most tenants in redevelopment neighbourhoods were found to be displaced. A recent study that included a survey on tenants in two JRP projects in Seoul showed that public rental flats were provided to accommodate 62% and 46% of original tenants in each neighbourhood, but, upon project completion, the re-housing rate of the original tenants reached only 6.2% and 34.5% respectively (Ahn 2002: 41-42 cited in Lee et al. 2003: 2228). This indicates that a large number of eligible tenants refrained from moving to these rental flats upon project completion. This issue will be addressed in the following chapters on redevelopment impacts on residents.

**Direct intervention: Nangok and the rolling redevelopment**

The previous discussions on the JRP and its impact on residents’ displacement and gentrification have shown that the majority of existing residents are excluded from enjoying the direct benefits of redeveloped neighbourhoods where they have lived for years (and possibly decades for some). The second argument to consider is to examine if the public sector makes any direct intervention to overcome the shortcomings of the JRP.

The direct intervention by the public sector in Seoul came in the form of implementing a revised JRP approach called the ‘rolling redevelopment’ in which public agencies such as the Korea National Housing Corporation (KNHC) were to participate as professional developers. This provision was made possible by revising the Urban Redevelopment Act at the end of December 1995. The overall process of rolling redevelopment was not much different from what was followed under the conventional JRP framework except that, in a rolling redevelopment project, the tenants eligible for redevelopment compensation were to be provided with public rental units for their relocation at the beginning of a redevelopment project rather than upon project completion (Bae 1997; Yoon 1997). The rolling redevelopment also made the public agency the sole implementer of a redevelopment project instead of establishing a redevelopment association with property-owners. The approach was thought to increase the housing security of eligible
tenants who have chosen in-kind relocation compensation as an option. Since the stipulation of the rolling redevelopment approach in the Urban Redevelopment Act in 1995, two projects took place, both by the KNHC. One of them was the redevelopment of Nangok neighbourhood.

**KNHC and its participation in Nangok redevelopment**

As mentioned earlier in Chapter 5, the redevelopment of Nangok took a severe blow due to the withdrawal of the participating developers early 1998. No other private developers came forward to take over the project. Densely populated neighbourhood conditions, high concentration of dwelling owners without *de jure* property rights and reduced density requirement all discouraged developers from participation. It was the Article Nine of the Urban Redevelopment Act that redirected property-owners’ attention towards the KNHC, which was a public housing agency with 73.2% of its equity capital in 2000 coming from the central government.31

The Article Nine of the Urban Redevelopment Act states that under certain stipulated conditions, local authorities are permitted to intervene and take control of a redevelopment project from the hands of property-owners and implement it on their own, or assign a public agency such as the KNHC as a professional developer to continue the project on their behalf. Some of these conditions were, for example: (1) the implementation of rolling redevelopment; (2) the proportion of public lands within a redevelopment neighbourhood being more than 50% of total land area; or (3) request by more than 50% of property-owners. The participation of the KNHC in Nangok neighbourhood redevelopment met all these conditions. The following discussions on the company’s participation in Nangok were largely based on the documents produced by the property-owners, the KNHC and the local authority acquired during my field research.

**Negotiations for KNHC’s participation**

Having been informed of the imminent withdrawal of the private developers, the redevelopment steering committee, which was a representative body for property-owners in Nangok, sent out its first letter to the KNHC in order to request the company’s participation. The letter was delivered via the Gwanak district government on 21 March

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31 This is from the Public Finance Database web site (http://fsg.mpb.go.kr/db/db_04_01.jsp), run by the Ministry of Planning and Budget.
1998 (District Government Document No. Jutaeg 58531-777). Having received the company’s negative response four months later, the property-owners in Nangok organised a general assembly meeting, and collected consenting votes from 73% of property-owners, providing the legal justification for the public sector’s direct intervention. Requests were sent out by the redevelopment steering committee again in September 1998, this time to the KNHC, the Seoul Metropolitan Development Corporation and other major private developers. All other companies rejected the request, but the KNHC’s response carried a more sympathetic tone:

“…for every project, it’s important to secure resources. At present, however, the downturn of the construction business due to the Asian Financial Crisis makes it difficult for our company to find a way to sell [the company’s] 33,000 unsold flats. Our company is also experiencing management difficulties due to the delay of the cost recovery from the redevelopment project in neighbouring Sillim 2-1 District, as the settlement of the management disposal plan is delayed. Therefore, it is difficult for us to participate in a project as large as yours, and we will only be able to reconsider your request when the business environment improves and the project in Sillim 2-1 District progresses well…”


As of February 1999, the redevelopment steering committee came up with a revised set of propositions to attract the KNHC’s participation (Sillim 1 District (Nangok) Redevelopment Steering Committee February 1999). All four propositions were to lighten the financial burden of participating developers by means of minimising the up-front costs they usually had to bear in JRP projects.

Firstly, absentee landlords agreed not to cling to interest-free loans which were usually arranged by developers during a project period. A JRP project usually required developers to provide property-owners with interest-free loans at the outset of each project in order to help them finance any temporary relocation. Because these loans were interest free, absentee landlords also took advantage and used to demand these loans despite the fact that they would not need temporary relocation.

Secondly, property-owners promised that they would endeavour to displace existing tenants so that dwellings could be vacant and become ready for demolition as soon as possible. They estimated that there were around 1,500 tenant households in total and promised that they would reduce this number to at least 1,000 households before the project implementation.
Thirdly, property-owners also proposed that by the time they were to purchase public lands in their neighbourhood, they would pay the initial down payment (10% of the total land price) out of their pocket. In a JRP project, such payment was usually made by participating developers, increasing the up-front costs they had to bear.

Fourthly, with regard to property-owners’ off-plan purchase of redeveloped flats, they proposed that they would start the instalment payment even before the commencement of construction works, reducing the amount of financial resources that the developers had to mobilise to proceed with a redevelopment project.

These propositions were delivered to the KNHC by the Housing Redevelopment Bureau of the Seoul municipal government on 8 March 1999 (SMG Document No. Jujae 58531-518). Having received no response within three months, the Housing Redevelopment Bureau sent out another letter to the KNHC (SMG Document No. Jujae 58531-1506) on 10 June 1999 to urge its quick decision.

**KNHC’s participation and the rolling redevelopment: work progress**

To these requests, the KNHC kept on emphasising its practical difficulties as quoted previously, but left room for further negotiation by mentioning that the use of 818 public rental units provided by the company as part of redeveloping Sillim 2-1 District could be a way of improving the financial prospect of Nangok redevelopment. Sillim 2-1 District was the first redevelopment project in Seoul to carry what was termed as ‘rolling redevelopment’ (sometimes called ‘circular redevelopment’).32

The idea was picked up by the property-owners, and was delivered to the Gwanak District Assembly members who prepared a written petition to the KNHC. This was made possible because one of the property-owners was serving as a member of the District Assembly, and this person also initiated the petition process. The petition included a proposition that the implementation of rolling redevelopment would also lead to the reduction of the number of public rental units to be built in Nangok from 1,580 flats to only about 600 flats. This was thought to allow more space for building commercial flats

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32 ‘Rolling redevelopment’ first appeared as an experimental project in 1983, and was applied to the redevelopment of four neighbourhoods (SMG 1983). It failed to survive at that time, and gave way to the JRP.
for sale in new housing market, and therefore, increase developers’ profitability (Members of GDA October 1999).

One more letter was sent out by Gwanak District Government on 29 October 1999 (Document No. Jutaeg 58531-3621) to urge the KNHC’s participation, and the KNHC finally gave consent to its participation in November 1999. An agreement was signed on 29 February 2000 between the redevelopment steering committee and the KNHC to make official the company’s take-over of the project as the sole implementer. In accordance with the Urban Redevelopment Act, the redevelopment steering committee was to be dissolved, and a body named the Council for Residents’ Representatives was formed instead for the KNHC to consult.

On 20 May 2000, a general assembly was held to secure property-owners’ majority consent to the agreement signed between the redevelopment steering committee and the KNHC. More than 50% of property-owners were present, unanimously approving the agreement. It was also decided that the redevelopment steering committee would select a demolition company to proceed with the demolition of vacant dwellings until the KNHC’s participation was formally approved by the local authority. The KNHC was to take over the demolition work thereafter (Sillim 1 District (Nangok) Redevelopment Steering Committee May 2000). Based on the general assembly resolution, the formal designation of the KNHC as the project developer was made by the Gwanak district government on 15 June 2000 (Document No. Jutaeg 58531-1949). Fifteen months later, the Gwanak district government approved the project implementation plan submitted by the KNHC. Figure 6-2 below shows the KNHC’s blueprint of the redeveloped Nangok neighbourhood, and includes overall project information specified in the project implementation plan (GDG 2001b).

The KNHC carried out a survey in July and August 2000 to find out the actual number of existing residents, and establish a relocation and displacement plan. The survey revealed that there were a lot more tenant households in the neighbourhood than the property-owners disclosed back in February 1999 (Sillim 1 District (Nangok) Redevelopment Steering Committee February 1999). The total number of tenant households turned out to be close to 2,100 households instead of 1,500. The discrepancy was largely due to the underestimation of those households ineligible for legal compensation. There was no information that revealed whether or not the redevelopment steering committee
deliberately made such under-reporting. The underestimation contributed to the project’s delay by one year, as it took longer than the initial prediction to complete residents’ displacement. The last remaining tenants were displaced completely only in early April 2003, almost three years after the KNHC’s participation was endorsed by the local authority (Korea Economic Daily 1 May 2003). As soon as the displacement was completed, the site preparation began, and all construction works were scheduled to finish within three years.

Figure 6-2: KNHC’s blueprint of redeveloped Nangok in bird’s eye view format

Overall FAR (floor-to-area ratio) : 239.04% (maximum building heights: 55 metres)
Number of flats: 3,322 flats (including 512 public rental flats)

Rolling redevelopment and gentrification

The KNHC participation led to the implementation of rolling redevelopment, which was different from other JRP projects in that the KNHC was to use its existing public rental housing elsewhere for the relocation of eligible tenants who chose in-kind compensation option. This arrangement lifted these tenants’ burden of financing temporary relocation during the construction period. It also meant that unlike the eligible tenants in other JRP projects who were able to be re-housed in their original neighbourhoods upon project completion, the tenants in Nangok were facing permanent displacement.
When the KNHC began the formal displacement and relocation of residents in Nangok in October 2000, there were around 10,000 residents or 2,450 households including 421 owner-occupiers. The number of actually displaced residents, however, was much higher. In October 1996, six months after the selection of private developers’ consortium, 14,640 residents used to live in Nangok (see Table 6-1 below). Between 1996 and 2000, around 4,600 residents left the neighbourhood. Because the series of redevelopment-induced events during these years encouraged owner-occupiers to sell their properties and destabilised secure tenure environment for tenants, the departure of 4,600 residents during these years could be considered as redevelopment-induced displacement.

Table 6-1: Changes in the number of residents in Nangok, 1989 - 2000
(GDA 1996; SMG 1991: 186)

<table>
<thead>
<tr>
<th></th>
<th>December 1989</th>
<th>October 1996</th>
<th>October 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of households</td>
<td>4,416</td>
<td>n.a.</td>
<td>2,450</td>
</tr>
<tr>
<td>No. of residents</td>
<td>16,734</td>
<td>14,640</td>
<td>c.10,000</td>
</tr>
</tbody>
</table>

Note.
1) Six months after the selection of developers’ consortium. One year before the full designation of Nangok neighbourhood as a JRP redevelopment district.
2) Just before the commencement of residents’ relocation by the KNHC. The number of households was from the Housing Bureau of the Gwanak district government, Seoul. The number of residents was taken from the summary report distributed at the time of public hearing organised by local community-based organisations on 18th May 2000.

Since the eligible tenants with in-kind compensation option were displaced to the public rental flats provided by the KNHC elsewhere, the only group of residents to be re-housed in Nangok was the owner-occupiers who held onto their dwellings without selling to speculators. As shown in Table 6-2 below, the total number of owner-occupiers at the time of commencing relocation in October 2000 reached 421 households. This accounted for only 16.9% of the total dwelling owners registered in the neighbourhood, indicating that the displacement of poor owner-occupiers had occurred on a large scale.

Table 6-2: Number of absentee landlords and owner-occupiers in Nangok
(GDG 2001b)

<table>
<thead>
<tr>
<th>Total number of dwelling owners</th>
<th>Number of absentee landlords</th>
<th>Number of owner occupiers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporary relocated to</td>
<td></td>
</tr>
<tr>
<td></td>
<td>KNHC-provided rental flats</td>
<td>Non-KNHC dwellings</td>
</tr>
<tr>
<td>2,493</td>
<td>2,072²</td>
<td>421¹</td>
</tr>
<tr>
<td>100.0%</td>
<td>83.1%</td>
<td>16.9%</td>
</tr>
<tr>
<td></td>
<td>222¹</td>
<td>199</td>
</tr>
<tr>
<td></td>
<td>8.9%</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
1) These numbers were provided by the Housing Bureau of the Gwanak district government, Seoul.
2) These numbers refer to the number of dwelling owners in each category at the time of commencing owner occupiers’ relocation in October 2000.
In fact, the actual number of owner-occupiers who were expected to be re-housed upon project completion would be much smaller as they continued to sell their property rights as the project progressed. According to the interview with an owner-occupier who had been working in property-owners’ association as a delegate (interviewee KSS10-INW-01), one fifth of the owner-occupiers who moved to the KNHC-provided public rental flats sold their property rights within 18 months of temporary relocation to the KNHC-provided public rental flats (the issue of affordability problems for owner-occupiers in Nangok is explained in more detail in Section 7.1 of Chapter 7).

To illustrate the frequent changes in property ownership, I obtained a copy of land registration certificates for one of the land plots (Land plot number San104-6) in Nangok. This was acquired at the end of October 2005 from the online services run by the Seoul Central District Court. The original landlord was the central government. The owners of dwellings on this land bought the land title on 7 June 2002. In total, 3,066 m² of land was sold to 66 people, each person owning 46.5 m² of land parcel on average. It was not possible to find out the proportion of absentee landlords as the land registration records did not distinguish them. Between June 2002 and October 2005, 48 owners sold their land title at least once during this period. There was a case (registration no. 48568) where the land title changed hands four times between June 2002 and November 2004.

As for the destination of the displaced households, Table 6-3 below indicates that only about one quarter of the displaced residents moved out of Gwanak district. This table is based on the household registration records from the local administrative office for those Nangok residents who moved their house between September 2000 and March 2002 (Sillim Welfare Centre 2002: 10-11). Two fifths of the displaced residents moved to the KNHC-provided public rental flats located within Gwanak district.

<table>
<thead>
<tr>
<th>Table 6-3: Destination of displaced residents from Nangok</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Compiled from Sillim Welfare Centre 2002: 10-11)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Within Gwanak district</strong></td>
</tr>
<tr>
<td>KNHC-provided rental flats</td>
</tr>
<tr>
<td>Households %</td>
</tr>
<tr>
<td>72.9%</td>
</tr>
</tbody>
</table>

Source: Reconstructed from Sillim Welfare Centre (2002: 10-11)

Upon project completion, the redeveloped Nangok neighbourhood would have 3,322 flats.
in total, which included 512 public rental flats (15.4%). These rental units were to be used for accommodating any tenants who were to be displaced from other KNHC-led neighbourhood redevelopment projects, if any. Like other JRP projects, the presence of these rental flats prevented complete gentrification of the neighbourhood.

**A trade-off in whose favour?**

For the property-owners of Nangok neighbourhood, the KNHC’s participation came as a salvation. The efforts by the property-owners’ redevelopment steering committee paid off eventually, and the local authorities and district assembly members played a very important enabling role. Local authorities could also be relieved for having prevented further dilapidation of Nangok neighbourhood due to project postponement. By February 2000, about 8% of all dwellings on site were empty and faced the risk of collapsing due to negligence.33

As for tenants eligible for legal compensation, they were able to be relocated to public rental units upon displacement. This allowed them to avoid temporary relocation during the project period, minimising the uncertainty of having to find a temporary relocation unit at their own expense. This arrangement made them permanently leave the neighbourhood, and settle down elsewhere. For Nangok tenants, it was lucky that the developer, KNHC, was a public development corporation and the main provider and manager of public rental flats in the country. It was also lucky that the company was coincidently about to complete a redevelopment project in the neighbouring district, and had 818 rental units ready for receiving tenants.

When it comes to the replicability of the rolling redevelopment approach, however, it is difficult to remain fully positive. This approach applied by the KNHC was first tried experimentally in the early 1980s, and was abandoned for more than a decade before it was reinstated upon amending the Urban Redevelopment Act in 1995. Since then, only one project was carried out in this way, and this was the redevelopment of Sillim 2-1 District, which was located close to Nangok. No other private developers sought out such an approach, as this would have incurred heavy costs upon property-owners and developers.

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33 The figure was taken from the official letter from the Housing Bureau of Gwanak District Government dated on 21 February 2000 (Document No. Jutaeg 58531-549).
“Rolling redevelopment doesn’t go well with private companies like us…As rolling redevelopment is to be carried out by the Korea National Housing Corporation or the SH Corporation [a municipal government invested housing development corporation], we don’t study that much about it, and haven’t done any research either…” (Redevelopment section manager, a private development company)

“Private sector wouldn’t do [rolling redevelopment]. They would lose money if they do, so why should they? In the case of our company [KNHC], we try to continue with this kind of project, but as for private companies, they do business on a district basis. Whether or not they make profits or losses, it’s all limited to one redevelopment district, and doesn’t affect other districts…”

(KNHC manager in charge of Nangok redevelopment)

The municipal government was also pessimistic about the approach, as the head of the municipal housing redevelopment bureau stated:

“The rolling redevelopment in South Korea is impossible. It exists only in theory. The pilot project already implemented could not be said to have applied the approach because it was simply to make use of existing empty rental stock as relocation dwellings for tenants and property-owners…”

(Head of the Housing redevelopment bureau, Seoul municipal government)

**Summary**

This section has examined the policy incentives exercised by the central and local governments, which helped sustain the successful implementation of JRP projects in Seoul. These incentives were largely to release professional and individual developers from financial burdens and guarantee profit maximisation. This section also showed that the JRP accompanied large-scale displacement of not only tenants in redevelopment neighbourhoods but also owner-occupiers who were in principle part of the legal implementers of JRP projects. This section also showed that the direct intervention by the public sector was carried out for dual purposes: (1) to salvage endangered projects and complete the closure of rent gap on behalf of property-related interests; (2) and to provide permanent relocation rental dwellings, increasing the housing security of the tenants eligible for redevelopment compensation. The replicability of the revised JRP approach (that is, rolling redevelopment) was, however, doubtful.
6.2 Government intervention: the case of Beijing

Policy incentives

In the following subsection, I will examine what major incentives were put into practice by the central and local governments in order to ensure the successful implementation of the ODHRP. These incentives were largely in favour of professional developers’ interests that were exogenous to redevelopment neighbourhoods.

Project finance

In Beijing, the ODHRP projects were noted for being heavily levied of development taxes, which contributed to high sale prices of redeveloped flats, exacerbating homebuyers’ affordability problems. The Planning and Construction Committee of Dongcheng District Government acknowledged that the cost structure of ODHRP projects was not rationale, stating that one third of the total project cost was due to development-related taxes, while another third was incurred by residents’ displacement and relocation (Planning and Construction Committee of Dongcheng District Government 1998: 17).

Given the scale of neighbourhood redevelopment in inner city districts, the accumulation of such revenues could be substantial. There was, however, a lack of data to help identify if any part of locally raised revenues were earmarked to be channelled back into the dilapidated neighbourhood redevelopment. It is possible that these were diverted to other urban projects within the city, as the local government was striving to upgrade its lagging urban services and infrastructure provision.

Given the need for investment to carry out the ODHRP, the state funds allocated to assist the programme reached only 200 million yuan in 1990 (UCMCBMPPCC and JSSBC 1992), which was far less than what was needed. It was estimated that the total amount of 6 billion yuan would be needed in order to complete whole projects envisaged at the time (Sun and Zhang 1989: 7). Local authorities in Beijing had to find their own way to finance the programme, and the solution was to encourage the use of foreign investment in ODHRP projects. Between 1990 and 1997, 68.1% of total investment in ODHRP in inner city districts of Beijing came from foreign investment. In Dongcheng District, the share was even higher, reaching 84.3% (Luo and Zhou 1998: 5). The District Statistical Office also reported in April 1997 that 90.4% of total investment in fixed assets in 1996 went into the real estate sector, and of these, 61.2% were funded by the joint venture
companies between Chinese and foreign partners (Statistics Bureau of Dongcheng District 1997). The case of Sun City project in Xinzhongjie neighbourhood introduced in the previous chapter would be a typical example of how foreign investment was invited to take part in an ODHRP project.

**Off-plan purchase: homebuyers’ contribution to project financing**

In urban China, developers came to rely increasingly on the purchasing power of homebuyers to finance their construction costs by means of adopting off-plan purchase schemes. A sales office was usually open when a project was still at its early stage. Between January and September 2001, the analysis of 16 real estate companies carrying out development works within Dongcheng District indicated that 55.2% of the development costs were funded by deposits and advance payment by prospective homebuyers (SBDD 2001b).

**Land transaction**

In Beijing, the land lease administered by local authorities has been mostly through negotiation instead of market competition. This significantly undermined the transparency of land transaction practices, increasing the likelihood of arbitrary decision-making (Wu 2001: 276-277), but helped developers acquire lands for development at a price cheaper than the price of land supplied otherwise (Zhu 2005: 1372). For example, in 1996, only 3.7% of newly developed lands were leased out through tender or auction, while the rest were transacted via negotiation. In major cities such as Beijing, Shanghai and Tianjin, there was no case of tender or auction (ibid, p.277). A report from the China Real Estate News also suggested that, of those 0.3 million hectares of land leased out nationwide between 1987 and 2000, only 5% was through auction or tender (cited in Zhu 2005: 1380).

Furthermore, the predominance of negotiation regarding land transaction allowed the Beijing municipal government to deflect the state regulation to introduce what Fang and Zhang (2003) described as ‘allocation first, bid later.’ According to state guidelines, land use rights were to be taken back from residents before they could be sold to developers. The relocation of residents was to take place once the developers make payment to the local government. When implementing ODHR projects, however, the Beijing Municipal Government made it possible to allocate lands for development first, and then allow the negotiation (or bidding) of land use rights to take place even after residents’ relocation.
and construction (Fang and Zhang 2003). This was proclaimed to be in the interest of residents and the general public as it quickened the completion of projects, but in fact it helped developers to initiate redevelopment projects with much lower financial costs by postponing the payment of land use fees.

**Planning control and densification**

As far back as in the early 1950s, there were heated debates regarding the issue of preserving imperial architectural heritages in the process of socialist capital construction (J. Wang 2003; Wu 1999). Those in favour of preservation criticised high-rise building construction and large-scale redevelopment of the Old City (the area within the second ring road), represented by the imperial palace and traditional courtyard houses. They were in favour of locating administrative functions out of the Old City, while the socialist modernists were against the idea. The socialist modernist planners eventually won the debate, and a large part of the Old City became subject to redevelopment in order to accommodate major government buildings and monumental landmark buildings to celebrate the birth of the new republic. The idea of the Old City preservation was not washed away completely, and remained in the form of height restrictions imposed in the inner city districts of Beijing. A 1987 version of the height control is shown in Figure 6-3 below. Those areas with maximum heights allowed in the figure are what came to be part of the Central Business District (on the eastern edge of the horizontal axis) and the Financial Street (on the western edge).

*Figure 6-3: Height restrictions in Beijing's inner city districts in 1987*  
(Zhang 1993 cited in Leaf, 1995: 152)
At first sight, this control on building heights could be regarded as being against developers’ interests as higher density construction would lead to larger profits. A closer look, however, shows that the height restrictions around the Forbidden City within the second ring road led to much more relaxed height control outside the second ring road. With the rise of real estate investment, “building height became a key marker of identity, success and competition in the built urban environment” (Gaubatz 1999: 1510), eventually changing the cityscape of Beijing into a “bowl-shaped skyline” (ibid, p.1511).

In addition, local district governments often made concessions to developers regarding building heights in order to accommodate high profile, flagship projects. To nullify the municipal planners’ height restrictions, developers often negotiated with the local district authorities over building heights, and higher profile projects were more likely to receive concessions. For instance, a redevelopment project in Financial Street on the western edge of the second ring road ended up with the maximum building height of 116 metres despite the zoning control that restricted building heights to 45 metres (Fang and Zhang 2003: 152, Table 2). Such practices have led, for instance, to the revision of the Beijing Master Plan in 1993 to “legitimate existing structures” that violated existing height restrictions (Gaubatz 1999: 1514).

**ODHRP in Beijing and gentrification**

The previous section examined policy incentives exercised by the public sector to facilitate dilapidated neighbourhood redevelopment. Then, the question is, does such intervention help existing residents to ‘stay fixed’ in their original neighbourhood? In this section, I will examine the scale of existing residents’ permanent displacement and gentrification in ODHRP projects. The case of Xinzhongjie’s first phase redevelopment would also be examined in detail.

**Displacement and suburbanisation**

In mainland China, the process of building socialist China since 1949 led to the construction of residential compounds that emphasised communal living (French and Hamilton 1979a: 9-11). The principle was expanded to the extent that “most urban residents would rarely have any need to travel beyond the walls of their work-and-living unit” (Gaubatz 1999: 1497). In this respect, residential relocation was strictly controlled through the enforcement mechanisms such as the household registration system (or hukou in Chinese) that tied welfare benefits and employment to one’s original place of residence.
Residents’ intra-urban relocation came to be witnessed more frequently with the implementation of ODHRP projects. Residents were often subject to in-kind compensation, which meant that they were presented with re-housing or relocation rental dwellings (Fang and Zhang 2003: 158). The official line was, however, to encourage off-site relocation by means of combining suburban new estate development with inner city redevelopment (BMG 1994a). As shown in Figure 6-4, inner city residents were largely offered relocation dwellings located in suburban estates (marked 1 to 27 in the figure).

Figure 6-4: Location of 27 major suburban relocation estates for Beijing’s ODHRP projects
(Adopted from the map in Fang and Zhang 2003: 154)

For this reason, the rate of re-housing tended to be low from the early period of the ODHRP implementation. The Ju’er Hutong redevelopment project, which was one of the pilot ODHRP projects in the early 1990s, also had a low re-housing rate despite the provision of employer subsidies for residents’ purchase of redeveloped flats. Its first phase between 1988 and 1990 resulted in re-housing 29.5% of the original 44 households. Its second phase between 1991 and 1992 also managed to re-house only 23.5% of the original 204 households (Zhang and Fang 2003: 77-78). The majority of ODHRP projects implemented in the 1990s were reported to have less than 30% of re-housing rates. In the
case of those projects such as Taoyuan and Guanyuan redevelopment where 54% and 67% of total floor space provided were non-residential, the re-housing rate of original residents were even lower, less than 10% (Fang 1999: 68-69).

Xinzhongjie Phase One redevelopment: Sun City estate and gentrification

With the enhancement of housing reform measures and the expansion of the commercial housing sector, the ODHRP implementation has become increasingly commercial in its approach. A close look at the status of residents’ re-housing for Xinzhongjie’s first phase redevelopment (that is, the Sun City estate project) showed a typical ‘market-oriented’ inner city redevelopment in Beijing. Very few residents were able to be re-housed due to the affordability problems.

There were no official statistics or registration data available that revealed the residents’ destination upon their displacement at the time of the first phase redevelopment in Xinzhongjie. The interviews with the neighbourhood committee leaders all suggested that most residents took cash compensation and moved to near suburban or outer suburban districts outside the fourth ring road:

“At the time of displacement and relocation, after real estate developers heard about the news, they all came, each of them with a coach, pulling us into the car to take us to view their houses. So, for a while, because it was free of charge, all the residents got on the car everyday, taking a view of those houses, checking out each area’s public transportation links, the sales price and so on. All those houses were fine-looking and pretty…[At that time] so many companies came. They came from Tongxian [c.20 kilometres to the east, outside the fifth ring road], from the airport area, also from Kangjiagou [between the fourth and fifth ring roads], Wangjing area [outside the fourth ring road to the northeast]. Also came from the west, Shijingshan district [around the western section of the fifth ring road]. From all over the city, but mostly from the northeast, because we are geographically located at the north-eastern corner. Less people bought houses in the southwest…”

(Xinzhongjie neighbourhood committee leader)

When the first phase redevelopment took place in Xinzhongjie, the plan to provide rental dwellings in the neighbourhood for residents’ re-housing was scrapped at the early stage. Any residents who chose to return to the site upon project completion had to buy a redeveloped flat at a subsidised sales price.

The full market price of redeveloped flats in Sun City estate averaged 8,200 yuan/m². In terms of the construction space, the Sun City flats ranged from 69 m² one-bedroom flats to 256 m² four-bedroom flats. In order for a three-person household with a child to
purchase a 107m² two-bedroom flat, it would cost 880,000 yuan, indicating that an average Beijing household would require paying 25 times their annual household disposable income.\textsuperscript{34} For Xinzhongjie residents, the price-to-income ratio (hereafter PIR) would be much higher, reaching 39 to 1.\textsuperscript{35}

The residents who were subject to the first phase redevelopment in Xinzhongjie were offered a subsidised price of 5,500 yuan/m² if they chose to return for re-housing. This price, however, appeared to be still too high for most Xinzhongjie residents. Even at this subsidised price, a two-bedroom flat would still yield a PIR of 17 to 1 for an average Beijing household, and 26 to 1 for the Xinzhongjie residents.

It is, therefore, not surprising at all that few residents returned to the neighbourhood upon project completion. When the first phase redevelopment was completed, only about 20 households were reportedly re-housed by the end of February 2002. This meant a very low re-housing rate of less than 5%. The Director of Dongzhimen Street Office recollected:

“While carrying out the first phase of redevelopment [in Xinzhongjie], our original estimate was that about 10 to 20% [of the existing residents] would be re-housed, but the final result was that the number [of re-housed residents] was not as many as expected. At the time of initiating [this project], it was to demolish and carry out in-kind compensation. Afterwards, it was based on cash-compensation. In between, the policies have changed many times. I feel the policies change a bit too rapidly. Anyway, this project was not in accordance with the welfare housing allocation policy. It was on the basis of housing purchase if choosing to return to the neighbourhood. So, we don’t call it ‘re-housing’ (huiguan) but ‘return and buy’ (huigou).”

(Director of Dongzhimen Street Office)

Moreover, the majority of the re-housed residents left the Sun City estate within the next 18 months. By August 2003 when I was carrying out field research, only 6 families remained in the estate, and they were also said to be considering moving out in the near future. They didn’t mean to sell their properties, but keep them to receive monthly rents to pay for their mortgage.

\textsuperscript{34} The annual household disposable income for a three-person Beijing household reached RMB 34733 in 2001 (BMBS 2002; NBS China 2002)

\textsuperscript{35} The average annual household disposable income of the six interviewee households who were subject to the second phase of Xinzhongjie neighbourhood redevelopment was found to be 22,392 yuan.
**Government’s search for an alternative approach: the Haiyuncang model**

So far, this section has shown that the government has been implementing policies to provide incentives for developers participating in the ODHRP. This came at the expense of displacing existing residents to accommodate higher-income people. As in Seoul, it is interesting to find that the Beijing municipal government has also made changes to its conventional redevelopment approach and came up with a revised ODHRP approach in 2000 that aimed at increasing the likelihood of original residents’ re-housing (BMG 2000b). Four neighbourhoods were chosen as exemplary cases, and Haiyuncang neighbourhood which was one of my field research neighbourhoods was one of them. The other three neighbourhoods were Jiaodong, Dongsi and Min-an. Redevelopment of these neighbourhoods all began in 2001. In this section, I will interchangeably use the term, Haiyuncang model, to refer to the revised ODHRP approach.

**Revised approach towards ODHRP and pilot projects**

The major improvement introduced in the revised ODHRP approach (or Haiyuncang model) was to build affordable housing instead of commercial housing. The affordable housing (known as *jingji shiyongfang* in Chinese) programme was originally proposed by the government to make homeownership more affordable for low- and middle-income households, and had its roots in the ‘comfort housing’ (known as *anjufang* in Chinese) programme in the mid-1990s. The affordable housing programme commenced in 1999 with an aim of building flats on government-allocated lands. The price was regulated by local authorities, and the sales price of an affordable housing unit in Dongcheng District was set to be 5,000 yuan per m² in 2002 (DDG). This would be only about 60% of what an average commercial flat in the Sun City estate would have cost.

The revised approach was to call for a more pro-active organisational role of local authorities. The four exemplary neighbourhoods chosen for the implementation of this revised ODHRP approach were all in central locations in inner city districts, and could be said to be attractive places for profit-oriented real estate developers. In this respect, the revised ODHRP approach could be regarded as a case of the municipal government implementing a social approach by promoting a higher incidence of residents’ re-housing and safeguarding these neighbourhoods from the exploitation of real estate developers.

In order to carry out the experimental projects, the Dongcheng district government established Dongcheng Housing Development Corporation (hereafter Dongcheng HDC),
and it was this public agency that acted as the principal developer for Haiyuncang neighbourhood redevelopment. Demolition and construction works were contracted out. Local officials estimated that 1.5 billion yuan was spent in total for the project (CCHS 30 September 2004). The project finance was to come from the local government and residents’ contribution (that is, payment for their re-housing flats). The exemption of land use charges, which applied to the construction of affordable housing, also provided the reason for price deduction compared to other commercial housing sales.

**Haiyuncang neighbourhood redevelopment: work progress**

The redevelopment of Haiyuncang neighbourhood was to demolish existing dwellings, of which the total construction space reached 117,000 m² (this information was from the neighbourhood committee office). The neighbourhood was divided into two areas, District A and District D, and the total construction space of new dwellings reached 440,000 m² (Qianlong News Network 23 November 2002). Twenty nine buildings were provided: 11 were six-storey high medium walk-up blocks, which were surrounded by the other 18 high-rise blocks on four sides. The average living space of residents was planned to increase from 20 m² to 70 m² (Qianlong News Network 23 November 2002).

The official notice for residents’ displacement and demolition was disseminated on 18 May 2001 (DDG 2001b). Displacement and demolition works took place within less than 50 days (Qianlong News Network 23 November 2002), and was praised by the then deputy mayor of Beijing for being swift. In total, 5,319 households were displaced. To minimise the displacement and demolition schedule, more than 300 demolition units were put into Haiyuncang and Jiaodong (one of the four exemplary neighbourhoods aforementioned) neighbourhoods, each demolition unit being in charge of roughly 20 households on the average (DDG 2001c). The building work officially began on 18 September 2001, and was completed at the end of 2002 (Qianlong News Network 23 November 2002). The re-housing began on 23 November 2002, and took place over almost ten months. It took longer than expected due to the outbreak of the Severe Acute Respiratory Syndrome epidemic that swept the nation and the municipality in spring 2003 (DDG 2003a). 36

36 The re-housing work in redeveloped Haiyuncang neighbourhood came to a halt on 20 April 2003 due to the epidemic, and resumed again on 05 June 2003 (DDG 2003a).
Disputes over density

Beijing’s urban planning aimed to reduce overall population density in inner city districts by approximately 15% by 2010 (Beijing Today 7 December 2001). The completion status of Haiyuncang neighbourhood, however, indicated that the displacement of existing residents did not necessarily accompany the reduction in population density of the neighbourhood. According to the summary of Haiyuncang neighbourhood committee, the number of total residents displaced from Haiyuncang neighbourhood reached 12,252 (5,319 households). Given the surface area of the original neighbourhood (c.50 hectare), this was equal to about 24,500 people/km², which was 10% less than the average population density of Beijing’s inner city districts (27,332 people/km²) in 2000 (BMG 2001a). Upon completion of the neighbourhood redevelopment, the residential density increased substantially. In the case of Haiyuncang District D, the surface area of the district was 22 hectare, accommodating 2,600 re-housed households (7,800 residents). This would result in the population density of 35,500 people/km², which was 45% higher than the pre-redevelopment density.

The residents’ complaints regarding the substantially increased density were heightened in a recent court hearing that took place on 13 March 2005. According to a local newspaper report, the Beijing City Planning Committee was accused of having tacitly increased the density of four high-rise blocks (Block Nos. 1, 4, 6 and 9) by adding one storey without raising the building height (Jinghua Shibao 11 March 2005). 167 households filed a collective law suit against the municipal government, claiming that such design changes were not explained to them, and were contrary to what was presented at the time of signing the re-housing contract before displacement. The officials at the City Planning
Committee claimed that the change was inevitably made to re-house more residents, but the residents were demanding explanations as to why 87 households from other redevelopment neighbourhoods were accommodated in their neighbourhood if there were shortage of flats. Whether such a design change involved any illicit activities was yet to be determined.

**Local state as a developer?**

Haiyuncang redevelopment was one of the four redevelopment projects that were promoted in accordance with a revised municipal approach that favoured higher re-housing rates by subsidising the construction by the local government. It turned out however that as much as one third of the original neighbourhood space was allocated for commercial development. This would largely explain the high density upon redevelopment as discussed earlier.

It was explained by a municipal government official that the commercial development was to supplement the shortage of neighbourhood redevelopment funds (CCHS 30 September 2004). Upon completion of residential redevelopment, Dongcheng Housing Development Corporation signed a series of contracts. For instance, a contract with Beijing Mobile Communications was signed on 22 November 2002 to provide its office building, total construction space of 63,000 m², on a plot of 1.2 hectare (DDG 2002a). The lease contract for the land use right took place a year later on 12 December 2003, and the land use charge for this parcel reached 89.4 million yuan (BMBLRHM 2004), which was equivalent to about 6% of total project costs of Haiyuncang neighbourhood redevelopment. Another contract was signed on 18 June 2003 with Guohua Energy Investment Corporation to provide office spaces for the company and its subsidiaries (DDG 2003b).

As there was no financial statement for the redevelopment of Haiyuncang, it was not possible to find out to what extent such commercial development activities supplemented the funding shortage experienced in Haiyuncang neighbourhood redevelopment. If the commercial development was a necessary condition for the financially feasible implementation of the Haiyuncang model, it meant that the success of the Haiyuncang model would largely be influenced by private interests. Those neighbourhoods in less strategic locations for profit generation and business activities would experience difficulties in replicating the Haiyuncang model in their neighbourhoods. This would
endanger the future of the revised ODHRP approach.

On the other hand, if such commercial development was not a necessary condition, then, this simply indicated that the Dongcheng Housing Development Corporation had been performing in the same manner as private developers and was making development gains under the disguise of carrying out social goals of re-housing residents. As the Dongcheng Housing Development Corporation was established and influenced directly by the Dongcheng district government, this suggested that the local authority itself turned into a profit-oriented entity with less attention paid to the housing welfare of residents within its jurisdiction. Perhaps, such a conversion was not completely alien from the perspective of local authorities, as local state-owned enterprises acting as real estate developers were widely practiced until recently (Fang and Zhang 2003).

**Haiyuncang model and residents’ re-housing**

When the Beijing municipal government began to experiment with the revised ODHRP approach such as the Haiyuncang model, the positive feature was the re-orientation of municipal urban policies towards original residents’ re-housing. As low-cost affordable housing was to be provided on site for the re-housing of existing residents instead of highly priced commercial housing, the sales price of a re-housing flat was more affordable for residents. Only the Beijing households who were registered within redevelopment neighbourhoods could be subject to re-housing or cash compensation. Re-housing flats were for sales only, and their renting was not permitted. According to an official at the Housing Management Department at the Dongzhimen sub-district office, the sales price of a self-contained flat for Haiyuncang redevelopment project was set at a ceiling of 5,000 yuan\(/{m^2}\). The full price of a completed three bedroom re-housing flat with a construction space of 75 m\(^2\) would cost about 375,000 yuan, equivalent to about 11 years’ accumulation of the average Beijing household’s annual disposable income. The original residents in Haiyuncang, however, could enjoy discounts by taking into account their working years and the construction space of their original dwellings. Long-term housing loans were arranged by the local government in accordance with the regulations (BMG 2000b).

In order to see how much a household would have to pay to be re-housed and how much the same household would have received if it chose cash compensation, I took the example of a Haiyuncang neighbourhood committee leader whose family was also re-housed upon project completion. Her family was a four-person household, which used to
live in a non self-contained dwelling with a construction space of 32 m², and was re-housed in a three-bedroom flat with a construction space of around 75 m². The total amount her family had to pay reached 130,000 yuan. This was only about one third of the full price of an affordable housing flat of the same size in Dongcheng district. If her family had chosen cash compensation instead of re-housing, she would have received only about 190,040 yuan, which was far inadequate to buy even a one-bedroom affordable housing flat whose minimum space was about 45 m².

The Haiyuncang neighbourhood committee specified that, among the 5,319 households displaced from the neighbourhood, 3,716 households were re-housed in the neighbourhood upon project completion. This led to the re-housing rate of 70%, which was very high compared to the re-housing rates in other ODHRP projects such as the one in Xinzhuangjie. Those residents who did not choose the re-housing option received cash compensation, and were to find a dwelling on their own, which included the purchase of affordable housing in a suburban estate outside the north-eastern section of the fifth ring road. The arrangement was made by the Dongcheng district government:

“Our district government has an affordable housing estate at Tiantongyuan area in Changping district…Here, we issue a certificate, and the residents take it to go and relocate in that area. The sales price is 2,650 yuan/m², with a management fee of 0.5 yuan/m². That’s relatively cheap. If you are not satisfied with the place, you can go to other places on your own and choose a house, somewhere in Chaoyang or Daxing. For example, if you are particularly worse off and cannot come back for re-housing, you can relocate to these areas, as the houses there are cheap, but nobody went there. It was too far away.” (Haiyuncang neighbourhood committee leader)

For those who preferred to be re-housed in Haiyuncang, long-term loans from the housing provident fund were arranged for qualified residents. Just before re-housing started, 1,894 applications (that is, about half the re-housed households) from Haiyuncang were approved, the total loan amount reaching 245 million yuan (DDG 2001d). It was not known, however, how many applicants failed to receive the housing loans. For low-income residents, resorting to housing loans involved commitment to monthly loan payment that might be beyond one’s household income capacity. For instance, in an interview with one

37 The detailed methods for estimating the re-housing prices and cash compensation could be found on the district government’s web site that showed information on the guideline for carrying out the revised ODHRP in Jiaodaokou neighbourhood (DDG 2001a). Because this neighbourhood was based in Dongcheng district and its redevelopment commenced at the same time as the work in Haiyuncang, the guideline could be safely assumed to have applied to Haiyuncang redevelopment as well.
of the neighbourhood committee leaders at Haiyuncang whose family was also re-housed, her family paid 130,000 yuan for the re-housing flat after discount, and borrowed 60,000 yuan through the housing loan scheme. Spreading the repayment over ten years in instalment, her family was paying back 600 yuan each month. For a family in Beijing whose income level belonged to the bottom 20% of the income decile distribution, this would constitute about one third (37%) of monthly household disposable income (BMBS 2003a).

It would be possible that the other re-housed residents who did not receive housing loans either failed to receive housing loans or resorted to personal savings and informal borrowing only due to their ineligibility for formal loan application or incapacity to afford monthly repayment. This aspect of constraints will be further discussed in the following chapter.

**Summary**

This section has examined the policy incentives put into practice by the central and local governments in order to pursue ODHRP projects in Beijing. As in Seoul, these incentives helped professional developers avoid financial constraints, recover their investment and maximise profits. The implementation of ODHRP projects led to the suburbanisation of original residents, as these projects led to the gentrification of inner city ODHRP neighbourhoods. The first phase Xinzhongjie redevelopment was a clear example of this gentrification. This section also showed that the municipal government began to make a direct intervention since 2000 by establishing public development corporations to carry out redevelopment. This was aimed at providing affordable dwellings and therefore, increasing re-housing rates. The case of Haiyuncang redevelopment indicated that this was to some extent a success, as more than two thirds of the original residents were re-housed. A closer examination showed, however, that the direct intervention was profit-motivated, as the neighbourhood redevelopment involved higher density redevelopment of a section of the original neighbourhood area in order to release remaining lands for leasing to business and commercial interests.
6.3 Conclusion

The growth of both JRP and ODHRP projects has been supported by the government intervention that provided policy incentives for participating professional and/or individual developers so that the JRP and ODHRP projects could remain attractive for developers and property-owners despite these projects’ heavy upfront costs. These incentives included help with project financing, property transaction, housing purchase and planning control. The most direct arrangement to help ease developers’ financial pressure could be the off-plan purchase system. Once a project started, the off-plan purchase allowed developers to rely on homebuyers’ instalment payments to proceed with the rest of the construction schedule. The implementation of the off-plan purchase system suggested that developers’ participation as the main financier would only be sustained by utilising prospective homebuyers’ purchasing power, and that the development risk was effectively shared between developers and homebuyers. Another interesting aspect in Seoul, which was not found in Beijing, was that public rental flats for eligible tenants were first constructed by developers, and then sold to the municipal government. In the case of Beijing, the municipal government executed an ‘allocation first, bid later’ policy for developers so that land premium payment could be postponed to suit the developers’ financing schedule. Foreign investment in real estate and ODHRP projects was also significant in Beijing, while it was hardly noticeable in the case of Seoul’s JRP.

This chapter has shown that the implementation of the JRP and ODHRP led to the gentrification of redevelopment neighbourhoods. In Seoul, the JRP accompanied the displacement of not only tenants but also owner-occupiers despite the policy emphasis that their participation was to be key to its successful implementation. In Seoul, the provision of public rental flats for eligible tenants, however, could be a platform to prevent the complete transformation of a neighbourhood into middle- or higher-income residential area. The provision of public rental flats in redevelopment neighbourhoods was not exercised in Beijing. The ODHRP in Beijing also led to the gentrification of redevelopment neighbourhoods, and the distinct feature was that the gentrification accompanied original residents’ suburbanisation.

The municipal governments in Seoul and Beijing have tried to address the shortfall of JRP and ODHRP projects by coming up with revised approaches. The implementation of the rolling redevelopment in Nangok took place as the public sector’s attempt to fill the gap where the private sector had failed. In this way, the neighbourhood redevelopment was
completed, and the closure of the rent gap in Nangok redevelopment could be achieved. From the residents’ perspective, the rolling redevelopment guaranteed secure relocation rental dwellings for eligible tenants upon project commencement. In this way, tenants did not have to finance their temporary re-housing during the project period. The rolling redevelopment, however, appeared to have two significant shortfalls. Firstly, from the residents’ perspective, eligible tenants were permanently displaced from their original neighbourhood. Secondly and perhaps more importantly, the rolling redevelopment turned out to be only applicable when public development corporations such as the KNHC were to conduct redevelopment projects. Private developers were unlikely to implement such an approach due to heavy upfront costs, and this questioned the replicability of the rolling redevelopment approach in the long run.

In Beijing, the Haiyuncang redevelopment seemed to have achieved a higher social goal of re-housing the majority of original residents in the neighbourhood compared to other conventional ODHRP projects such as the Sun City project in Xinzongjie. The Haiyuncang model, however, invites criticisms on three accounts. Firstly, it was a heavily subsidised, government-led project. The district government itself admitted that there was lack of government funding to fully finance the project even though the land use premium was exempted for the district-owned housing development corporation. The project had to rely on commercial development on part of the original neighbourhood in order to supplement its losses.

The first criticism leads to the second: to what extent would the district-owned housing development corporation behave as a profit-oriented developer? Would it be free of any bureaucracy and corruption? The Haiyuncang residents’ appeal against planning misconduct regarding density and building height control raises concern regarding the way in which the local authority intervenes. The greatly increased population density in the completed estate also suggests that the district-owned housing development corporation may have been oriented too much towards making profits. Considering the position of the municipal planning bureau that overall resident population density should be reduced in inner city districts in the long term, the densification of Haiyuncang neighbourhood suggests that the government is simply re-shuffling the population in such a way that residents are cornered in a smaller neighbourhood, making room for commercial development while the ‘average’ density did not get raised.
The third point to consider is the government’s proposed way of financing their re-housing costs. Housing mortgage was introduced, utilising the accumulated housing provident fund in Dongcheng District. In order to be eligible for the mortgage, however, residents must have contributed for a certain period, which means that at least a member of a family needed to be a formal employer in a work place that operates the Housing Provident Fund (HPF). As the system is employer-based, this bears a serious equity issue. Residents with no secure job or workers working in under-performing firms which do not have the capacity to make the employer portion of the HPF contributions would be denied access to this form of mortgage scheme. For such families, there is only one remaining option, which is to take the cash compensation and be permanently displaced from their neighbourhood. About 30% of existing residents went along this path.

Having examined the direct and indirect government intervention in neighbourhood redevelopment and its consequence upon residents’ displacement and gentrification, the thesis will move on to the discussion of redevelopment impacts upon residents, starting with the constraints upon residents’ decision-to-move.
Chapter 7
Redevelopment and residents: Constraints upon ‘decision-to-move’

7.1 Constraints upon residents’ decision-to-move: the case of Seoul
   - Housing market: a mismatch between supply and demand
   - Limited supply of public rental housing
   - Housing purchase and affordability problems
   - Redevelopment compensation for tenants
   - Limits with formal financial opportunities
   - Summary

7.2 Constraints upon residents’ decision-to-move: the case of Beijing
   - Housing reform and homeownership orientation
   - Redevelopment compensation: from re-housing to full monetarisation
   - Commercial housing and affordability problems
   - Unaffordable ‘affordable housing’
   - Under-development of private renting
   - Limits with formal financial opportunities
   - Summary

7.3 Conclusion
This chapter forms the first of three chapters on residents. It employs the supply-side constraints perspective on residents’ displacement and relocation to discuss institutional and structural constraints that influence residents’ decision-to-move when they become subject to neighbourhood redevelopment in Seoul and Beijing. These constraints were identified from my field research in redevelopment neighbourhoods, and then analysed and interpreted against the backdrop of wider socio-economic processes.

Each section is devoted to the discussion of constraints in one city. The major constraints examined in this chapter are largely related to the housing production and tenure system, redevelopment compensation regulations, housing affordability problems, and existing housing finance system for low-income residents. These constraints are discussed in relation to place-specific contexts, taking into account the historical and contemporary development of the housing provision system in each city. The final section pulls together the findings from both cities.

### 7.1 Constraints upon residents’ decision-to-move: the case of Seoul

**Housing market: a mismatch between supply and demand**

In Seoul, the proportion of owner occupying households is substantially lower than the national urban average (NSO Korea 2001a). In fact, as shown in Table 7-1, nearly 60% of municipal households in Seoul were in some form of rental contract in 2000, and the dominant form was Chonsei tenure that did not require monthly rent payment as long as key money was paid to the landlord upon signing a contract.

<table>
<thead>
<tr>
<th>Tenancy</th>
<th>Owner occupation</th>
<th>Tenancy sub-total</th>
<th>Unknown</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chonsei</td>
<td>6,222,073</td>
<td>3,885,239</td>
<td>1,452,319</td>
<td>244,393</td>
</tr>
<tr>
<td>Deposit-based monthly rental</td>
<td>1,452,319</td>
<td>31.4%</td>
<td>11.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Monthly rental with no deposit</td>
<td>244,393</td>
<td>2.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Others</td>
<td>585,361</td>
<td>4.7%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>6,167,312</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

As the Chonsei key money is returned to tenants in full when their rental contracts expire, Chonsei is much more favoured by tenants over other rental tenure systems. Monthly rent payment is likely to be chosen when tenants are financially incapable of paying the full
Chonsei key money. Tenants also equate monthly rent payment with the reduction in their monthly household disposable income, and thus consider it as an irrecoverable ‘waste’ of their financial assets, as one of the displacees from Nangok neighbourhood stated:

“Paying monthly rents, well, in my view, is a crazy thing to do. Paying several hundred thousand [Korean] Won is such a waste with no returns, isn’t it? I’d rather live on streets, save some money and find Chonsei…” (Interviewee KSS7-INT-13)

Another interviewee living in an adjacent neighbourhood was in deposit-based monthly rental tenure, but stated that Chonsei was more preferable if circumstances permitted:

“My situation doesn’t allow me to choose Chonsei. My children are in junior high and primary schools, and no matter how much I earn, I can’t save enough to pay for Chonsei deposit… What I’m saying is that it’s not whether one favours it [Chonsei] or not. Everyone wants to live on Chonsei tenure. If you are a tenant in someone else’s house, no matter what other conditions you face, Chonsei is still better…” (Interviewee KSS7-INT-15)

In terms of dwelling types, the majority of tenant households in Seoul lived in individual houses (or *dandog jutaeg* in Korean; see Figure 7-1 for the description of individual and multi-dwelling houses). As shown in Table 7-2 below, the Population and Housing Census in 2000 found 64% of tenant households living in individual houses, and 22% in apartment flats. According to the table, it was also more likely for those tenants in individual houses to double up with other households within a dwelling. On average, each individual house was home to 2.38 tenant households, and each apartment flat only 0.41 tenant households. Such figures indicate that apartment flats in Seoul were clearly oriented towards single-household and owner occupation.

<table>
<thead>
<tr>
<th>Category</th>
<th>Dwelling forms</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Apartment flats</td>
<td>Individual houses</td>
</tr>
<tr>
<td>Total number of existing dwellings</td>
<td>1</td>
<td>974,910</td>
</tr>
<tr>
<td>Total number of residing households</td>
<td>2</td>
<td>977,832</td>
</tr>
<tr>
<td>(Households per dwelling unit) 3/1</td>
<td>(1.00)</td>
<td>(3.17)</td>
</tr>
<tr>
<td>Total number of tenant households</td>
<td>3</td>
<td>403,788</td>
</tr>
<tr>
<td>(Tenant households per dwelling unit) 3/1</td>
<td>(0.41)</td>
<td>(2.38)</td>
</tr>
<tr>
<td>Tenancy</td>
<td>Chonsei</td>
<td>290,754</td>
</tr>
<tr>
<td></td>
<td>Deposit-based monthly rental</td>
<td>98,433</td>
</tr>
<tr>
<td></td>
<td>Monthly rental with no rent deposit</td>
<td>1,622</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>12,979</td>
</tr>
</tbody>
</table>

Note: 1) See Figure 7-1 for the explanation of the difference between *dasedae jutaeg* and individual houses.
Individual dwellings in South Korea would be broadly grouped in two categories.

1. **Dandog jutaeg (loosely translated as 'individual house')**

   **Dandog jutaeg** is in general for single family occupancy. It’s usually one or two-storey high, and has a small yard. It could be sub-divided for renting, in which case tenants usually live together with owner occupying household. There is no separate main entrance for tenants, and it is common for tenants to share cooking and bathroom facilities with their landlords.

2. **Multi-dwelling house (see pictures below)**

   A multi-dwelling house is for multiple household occupancy, and is usually three- or four-storey high. It is sub-divided with an independent entrance, cooking and bathroom facilities for each household.

   A multi-dwelling house is further divided into two sub-categories by law: **dasedae jutaeg** and **dagagu jutaeg**. The former refers to a multi-dwelling house whose sub-divided units can be subject to ownership transfer. The latter refers to a multi-dwelling house whose sub-divided units cannot be subject to ownership transfer. In Korean statistics, dasedae jutaeg is treated as a separate category for collecting household and housing data, while dagagu jutaeg is included in the individual house category.

![Multi-dwelling house example](image1)

The picture below shows examples of multi-dwelling houses near Nangok neighbourhood, one of which has a roof-top extension.

![Multi-dwelling house façade](image2)

The picture above shows a lateral façade of a multi-dwelling house. Each door in the picture leads to a separate sub-divided accommodation. The door in the lowest floor leads to a semi-basement dwelling.

**Note:** Both pictures taken by the author in June 2002

Such concentration of tenants in individual houses could partly be explained by the fact that the individual houses have experienced the least price increase since the mid-1980s. According to the results of the annual survey of urban housing price index conducted by Kookmin Bank, the increase rate of the sale price index for apartment flats between 1986 and 2001 was 138.9% in Seoul, whereas it was only 19.4% for individual houses (see Figure 7-2). In the case of Chonsei index, apartment flats again experienced a much higher rate of increase (331.2%) as compared to that of individual houses (116.8%). Such relatively moderate increase in the price index in the detached housing sector would have been more attractive to those low-income residents.
While tenants were largely concentrated in the detached housing sector, the housing production, however, was largely in favour of apartment construction, and in particular, high-rise flat construction. As shown in Figure 7-3 below, individual houses lost popularity among builders, and apartment construction became the norm in the construction industry. In the 1990s, around 80% of new dwellings constructed were high-rise flats (KNHC 2004; NSO Korea 2002b). The implementation of JRP in dilapidated neighbourhoods in Seoul has also resulted in the construction of high-rise flats almost without exception.
upon tenants and low-income owner-occupiers when they have to move out of dilapidated neighbourhoods due to redevelopment. Upon displacement, they have limited housing choice, looking for dwellings in neighbourhoods where individual houses for affordable renting are more likely to be found. Furthermore, as those tenants from redevelopment neighbourhoods used to pay as little as one-quarter of what other tenants paid in adjacent neighbourhoods as Chonsei key money, their displacement would likely place greater pressure on their financial situation, and increase hardship in the context of the housing price increase that has been prevalent since the late 1990s (see Figure 7-2 above).

**Limited supply of public rental housing**

The limited supply of public rental housing could be identified as the other major constraint upon residents’ decision to move, which presents little option but to find a private rental dwelling. In South Korea, the public rental sector has received relatively less attention, and just over 5% of the national population are housed in public rental housing (MoCT Korea 2002b: 322). Approximately 15% of all new housing units that were built between 1982 and 2000 could be classified as public rental dwellings, but the majority of them were for 3 to 5-year short-term leases (KNHC 2001a: 79). These were available to those low-income tenants who had subscribed to and maintained a Housing Subscription Savings account for a certain period, and were subject to sales to sitting tenants at the end of their lease period. For this reason, these rental units could not be regarded as ‘public’ in real terms, and were often seen as a route to home-ownership. As shown in Table 7-3 below, by the end of 2000 more than half of the available national public rental housing stock was for 5-year short-term lease.38

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38 Yeong-gu, as shown in Table 7-3, means ‘permanent’ in Korean, and refers to a certain type of public rental housing built for the low-income households from the late 1980s until mid-1990s. It was first of its kind in South Korea that had a 50-year lease period. Tenants were initially given a 2-year rental contract, renewable upon meeting the eligibility criteria under relevant regulations. The central government budget funded 85% of the construction costs. The programme came to an end due to the shortage of funding when the central government stopped its budgetary contribution in 1993 (SMG 2002b). Nowadays, these units mostly accommodate those recipients of NBLS benefits, and those who meet the criteria stipulated in Article 19 of Ordinance on Housing Supply.
Table 7-3: Public rental housing stock in South Korea (KNHC 2001a)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Yeong-gu rental housing</th>
<th>50-year rental housing</th>
<th>Urban redevelopment rental housing</th>
<th>5-year rental housing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National total</td>
<td>190,077</td>
<td>45,018</td>
<td>34,021</td>
<td>366,747</td>
<td>635,863</td>
</tr>
<tr>
<td>(Supplied by)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KNHC</td>
<td>140,078</td>
<td>24,028</td>
<td>0</td>
<td>56,439</td>
<td>220,545</td>
</tr>
<tr>
<td>Local governments</td>
<td>49,999</td>
<td>20,990</td>
<td>34,021</td>
<td>7,613</td>
<td>112,623</td>
</tr>
<tr>
<td>Private companies</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>302,695</td>
<td>302,695</td>
</tr>
<tr>
<td>Seoul total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of national total</td>
<td>24.1%</td>
<td>40.3%</td>
<td>97.0%</td>
<td>0.1%</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

Note: 1) These units are subject to sales after 5 years of rental operation. These are built by both public sector (KNHC and local governments) and private companies, and their construction is heavily subsidised by the National Housing Fund (Ha, 2002: 200).

In Seoul, the provision of public rental dwellings had been even lower. The Population and Housing Census in 2000 showed that approximately 22% of total national households (or 28% of all national tenant households) were living in Seoul by 2000 (NSO Korea 2001a). However, there were 97,549 public rental units available in Seoul (see Table 7-3 above), meaning that the public rental sector could only benefit 5.4% of all the municipal tenant households.

### Housing purchase and affordability problems

In the case of owner-occupiers in redevelopment neighbourhoods, the JRP arrangement is such that they retain the right to purchase a redevelopment flat at cost price and be re-housed upon project completion. Previous studies, however, show that less than half (47.3%) of the existing owner-occupiers had actually moved into their redevelopment flats upon project completion in the 1990s (SMG 2000a: 19.129-19.133). High sale prices of redevelopment flats could be identified as the main obstacle to re-housing.

In the JRP, the sales price of a redevelopment flat is preliminarily set by its developer at the early stage of a project when a project’s management disposal plan is finalised (see Figure 2-4 in Chapter 2). Property-owners (both owner-occupiers and absentee landlords) are expected to pay the full price in instalments. The exact price of a redevelopment flat is

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39 The 2000 Census revealed that there were 1,822,572 tenant households residing in Seoul by 2000 (NSO Korea 2001a)

40 This was based on the analysis of 110 redevelopment projects that were carried out between 1990 and 2000. The estimation took into account those owner-occupiers who were present at the time of the government’s redevelopment approval, and did not consider those who sold and vacated their dwellings prior to the government approval.
calculated when the whole project is completed. In its actual implementation of a JRP project, a rough estimate of the sale price is often shared among property-owners as rumours are spread around even before developers officially put forward their price estimation. The existing owner-occupiers in redevelopment neighbourhoods are discouraged, if their income and savings are not sufficient enough to afford those new flats, from the prospect of remaining as homeowners in their original neighbourhood upon project completion. This eventually leads to the sales of their property rights to off-site buyers, as an interviewee from Nangok neighbourhood expressed below:

“I hear the sales price will be at least KRW 5,000,000 per pyeong [that is, KRW 1,511,600 per m²], but the actual price is to be decided once they estimate all the costs. The demolition is not complete yet, so they don’t know how much the price is going to be, but say it’ll at least be KRW 5,000,000. That means, for a 44-pyeong [145.5 m²] flat, the price will be more than KRW 200 million41…I don’t have such money, so I am thinking of selling my right”.  (Interviewee KSS10-INT-05)

Such concern over the issue of affordability in Nangok did not turn out to be groundless when its developer made an announcement of the sales price of new flats. These prices are summarised in Table 7-4 below, and appear to be affordable only for middle- or higher-income households in Seoul. For instance, the price-to-income ratio (PIR) for the bottom 20% of income decile distribution was found to be 12.1 to 1 even for the smallest flat.

Table 7-4: Sales price of new flats supplied by Nangok redevelopment  
(NSO Korea 2001b)

<table>
<thead>
<tr>
<th>Construction floor space</th>
<th>Number of flats</th>
<th>Sales price (based on 6th floor flats)</th>
<th>Annual household disposable income in urban areas (salary and wage earning urban households)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(m²)</td>
<td></td>
<td>Price per flat (in KRW)</td>
<td>Bottom 20% of income decile (in KRW)</td>
</tr>
<tr>
<td>56.2</td>
<td>51241</td>
<td>119,704,000</td>
<td>9,854,400</td>
</tr>
<tr>
<td>79.3</td>
<td>880</td>
<td>172,011,000</td>
<td>9,854,400</td>
</tr>
<tr>
<td>99.2</td>
<td>15</td>
<td>229,482,000</td>
<td>9,854,400</td>
</tr>
<tr>
<td>135.5</td>
<td>23</td>
<td>229,482,000</td>
<td>9,854,400</td>
</tr>
</tbody>
</table>

Note: 1) These 512 flats are public rental flats for tenant households in Seoul, and are not accessible for existing property owners of Nangok neighbourhood. 
Source of sales price: http://www.ten.co.kr/Re/Main/Tooja02.asp?serno=90&chk=d (accessed on 10 April 2005)

41 This would lead to the price-to-annual disposable income ratio of 7.2 to 1 for average salary and wage earning urban households, and 18.6 to 1 for the bottom 20% of the income decile distribution (NSO Korea 2001b).
The affordability problem was worsened by the fact that those redevelopment flats were relatively spacious. As Ha (2001: 392) noted, “the average floor space per household in the redeveloped area is higher than that of Seoul City as a whole.” In Nangok, the average construction space of all the flats to be supplied was estimated to be 100.8 m². If we exclude public rental units which were much smaller than flats for sales, the average floor space turned out to be 108.9 m².

**Redevelopment compensation for tenants**

If on-site owner-occupiers are experiencing affordability problems regarding the newly built flats in the neighbourhood, the obvious constraint upon tenants would be their eligibility for legal compensation. As far as redevelopment compensation is concerned, tenants would be divided into two groups according to their eligibility for redevelopment compensation: (1) those entitled to in-kind (access to a public rental flat built on site) or cash compensation; and (2) those not entitled to any kind of compensation but a token fee to help with their house-moving expenses.

In Seoul, at the time of the inception of JRP, there was no compensation for tenants in redevelopment neighbourhoods. This provoked protests and appeals, often violent and fierce, by tenants against forceful eviction in the 1980s, calling for international attention (ACHR 1989a; CIIR 1988). It was only towards the end of the 1980s that the central government introduced a legal basis for tenants’ relocation compensation. The compensation measures put into practice in 1989 have remained unchanged since then (SMG 2000b). The eligibility for any legal compensation is based on residence status: in order to qualify, tenants must have lived in the redevelopment neighbourhood for at least three months by the time their neighbourhood is designated as a redevelopment district and its final blueprint – called ‘comprehensive redevelopment plan’ – is officially approved. The provision of redevelopment compensation for eligible tenants didn’t completely prevent tenants’ protests, but the protestors came to be constituted largely by ineligible tenants. This meant that property-owners and developers didn’t have to run into confrontation with the entire tenant population in redevelopment neighbourhoods.

In the case of eligible tenants in redevelopment neighbourhoods, the redevelopment compensation consists of in-kind and cash compensation. In-kind compensation refers to a public rental housing unit built on site. If this option is chosen, tenants are to return to their redeveloped neighbourhood upon project completion, but they would have to
finance their temporary relocation costs themselves. Public rental units built on site to rehouse eligible tenants are purchased by the municipal government, hence bearing no costs on developers and property-owners (Kim et al. 1996: 109-110). If cash compensation is chosen instead of a public rental flat, they receive an amount equivalent to three months of average monthly expenditure for wage- and salary-earning urban households. It increases incrementally to take into account the household size (Kim et al. 1996: 109-110). Table 7-5 below shows the amount of cash compensation for those eligible tenants in Nangok at the time of commencing formal relocation in 2000. The cash compensation turned out to be 16% to 49% of average annual household disposable income for salary and wage earning households in cities. For the bottom 20% of income decile distribution, it was 36% to 110%.

Table 7-5: Cash compensation for eligible tenants in Nangok
(NSO Korea 2001b)

<table>
<thead>
<tr>
<th>Number of household members</th>
<th>Total cash compensation (Unit: KRW)</th>
<th>Cash compensation as a proportion of average annual household disposable income1)</th>
<th>Cash compensation as a proportion of annual household disposable income for bottom 20% of income distribution2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3,541,800</td>
<td>49.4%</td>
<td>110.0%</td>
</tr>
<tr>
<td>2</td>
<td>4,386,000</td>
<td>30.6%</td>
<td>68.1%</td>
</tr>
<tr>
<td>3</td>
<td>5,367,300</td>
<td>25.0%</td>
<td>55.6%</td>
</tr>
<tr>
<td>4</td>
<td>6,621,300</td>
<td>23.1%</td>
<td>51.4%</td>
</tr>
<tr>
<td>5</td>
<td>7,137,900</td>
<td>19.9%</td>
<td>44.3%</td>
</tr>
<tr>
<td>6</td>
<td>7,762,500</td>
<td>18.1%</td>
<td>40.2%</td>
</tr>
<tr>
<td>7</td>
<td>8,606,700</td>
<td>17.2%</td>
<td>38.2%</td>
</tr>
<tr>
<td>8</td>
<td>9,450,900</td>
<td>16.5%</td>
<td>36.7%</td>
</tr>
<tr>
<td>9</td>
<td>10,295,100</td>
<td>16.0%</td>
<td>35.5%</td>
</tr>
</tbody>
</table>

Note: 1) This is based on the annual disposable household income for salary and wage earning households in urban areas, surveyed annually by the National Statistical Office. In 2000, the average annual disposable income was KRW 25,362,000 (average household size, 3.54 persons). For the bottom 20% of income decile distribution, it was KRW 9,854,400 (average household size, 3.06 persons).

In the case of ineligible tenants, they only receive a token fee to pay for their house-moving expenses, and do not enjoy any priority access to public rental housing either in the redevelopment neighbourhood or elsewhere in the city. If they wish to access public rental flats, they would have to go through a centrally administered application process, competing with other tenants from all over the city. This is a very time-consuming process under the condition of such limited supply of public rental housing. Even if an applicant is allocated to a public rental dwelling, it’s not guaranteed that the flat is in or near the neighbourhood where the applicant has been residing. Such situations would not be

42 Among the public rental flats in Table 7-3, urban redevelopment rental units are designated for eligible tenants displaced due to residential redevelopment projects, and therefore, the number of available public rental flats for ineligible tenants is further limited.
encouraging for those who wished to stay nearby, as some interviewees ineligible for redevelopment compensation remarked:

“If a public rental flat is provided, it would not be in this area, but somewhere else, so I will have to move out if that happens. If not, then I will stay in this area, moving to somewhere down the hill, not very far. My children have been students of the primary school from Year 1, so I want to see them graduate. I also don't know when my work here would come to an end, but I still have a job here, and I don't know how I would manage to make friends with new neighbours if I move…”  (Interviewee KSS7-INT-01)

“…I sent in a petition to everywhere, to the President, to the Mayor, to the District Government, KNHC, and to the local district assembly member from this neighbourhood, to everywhere…Then, personally, I got a call, saying there is a [50-year public rental] flat at Seodaemun-dong [this area is located in central Seoul and takes about one and a half hour to get there from Nangok by public transport]. It is about 11 or 12 pyeong in size [36 or 40 m²]. But, my daughter's work place is on this side of the river, and too far from that flat. And, the flat is too small as well, so I declined the offer…”  (Interviewee KSS7-INT-05)

**Limits with formal financial opportunities**

If residents from redevelopment neighbourhoods were to find a private rental dwelling, the degree of their access to financial arrangements at formal institutions would be important. The prospect, however, was not bright. In South Korea, personal savings and financial support from relatives have played a significant role in financing one's housing costs. For instance, a social statistics survey conducted by the government in 2001 (NSO Korea 2002d: 102) revealed that personal savings and financial support from parents or relatives were the top two major sources of funding for the purchase of one’s own house in Seoul. Loans from banks were only the third major source for home buyers.

A housing finance programme was established by the government to assist low-income tenants in 1990. Its full name is called ‘National Housing Fund (hereafter NHF) Housing Loan Programme to Subsidise Chonsei Deposits for Low-income Households.’ The programme taps resources from the NHF, which was established in 1981 and pools resources to finance affordable housing construction nation-wide. An application for NHF housing loans is made to the local district government by tenants who have to meet two conditions: (1) they should have a valid rental contract with a private landlord before making the application; and (2) they should have paid 10% of their Chonsei deposit in advance. The local district government then reviews the eligibility of the applicants, and recommends those successful applicants to the local branch of Kookmin Bank that
administers the distribution of NHF housing loans. The bank then reviews the credit standing of applicants before depositing the loan into the successful applicants’ account (MoCT Korea 2002d, 2002e; SMG 2002b: 95-96). The main eligibility criteria and conditions of exclusion are listed in Table 7-6 below:

Table 7-6: Main eligibility criteria and conditions of exclusion regarding NHF housing loans for low-income households in South Korea
(MoCT Korea 2002d; SMG 2002b: 95-96)

<table>
<thead>
<tr>
<th>Category</th>
<th>Contents</th>
</tr>
</thead>
</table>
| Eligibility criteria | The applicant should have made a tenancy contract, and have pre-paid 10% of the Chonsei deposit to the landlord before making the application. The applicant must meet the following requirements:  
▪ The total amount of Chonsei deposit should not exceed the upper limit specified by the local government in each region. In Seoul, as of July 2002, the upper limit is KRW 50,000,000;  
▪ The net floor space of a rented accommodation should be 85 m² or smaller.  
▪ The application should be made in the name of the head of a household, who is at least 20 years old and has dependent family members, or by a person recognised as a household head by the local government. Single-person households are, in principle, excluded unless the person is 35 years or older and has no other person on his resident registration for at least one year at the time of application. |
| Conditions of exclusion | Those applicants meeting the following requirements are excluded from receiving the NHF housing loans:  
▪ Any member of the household is in possession of a passenger car with engine displacement of 1500 cc or more;  
▪ Any member of the household is in possession of a real estate property;  
▪ The rented place is a public rental flat;  
▪ Any member of the household is on the credit delinquency blacklist managed by the Korea Federation of Banks in accordance with the relevant regulations, and thus experiences restrictions with financial transactions;  
▪ The applicant has already received the NHF housing loan, and has not fully paid back at the time of making an application for a new loan. |

Since the 1997 Asian Financial Crisis, the amount of loan a household could take out was increased substantially at several occasions in the government’s attempt to assist housing finance for low-income tenants (see Table 7-7 below). Since mid-2000, in the case of Seoul, this NHF housing loan has been open to those who sign a tenancy contract that involves Chonsei deposit of less than or equal to KRW 50,000,000. These tenants can borrow as much as 70% of their Chonsei deposit at a competitive annual interest rate of 3%. The borrowers are required to pay back the loan in lump sum payment after 2 years of grace period. The loan is renewable twice (Kim et al. 2004: 23-24; SMG 2002b: 93-96).
Table 7-7: Expansion of NHF housing loan programme to subsidise Chonsei deposits for low-income tenants in Seoul
(MoCT Korea 2002a; SMG 2000a: 2.689; 2001a: 11.1014; 2002a: 11.60)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of beneficiaries (unit: households)</td>
<td>5,302</td>
<td>6,438</td>
<td>12,004</td>
<td>9,756</td>
<td>16,292</td>
<td>12,934</td>
</tr>
<tr>
<td>Total amount of loans (unit: million, C5KRW)</td>
<td>33,400</td>
<td>42,200</td>
<td>83,500</td>
<td>83,700</td>
<td>165,900</td>
<td>197,210</td>
</tr>
<tr>
<td>Average amount of loan per household (unit: million, KRW)</td>
<td>6.30</td>
<td>6.55</td>
<td>6.96</td>
<td>8.58</td>
<td>10.18</td>
<td>15.25</td>
</tr>
<tr>
<td>Maximum amount of loan a household could claim (unit: KRW)</td>
<td>n.a.</td>
<td>7,500,000</td>
<td>10,000,000</td>
<td>10,000,000</td>
<td>15,000,000 from 16 March; 70% of Chonsei deposit from 27 August</td>
<td>70% of Chonsei deposit</td>
</tr>
<tr>
<td>Maximum amount of Chonsei deposit for applicants to be eligible to apply (unit: KRW)</td>
<td>n.a.</td>
<td>30,000,000</td>
<td>30,000,000</td>
<td>35,000,000 (26 June onward)</td>
<td>35,000,000</td>
<td>50,000,000</td>
</tr>
</tbody>
</table>

This housing loan programme for low-income households can be considered a meaningful measure to ease their housing difficulties to some extent, but it has limitations. Firstly, the programme still has limited funds despite the expansion since 1997, and benefits only a fraction of tenant households in South Korea. For example, the total number of households who are yet to redeem the loan has reached 81,396 households in 2003 (Kim et al. 2004: 51), but this only accounts for just over 1% of all the tenant households in South Korea. In Seoul, the number of borrowers in 2000 was estimated to be 9,756 households (see Table 7-7 above), but this accounts for only 0.5% of all the tenant households in Seoul.

Secondly, the terms of redemption, that is lump sum repayment after 2 years of grace period (or 6 years if renewed twice), are often considered to be too short for many low-income households whose insecure and irregular income status makes it difficult for them to save enough money before the grace period expires. In fact, one of the requests from the tenants’ association in Nangok was a long-term, low-interest loan, repayable in instalment over 10 to 20 years after several years of grace period:

“What we ask for is a long-term, low-interest housing loan. Personally, I wish to obtain housing loan, and pay back in instalment during 10, 20 years or so. If that's not possible, there's no way I can cope with this situation...Some people here request an increase in cash compensation, but I fundamentally disagree. We should ask for money that we can pay back somehow. Asking for money given gratis is like the mind of a thief. But, even if I work, I have no way to pay back within 2 or 3 years...so, we ask for a long-term, low-interest loan, but the state says it's not possible, saying there has been no precedent...but without such loan, I have no other way to rely on. My relatives are not well-off, and are no way in situation to lend me such money. Even if I borrow [through other informal sources], I can't
afford high interest, then my debt will increase…” (Interviewee KSS7-INT-02)

The average annual disposable income of the bottom 20% of the income decile distribution for salary and wage earning urban households turned out to be KRW 9,854,400 in 2000 (NSO Korea 2001b). This level of disposable income is only about one-quarter of the maximum amount of loan permitted under the revised loan programme in March 2002. Therefore, for those irregular workers and unemployed residents as well as those on means-tested social security benefits, the terms of redemption of the NHF housing loan require being more flexible if they are to be benefited by this programme.

In order to minimise the default on loan redemption, the maximum amount of NHF housing loan permitted to each applicant had been kept to be only about one-third of the maximum amount of Chonsei deposit until 2000. It was only from March 2001 that the central government revised the programme to allow as much as 70% of the total Chonsei deposit to be taken out as housing loans by low-income applicants. This indicates that the housing loan could be used only on part-financing the low-income tenants’ full housing costs, and further suggests that only relatively better-off tenants would be able to fully utilise the increased allowance.

Thirdly, as mentioned in Table 7-6, the NHF housing loan is not accessible to those moving into public rental housing units whose rental deposit is more than tenants used to pay while living in redevelopment neighbourhoods. The logic behind this restriction is that these units have already received subsidies from the National Housing Fund, which are paid out to the builders for the construction of these units. This restriction places significant constraints upon those low-income households (including the displacees from Nangok) who don’t have sufficient financial means at their disposal, and makes it difficult for them to take public rental flats as an alternative relocation option. Therefore, even if an eligible displacee from Nangok opts for a KNHC rental flat instead of cash compensation, they would have to finance the increased deposit without relying on the NHF housing loans. The likely situation is that the displacees are driven towards private rental accommodation so that they can at least consider applying for a NHF housing loan.

**Summary**

This section has discussed the major constraints that faced residents upon their displacement from redevelopment neighbourhoods in Seoul. The main constraints
identified were: (1) housing provision that places more emphasis on apartment flat construction rather than individual houses favoured by tenants; (2) limited supply of public rental dwellings, which limits the housing choice of low-income residents; (3) the affordability problems with the newly built flats, preventing low-income owner-occupiers in redevelopment neighbourhoods from being re-housed in their original neighbourhoods; (4) redevelopment compensation criteria; and (5) the limits with formal financial opportunities that benefit only a fraction of tenants.

7.2 Constraints upon residents’ decision-to-move: the case of Beijing

Since their inception in the early 1980s, mainland China’s housing reform policies specifically aimed at enhancing urban housing investment and breaking ties with the decades-long in-kind welfare provision of housing. The spatial and social changes in urban China during the reform era seemed to have brought significant changes to formerly restricted residential moves. In comparison with the pre-reform practices, urban residents were increasingly expected to behave under market conditions as active consumers of commercial housing and meet their individual housing needs with their own financial means. As the reform measures were put into practice and strengthened, a substantial proportion of urban households were assumed to be exposed to different tenure types with opportunities to move according to their personal preferences, thus increasing the incidence of intra-urban residential relocation and residents’ exercise of tenure preferences (Huang and Clark 2002; Li 2000; Wang and Li 2004).

With the persistence of institutional intervention in producing and executing urban and housing policies and developing housing markets, institutional and structural constraints are understood to play a more important and determining role with regard to the housing behaviour of urban residents and their intra-urban relocation during the reform period (see for example, Huang 2004; Li 2000; S.-M. Li 2004; Li and Siu 2001; Wu 2004). It is in this context that this section tries to address those constraints that would influence residents’ displacement and their post-displacement housing consumption in times of redevelopment.

Housing reform and homeownership orientation

Housing reform was first introduced with an emphasis on sharing responsibilities by
adopting a so-called ‘three-pillar system’ that called for diversified sources of investment from the local government, enterprises and employees (Hou 1999: 221-22; Li 2005). A strong emphasis was placed on introducing market principles in the housing sector so that housing was no longer treated as welfare goods but as a commodity (Wang and Murie 1996, 1999b; Zhou and Logan 2002).

The promotion of individual homeownership was at the centre of these reform policies, converting public housing as welfare benefit to capitalised asset (Davis 2003). Homeownership was thought to release the state and under-performing state enterprises from their over-stretched burden of welfare provision, and transfer the responsibility to the individuals. It largely progressed on dual tracks: (1) supply of commercial and affordable housing; and (2) sales of existing public rental units to sitting tenants.

Supply of commercial and affordable housing

Relatively better-off households were directed toward the commercial and affordable housing sectors. The latter (known as *jingji shiyongfang* in Chinese) was supplied at a lower price than commercial housing, made possible through various government subsidies to developers (e.g. tax redemption) (J. Lee 2000; Shi 2001; State Council of China 1998). In general, households whose income fell in the top 20% of income decile distribution were expected to buy commercial housing at full market price. Those households whose income was above the lowest 20% income were considered as potential buyers of both commercial and affordable housing. Over the years, the sales volume of new residential units to individuals in urban China has increased substantially. According to the National Bureau of Statistics, 88% of urban housing sold in 2000 went to individuals instead of institutions, and the sales volume reached 295.4 billion yuan (People’s Daily 19 March 2001). In 2002, Beijing also witnessed a high rate of market participation by individuals in housing purchase: 97% of 16 million m² of residential dwelling space sold in the market were bought by individuals (BMBS 2003b). This was a big change compared to the dominant role of institutional actors in the housing market in the 1990s.

43 Throughout the 1990s, it was often pointed out that one of the drawbacks of the 1990s reform measures was the unleashed purchasing power of the state enterprises, who turned out to be the major buyers of commercial housing on the market, much less constrained under the Enterprise Reform regarding the use of their budgets. Only a fraction of commercial housing was sold directly to individuals. Those houses purchased by the state enterprises and institutions were then rented out at nominal rents or sold out at heavily subsidised price to their employees (Wang and Murie 1996; Wu 1996). The practice came to an end
Privatisation of public rental housing

The homeownership rate has also increased through the sales of existing public housing stock to sitting tenants at a discounted price based on employees’ work history and ranks. As early as 1988, the stock transfer of public rental units was emphasised by the State Council as an essential component of housing reform policies (Song and Hu 2001). In Beijing, the municipal guidance on the privatisation first appeared in 1992 (BMG 1992). The earlier years of privatisation did not see a significant increase in homeownership rate: by 1993, about 13.7% of the sitting tenants in the public housing sector nationwide had bought their rented dwellings (Lin 2001). Throughout the 1990s, the sales volume had been rising steadily, and a big push came in 1998 when all kinds of welfare housing allocation were to be terminated (State Council of China 1998). Huang (2004) found in his sample survey that nearly half of the homeowners achieved their ownership in 1998. Many urban residents seemed to have rushed into the queue of securing welfare housing and subsidised sales to ‘catch the last train’ (Huang 2004: 62-63). In August 2002, the then Deputy Minister of the Ministry of Construction was proud to announce in an international conference that “Since the mid-1990s, 80 percent of China's public housing has been sold to local residents” (Xinhua News Agency 12 August 2002).

Homeownership in Beijing

In Beijing, the concentration of government institutions stymied the rise of homeownership during the early years of housing reform, but homeownership has been on the increase noticeably since 1998. Surveys by the municipal statistical bureau indicated that the proportion of owner-occupiers was just over 20% in 1998, but it reached 54.1% by 2001 (see Table 7-8 below).
Table 7-8: Changes in Beijing’s tenure structure, 1998 – 2001
(BMBS 2002)

<table>
<thead>
<tr>
<th>Year</th>
<th>Owner occupiers</th>
<th>Tenants</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full property</td>
<td>Public</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>rights</td>
<td>housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Partial property</td>
<td>housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>rights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>31.8%</td>
<td>44.5%</td>
<td>0.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2000</td>
<td>21.6%</td>
<td>53.2%</td>
<td>0.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>1999</td>
<td>12.1%</td>
<td>63.9%</td>
<td>0.2%</td>
<td>100.0%</td>
</tr>
<tr>
<td>1998</td>
<td>12.8%</td>
<td>76.6%</td>
<td>1.2%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: Partial property rights refer to the property rights that only grant right to occupy and use, and do not provide residents' right to dispose at one's own discretion.

It appears that the pre-reform dominance of public rental tenure has shifted towards a polarised system of owner occupation and public rental tenure. Private rental tenure was marginal and constituted less than 2% of the sample population. Although the strengthening of reform measures in the housing sector hoped to create diversity in the existing tenure structure, the much hoped-for diversity seemed to have occurred only within the owner occupation sector which was divided into homeownership with full and partial property rights.

The public rental sector in Beijing occupies an important position in the tenure structure, but its long-term prospect is not promising due to the increasing incidence of urban redevelopment replacing public rental units with commercial flats. The inner city districts were attracting more and more highly priced commercial flats and offices and, to make way for them, a large amount of public rental units were becoming subject to demolition. Therefore, the possibility of remaining as public housing tenants within the inner city districts was expected to be minimal.

**Redevelopment compensation: from re-housing to full monetarisation**

The method of redevelopment compensation went through a number of changes since the implementation of the ODHRP. Between 1991 and 1998, residents displaced from redevelopment neighbourhoods were compensated in accordance with the State Council’s Ordinance on the Management of Urban Housing Demolition and Relocation in 1991 (hereafter 1991 State Council Ordinance). It called for in-kind compensation, combined with cash compensation if necessary, when residents were to become subject to demolition and relocation (State Council of China 1991). This meant that developers in charge were to provide re-housing or relocation dwellings elsewhere, guaranteeing the
continuation of residents’ existing tenure in a relocation dwelling.

“Namely, it was in-kind relocation in consideration of the number of household members and their housing space. For example, let’s say there is a couple who lives with a son, daughter-in-law, and a grandchild. This constitutes three generations. The displacement and relocation regulation [at that time in the 1990s] was closely linked with household structure. That is, if a household structure was complex, the number of dwellings allocated would also increase… [In the previous case], the household structure would lead to the allocation of two dwellings. If there is a daughter within a family who is not married at the age of 22 years old, or a son at the age of 24 years old, then the family would be allocated another room. That is, a one-bedroom flat would become a two-bedroom flat…”

(Official from the Displacement and Relocation Department, Dongcheng district government)

Until the early 1990s, when the inner city redevelopment was still in its embryonic stage, it was not uncommon to find a redevelopment project that re-housed all local residents (Dowall 1994; Leaf 1995). ODHRP, however, favoured the provision of sub-urban relocation. A substantial number of inner city residents were relocated to newly developed sub-urban estates that served as relocation sites for displacees from inner city districts (Fang and Zhang 2003; Tan 1997). By the end of 1999, Beijing’s ODHRP projects resulted in the displacement of 160,900 households, of which 43.8% (70,500 households) were relocated elsewhere, and 29.8% (48,000 households) re-housed (UCCBMPPCC et al. 2003).

Such practices, however, took place at the expense of high project costs and low profitability, eventually becoming a hindrance to the rapid expansion of redevelopment programmes (Dowall 1994; Leaf 1995). A major revision took place in 1998. While the 1991 State Council Ordinance was still in its place, Beijing municipal government produced a revised compensation policy by announcing the implementation of the Measure for the Management of Urban Housing Demolition and Relocation in 1998 (hereinafter BJ-1998 Compensation Measure). It became effective as of 1 December 1998 (BMG 1998a). The key to this revision was the monetarisation of redevelopment compensation by taking two factors into consideration: the number of registered household members; and formal dwelling space. The BJ-1998 Compensation Measure did not rule out off-site relocation or on-site re-housing, but in its actual implementation, cash-based compensation was accepted as the norm under the new regulation, as an official explained below:

“The biggest difference was that it [that is, redevelopment compensation] was not
based on the allocation of relocation dwelling. All was monetarised. The idea came from the experiences of Tianjin. It also took the household element into consideration, but it mainly considered dwelling space…”

(Official from the Displacement and Relocation Department, Dongcheng district government)

Under the BJ-1998 Compensation Measure, households were more likely to receive a larger amount of compensation if their household size was larger, and if they occupied a bigger dwelling space. If a household lived in a non self-contained unit with no in-door kitchen or toilet facilities, the household was entitled to the receipt of an additional space subsidy of 25 m² (BMG 1998b). Only those residents who were formally registered as Beijing residents (that is, holders of Beijing hukou) were eligible for compensation. Informal self-built space was in principle not subject to compensation. Table 7-9 below shows the amount of cash compensation estimated when the BJ-1998 Compensation Measure was applied to three-person households in non self-contained dwellings of different sizes.

<table>
<thead>
<tr>
<th>Table 7-9: Estimated redevelopment compensation as per BJ-1998 Compensation Measure (BMG 1998a, 1998b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policy Doc.</strong></td>
</tr>
<tr>
<td>BJ-1998</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Note:
(1) The compensation unit price (6,300 yuan per m²) and the average price of economic housing (3,500 yuan per m²) were taken from the speech of the official from the Displacement and Relocation Department at the Dongcheng district government.

**Commercial housing and affordability problems**

The tenure polarisation as explained above restricts residents’ housing choice when they move from redevelopment neighbourhoods. Remaining as public housing tenants is difficult, and the available option is either to become owner-occupiers by purchasing a commercial or affordable housing unit, or take up a private rental contract that would involve excessively high rents for former public housing tenants. The problem here is that the likelihood of finding an alternative, affordable relocation accommodation within or near the inner city districts is slim due to affordability problems in both commercial and affordable housing sectors.

The increasing recognition of those four inner city districts of Beijing in the 1990s as the
centre of business and financial activities attracted many developers to focus on the construction of spacious commercial housing and office buildings. Most commercial houses completed were affordable only to the high-income groups of urban residents (Wang and Murie 1996, 1999a, 1999b; Wu 2002b), thus making it difficult for the existing residents to stay within the immediate surrounding area in central Beijing.

Table 7-10 below is a summary of average commercial housing costs and annual household income to examine the affordability crisis in Beijing. The average housing price in Beijing was taken from the housing price data produced by the National Statistical Bureau of China (Xia 2002).

<table>
<thead>
<tr>
<th>Housing cost and income</th>
<th>Residents interviewed</th>
<th>Beijing (in 2002)</th>
<th>Urban China (in 2002)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average (N = 13)</td>
<td>Average</td>
<td>Bottom 20% of income decile</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual household disposable income (RMB)</td>
<td>21,003.7</td>
<td>37,391.7</td>
<td>19,384.0</td>
</tr>
<tr>
<td>Average commercial housing price as of July 2001 (in RMB)</td>
<td>4,771 yuan per sq.m</td>
<td>381,680</td>
<td>2,137 yuan per sq.m</td>
</tr>
<tr>
<td>price-to-income ratio (PIR)</td>
<td>18.2 : 1</td>
<td>10.2 : 1</td>
<td>19.7 : 1</td>
</tr>
<tr>
<td>Average commercial housing price in Beijing in 2000 (in RMB)</td>
<td>620,240</td>
<td>561,600</td>
<td>561,600</td>
</tr>
<tr>
<td>price-to-income ratio</td>
<td>29.5 : 1</td>
<td>16.6 : 1</td>
<td>32.0 : 1</td>
</tr>
<tr>
<td>price-to-income ratio</td>
<td>26.7 : 1</td>
<td>15.0 : 1</td>
<td>29.0 : 1</td>
</tr>
<tr>
<td>Outside 4th ring road</td>
<td>288,000</td>
<td>288,000</td>
<td>288,000</td>
</tr>
<tr>
<td>price-to-income ratio</td>
<td>13.7 : 1</td>
<td>7.7 : 1</td>
<td>14.9 : 1</td>
</tr>
</tbody>
</table>

Note: 1) The calculation of the average commercial housing price in Beijing and price-to-income ratio is based on a unit with 80 m² of construction space, which was the average construction space of those relocated and re-housed households interviewed by the author.

According to the table above, an average Beijing household would have to pay more than 16 years’ accumulation of their household disposable income to buy a 80 m² self-contained commercial flat within the second ring road. In particular, the average housing price was the highest within the second ring road, and faltered away toward suburban areas. The price-to-income ratio (PIR) outside the fourth ring road for an average Beijing household turned out to be 7.7 to 1, less than half what it was within the second ring road. As for the interviewed displacees who retained much lower income status, they would have to pay nearly 30 years of their household disposable income if they were to stay close to their original place of residence within the third ring road. Unless sufficient
subsidies were to be provided, it looked evident that they would have to move out to suburban districts if they were to find a flat in the commercial housing sector. One of the interviewees made a shrewd comment regarding this situation:

“Nowadays, people say ‘high-level cadres live around the second ring road, while paupers live around the fifth or sixth ring road’”  

(Interviewee CBX-INT-07)

**Unaffordable ‘affordable housing’**

The discussion so far has focused only on the affordability problem in the commercial housing sector. The affordability problem, however, also engulfs affordable housing (*jingji shiyongfang* in Chinese). A set of preferential policies such as tax reduction were implemented to set the sales price of affordable housing flats within the range of between 2,400 and 4,450 yuan/m². In general, the price of an affordable housing unit was set to be 600 yuan lower than the price of other commercial flats nearby (China Daily 23 January 2001). The sales price of affordable housing was regulated by local governments, and differed from one district to another. In the case of Dongcheng district, according to a local housing official interviewed, the price of an affordable housing flat in 2003 was 5,000 yuan/m². For an affordable housing unit with a construction space of 70 m², the sales price would reach 350,000 yuan, which was equivalent to about ten years’ average household disposable income in Beijing.

A unit of affordable housing was also much cheaper in locations further away from central Beijing. For instance, the economic housing estate designated by the Dongcheng district government as a relocation site for the displacees from Haiyuncang neighbourhood, was situated just outside the northern section of the fifth ring road. A residents’ committee leader in the neighbourhood informed me in an interview that a unit of economic housing offered to the displacees at the time of redevelopment was sold at the price of 2,650 yuan/m². This was nearly half the price of an economic housing unit sold in Dongcheng district.

Major affordable housing sites were mostly located in outer suburban districts, while their availability within and around the second ring road was limited (People's Daily 4 June 2000). Moreover, although the total number of affordable housing units completed between 1999 and 2002 in Beijing reached 71,731 units, this could only benefit less than 3% of 2,472,000 households registered within inner and near sub-urban districts (BMBS
Such limited supply of affordable housing stock spurred severe competition among Beijing residents. For instance, in order to get a place in Huilongguan, one of the major affordable housing project sites located outside the fifth ring road in northwest Beijing, 15,000 families rushed to put their names in the waiting list even before the blueprint for its second phase was yet to be announced (People's Daily 19 March 2001).

Furthermore, the affordability problem in the affordable housing sector was fuelled by the developers’ practice of building more spacious flats. The amount of profits a developer could retain from affordable housing development was set at a fixed rate of 3% of total housing costs by the central government regulation (People's Daily 4 June 2000). Because of this, developers were lured into supplying more spacious flats in order to increase the transaction volume. For instance, the average construction space of an affordable housing unit turned out to be 95.3 m² in 1999, but it increased up to 110.9 m² by 2002 (BMBS 2002; 2003a: 133). 44

Under-development of private renting

Given the high prices in both commercial and affordable housing sector, one alternative for those displacees from public rental sector could be to look for a private rental unit. This option, however, was also very much restricted due to the under-development of the private rental market.

One of the major reasons for the under-development was the prohibition of re-sales or sub-letting for a certain period in the case of those properties with partial property rights. For instance, affordable housing was in principle for sales only. It was not subject to re-sales or letting to a third party within five years until homeowners gained full possession of property rights (MoC China 1995, 1999). The same rule applied to those privatised former public housing units. The Ministry of Construction also prohibited sub-letting or leasing of state allocated public rental housing and any of those old and dilapidated housing units subject to redevelopment. With restricted supply of affordable rental units, private renting in inner city districts was often beyond the reach of most residents. As one

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44 This was based on thefigures from the statistical yearbook. In 1999, it was reported that the total floor space of affordable housing completed in 1999 reached 1.23 million m², while the number of flats completed was 12,901 units. In 2002, the total floor space of affordable housing was 2.28 million m², and the total number of units, 20,593 units.
of the interviewees noted:

“Renting a house is too expensive. I am not capable of renting a place. Our family makes altogether about 900 yuan a month [and is receiving means-tested social security benefits]... [If to find a place to move in] I can only take care of temporary matters. We can live with my mom, my son's grandmother, at her place, which is also fine. But, in the end, you should allow us to have a practical place to live in, a house that belongs to myself. It must be not too far away. If it is, I am not interested…” (Interviewee CBX-INT-05)

My quick search for a two-bedroom rental unit in a low-rise walk-up place resulted in a rental flat with a range of monthly rent between 1,000 and 2,000 yuan/month. This would usually be equivalent to a low-income household’s monthly disposable income (see Table 7-11 below). As a result, private renting was the least preferred option among the displacees, and if at all considered, it was to serve as a short-term alternative until they found a permanent dwelling of their own.

Table 7-11: Private rental units in Beijing and their rents

<table>
<thead>
<tr>
<th>Location</th>
<th>District</th>
<th>Orientation</th>
<th>Neighbourhood</th>
<th>Construction space (m²)</th>
<th>Monthly rent (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 2nd ring road</td>
<td>Dongcheng</td>
<td>East Beijing</td>
<td>Qingshuiyuan</td>
<td>65</td>
<td>2,600</td>
</tr>
<tr>
<td></td>
<td>Dongcheng</td>
<td>East Beijing</td>
<td>Beixincang</td>
<td>65</td>
<td>2,800</td>
</tr>
<tr>
<td>Outside 2nd ring road</td>
<td>Dongcheng</td>
<td>East Beijing</td>
<td>Xinzhouji Xili</td>
<td>65</td>
<td>1,750</td>
</tr>
<tr>
<td>Outside 3rd ring road</td>
<td>Fengtai</td>
<td>South Beijing</td>
<td>Jianmendongli</td>
<td>60</td>
<td>1,300</td>
</tr>
<tr>
<td>Outside 5th ring road</td>
<td>Chaoyang</td>
<td>East Beijing</td>
<td>Dingfuzhuang</td>
<td>65</td>
<td>1,200</td>
</tr>
<tr>
<td>Outside 5th ring road</td>
<td>Changping</td>
<td>North Beijing</td>
<td>Yunquyuan</td>
<td>65</td>
<td>1,100</td>
</tr>
</tbody>
</table>

Note: Two-bedroom flats in a medium rise walk-up blocks only. Search was conducted on 13 April 2005 on the web site, http://www.5i5j.com, one of the most popular real estate agent in Beijing

**Limits with formal financial opportunities**

With the emergence and development of the housing finance system in mainland China, one would assume that the affordability gap could be addressed by applying for housing loans from financial institutions. This requires a brief discussion on the Housing

45 During the period of implementing the 10th Five-Year Social and Economic Development Plan (2001-2005) in Beijing, 340,000 households were going to be subject to displacement due to urban redevelopment projects (People's Daily 1 April 2002). Given the sheer volume of residents’ displacement and limited availability of affordable dwellings in inner city districts, it could be assumed that such high rents in private rental sector were partly influenced by the chain reaction of residents’ relocation.
Provident Fund (hereafter HPF), which has been the backbone of mainland China’s new housing finance system since its inception in Shanghai in 1991. The HPF receives monetary contributions from both employers and employees (World Bank 1992: 30-32). The HPF account holders are eligible to withdraw their accumulated funds when they retire or upon making a down-payment on a new house as a first-time buyer.

The HPF, however, has been subject to some criticisms for bearing a serious equity issue. It is very much employer-based, which meant that those in non-regular jobs or out of work would likely be excluded. Workers with under-performing employers were also unlikely to receive employers’ contributions, thus having their access denied (Rosen and Ross 2000). Moreover, because the contribution to the HPF is based on a fixed rate, the growing wage gaps in the labour market would lead to a situation in which a higher-income earner enjoys a higher contribution from his/her employer (J. Lee 2000).

When it comes to home buying, HPF account holders, if eligible, would be able to apply for HPF housing loans (Rosen and Ross 2000). This has been a completely new experience for urban residents in mainland China. To be eligible, an applicant must have a stable job and income, and have kept the HPF account for at least preceding twelve months. The applicant must have also made contributions into the account consecutively during the last six months before making a loan application. Furthermore, before submitting a loan application, the applicant must have made a down payment of at least 20% of the full price of a dwelling (Beijing Ribao 6 March 2003). HPF housing loans thus provided are on preferential terms with lower interest rates (about 1% lower in 2002), giving advantages over other commercial bank loans. Table 7-12 below shows the loan rates and the amount of monthly repayment in accordance with the loan periods when an applicant borrows 100,000 yuan.
Table 7-12: HPF housing loans rates and monthly repayment in Beijing
(as of 21 February 2002)

<table>
<thead>
<tr>
<th>Loan period (years)</th>
<th>Annual percentage rate (APR)</th>
<th>Total amount of repayment (RMB)</th>
<th>Monthly repayment (RMB)</th>
<th>as a proportion of average monthly household disposable income in Beijing(1)</th>
<th>as a proportion of monthly household disposable income for bottom 20% of income distribution in Beijing(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.60</td>
<td>103,600</td>
<td>one-off repayment n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>5</td>
<td>3.60</td>
<td>109,422</td>
<td>1,824</td>
<td>58.5%</td>
<td>179.6%</td>
</tr>
<tr>
<td>10</td>
<td>4.05</td>
<td>121,776</td>
<td>1,015</td>
<td>32.6%</td>
<td>99.9%</td>
</tr>
<tr>
<td>15</td>
<td>4.05</td>
<td>133,596</td>
<td>742</td>
<td>23.8%</td>
<td>73.1%</td>
</tr>
<tr>
<td>20</td>
<td>4.05</td>
<td>146,064</td>
<td>609</td>
<td>19.5%</td>
<td>59.9%</td>
</tr>
<tr>
<td>25</td>
<td>4.05</td>
<td>159,180</td>
<td>531</td>
<td>17.0%</td>
<td>52.2%</td>
</tr>
<tr>
<td>30</td>
<td>4.05</td>
<td>172,908</td>
<td>480</td>
<td>15.4%</td>
<td>47.3%</td>
</tr>
</tbody>
</table>

Note:
1) This is for borrowing RMB 100,000 from the bank, and is based on the repayment conditions at the China Construction Bank.
2) The average monthly disposable household income in Beijing was RMB 3,116 in 2002. For the bottom 20% of income decile, it was RMB 1015.7 (BMBS, 2003).

From the table above, it appears that HPF housing mortgage would still be too much of a burden upon low-income households. It would also be a burden upon average Beijing residents if they were to become an owner-occupier by purchasing a new dwelling in and around the second ring road where housing prices are far more expensive than elsewhere. Reflecting such circumstances, housing mortgage was regarded as an ‘unrealistic’ option by the displacees in redevelopment neighbourhoods, as some of the interviewees from Xinzlongjie neighbourhood explicitly expressed:

“Who would provide you with mortgage? No way to take out a loan… My husband doesn’t have a job, and I don’t have one either. It’s for sure that they wouldn’t grant us any mortgage. I’ve never thought of that. Don’t you ever say mortgage again!”
(Interviewee CBX-INT-02)

“Bank loan is unrealistic. You don’t have enough money for your living. If you take out the loan, then how will you pay back? I feel I don’t even qualify to go and ask. I don’t want it at all. At present, I just live day by day…”
(Interviewee CBX-INT-06)

“Where would I get a loan from? Once you retire, then nobody gives you loan. If I have to get a loan, the only way is to depend on my elder son [who has a HPF account]. My second son doesn’t have a job, and the third son is laid off. They all can’t apply for a loan”
(Interviewee CBX-INT-07)

Prospective applicants are required to submit documentary evidences when they apply for HPF housing mortgage. This includes the proof of holding a HPF account, an original copy of housing purchase contract, proofs of household income usually from their work units and so on. Therefore, if a household doesn’t have sufficient income or creditable income-generating activities with no HPF account, it would be very unlikely for them to
have access to formal loans or housing mortgage from the banks that would favour those with proven credit records. All these are new and stressful realities that discourage residents in such conditions from considering housing mortgage from the start.

**Summary**

This section has discussed major constraints that would face residents upon their displacement when redevelopment takes place. These constraints are closely associated with on-going reforms and the resulting changes in the way in which urban housing is produced and consumed. In Beijing, such constraints were: (1) the polarised tenure structure that increasingly favours owner occupation and reduces traditional public rental sector; (2) the redevelopment compensation that has changed from in-kind re-housing to full monetarisation, applicable only to those registered Beijing households; (3) the affordability problems that are prevalent in both commercial and affordable housing sector, especially with regard to those new dwellings provided in inner city districts; (4) the under-development of the private rental sector which requires excessively high rents for low-income public housing tenants; and (5) the difficulties in accessing employer-based formal housing finance system.

### 7.3 Conclusion

This chapter has discussed the major institutional and structural constraints that were faced by residents in redevelopment neighbourhoods upon their displacement and relocation. These constraints stemmed from the way in which place-specific housing provision system is structured in Seoul and Beijing, and from their local regulations for promoting and controlling neighbourhood redevelopment. The constraints discussed in this chapter are summarised in Table 7-13 below.

In the case of housing tenure systems, the majority of municipal households in Seoul are engaged in private rental tenure. The majority of tenant households were in Chonsei tenure which required a substantial amount of key money upon signing a contract. The rate of owner occupation in Seoul was lower than the urban average. The majority of Chonsei tenants lived in individual houses, but new housing production in general favoured high-rise flat construction. Such situation would place heavy pressure on displacees from redevelopment neighbourhoods, as they are left with no choice but to seek for an affordable private renting in the individual housing sector, which itself is
In Beijing, in contrast with the situation in Seoul, private renting is still marginal in its tenure structure. The reform measures during the last two decades have largely promoted homeownership through new housing sales and privatisation of public housing stock. The pre-reform dominance of public rental tenure has shifted towards a polarised system of owner occupation and public rental tenure, though intense inner city redevelopment would further shrink the public housing sector. As for residents displaced from redevelopment neighbourhoods, their chance of remaining as public housing tenants is very slim, and their available option is to become either owner-occupiers by purchasing a commercial or affordable housing unit, or private sector tenants.

With regard to the public housing sector, Seoul has been traditionally less focused on
implementing extensive public rental housing schemes. It has very limited supply of public rental housing stocks, enough to benefit only 5.4% of municipal tenant households. In Beijing, its socialist tradition led to the dominance of public rental housing, but the privatisation of existing public rental dwellings in the course of implementing housing reform led to a substantial shrinkage of public rental sector. Urban redevelopment in Beijing is expected to further reduce public rental dwellings. Such situations in Seoul and Beijing indicate that displacees in both cities would have less chance of accessing public rental sector upon their displacement.

In both Seoul and Beijing, affordability problems are acute. In Seoul, each property-owner in redevelopment neighbourhoods is given a right to purchase a redeveloped flat, and thus remain as an owner-occupier upon project completion. The high sale prices of redevelopment flats, however, discourages most low-income owner-occupiers from this, and eventually leads them to sell their properties to off-site buyers. In Beijing, affordability problems are also prevalent in both commercial and affordable housing sector. The sale prices of new dwellings progressively decrease as one moves further out to outer suburban districts, thus encouraging displacees’ move out of inner city districts upon redevelopment.

As for the redevelopment compensation, both cities have a clear distinction regarding residents’ eligibility for compensation, which are based on residents’ residence status. In Seoul, tenants are eligible for in-kind (an access to a public rental flat provided in redevelopment neighbourhoods) and cash compensation (equivalent to three months of average monthly expenditure for wage- and salary-earning urban households). The amount of cash compensation amounts to 36~110% of annual household disposable income for the bottom 20% of income decile distribution. In Beijing, the amount of cash compensation is much larger than in Seoul, reaching more than ten years’ accumulation of average Beijing household’s annual disposable income. Beijing displacees are expected to use the compensation to look for an accommodation on their own, and in most cases, this would mean a transfer to owner occupation by finding a flat in suburban neighbourhoods.

Seoul and Beijing both provide housing finance schemes. Whereas the housing finance scheme in Seoul targets all municipal tenants with no regard to their employment status, the housing finance scheme to help residents in Beijing is employment-based. This leads to the exclusion of those Beijing residents who are in unstable jobs or unemployment.
Even if they manage to apply for housing loans, the affordability gap is too large to be filled by housing loans within the repayment capacity of low-income residents. In Seoul, the existing housing loan scheme to help tenants with paying their rental deposit benefits only a fraction of municipal tenant households, and the terms of redemption is not in tenants’ favour.

Having examined the various constraints in this chapter, the next chapter will discuss the changes in actual housing outcome experienced by the residents in redevelopment neighbourhoods upon their displacement, and compare their pre- and post-displacement housing conditions.
Chapter 8
Redevelopment and residents: 
Housing experiences upon displacement

8.1 Housing outcomes upon redevelopment: the case of Seoul
   Dwelling space
   Dwelling forms and physical living conditions
   Housing tenure
   Financing post-displacement rental dwellings
   ‘Forced consumption’: increases in household expenditure
   Summary

8.2 Housing outcomes upon redevelopment: the case of Beijing
   Dwelling space
   Dwelling forms and physical conditions
   Housing tenure
   Financing homeownership
   ‘Forced consumption’: increases in household expenditure
   Summary

8.3 Conclusion
This chapter forms the second of three chapters on residents. Based on the identification of institutional and structural constraints in the previous chapter, this chapter examines the experiences of Seoul and Beijing residents upon their displacement and re-housing due to the redevelopment of their neighbourhoods. The findings are based on the analysis of my field research data. The discussion of the housing experiences of Seoul residents further benefits from the acquisition of raw survey data from a local welfare centre (see Section 3.3 in Chapter 3 for more details).

The key question to address in this chapter is: whether displaced residents were able to gain access to existing housing market and improve, or at least maintain, their pre-displacement housing conditions within their existing financial resources. For this, each section is devoted to the discussion of residents’ housing experiences in each city. Five main aspects of housing experiences are examined: (1) dwelling space; (2) dwelling forms and physical conditions; (3) housing tenure; (4) housing finance; and (5) household expenditure. The final section pulls together the findings.

8.1 Housing outcomes upon redevelopment: the case of Seoul

Dwelling space

Increase in dwelling space upon displacement

The reviews of neighbourhood physical conditions in Chapter 4 showed that residents in Nangok neighbourhood had enjoyed dwelling floor space much lower than the urban average of 48.3 m² per household (NSO Korea 2001d: 333). In the late 1980s, Nangok residents’ dwelling floor space turned out to be only about 22 m² per household (Lee 1989: 13).

As shown in Table 8-1 below, residents’ dwelling floor space before displacement from Nangok turned out to be 37.8 m² on average, which was higher than the 1980s’ finding. This could be because the total number of households decreased substantially during the 1990s, and as a result, less residents came to occupy existing dwellings. The results in the table below indicate that the displaced households as a whole have enjoyed a statistically significant increase in household dwelling space upon displacement.
Table 8-1: Changes in housing space upon residents’ displacement from Nangok

<table>
<thead>
<tr>
<th></th>
<th>Valid responses</th>
<th>Pre-displacement</th>
<th>Post-displacement</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>Total</td>
<td>113</td>
<td>37.8</td>
<td>15.20</td>
<td>43.8</td>
<td>20.10</td>
</tr>
<tr>
<td>Owner occupation before displacement</td>
<td>26</td>
<td>42.3</td>
<td>16.83</td>
<td>50.6</td>
<td>24.04</td>
</tr>
<tr>
<td>Private renting before displacement</td>
<td>87</td>
<td>36.5</td>
<td>14.57</td>
<td>41.7</td>
<td>18.50</td>
</tr>
<tr>
<td>KNHC tenants after displacement (eligible tenants)</td>
<td>45</td>
<td>35.6</td>
<td>11.03</td>
<td>40.3</td>
<td>2.76</td>
</tr>
<tr>
<td>Moved to non-KNHC dwellings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>eligible tenant</td>
<td>42</td>
<td>37.4</td>
<td>17.70</td>
<td>43.3</td>
<td>26.55</td>
</tr>
<tr>
<td>ineligible tenants</td>
<td>10</td>
<td>40.0</td>
<td>25.86</td>
<td>45.6</td>
<td>31.55</td>
</tr>
<tr>
<td>Recipients of NBLS1) benefits</td>
<td>29</td>
<td>33.0</td>
<td>13.70</td>
<td>33.6</td>
<td>17.87</td>
</tr>
<tr>
<td>Non-recipients of NBLS benefits</td>
<td>58</td>
<td>38.2</td>
<td>14.79</td>
<td>45.8</td>
<td>17.59</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data (*p<0.05, **p<0.01)

Note: 1) NBLS stands for National Basic Livelihood Security, which is a means-tested social assistance programme in South Korea.

The table above also shows that this increase in housing space is statistically significant in the case of those tenants who moved to the public rental flats provided by the Korea National Housing Corporation as shown in Figure 8-1 (hereafter KNHC tenants). They were the tenants who were eligible for compensation, and chose the in-kind option, that is access to a KNHC-provided public rental flat. Their increase in dwelling floor space leads us to draw a preliminary conclusion that the provision of public rental flats as part of redevelopment compensation had a positive impact on residents. Moreover, those tenants who were not beneficiaries of the means-tested social assistance programme (that is, the National Basic Livelihood Security programme or NBLS) also experienced a statistically significant increase in housing space upon displacement. This shows that

46 It is difficult to draw a conclusion for Nangok owner-occupiers regarding their dwelling space change because they retained the right to purchase a redeveloped flat, and were temporarily relocated during the project period.
economically better-off households were more likely to have enjoyed an increase in housing space upon displacement.

**Per capita floor space after displacement**

There were a substantial proportion of tenants who chose cash compensation and moved to non-KNHC dwellings in the private sector. To some extent, their action was in contrast with the historical demand in the 1980s and 1990s by tenants’ movement that argued for the provision of public rental flats to guarantee tenants’ housing rights (Bae 1997; Ha 2001b; Jang 1998b; S.-H. Kim 1996). If the eligible tenants’ move to public rental flats increased their dwelling floor space, why did some tenants choose cash compensation and remain in the private rental sector?

One of the clues is provided by the comparison of per capita floor space as shown in Table 8-2 below. The post-displacement per capita floor space for the displaced households as a whole turned out to be 14.2 m², which was only three quarters of the national average in 2000 (NSO Korea 2001d). In particular, the per capita floor space for the KNHC tenants was estimated to be 12.6 m², much less than 15.3 m² for those tenants who moved to non-KNHC dwellings. On the other hand, the recipients of NBLS benefits enjoyed a larger per capita floor space than the non-recipients of such benefits, but this probably owed to the fact that their average household size was much smaller.

| Table 8-2: Post-displacement floor space per capita for former Nangok residents |
|--------------------|-----------------|-----------------|-----------------|
|                     | Valid responses | Mean value       | Per capita       |
|                     |                | Post-displacement dwelling space | Number of household members per household | dwelling space |
| Total               | 113            | 43.8             | 3.08             | 14.2          |
| Owner occupation before displacement | 26             | 50.6             | 3.27             | 15.5          |
| Private renting before displacement | 87             | 41.7             | 3.02             | 13.8          |
| KNHC tenants after displacement (eligible tenants) | 45             | 40.3             | 3.20             | 12.6          |
| Moved to non-KNHC dwellings | 42             | 43.3             | 2.83             | 15.3          |
| eligible tenants   | 32             | 42.6             | 2.84             | 15.0          |
| ineligible tenants | 10             | 45.6             | 2.80             | 16.3          |
| Recipients of NBLS benefits | 29             | 33.6             | 2.21             | 15.2          |
| Non-recipients of NBLS benefits | 58             | 45.8             | 3.43             | 13.3          |

Source: Sillim Welfare Centre survey data
Degree of conformity to the National Minimum Housing Standards

In June 2004, the Ministry of Construction and Transportation (hereafter MoCT) in South Korea produced, for the first time, an official policy guidance that defined the National Minimum Housing Standards (MoCT Korea 2004). The main two factors considered in the MoCT criteria were the number of bedrooms and per capita floor space for co-habiting household members (see Table 8-3). Individual households are to have exclusive access to housing facilities such as kitchen, toilet and bathroom. Applying the minimum housing standards to the household data of the Population and Housing Census in 2000, the MoCT found that 23% of all the households in South Korea failed to conform to the minimum housing standards (Ha 2004: 141; MoCT Korea 2004).

Table 8-4 below exhibits the degree of conformity to the minimum housing standards in the case of those households that I interviewed, who were displaced from Nangok at the time of interviewing. It shows that those households with a relatively larger household size were housed in dwellings that did not conform to the minimum housing standards, experiencing over-crowding conditions.

Table 8-4: Displaced interviewees’ conformity to the National Minimum Housing Standards

<table>
<thead>
<tr>
<th>Interviewee ID.</th>
<th>Number of co-habiting household members</th>
<th>Pre-displacement tenure status</th>
<th>Post-displacement housing</th>
<th>Floor location</th>
<th>No. Bedrooms</th>
<th>Floor space (in m²)</th>
<th>Conformity to National Minimum Housing Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSS6-INT-01</td>
<td>1</td>
<td>Private renting</td>
<td>Non-KNHC dwelling</td>
<td>Semi-basement</td>
<td>1</td>
<td>19.8</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS10-INT-02</td>
<td>2</td>
<td>Private renting</td>
<td>KNHC rental flat</td>
<td>Above ground floor</td>
<td>2</td>
<td>39.0</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS3-INT-01</td>
<td>2</td>
<td>Owner occupation</td>
<td>Non-KNHC dwelling</td>
<td>Raised ground floor</td>
<td>2</td>
<td>33.1</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS7-INT-13</td>
<td>2</td>
<td>Private renting</td>
<td>Non-KNHC dwelling</td>
<td>Semi-basement</td>
<td>2</td>
<td>n.a.</td>
<td>Not known</td>
</tr>
<tr>
<td>KSS10-INT-03</td>
<td>3</td>
<td>Owner occupation</td>
<td>KNHC rental flat</td>
<td>Above ground floor</td>
<td>2</td>
<td>39.0</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS10-INT-05</td>
<td>3</td>
<td>Owner occupation</td>
<td>KNHC rental flat</td>
<td>Above ground floor</td>
<td>2</td>
<td>39.0</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS7-INT-10</td>
<td>3</td>
<td>Owner occupation</td>
<td>Non-KNHC dwelling</td>
<td>Semi-basement</td>
<td>2</td>
<td>66.1</td>
<td>Conforms</td>
</tr>
<tr>
<td>KSS7-INT-14</td>
<td>3</td>
<td>Private renting</td>
<td>Non-KNHC dwelling</td>
<td>Ground floor</td>
<td>2</td>
<td>n.a.</td>
<td>Not known</td>
</tr>
<tr>
<td>KSS7-INT-11</td>
<td>4</td>
<td>Private renting</td>
<td>Non-KNHC dwelling</td>
<td>Semi-basement</td>
<td>2</td>
<td>59.5</td>
<td>Not conforms</td>
</tr>
<tr>
<td>KSS7-INT-18</td>
<td>4</td>
<td>Private renting</td>
<td>Non-KNHC dwelling</td>
<td>Semi-basement</td>
<td>2</td>
<td>n.a.</td>
<td>Not conforms</td>
</tr>
<tr>
<td>KSS10-INT-01</td>
<td>5</td>
<td>Owner occupation</td>
<td>KNHC rental flat</td>
<td>Above ground floor</td>
<td>2</td>
<td>39.0</td>
<td>Not conforms</td>
</tr>
</tbody>
</table>

Source: Author’s interviews in 2002
As one of the interviewees explains below, budget constraints appear to be the main constraint for families with a larger household size:

“I started my family in 1986, and have two children, a 15-year-old son and a 13-year-old daughter…When we were living in Nangok, the house originally had one bedroom, and we subdivided it into two. We used one room as a storage space, and four of us all lived in one bedroom…The condition of the previous house was so appalling, and it was very small. It didn’t even have a toilet, so we had to use our neighbour’s…We now live in a multi-dwelling house, and there are four other families there. Ours is located in the semi-basement. Houses were all too expensive when we were looking for one to move out of Nangok, all at least 40 or 50 million Korean Won. So, we decided to look for a place within our budget…It has two bedrooms. Our children all want a room of their own, but we let our son use one room, and our daughter shares the room with my husband and me…”

(Interviewee KSS7-INT-18)

Table 8-5 below summarises the degree of conformity to the minimum housing standards in the case of those respondents to the Sillim Welfare Centre survey. The table suggests that a significantly large proportion of displaced residents faced overcrowded conditions. One third of all the respondents were experiencing either a lack of bedrooms or inadequate dwelling space. In particular, overcrowded conditions were more prevalent among the KNHC tenants (40.3%). This partly explains the lack of willingness among eligible tenants to move to the KNHC-provided public rental flats upon their displacement.

Table 8-5: Sillim Welfare Centre survey respondents’ conformity to the National Minimum Housing Standards

<table>
<thead>
<tr>
<th>Category</th>
<th>Conformity to the National Minimum Housing Standards</th>
<th>Valid responses</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conforms</td>
<td>79</td>
<td>57.2%</td>
</tr>
<tr>
<td></td>
<td>Not conforms</td>
<td>46</td>
<td>33.3%</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>13</td>
<td>9.4%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>138</td>
<td>100.0%</td>
</tr>
<tr>
<td>Residents as a whole</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KNHC tenants</td>
<td>Conforms</td>
<td>37</td>
<td>59.7%</td>
</tr>
<tr>
<td></td>
<td>Not conforms</td>
<td>25</td>
<td>40.3%</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td>62</td>
<td>100.0%</td>
</tr>
<tr>
<td>Non-KNHC tenants</td>
<td>Conforms</td>
<td>42</td>
<td>55.3%</td>
</tr>
<tr>
<td></td>
<td>Not conforms</td>
<td>21</td>
<td>27.6%</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>13</td>
<td>17.1%</td>
</tr>
<tr>
<td></td>
<td>Sub-total</td>
<td>76</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

The overcrowded condition in public rental flats was also confirmed by the Seoul Development Institute in its study of a sample of 1,021 tenant households from public
rental flats, which found that close to half of public housing tenants were experiencing overcrowded living conditions that did not conform to the MoCT's minimum housing standards (The Hankyoreh 13 February 2004).

**Dwelling forms and physical living conditions**

In terms of the built form of post-displacement dwellings, less than half of all the displaced households between September 2000 and Mach 2002 moved to the KNHC-provided high-rise rental flats. As shown in Table 8-6 below, among those households who moved to non-KNHC dwellings, the most common dwelling form was semi-basement or basement units, located within individual or multi-dwelling houses (see Figure 7-1 in Chapter 7 for the explanation of these dwelling types). High-rise flats were rarely displaces’ final destination unless they became KNHC tenants.

<table>
<thead>
<tr>
<th>Table 8-6: Dwelling forms occupied by displaced residents from Nangok</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-displacement dwelling forms</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Owner occupation</td>
</tr>
<tr>
<td>Private renting: Chonsei</td>
</tr>
<tr>
<td>Private renting: Monthly rents</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Eligible tenants</td>
</tr>
<tr>
<td>Ineligible tenants</td>
</tr>
<tr>
<td>Source: Sillim Welfare Centre survey data</td>
</tr>
</tbody>
</table>

With regard to other facilities in post-displacement dwellings (e.g. drainage and sewage facilities, kitchen and bathroom, and heating facility), most displaces from Nangok appeared to be, in general, content with the improved physical structure and indoor facilities (see Table 8-7 below). This largely owed to the fact that those pre-displacement dwellings they used to live in Nangok were in severe deterioration. The KNHC tenants were also overwhelmingly in approval of the improved physical structure and indoor facilities that the public rental flats provided (see Table 8-7).
Table 8-7: Post-displacement improvement of housing physical conditions and facilities

<table>
<thead>
<tr>
<th>Post-displacement housing</th>
<th>Physical structure</th>
<th>Damness and Lighting</th>
<th>Drainage and sewage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Worsened</td>
<td>Not changed</td>
<td>Improved</td>
</tr>
<tr>
<td>KNHC-provided rental flats</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responses</td>
<td>1</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>%</td>
<td>1.6</td>
<td>1.6</td>
<td>96.8</td>
</tr>
<tr>
<td>Non-KNHC dwellings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responses</td>
<td>11</td>
<td>8</td>
<td>56</td>
</tr>
<tr>
<td>%</td>
<td>14.7</td>
<td>10.7</td>
<td>74.7</td>
</tr>
<tr>
<td>Basement or semi-basement units</td>
<td>6</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Responses</td>
<td>16.7</td>
<td>13.9</td>
<td>69.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post-relocation housing</th>
<th>Kitchen</th>
<th>Bathroom</th>
<th>Heating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Worsened</td>
<td>Not changed</td>
<td>Improved</td>
</tr>
<tr>
<td>KNHC-provided rental flats</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responses</td>
<td>0</td>
<td>0</td>
<td>62</td>
</tr>
<tr>
<td>%</td>
<td>0.0</td>
<td>0.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Non-KNHC dwellings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responses</td>
<td>10</td>
<td>17</td>
<td>49</td>
</tr>
<tr>
<td>%</td>
<td>13.2</td>
<td>22.4</td>
<td>64.5</td>
</tr>
<tr>
<td>Basement or semi-basement units</td>
<td>8</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Responses</td>
<td>22.2</td>
<td>19.4</td>
<td>58.3</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

Housing tenure

Post-displacement tenure change

As was the case with many other tenants in Seoul, Chonsei tenure had been the major tenure form among Nangok residents. The Sillim Welfare Centre survey data show that 69.4% of all valid respondents (or 89.4% of tenants) were in Chonsei tenure (see Table 8-8 below). The post-displacement tenure status, however, indicates that more than half of the respondents in Chonsei tenure before displacement transferred to deposit-based monthly rental tenure despite their earlier preference for Chonsei. The majority of them did so by becoming KNHC tenants as they were eligible for redevelopment compensation. Very few eligible tenants became KNHC tenants with Chonsei contract. About two fifths of the former Chonsei tenants remained in the same tenure after displacement.

Table 8-8: Pre- and post-displacement tenure status

<table>
<thead>
<tr>
<th>Pre-displacement tenure status</th>
<th>Post-displacement tenure status</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner occupation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chonsei</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deposit-based monthly rent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public (KNHC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private renting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Public (KNHC)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Private renting</td>
<td></td>
</tr>
<tr>
<td>Owner occupation</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Chonsei rental</td>
<td>6</td>
<td>39</td>
</tr>
<tr>
<td>Eligible tenants</td>
<td>4</td>
<td>33</td>
</tr>
<tr>
<td>Ineligible tenants</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Deposit-based monthly rental</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Eligible tenants</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ineligible tenants</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data
Table 8-9: Nangok Chonsei tenants and their post-displacement tenure and dwelling forms

<table>
<thead>
<tr>
<th>Post-displacement dwelling forms</th>
<th>Post-displacement tenure status</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner occupation</td>
<td>Chonsei</td>
</tr>
<tr>
<td>TOTAL Responses</td>
<td>6</td>
<td>39</td>
</tr>
<tr>
<td>KNHC tenants (eligible tenants)</td>
<td>Sub-total</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eligible tenants</th>
<th>4</th>
<th>29</th>
<th>5</th>
<th>38</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-rise flats</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Individual houses (dandog jutaeg)</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Multi-dwelling houses</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>(Semi-) basement units</td>
<td>1</td>
<td>18</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ineligible tenants</th>
<th>2</th>
<th>6</th>
<th>4</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-rise flats</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Individual houses (dandog jutaeg)</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Multi-dwelling houses</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>(Semi-) basement units</td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Center survey data

It was pointed out earlier that the most common dwelling form among households who moved to non-KNHC dwellings was semi-basement or basement units. From Table 8-9 above, it appears that such a move to a much less favoured dwelling type could be part of tenants’ attempt to remain in the same Chonsei tenure upon displacement. Given the residents’ hesitance to live below ground level, this indicates that there has been a trade-off between tenure and dwelling conditions.

In the case of those survey respondents who were owner-occupiers in Nangok, two thirds of them became tenants after displacement, but this might be from the fact that many of them were temporarily relocated until the project completion. The total number of survey respondents, who were ineligible for redevelopment compensation, was too few to determine any definite trend of tenure change due to their displacement.

Post-displacement tenure and NBLS beneficiaries

Another interesting aspect of residents’ post-displacement tenure status concerns the recipients of NBLS benefits. If the survey responses are broken down by respondents’ eligibility for the NBLS benefits, it appears that the non-recipients of the NBLS benefits were more likely to become KNHC tenants. The recipients of the NBLS benefits, who were economically worse off, tended to remain in Chonsei tenure in the private rental sector upon displacement (see Table 8-10).
Table 8-10: Post-displacement tenure and dwelling forms as per displacees’ eligibility for NBLS benefits

<table>
<thead>
<tr>
<th>Post-displacement dwelling forms</th>
<th>Post-displacement tenure status</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner occupation</td>
<td>Chonsei</td>
</tr>
<tr>
<td>TOTAL Responses</td>
<td>6</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>6.5%</td>
<td>41.9%</td>
</tr>
<tr>
<td>Recipients of NBLS benefits</td>
<td>Sub-total</td>
<td>0</td>
</tr>
<tr>
<td>KNHC-provided rental flats</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Individual houses (dandog jutaeg)</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Multi-dwelling houses</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>(Semi-) basement units</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Non-recipients of NBLS benefits</td>
<td>Sub-total</td>
<td>6</td>
</tr>
<tr>
<td>KNHC-provided rental flats</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Non-KNHC high-rise flats</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Individual houses (dandog jutaeg)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Multi-dwelling houses</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>(Semi-) basement units</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Center survey data

What pushed the recipients of the NBLS benefits away from the KNHC-provided public rental flats? The main explanation for this concerns the pressure of paying monthly rents. The KNHC-provided public rental flats required monthly rent payment. The NBLS beneficiaries were less capable of making monthly rent payment due to their income constraints. KNHC tenants could renew their 2-year rental contracts, enjoy a dwelling floor space of 39.0 m², and pay rent deposit and monthly rent, which were KRW 13,319,000 and KRW 161,200 respectively. Upon signing a rental contract, tenants could decide to increase their monthly rents if they wished to reduce the amount of rent deposit, and vice versa. If a full amount of deposit (about KRW 33,000,000) was paid in, then rent payment was to be waived. In the case of KNHC tenants with a monthly rental contract (39 respondents in Table 8-9; also see Table 8-10), their average amount of rent deposits and monthly rents turned out to be KRW 14,040,000 and 166,700 respectively. When the tenants in receipt of the NBLS benefits were eligible for redevelopment compensation, they tended to choose cash compensation instead of a KNHC-provided rental flat in fear of being under pressure of paying monthly rents:

“(Living in the KNHC rental flat) means being a tenant for 50 years, paying monthly rents. Well, I have no intention to live in a place that requires monthly rent payment. I’d rather use the money instead to find a basement unit, and live there on Chonsei where I don’t get stressed about [paying rent every month]…”

47 The rental conditions for the KNHC-provided flats were taken from the Guidance on New Tenants, attached to the KNHC’s internal circulation document; ‘Seoul (Dojeong) 7322-10571’ dated 9 October 2000.
Despite the advantage of long-term tenure security and superior dwelling conditions in terms of indoor facilities, a large number of eligible tenants favoured cash compensation, which was then used for finding an affordable Chonsei dwelling in an adjacent neighbourhood. This behaviour was more common among the recipients of the NBLS benefits (see Table 8-11 below). In order to avoid paying monthly rents with their constrained income, they seemed to have chosen cash compensation in order to remain in Chonsei tenure in the private renting sector after displacement.

### Table 8-11: Eligible tenants displaced from Nangok and their redevelopment compensation

<table>
<thead>
<tr>
<th>Category</th>
<th>Post-displacement rental residence</th>
<th>Total (valid N=95)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Right to move to KNHC-provided rental flats</td>
<td>Cash compensation</td>
</tr>
<tr>
<td>TOTAL</td>
<td>50</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>52.6%</td>
<td>47.4%</td>
</tr>
<tr>
<td></td>
<td>95</td>
<td></td>
</tr>
</tbody>
</table>

Break-down as per NBLS (means-tested social assistance programme) beneficiaries

<table>
<thead>
<tr>
<th>Category</th>
<th>Right to move to KNHC-provided rental flats</th>
<th>Cash compensation</th>
<th>Total (valid N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recipients of NBLS benefits</td>
<td>9</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>25.0%</td>
<td>75.0%</td>
<td></td>
</tr>
<tr>
<td>Non-recipients of NBLS benefits</td>
<td>41</td>
<td>18</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>69.5%</td>
<td>30.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

### Financing post-displacement rental dwellings

#### Increase in housing costs upon displacement

The displacement of Nangok tenants led to a significant increase in their housing costs. For instance, in the case of those Chonsei tenants who managed to remain in the same tenure after displacement, their average amount of Chonsei key money almost trebled from KRW 6,706,700 to KRW 20,884,600 (see Case A in Table 8-12 below).\(^{48}\) The increased amount of Chonsei key money upon displacement was equivalent to 211.9% of the annual household disposable income of the bottom 20% of income decile distribution for wage- and salary-earning urban households in 2000. Tenants whose tenure changed from Chonsei to deposit-based monthly rental tenure (see Case B) experienced less increase in rent deposit, but this came at the expense of paying monthly rents (on average, KRW 168,960) for their post-displacement housing. The increase in rent deposit

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\(^{48}\) In this table, those former Chonsei tenants who have become owner-occupiers after relocation (six households in total) are not included.
was also evident in the case of those tenants whose tenure status remained in deposit-based monthly rental tenure (see Case C).

Table 8-12: Tenants displaced from Nangok and their changes in rent deposit

<table>
<thead>
<tr>
<th>Tenure change upon displacement</th>
<th>Valid responses</th>
<th>Mean (Std. deviation)</th>
<th>Deposit as a proportion of annual household disposable income for bottom 20% 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Case A</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-displacement</td>
<td>Chonsei</td>
<td>Deposit</td>
<td>39</td>
</tr>
<tr>
<td>Post-displacement</td>
<td>Chonsei</td>
<td>Deposit</td>
<td>39</td>
</tr>
<tr>
<td><strong>Case B</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-displacement</td>
<td>Chonsei</td>
<td>Deposit</td>
<td>48</td>
</tr>
<tr>
<td>Post-displacement</td>
<td>Deposit-based Monthly Rent</td>
<td>Deposit Monthly Rent</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Monthly Rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Case C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-displacement</td>
<td>Deposit-based Monthly Rent</td>
<td>Deposit Monthly Rent</td>
<td>11</td>
</tr>
<tr>
<td>Post-displacement</td>
<td>Deposit-based Monthly Rent</td>
<td>Deposit Monthly Rent</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Monthly Rent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1) For salary and wage earning urban households, the annual disposable income for the bottom 20% of income decile distribution was KRW 9,854,400 in 2000 (Korea National Statistical Office, 2001b)

Source: Sillim Welfare Centre survey data

Usefulness of cash compensation

Given that the displaced tenants from Nangok were to undergo a substantial increase in housing costs upon displacement, was the redevelopment compensation useful to cover the difference for those tenants eligible for it? The comparison of rent deposits for different types of post-displacement tenure shown in Table 8-13 suggests that cash compensation could have helped eligible tenants pay for their increased rent deposit.

In the case of those eligible tenants who moved to non-KNHC dwellings and remained in Chonsei tenure, their Chonsei key money after displacement was on average KRW 20,431,000. For them, the proportion of cash compensation to their post-displacement Chonsei key money turned out to be 28% on average. In the case of those eligible tenants who moved to the KNHC-provided public rental flats, the rent deposit was on average KRW 14,040,000. This difference was almost equivalent to the cash compensation for a three-person household, suggesting that the cash compensation for eligible tenants provided them with an opportunity to find accommodation with a higher rent deposit.
Table 8-13: Post-displacement rent deposit and monthly rents
(for Nangok tenants who were in Chonsei tenure before displacement)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Deposits and Monthly rents</th>
<th>Ineligible tenants</th>
<th>Eligible tenants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Post-displacement tenure</td>
<td>Chonsei in non-KNHC dwellings</td>
<td>Chonsei in non-KNHC dwellings</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Respondents</td>
<td>6</td>
<td>29</td>
</tr>
<tr>
<td>Deposit</td>
<td>Mean</td>
<td>15,000.0</td>
<td>20,431.0</td>
</tr>
<tr>
<td></td>
<td>Standard deviation</td>
<td>7,536.6</td>
<td>10,530.3</td>
</tr>
<tr>
<td>Monthly rents</td>
<td>Mean</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Standard deviation</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

Indeed, most of the eligible tenants who chose cash compensation and remained in Chonsei tenure upon displacement (25 out of 29 households) responded that the cash compensation helped them a lot to pay for their increased Chonsei key money. This, however, does not mean that the cash compensation covered the difference between their pre- and post-displacement Chonsei deposits. Those Chonsei tenants who were eligible for redevelopment compensation used to pay on average KRW 7,050,000 as Chonsei deposit during their residence in Nangok. The average rent deposit for their post-displacement dwellings turned out to be on average KRW 14,040,000 for those KNHC tenants and KRW 20,431,000 for those who moved to Chonsei dwellings in the private rental sector.

**Means of financing**

The large difference in pre- and post-displacement rent deposits was not filled in by relying on loans from formal financial institutions. It was noted in the previous chapter that the tenants or low-income residents in redevelopment neighbourhoods experience limited accesses to the formal financial sector. This led to the residents’ heavy dependence on one’s savings or informal sector borrowing (e.g. loans from relatives, friends or usurers operating in the informal sector). The Sillim Welfare Centre survey data present that out of 103 tenant households displaced from Nangok, only about one-third of them took out NHF housing loans or other loans from formal financial institutions (see Table 8-14 below).
Table 8-14: Number of tenant households according to the receipt of NHF housing loan or other financial institution loans upon displacement from Nangok

<table>
<thead>
<tr>
<th></th>
<th>Number of households who HAVE NOT RECEIVED NHF housing loan or other financial institution loans</th>
<th>Number of households who HAVE RECEIVED NHF housing loan or other financial institution loans</th>
<th>Total (valid N = 103)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of households</td>
<td>68</td>
<td>35</td>
<td>103</td>
</tr>
<tr>
<td>% of total</td>
<td>66.0%</td>
<td>34.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

The survey respondents were asked to make multiple responses as to the sources of their housing finance, and Table 8-15 below shows the summary of their responses. The result also confirms the fact that loans from financial institutions or NHF housing loans were the least used sources of financing residents’ increased housing costs upon displacement. For those tenants who moved to non-KNHC dwellings, cash compensation was cited as the most commonly used source of housing finance. Since the Chonsei key money for residents’ pre-displacement dwellings was used to pay for part of the post-displacement dwellings’ rent deposits, it could be concluded that displacees’ personal financial assets and borrowing from their support network played a major role rather than formal sector borrowing.

Table 8-15: Sources of housing finance upon displacement from Nangok

<table>
<thead>
<tr>
<th>Moved to non-KNHC dwellings upon displacement (N=58)</th>
<th>Moved to KNHC-provided public rental flats (N=45)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources of financing</td>
<td>Sources of financing</td>
</tr>
<tr>
<td></td>
<td>Responses</td>
</tr>
<tr>
<td>Cash compensation from displacement</td>
<td>40</td>
</tr>
<tr>
<td>Own savings</td>
<td>29</td>
</tr>
<tr>
<td>Borrowing from support network</td>
<td>20</td>
</tr>
<tr>
<td>Borrowing from relatives</td>
<td>11</td>
</tr>
<tr>
<td>Borrowing from neighbours</td>
<td>9</td>
</tr>
<tr>
<td>Loans from financial institutions</td>
<td>10</td>
</tr>
<tr>
<td>NHF Housing loan for low-income households</td>
<td>8</td>
</tr>
<tr>
<td>Total (multiple responses allowed)</td>
<td>107</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre survey data

These increases in the rent deposits upon displacement and the subsequent borrowing to finance the increases made negative impacts upon displacees’ household finance. Nearly one quarter of those respondents subject to the Sillim Welfare Centre survey reported that their savings had decreased upon displacement, while the rest of the respondents reported no change. The high proportion of the respondents reporting no change in their level of personal savings was because as many as four fifths of the respondents did not
have any significant savings before displacement. With regard to the residents’ household debts, nearly two fifths of tenants and more than one quarter of owner-occupiers from Nangok responded that they experienced an increase in their level of household debts upon displacement (see Table 8-16).

Table 8-16: Debts change after displacement from Nangok

<table>
<thead>
<tr>
<th>Pre-displacement tenure status</th>
<th>Changes in DEBTS after displacement</th>
<th>Total (Valid responses N = 105)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Decreased</td>
<td>No change</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>15.2%</td>
<td>45.7%</td>
</tr>
<tr>
<td>Owner occupiers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>20.0%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Tenants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moved to KNHC rental flats</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>19.4%</td>
<td>54.8%</td>
</tr>
<tr>
<td>Moved to non-KNHC dwellings</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>10.2%</td>
<td>36.7%</td>
</tr>
</tbody>
</table>

Source: Sillim Welfare Centre study in summer 2002

‘Forced consumption’⁴⁹: increases in household expenditure

Upon displacement, residents experienced an increase in their household expenditure. In particular, as shown in Table 8-17 below, 86.8% of the respondents expressed an increase in their housing maintenance and monthly rents. Utility bills were the next most frequently cited increased expenditure item, followed by debt repayment and interest. In fact, the table below indicates that all the expenditures seemed to have increased upon displacement.

⁴⁹ This expression was adopted from the term used by a Chinese journalist, Wang Jun, whom this researcher interviewed while conducting field research in Beijing in summer, 2003. The terminology refers to the situation in which those displaced residents “are forced to increase their spending on housing, which has never been their priority before, and in doing so, they are cutting down on other spending items that were more important” (interview by the author).
Table 8-17: Changes in the level of household expenditure after displacement from Nangok

<table>
<thead>
<tr>
<th>Categories of expenses</th>
<th>Displacees as a whole</th>
<th>Moved to KNHC-provided rental flats</th>
<th>Moved to non-KNHC dwellings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Valid responses</td>
<td>Decreased</td>
<td>Decreased</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Housing maintenance (inc. monthly)</td>
<td>136</td>
<td>6</td>
<td>6.7%</td>
</tr>
<tr>
<td></td>
<td>130</td>
<td>2</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td>125</td>
<td>5</td>
<td>5.8%</td>
</tr>
<tr>
<td></td>
<td>128</td>
<td>2</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>127</td>
<td>1</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td>132</td>
<td>4</td>
<td>3.3%</td>
</tr>
<tr>
<td></td>
<td>115</td>
<td>4</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td>134</td>
<td>7</td>
<td>5.7%</td>
</tr>
<tr>
<td></td>
<td>127</td>
<td>11</td>
<td>7.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not changed</td>
<td>Not changed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12</td>
<td>8.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54</td>
<td>41.5%</td>
</tr>
<tr>
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<td>Sources: Sillim Welfare Centre survey data</td>
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</tbody>
</table>

While the limits of the data make it difficult to figure out how the residents have been managing to finance these increases in overall spending, the table clearly shows that the residents were driven towards a greater degree of consumption, forced by the residential redevelopment and displacement from their neighbourhood that used to offer affordable means of housing. This is what constitutes ‘forced consumption’ of the displacees due to the redevelopment.

It was noted earlier that most tenants, who transferred from Chonsei to deposit-based monthly rental tenure, were KNHC tenants. Unlike their previous housing conditions, these residents came to face the regular payment of monthly rents (about KRW 160,000 per month), equivalent to 19.6% of the average monthly disposable income of the bottom 20% of income decile distribution for salary and wage earning urban households in 2000, and 14.7% of that of the bottom 40% (NSO Korea 2001b). If housing maintenance fees imposed by the estate management office were included as well as other bills paid by tenants (e.g. phone bills or medical insurances), the monthly regular expenditure would amount to roughly 40% of the household income.

For many households, such high costs of living in the KNHC-provided rental flats hindered them from moving in at the early stage of displacement from Nangok. For those who were not aware of such expected increase in household expenditure, life in the public rental units has been financially difficult to sustain. One of the KNHC tenants interviewed states that she initially applied for a KNHC-provided rental flat, but soon gave it up, and now lives in a semi-basement unit in Chonsei tenure because of her fear of
the high monthly expenditure she would expect:

“I initially thought of moving to the rental flat, but my husband says we would need to pay monthly rents, not to mention the management fees, that our life would be difficult if we move there…He also didn't like to live in a high-rise flat where you have to stay behind closed doors, saying he'd rather live in the neighbourhood near Nangok, mixing together with neighbours. So, I gave up my application. It hurts… Afterwards, we looked for a place in this neighbourhood, but all the places were so expensive at that time, and we decided to move to a place affordable within our budget… My friends who went to those KNHC rental flats all say I have made a good decision because the life there is so tough, saying they have to pay rents, management fees, and also all those utility bills. They say, in winter, more than 300,000 [Korean] Won is spent every month. They all go out to work nowadays as both partners have to work to pay for all those bills…” (Interviewee KSS7-INT-18)

Another resident quotes his neighbours’ experiences:

“There are many people who are experiencing difficulties with their living, because they can't pay the rents, and their economic conditions are not up to what's required to live here. If they paid a rent deposit of KRW 16,000,000, then they would have to pay roughly KRW 160,000 as monthly rents, and if you add the management fee, then in each month, you have to spend KRW 340,000. Each month, how can they afford this? So, there are so many who are under pressure with lots of stress…There was one neighbour I used to know. When he first moved into this flat here, he said it was like living in heaven…with hot water running from the tap, no need to change coals in winter, without having to withstand foul smell. Then, now, he says his life here is not as good as it used to be in Nangok. Why? It's because he can't afford the rents and all the bills. At the end of each month, he says he can't go to sleep because of all the worries to pay those” (Interviewee KSS10-INT-03)

**Summary**

This section has examined the housing outcome upon residents’ displacement, looking at the changes in dwelling space, housing tenure, housing costs and household expenditure. In the case of dwelling space, it was found that displaced residents as a whole experienced a statistically significant increase in dwelling space upon displacement, and this was particularly true of KNHC tenants and non-recipients of means-tested social assistance benefits. The post-displacement dwelling spaces for most households, however, were below the urban average. Despite the dwelling space increase, one third of the displaced residents still experienced overcrowding as defined by the national minimum housing standards, and this was more acute among the KNHC tenants (40.3%).

In terms of tenure change, more than half of the former Chonsei tenants transferred to deposit-based monthly rental tenure by moving to the KNHC-provided public rental flats.
The other two fifths favoured cash compensation, and managed to remain in the same Chonsei tenure at the expense of poorer living environment, as most of them found homes in semi-basement or basement units, which were the least favoured dwelling form in South Korea. Residents with income constraints appeared to favour Chonsei tenure since they could not afford monthly rents payment, and this was the main reason for some eligible tenants to avoid KNHC-provided rental flats.

The displacement of Nangok tenants led to a significant increase in their housing costs, as the level of rent deposit after displacement was twice to three times as much as most tenants used to pay in Nangok. Cash compensation for eligible tenants was helpful, but not sufficient enough to cover the rent deposit difference. The majority of the residents did not enjoy formal sector borrowing, and instead relied on personal savings and informal borrowing to pay for the increased rent deposits. Upon displacement, most residents experienced an increase in the level of their household expenditure. The neighbourhood redevelopment and residents’ displacement drove them towards a greater degree of household expenditure in all aspects of expenditure items.

8.2 Housing outcomes upon redevelopment: the case of Beijing

This section examines the housing outcome of Beijing residents upon their displacement from redevelopment neighbourhoods based on my in-depth interviews. Following the same structure as in the previous section, this section on Beijing residents will discuss whether there have been marked changes in terms of dwelling space, housing built form and indoor facilities, tenure, housing finance and expenditure upon residents’ displacement.

Dwelling space

Earlier in this thesis, it was found that residents living in dilapidated neighbourhoods experienced below-average floor space (see Section 2.2 in Chapter 2). As for the interviewees, their average dwelling floor space\(^{50}\) per household also turned out to be far

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\(^{50}\) The floor space in this context is expressed as *shiyong mianji* in Chinese, referring to the floor space of a dwelling inside outer walls. In 2002, Beijing's per capita floor space was 18.2 m\(^2\). The average household size was 3.0 persons, and therefore, the average floor space per household in Beijing would be 54.6 m\(^2\) (BMBS 2003a).
less than the municipal average (54.6 m² in 2002). If the self-built space (that is, informal space that was not subject to a rental contract nor rents payment) was included, the average floor space per household reached 28.3 m² only. If the self-built space was excluded, it turned out to be 18.7 m² only.

**Improvement of household dwelling space upon displacement to suburban estates**

Table 8-18 below shows the interviewees’ changes in dwelling space after their displacement from their original neighbourhoods in Dongcheng District. For this comparison, only the formal dwelling space was taken, as this was the basis of calculating their redevelopment compensation. According to the table, most interviewees experienced an increase in their dwelling space upon re-housing or displacement to suburban districts. It appears that displacees’ move to suburban districts resulted in larger dwelling spaces per household. The interviewees who were re-housed in Xinzhoongjie neighbourhood also seemed to have had a substantial increase in their dwelling space, but they were part of the few original Xinzhoongjie residents (5%) who could afford to purchase spacious flats provided in the redeveloped neighbourhood. One household, CBD6-INT-01, was temporarily living in a pingfang dwelling originally occupied by their brother’s family. As the unit was vacant at the time of their displacement due to their brother’s job re-assignment out of the city, they made a decision to live there temporarily until an affordable flat located as close to their original place of residence as possible was found.

**Table 8-18: Increases in housing space after displacement or re-housing in Beijing**

<table>
<thead>
<tr>
<th>Displacement status</th>
<th>Interviewee ID.</th>
<th>Location of post-displacement dwellings or re-housing units</th>
<th>Household size (persons)</th>
<th>Dwelling space</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Before displacement (m²)</td>
<td>Post-displacement dwellings or re-housing units (m²)</td>
<td>% increase</td>
</tr>
<tr>
<td>Displaced to suburban districts</td>
<td>CBK-INT-01</td>
<td>Kangjiakou in Chaoyang, a near suburban district</td>
<td>4.0 20.1 21.6</td>
<td>52.2 13.0 16.0 18.7 55.7 24.7 281.8% 144.0%</td>
</tr>
<tr>
<td></td>
<td>CBK-INT-02</td>
<td></td>
<td>3.0 16.0 21.6</td>
<td>55.7 18.6 26.4</td>
</tr>
<tr>
<td></td>
<td>CBK-INT-03</td>
<td></td>
<td>2.0 20.1</td>
<td>52.2</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-01</td>
<td>Yinghuayuan; in Shunyi, an outer suburban district</td>
<td>2.0 18.0</td>
<td>68.7 34.4 370.7% 292.3%</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-02</td>
<td></td>
<td>1.0 15.0 18.0</td>
<td>70.6 70.6 23.5</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-03</td>
<td></td>
<td>3.0 18.0</td>
<td>70.6</td>
</tr>
<tr>
<td>Re-housed in original neighbourhood</td>
<td>CBH-INT-01</td>
<td>Haiyuncang in Dongcheng</td>
<td>2.0 20.1 42.0</td>
<td>47.9 23.9 25.0 138.1% 19.1%</td>
</tr>
<tr>
<td></td>
<td>CBH-INT-02</td>
<td></td>
<td>2.0 42.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Temporary residence after displacement</td>
<td>CBX-INT-10b</td>
<td>Xinzhoongjie in Dongcheng</td>
<td>4.0 23.0 n.a.</td>
<td>77.6 19.4 28.0 237.6% n.a.</td>
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<tr>
<td></td>
<td>CBX-INT-11c</td>
<td></td>
<td>3.0 23.0</td>
<td>84.1</td>
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<td></td>
<td>CBD6-INT-01</td>
<td>Dongsì 6-tiao in Dongcheng</td>
<td>3.0 15.8</td>
<td>9.0 3.0 -43.0%</td>
</tr>
</tbody>
</table>
Improved per capita floor space upon displacement

After moving from their original neighbourhoods, most households except for CBK-INT-01 and CBD6-INT-01 enjoyed per capita floor space that was larger than the municipal average of 18.2 m² in 2002. This suggests that the supply of newly built spacious flats purchased by displaced residents could have contributed to the improvement of average housing conditions in the municipality as a whole. This also indicates, however, the intensifying problems with the housing poor in the old and dilapidated neighbourhoods. Their housing conditions were falling far behind the municipal average as the redevelopment of dilapidated neighbourhoods progressed, which in turn might have provided another reason for the municipal government to proceed with more ODHRP projects.

Dwelling forms and physical conditions

Neighbourhood redevelopment is rapidly changing the landscape of Beijing’s urban space. Traditional dwelling forms are replaced with modern medium- or high-rise flats, and these are what the new housing market offers to most prospective homebuyers. Such was also the case for those interviewees who were displaced from their original neighbourhoods due to redevelopment. As shown in Table 8-19 below, all the displaced or re-housed interviewees but one resided in either walk-up or high-rise flats.

<table>
<thead>
<tr>
<th>Displacement status (N=20)</th>
<th>Pingfang dwellings</th>
<th>Walk-up flats</th>
<th>High-rise flats</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>with self-built extension</td>
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<tr>
<td>Subject to displacement in future</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>9</td>
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<tr>
<td>(Current residence in Xinzhihongjite)</td>
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<tr>
<td>Displaced and...</td>
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<td></td>
</tr>
<tr>
<td>Moved to suburban districts</td>
<td></td>
<td>6</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Re-housed in Dongcheng district</td>
<td></td>
<td>2</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Displaced and in temporary residence</td>
<td>1</td>
<td></td>
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<td>1</td>
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<tr>
<td>Total</td>
<td>6</td>
<td>1</td>
<td>11</td>
<td>20</td>
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</tbody>
</table>

Note: The residents who were displaced all used to live in pingfang dwellings.
Source: Data from interviews conducted by the author in 2003

While the life in old and dilapidated pingfang dwellings was subject to residents’ discontent and complaints (see Section 4.2 in Chapter 4), those interviewees who moved to the walk-up or high-rise flats displayed much less complaints, if not wholly content, regarding their dwellings’ physical conditions. These interviewees all used to reside in pingfang dwellings before their neighbourhoods were subject to demolition and
redevelopment. All those walk-up or high-rise flats currently occupied by these interviewees were self-contained, and fully equipped with indoor facilities and central heating. This naturally displayed a stark difference from the physical conditions of pingfang dwellings or walk-up flats located in dilapidated neighbourhoods such as Xinzhongjie subject to its second phase redevelopment. Figure 8-2 below shows some examples of the views of an outer suburban estate, where three interviewee households were residing.

While the residents in walk-up or high-rise flats were agreeing that the physical conditions were far better than their old pingfang dwellings, they still expressed some complaints regarding their current dwellings. Such complaints were mostly related to the poor construction quality, which did not meet the expectation of the interviewees, and also to the poor management of their estates, as some of the quotes below suggest. As of April 2001, there were no specific regulations governing the property management practices (China Daily 24 April 2001).
Exterior view of a walk-up block in Airport Estate (‘Konggang Xincheng’) in Yinghuayuan in Shunyi district. Three interviewees moved from Xiangheyuan neighbourhood in Dongcheng district were living in this estate.

Main gate to the estate. On the red placard hanging over the gate says, “Don’t let SARS enter our community”, reflecting the city’s struggle with the epidemic in the year.

Lounge area with double-glazed window

Bedroom

Kitchen

Note: Pictures of interior views were taken in the residence (total floor space, 70.6 m²) of interviewee CBY-INT-02. Photos taken in August 2003, and map drawn by the author.
Housing tenure

As discussed earlier in Section 4.2 in Chapter 4, most dwellings in dilapidated neighbourhoods were public rental units. Table 8-20 below summarises the current tenure status of the interviewees in Beijing. Those displaced and relocated households at the time of interviewing also used to be tenants in public rental units, and this was the same for those who were yet to be displaced.

Table 8-20: Current tenure status of the interviewees in Beijing

<table>
<thead>
<tr>
<th>Tenure status of displaced/ re-housed interviewees</th>
<th>Tenure upon displacement/ re-housing</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-redevelopment tenure</td>
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<td>Owner occupation</td>
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<td></td>
<td>Commercial housing</td>
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<td></td>
<td>Affordable housing</td>
<td></td>
</tr>
<tr>
<td>Public housing rental tenure</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenure status of interviewees yet to be displaced</th>
<th>Owner occupation</th>
<th>Municipal bureau housing</th>
<th>Rent-free occupancy</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Subject to displacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data from interviews conducted by the author in 2003

Most displacees interviewed became owner-occupiers by purchasing a commercial or an affordable housing (jingji shiyongfang in Chinese) unit. None of the households interviewed bought a second-hand flat to become owner-occupiers. Two households who bought affordable housing units were those re-housed upon completion of Haiyuncang redevelopment, which accompanied the construction of affordable housing instead of commercial housing.

In the case of interviewees yet to be displaced, homeownership turned out to be the most preferred option, and private renting was considered, if at all, as a short-term alternative before their permanent resettlement:

“I don't want to live in a private rental house…Don't live in a private owner's house. It's too troublesome. The house owner makes decision about whether to allow you to live or not. If not allowed, you have to move out the next day.”

(Interviewee CBX-INT-01)

“Renting a house is too expensive. I am not capable of renting a place. Our family makes altogether about 900 yuan a month [and is receiving benefits from minimum living standard security system]... [If to find a place to move in] I can take care of these matters temporarily. We can live with my mom, my son's grandmother, at her place, which is also fine. But, in the end, you should allow us to have a practical
place to live in, a house that belongs to myself. It must be not too far away. If it is, I am not interested, as my child has to commute to school a long distance.”

(Interviewee CBX-INT-05)

“Even if you rent [for the time being], you need to buy a house someday. Renting is very expensive. You need to pay the rent every month, and that's not stable. Because we are already quite old, soon going to be 50, there's no more future. It's always no good to rent. In the end, you place this burden on your children, and it's not realistic either. Still want to have a place of one's own, regardless of the size. Having a place to return will make the children feel secure when they come home.”

(Interviewee CBX-INT-06)

Given the pre-reform situation that public rental tenure with minimal rents was guaranteed for life among urban residents, the logical option for the tenants upon displacement from their public rental units seemed to be homeownership, if their circumstances permitted. With the reduced amount of cash compensation from 2001 and the difficulties of the low-income residents in obtaining formal financial assistance, however, the residents’ expectation to become owner-occupiers upon their future displacement seemed doubtful.

**Financing homeownership**

So far, it was shown that those displaced or re-housed households were able to successfully transfer to home owners, purchasing modern, redeveloped flats and occupying a dwelling of much larger size than their previous pingfang dwellings. The question is how did they finance the purchase? To address this question, I will first consider the amount of cash compensation these households were entitled to, and then examine the extent to which this compensation contributed to the purchase of their new dwellings.

**Cash compensation as financial gains**

As explained in the previous chapter, residents subject to redevelopment have been given cash-oriented compensation since 1998. In fact, interviewed households received cash compensation upon displacement, which was 5 to 13 times Beijing’s average annual disposable household income. Compared to the interviewees’ reported disposable household income,\(^{51}\) the cash compensation turned out to be almost equal to their life-

\(^{51}\) Interviewees were asked to provide the actual disposable income of each co-habiting household member. This income mainly referred to the regular income, including monthly salaries if employed, social insurance
time cash savings. For example, the interviewee CBY-INT-02 who was 74 years old and retired at the time of interviewing had been living alone on her retirement pension while her only son was living separately with his family in a house in one of Beijing’s rural counties. She received in total 205,000 yuan as cash compensation for the formal space she occupied as a tenant. This included the cash incentive of 25,000 yuan that she received from the developer for having moved out before the house-moving deadline. Her total cash compensation was equivalent to forty one years of her annual disposable income.

Table 8-21: Summary of cash compensation received by displaced and re-housed interviewees in Beijing

<table>
<thead>
<tr>
<th>Household category</th>
<th>Interviewee ID.</th>
<th>Displaced date</th>
<th>Floor space of interviewees’ pre-redevelopment dwellings</th>
<th>Reported annual household income</th>
<th>Total Compensation received upon displacement</th>
<th>‘Compensation to interviewee household income’ ratio</th>
<th>‘Compensation to Beijing’s average annual household income’ ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Displaced to suburban districts</td>
<td>CBK-INT-01</td>
<td>29 Dec. 1999</td>
<td>20.1</td>
<td>n.a.</td>
<td>340,000</td>
<td>n.a. / n.a.</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>CBK-INT-02</td>
<td>01 Jan. 2000</td>
<td>16.0</td>
<td>n.a.</td>
<td>275,000</td>
<td>n.a. / n.a.</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>CBK-INT-03</td>
<td>Early Jan. 2000</td>
<td>21.6</td>
<td>n.a.</td>
<td>300,000</td>
<td>n.a. / n.a.</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-01</td>
<td>Early May 2001</td>
<td>18.0</td>
<td>n.a.</td>
<td>280,000</td>
<td>n.a. / n.a.</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-02</td>
<td>Early May 2001</td>
<td>15.0</td>
<td>n.a.</td>
<td>205,000</td>
<td>n.a. / n.a.</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>CBY-INT-03</td>
<td>Early May 2001</td>
<td>18.0</td>
<td>17,448</td>
<td>490,000</td>
<td>n.a. / n.a.</td>
<td>13</td>
</tr>
<tr>
<td>Re-housed upon project completion</td>
<td>CBH-INT-01</td>
<td>n.a.</td>
<td>20.1</td>
<td>12,960</td>
<td>0</td>
<td>0 / 0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>CBH-INT-02</td>
<td>n.a.</td>
<td>42.0</td>
<td>24,720</td>
<td>0</td>
<td>0 / 0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>CBX-INT-10</td>
<td>Early Jan. 2000</td>
<td>23.0</td>
<td>n.a.</td>
<td>295,000</td>
<td>n.a. / n.a.</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>CBX-INT-11</td>
<td>Early Jan. 2000</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a. / n.a.</td>
<td>n.a. / n.a.</td>
<td>8</td>
</tr>
<tr>
<td>Temporary residence after displacement</td>
<td>CBD6-INT-01</td>
<td>Early Dec. 2002</td>
<td>22.3</td>
<td>29,640</td>
<td>296,000</td>
<td>10 / n.a.</td>
<td>8</td>
</tr>
</tbody>
</table>

Note:
1) RMB 37,391.7 was the annual disposable household income by the end of 2002 in Beijing (Beijing Municipal Bureau of Statistics, 2003: 179). Note that the annual disposable income of bottom 20% of income decile distribution was RMB 19,384.0 in the same year.
2) The interviewee CBD6-INT-01 is displaced from another neighbourhood in Dongcheng District near Xinzhongjie neighbourhood, who received compensation under the BJ-2001 Compensation Measure.

The table also shows that the dwelling use space occupied by interviewed households was very similar to each other, but the amount of compensation received differed considerably. This divergence resulted from the differences in household size as well as in the space subsidy and security benefits if in receipt, and any other income generated from informal jobs they said to have been engaged in. It was possible that their monthly income might have been under-reported by not being able to capture incomes from informal activities or financial support from their social network (e.g. next of kin). However, the reported income would still serve the purpose of comparing the relative difference in living expenses before and after displacement from dilapidated neighbourhoods.
On the other hand, those two households CBH-INT-01 and -02, re-housed in Haiyuncang upon redevelopment, were subject to a substantial amount of discount for their re-housing flats instead of receiving cash compensation. The Haiyuncang redevelopment was in accordance with a revised ODHRP approach, which was announced in March 2000 (BMG 2000b). This circular aimed at implementing a pilot programme that gave greater emphasis on existing residents’ re-housing upon the completion of neighbourhood redevelopment by constructing affordable housing on site (see previous Chapter 5 for more details).

**Financing homeownership with cash compensation**

Given the huge amount of total cash compensation, did the displaced residents find an opportunity to join the rank of homeowners upon displacement? The experience of the interviewed households indicated that this was possible, but only by moving further away from their original neighbourhoods in the inner city district.

Figure 8-3 below compares interviewed households’ redevelopment compensation upon their displacement with the actual housing price that they paid to become owner-occupiers. The figure suggests two interesting findings. Firstly, it clearly shows that the redevelopment compensation helped most interviewed households finance their housing purchase. Apart from the case of the interviewee CBX-INT-10, all other interviewed households purchased a commercial dwelling in suburban districts more or less within the budget of their redevelopment compensation. The housing price paid by the interviewee CBX-INT-10 was far greater than the total compensation she received, and this owed to the fact that her family was re-housed in an expensive commercial flat built on site upon completion of Xinzhongjie’s first phase redevelopment.
When the total compensation was inadequate to finance the housing purchase, interviewed households filled the gap by relying on informal loans and personal savings. This was the case with four interviewees, CBK-INT-02, CBK-INT-03, CBY-INT-02 and CBX-INT-10. For instance, the interviewee CBK-INT-02 stated that her family used her early retirement payment from her former employer to pay the difference (35,000 yuan). The interviewee CBK-INT-03 also paid the difference (20,000 yuan) with her own cash savings, while CBY-INT-02 borrowed 5,000 yuan from her next of kin. In the case of the interviewee CBX-INT-10, the price of her re-housing flat turned out to be nearly twice as much as her total cash compensation. She refused to provide the details of how she financed the difference, and simply acknowledged briefly that she borrowed some money from her friends and relatives. It was evident from her response that the difference was hardly financed by formal loans from financial institutions. Such hesitance towards bank loans and their tendency to rely on relatives confirms the study on tenure decision behaviour in Guangzhou, which found that no families relied upon home mortgage at the time of the study (Li 2000: 230). In the case of homeowners in his study, 69% of the purchase was funded by personal savings, while the financial help from their relatives and parents made up the remaining balance.

As for the interviewees CBY-INT-01 and CBY-INT-03, the housing price was far lower
than their total cash compensation. Instead of finding a relocation accommodation closer to their original place of residence, they chose to move to an outer suburban district (that is, Shunyi District). Such decision was made by these elderly displacees so that the remaining balance could be given to their children. For instance:

“Our daughter [whose family is also displaced as part of redevelopment and has chosen a re-housing option] needs to borrow money. She doesn't have any money. If we say we don't give her money, she would have to add 200,000 yuan all by herself [to buy the re-housing flat]. 163,000 yuan for the flat, and some more for its furnishing...So, in this kind of circumstance, we moved to this neighbourhood, and gave her 150,000 yuan…” (Interviewee CBY-INT-03)

The interviewees, CBH-INT-01 and -02, received discounts based on their working years and previous dwelling space, but still had to finance the large amount of remaining balance on their own. In the case of the household CBH-INT-01 that consisted of a retired old lady and her disabled son, their monthly income (RMB 1,080) consisted of minimum living allowance and a small amount of subsidy for the son's disability. The interviewee was originally entitled to a three-bedroom flat in accordance with her registered household size at the time of redevelopment. Instead of purchasing this flat, the family went for a two-bedroom flat by giving up one bedroom and in return received RMB 90,000 as cash compensation. Their two-bedroom flat was priced at RMB 170,000 after discount. To purchase the flat, they used their cash compensation, and received help from her youngest son and her nephew.

In the case of an old couple CBH-INT-02, they retired long ago, and had no housing provident fund account. Their monthly income, RMB 2,060, only consisted of their retirement pension. They were entitled to purchase a two-bedroom flat for their re-housing, which was priced at RMB 100,000. The price was much less than what CBH-INT-01 had to pay, because their combined working years were longer and they used to occupy a dwelling which was twice as large as CBH-INT-01’s. The balance was paid out of household savings, and hence, they did not require any bank loans.

‘Forced consumption’: increases in household expenditure

While the residents expressed their desire to become homeowners to maintain their housing security, the life as owner-occupiers in modern flats would require far more increased expenditure. Given the low level of household income and rents while residing in dilapidated public rental units, the increased monthly housing costs might turn out to
be damaging to their future sustenance of homeownership. An interviewee who moved to a walk-up flat in an outer suburban district commented:

“At that time [before displacement], we didn't have to spend much. Our rent was just over thirty yuan, and water and electricity bills were cheaper there [in her old pingfang dwelling]. Now, things are not well. At the moment, I'm telling you, I just don't have the three hundred yuan [to pay for the bills]. I just don't eat nor drink, but no three hundred yuan, and that's embarrassing…” (Interviewee CBY-INT-01)

In order to examine how much pressure the housing costs might have had upon residents after moving from their old neighbourhoods, Table 8-22 below made a summary of monthly housing costs incurred by the displaced interviewees in comparison with their reported household income. The table only included those households whose housing costs and monthly household disposable income were all reported to the author during the interviews.

Table 8-22: Monthly housing costs as reported by interviewees in Beijing

<table>
<thead>
<tr>
<th>Displacement status</th>
<th>Interviewee ID.</th>
<th>Monthly household disposable income (in RMB)</th>
<th>Per capita monthly disposable income (in RMB)</th>
<th>Monthly housing costs as reported by interviewees (in RMB)</th>
<th>% of monthly household disposable income</th>
<th>% of average monthly household disposable income in Beijing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to displacement in near future</td>
<td></td>
<td></td>
<td></td>
<td>Rent or management fee</td>
<td>Utility bills (electricity, water &amp; gas)</td>
<td>Heating costs</td>
</tr>
<tr>
<td>CBX-INT-01</td>
<td>1,070</td>
<td>535</td>
<td>0</td>
<td>56</td>
<td>23</td>
<td>79</td>
</tr>
<tr>
<td>CBX-INT-02</td>
<td>3,430</td>
<td>429</td>
<td>30</td>
<td>200</td>
<td>73</td>
<td>303</td>
</tr>
<tr>
<td>CBX-INT-03</td>
<td>3,310</td>
<td>662</td>
<td>65</td>
<td>350</td>
<td>58</td>
<td>473</td>
</tr>
<tr>
<td>CBX-INT-04</td>
<td>970</td>
<td>970</td>
<td>0</td>
<td>75</td>
<td>44</td>
<td>119</td>
</tr>
<tr>
<td>CBX-INT-05</td>
<td>990</td>
<td>330</td>
<td>24</td>
<td>75</td>
<td>15</td>
<td>114</td>
</tr>
<tr>
<td>CBX-INT-06</td>
<td>1,900</td>
<td>380</td>
<td>48</td>
<td>140</td>
<td>58</td>
<td>246</td>
</tr>
<tr>
<td>CBX-INT-08</td>
<td>1,390</td>
<td>463</td>
<td>26</td>
<td>150</td>
<td>0</td>
<td>176</td>
</tr>
<tr>
<td>Average</td>
<td>1,866</td>
<td>466</td>
<td>28</td>
<td>149</td>
<td>39</td>
<td>216</td>
</tr>
<tr>
<td>Moved to suburban districts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBK-INT-03</td>
<td>1,650</td>
<td>825</td>
<td>51</td>
<td>200</td>
<td>188</td>
<td>251</td>
</tr>
<tr>
<td>CBY-INT-01</td>
<td>1,700</td>
<td>850</td>
<td>50</td>
<td>300</td>
<td>129</td>
<td>479</td>
</tr>
<tr>
<td>CBY-INT-02</td>
<td>420</td>
<td>420</td>
<td>52</td>
<td>105</td>
<td>133</td>
<td>290</td>
</tr>
<tr>
<td>CBY-INT-03</td>
<td>1,454</td>
<td>485</td>
<td>52</td>
<td>110</td>
<td>131</td>
<td>162</td>
</tr>
<tr>
<td>Average</td>
<td>1,306</td>
<td>653</td>
<td>51</td>
<td>179</td>
<td>145</td>
<td>375</td>
</tr>
<tr>
<td>Re-housed (Xinzhoujie Phase I)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBX-INT-10</td>
<td>n.a.</td>
<td>n.a.</td>
<td>375</td>
<td>155</td>
<td>277</td>
<td>807</td>
</tr>
<tr>
<td>CBX-INT-11</td>
<td>n.a.</td>
<td>n.a.</td>
<td>406</td>
<td>155</td>
<td>300</td>
<td>861</td>
</tr>
<tr>
<td>Displaced and in temporary residence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBD6-INT-01</td>
<td>2,470</td>
<td>823</td>
<td>0</td>
<td>300</td>
<td>225</td>
<td>525</td>
</tr>
</tbody>
</table>

Note: (1) Monthly management fee for relocated households. Data are based on management fee rates reported by the interviewees: Kangjiagou (CBK) 0.7 yuan per m², and Yinghuayuan (CBY) 0.53 yuan per m²; (2) Modern walk-up flats are equipped with central heating system, and the residents have reported annual heating costs, which are then divided by 12 months; (3) RMB 3,116 per household in 2002 (BMBS, 2003); (4) The heating costs for CBY-INT-02 and -03 are based on the annual rate of charge (31 yuan per m²) as reported by the interviewee, CBY-INT-01 who resides in the same estate; (5) Mid-value of those of the other two households (CBY-INT-01 and -02) in the same estate.

Source: Data from the interviews by the author in 2003. Only those interviewees with valid monthly income reports are included.

In the case of households who were still residing in Xinzhoujie’s dilapidated dwellings, the total housing costs incurred each month were on average 11.6% of their reported monthly household disposable income and 6.9% of Beijing’s average monthly household
disposable income in 2002.

As for the households relocated to suburban districts (that is, CBK-INT-01, CBY-INT-01, -02 and -03), they experienced a significant increase in housing costs. The total housing costs of those four interviewee households constituted on average 28.7% of their monthly household income. The proportion of housing costs to Beijing’s average monthly household disposable income was highest in the case of those two households re-housed in the Sun City Estate (that is, CBX-INT-10 and -11). As was mentioned earlier, these households re-housed in the Sun City could be assumed to be the wealthiest among the residents displaced as part of Xinzhongjie’s first phase redevelopment. However, even for them, the monthly housing costs in redeveloped flats were beyond their expectation, and this was reported to be the main reason behind re-housed households moving out in order to gain rent by letting their Sun City flats. Apparently, among the twenty odd households who were re-housed upon completion of the Sun City project in January 2002, only six households were remaining at the time of interviewing in August 2003.

**Summary**

This section has examined the housing outcome of the residents who were displaced or re-housed due to neighbourhood redevelopment in Beijing. In relation to dwelling space, all the interviewed households reported an increase in their dwelling space upon displacement and re-housing. All of them also reported increased per capita floor space. It appears that displaces’ move to suburban districts resulted in larger dwelling spaces, unless residents were rich enough to purchase luxurious commercial flats in inner city districts and be re-housed upon project completion. The physical conditions and indoor facilities of the dwellings occupied by the displaced or re-housed households were much superior to the pingfang dwellings they lived in before redevelopment.

The residents’ displacement and re-housing led to their tenure conversion from the public sector tenants to owner-occupiers, as they all purchased a flat. The cash compensation that the residents were entitled to was 5 to 13 times Beijing’s average annual household disposable income and equivalent to life-time savings for those displacees. When short of money to finance their housing purchase, they relied mostly on their personal savings and informal borrowing rather than on formal loans from financial institutions. The transfer to owner occupation in modern flats, however, seemed to have incurred much higher housing costs than the interviewees used to pay before redevelopment. Such high costs
were too burdensome for Xinzhongjie residents who were re-housed in Sun City so they had to move elsewhere and seek rental income instead.

8.3 Conclusion

This chapter has examined the housing outcome of the residents from dilapidated neighbourhoods in Seoul and Beijing upon their displacement due to neighbourhood redevelopment. Five main aspects were examined: dwelling space; dwelling forms and physical conditions; housing tenure; housing finance; and household expenditure. The summary of the findings are presented in Table 8-23.

Existing studies on displacement in market economies tend to find displacement as having negative impacts upon residents as it involved substantially higher rents and housing costs for more crowded and inferior dwellings (Hartman 1979; LeGates and Hartman 1986). The redevelopment of dilapidated neighbourhoods in Seoul partly supports such argument. The displacement of residents from Nangok certainly led to substantial increases in housing costs, and most displacees reported increased household expenditure on most spending items. The dwellings in dilapidated neighbourhoods suited low-income residents’ financial needs, but their destruction and the subsequent displacement of residents seemed to have increased debts and aggravated their financial situations. Due to the appalling physical conditions in Nangok before redevelopment, however, the displacement of residents did not necessarily involve moving to a worse living environment. Residents who moved to semi-basement or basement units were discontent about the lack of natural lighting and damp conditions, but such dwellings’ other indoor facilities were still superior to what could be found in dilapidated neighbourhoods. Despite the improved dwelling conditions and increased dwelling space, however, overcrowding was still prevalent among displaced residents, as they had to find accommodations within their budget constraints.

In Beijing, the physical living conditions were substantially improved in the case of displaced or re-housed residents. Such improvement was also accompanied by their tenure conversion from public housing tenants to owner-occupiers. Residents disfavoured private renting that would not provide housing security as solid as what it used to be within the traditional public rental sector. However, relocation to or re-housing in a modern flat within or outside the inner city districts would incur a substantial increase in housing
expenditure after displacement, which could be detrimental to residents’ monthly expenditure capacity, given the low-income status and unstable employment characteristics of many households.

Table 8-23: Summary of Seoul and Beijing residents’ housing experiences upon displacement

<table>
<thead>
<tr>
<th>Dwelling space</th>
<th>Seoul</th>
<th>Beijing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased dwelling space but overcrowding persists</td>
<td>Increased dwelling space increase, especially when moving to public rental flats. Economically better off families more likely to experience space increase.</td>
<td>Substantial increase in dwelling space when displaced and purchased a flat in suburban districts or re-housed in redevelopment neighbourhoods.</td>
</tr>
<tr>
<td></td>
<td>Per capita floor space of the displaced, mostly below urban average</td>
<td>Most interviewed residents experiencing larger per capita floor space upon displacement than the municipal average.</td>
</tr>
<tr>
<td></td>
<td>One third of the displaced households, failing to meet the national minimum housing standards. More likely to experience overcrowded conditions in public rental flats</td>
<td>Increased dwelling space applicable only to those who became owner occupiers upon displacement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dwelling forms and physical conditions</th>
<th>Overall improvement of physical conditions, though some concerns raised for (semi-)basement units</th>
<th>Improved physical conditions of post-displacement flats</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Semi-)basement units are the least favoured dwelling form in South Korea, but found to be the second most frequently cited dwelling form after the KNHC-provided public rental flats.</td>
<td>Physical conditions of post-displacement flats superior to those in dilapidated neighbourhoods.</td>
</tr>
<tr>
<td></td>
<td>Displaced residents hardly moved to high-rise flats unless they became KNHC tenants.</td>
<td>Some concerns regarding poor construction and management practices.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing tenure</th>
<th>Trade-off between tenure preference and dwelling form, constrained by household income</th>
<th>Homeownership orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tenure conversion from Chonsei to deposit-based monthly rental when moving to public rental flats.</td>
<td>Displaced residents in search for homeownership</td>
</tr>
<tr>
<td></td>
<td>Residents remaining in Chonsei tenure upon displacement likely to live in (semi-)basement units.</td>
<td>Those residents subject to displacement in future also expressing a strong preference for owner occupation.</td>
</tr>
<tr>
<td></td>
<td>Lower income residents more likely to remain in Chonsei tenure in fear of paying monthly rents with limited income.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Housing finance</th>
<th>Cash compensation helpful, but not sufficient</th>
<th>Homeownership mostly determined by cash compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eligible tenants in receipt of cash compensation found it helpful to finance their post-displacement rent deposits.</td>
<td>Cash compensation as financial gains: 5–13 times Beijing’s average annual household disposable income.</td>
</tr>
<tr>
<td></td>
<td>Cash compensation still not enough to fill in the difference between pre- and post-displacement rent deposits.</td>
<td>The amount of cash compensation determining where to buy a flat.</td>
</tr>
<tr>
<td></td>
<td>Most frequently cited financing methods being personal savings and informal borrowing, leading to increased debts upon displacement.</td>
<td>If in shortage of funds, mostly relying on personal means or informal borrowing.</td>
</tr>
<tr>
<td></td>
<td>Ineligible tenants more likely to find a post-displacement dwelling that requires less rent deposits.</td>
<td></td>
</tr>
</tbody>
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<thead>
<tr>
<th>Household expenditure</th>
<th>Increase household expenditure</th>
<th>Increased household expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most expenditure items experiencing increased spending.</td>
<td>Monthly spending on housing maintenance and management likely to be more than doubled when becoming owner occupiers.</td>
</tr>
<tr>
<td></td>
<td>Huge pressure of paying monthly rents and management fees in the case of public sector tenants.</td>
<td>Substantial increase in household expenditure in the case of those in commercial housing, eventually leading to the displacement of re-housed residents to seek for rent income through letting.</td>
</tr>
</tbody>
</table>
When neighbourhood redevelopment and residents’ displacement take place, it is argued that the actual outcome and consequences of displacement would depend on the relocation (and compensation) policies implemented (Cameron 2003). The redevelopment compensation policies in Seoul and Beijing very much support this argument. In Seoul, the provision of public rental flats as in-kind compensation seemed to have attracted a certain proportion of eligible tenants in spite of the fact that their tenure transfer from Chonsei in the private sector to monthly rental tenure in the public sector would incur much higher monthly expenditure on rents and management fees. For the tenants eligible for such redevelopment compensation, redevelopment meant a ‘fast-track’ access to the public rental sector, which only benefits a small proportion of tenant households in Seoul due to limited supply. The high housing costs incurred in the public rental sector, however, pushed away a substantial number of eligible tenants who chose cash compensation in order to remain in their favoured Chonsei tenure. The majority of such tenants had to make a trade-off between the long-term tenure security provided by the public rental sector and the poorer dwelling conditions, as such move led to their settlement in the least favoured dwelling form (that is, semi-basement or basement units in individual and multi-dwelling houses). Such trade-off was more prevalent among the recipients of means-tested social assistance programmes, as they tried to avoid paying monthly rents due to limited regular income.

As for the ineligible tenants in Seoul, the absence of any kind of redevelopment compensation meant that they would struggle hard to keep their head above water in the private rental sector that neither guarantees long-term tenure security nor provides adequate formal financial support for them to finance housing costs. When the ineligible tenants were displaced, their housing consumption behaviour tended to be similar to that of eligible tenants, but the rent deposit of their post-displacement dwellings appeared to be much less than what eligible tenants paid.

In Beijing, the changes in compensation policies from re-housing to full monetarisation led to the displaced residents’ tenure conversion from rental tenure in the public sector to owner occupation in the private sector. In this respect, redevelopment policies are in line with the government policies of promoting homeownership during the reform period. This, however, also means that public sector tenants have no other choice but to exercise their housing choice only within the private sector with no further access to welfare housing. Moreover, the cash compensation policies adopted in 1998 came to favour those
with larger dwelling space before displacement, and excluded those who were relying heavily on informal self-built dwelling space to meet their housing needs. It is doubtful, however, that such tenure conversion would continue to take place as the municipal and central governments have revised their compensation policies in 2001 leading to the substantial reduction of cash compensation. In this study, it was not possible to contact those Beijing tenants ineligible for redevelopment compensation. Such tenants would usually consist of migrant workers or families who do not have permanent Beijing hukou, not having lived long-term in dilapidated neighbourhoods. They do not have access to Beijing’s public rental housing, and may largely reside in employer-provided compounds or private dwellings in and around suburban districts and counties (see Section 2.1 in Chapter 2 for more details on urban migrants in Beijing). If any such families are found to live in redevelopment neighbourhoods as private renters, they are not qualified for any redevelopment compensation by regulations, and will have to seek alternative dwellings with their personal means.

Having examined residents’ housing experiences upon displacement, such diverse experiences among the existing residents in redevelopment districts in Seoul and Beijing would result in differing degrees of frustration. How the residents participate in and respond to the redevelopment of their neighbourhoods is going to be the main topic for the following chapter.
Chapter 9
Residents and participation: limited opportunities

9.1 Seoul: charade of community participation
   Basis of community participation: voluntary association of property-owners
   Fallacy of community participation
   Owner-occupiers and their limited access to development gains
   Tenants and their collective actions
   Summary

9.2 Beijing: lack of opportunities for residents’ participation
   No provision for residents’ participation until displacement
   Barriers to participation
   Residents’ discontent and its sources
   Limited individual actions
   Are there any signs of collective response?
   Summary

9.3 Conclusion
This chapter forms the third of the three chapters on residents. This chapter examines the degree of residents’ participation in order to identify if there are any opportunities for residents in Seoul and Beijing to intervene in the processes of neighbourhood redevelopment.

In western literatures, the rise of the regeneration partnership has led to an increasing attention on the issue of community participation. In the UK, for instance, community involvement has been considered central to partnership approach especially since the rise of the New Labour government (Imrie and Raco 2003). Increased community participation in urban regeneration partnership is treated as an end in itself. Critics focused on the need of empowering local communities and disadvantaged residents (Baeten 2000; McArthur 1995; Power 1996), and the evaluation of the degree of community participation and empowerment in regeneration partnership (Hart et al. 1996; Hastings and McArthur 1995; Smith and Beazley 2000). It is often criticised, however, that limited resources and bargaining power constrain communities from actively partaking in decision-making, implementation or evaluation processes (Atkinson 2003; Crawford 2003; Morrison 2003; Wilks-Heeg 2003).

In South Korea and mainland China, community participation in urban renewal has rarely received attention in academic literatures in spite of the extensive operation of recent neighbourhood redevelopment projects. In South Korea, the issue of people’s participation has often been discussed in the context of democratisation and resistance to authoritative state (e.g. Hart-Landsberg 1993; Kim 1980) or rural community development and nation-building (e.g. Dore et al. 1981; Whang 1981). In the context of urban renewal, criticisms were mounted mainly against the forced eviction of tenants and the protection of their housing rights (ACHR 1989a, 1989b; CIIR 1988; Kim 1998; Kim 1991). Recently, there has been a call for a more community-based redevelopment approach (Ha 2001a), and there is a need to closely examine the local contexts within which residents’ participation is constrained and discouraged.

In mainland China, literatures on community participation emerge mainly in the context of rural development (e.g. Plummer and Taylor 2004), social welfare (e.g. Leung and Wong 1999; Liu 2004; Wang et al. 2005) and urban service delivery (Xu and Chow 2006). Recently, some critical literatures have begun to emerge and address the limits of community participation in policy-making and implementation (Cai 2004; Chu 2004) and
the changing nature of urban governance that re-invents urban communities to create a “governable society” (Wu 2002a). Community participation, however, has been rarely discussed in the context of urban renewal, and we are yet to have a more concrete understanding of how community participation has been promoted or discouraged.

In this respect, this chapter attempts to be both exploratory and explanatory in its approach, and addresses the following key questions: did residents have means to intervene and participate within the existing redevelopment framework; to what extent did residents approve or dissent neighbourhood redevelopment; moreover, did they remain passive throughout the redevelopment process?

9.1 Seoul: charade of community participation

In this section on Seoul, I will start by addressing the legal basis of local community participation within the Joint Redevelopment Programme (JRP). It shows that community participation in the JRP largely refers to the participation of property-owners, and excludes tenants. I will then discuss how local community participation was hampered by taking the case study of Nangok neighbourhood redevelopment. The third and fourth subsections discuss the collective actions taken by the remaining owner-occupiers and tenants in Nangok.

Basis of community participation: voluntary association of property-owners

Legal provision for property-owners’ participation

In Seoul, the implementation of the JRP is based on the voluntary association of property-owners. Property-owners in a redevelopment neighbourhood come together at the outset to establish a representative body called ‘redevelopment steering committee’ (see Figure 9-1). The committee is there to facilitate the redevelopment processes including the designation of their neighbourhood as a redevelopment district if the designation is not made by the local authority. When in need of a collective decision, the committee calls for a general assembly where property-owners cast a vote.

There are two major moments when property-owners are required by law to make a collective decision (Kim et al. 1996: 108-109). The first moment is when the redevelopment steering committee transforms into a legal body called a ‘redevelopment
association,' and becomes the official project implementer. At least two thirds of the property-owners should give consent to the establishment of the redevelopment association. It is initially comprised of property-owners only, but as soon as professional developers are selected, they also join the redevelopment association.

Figure 9-1: Property-owners’ action at each stage of a JRP project
(MoCT Korea 2000)

Project preparation (area designation)
- Selection of a neighbourhood and preparation of a project outline
- Designation of a neighbourhood as a redevelopment district
- Establishment of ‘redevelopment steering committee’
  - (If area designation is not completed)
  - Consent from two thirds of property owners
  - Establishment of ‘redevelopment association’

Project implementation plan
- Selection of a developer, which then joins the association as a co-member
- Preparation of a ‘project implementation plan’
- Preparation and submission of a ‘project implementation plan’
- Review and approval of the project implementation plan
- Establishment of ‘redevelopment steering committee’
  - (If area designation is completed)
  - Consent from two thirds of property owners

Management disposal plan
- Application for a redevelopment flat
- Preparation of a ‘management disposal plan’
- Approval of the management disposal plan

Project implementation (demolition and construction)
- Completion of residents’ relocation and demolition of dwellings
- Construction
The second occasion takes place just before submitting a project implementation plan for government approval. The delegates of a redevelopment association, chosen through a general assembly of property-owners at the time of its inauguration, work together with professional developers, and produce a project implementation plan that contains information on what are to be built on site. Before its submission to the local authority, the plan needs to be approved by at least two thirds of the property-owners.

**Law enforcement against non-consenting owner-occupiers**

Not all the owner-occupiers would be satisfied with the demolition and redevelopment of their neighbourhoods, and some may resist and raise objection and complaints. They may also refrain from accepting the collective decision made in a general assembly. Some of them may also change their mind after initially consenting to the neighbourhood redevelopment, and refuse to vacate dwellings. This often splits property-owners sharply into two opposing groups. The head of the Housing Bureau at the Gwanak district government explained:

“The legal consent rate is very contradictory…Those who consent are acting according to their conviction that it [redevelopment] would bring profits. People who dissent…are forced to follow despite their unwillingness…So, the dispute can be sometimes fierce…”

(Head of the Housing Bureau, Gwanak district government)

The Urban Redevelopment Act defines that when such disputes occur, a negotiation is to take place between disagreeing owners and the redevelopment association. When there is no prospect of obtaining disagreeing owners’ consent, the redevelopment association can apply to the court to enforce land acquisition as per the Land Acquisition Act. This is deemed necessary to safeguard the interests of the majority group at the expense of restricting the right of the minority to dispose of their own properties. This is regarded as inevitable in order to complete a project. In this process, the local authority itself does not have the jurisdiction to intervene, and the action has to come from the property-owners:

“…under the present system, it’s a serious problem to mediate such disputes…But, the government doesn’t have the means to do this. For instance, if 90% of the residents give consent and submit their applications for government permission, the permission has to be given. Then, there’s no guarantee that the remaining 10% would understand and yield to the majority. In such a situation…residents have to resolve the situation on their own. We encourage them to meet, talk and understand each other, but there’s no legal measure we can resort to in order to solve the minority problem…”

(Head of the Housing Bureau, Gwanak district government)
No provision for tenants’ participation

The principle of voluntary association and residents’ participation applied strictly to the property-owners in a redevelopment neighbourhood. As for tenants, there were no provisions made in the Urban Redevelopment Act for their participation in the decision-making process. Since the underlying basis of property-owners’ participation was their financial contribution to the total costs of redevelopment, tenants were only granted redevelopment compensation if eligible. In most cases, the legal requirement to provide public rental flats for eligible tenants who wished to choose the in-kind compensation option was regarded by property-owners and developers as detrimental to the profit maximisation of redevelopment projects.

Fallacy of community participation

Domination of absentee landlords

In a JRP project, as soon as professional developers are selected and the project enters into the stage of preparing a project implementation plan, project uncertainties are lifted and speculation becomes rampant. Owner-occupiers increasingly sell their properties to off-site investors and speculators who join the redevelopment association as absentee landlords. Under such circumstances, collective decisions by the redevelopment association increasingly becomes in favour of the absentee landlords (or speculators as they are commonly referred to). In time, these absentee landlords come to dominate the redevelopment association, and act as individual gentrifiers, constituting one of the three major gentrifying agents (the other two being professional developers and landlords) (Smith 1992: 112).

In Nangok neighbourhood, this process was also clearly witnessed. As its redevelopment project preparation progressed, an increasing number of properties possessed by owner-occupiers changed hands. A former owner-occupier who sold her dwelling and moved to Chonsei tenure confirmed the prevalence of absentee landlords, stating that:

“By the time the general assembly was held in May 2000 [to approve the KNHC’s participation], there were only about 450 [owner occupying] households [about 18% of total property-owners]…All others were from elsewhere”
(Interviewee KSS3-INT-01)

The speculators’ take-over caused the fluctuation of dwelling prices in Nangok. According to some interviewees’ recollection, the peak price of a 26 m² dwelling (that is,
the most commonly found dwelling size in Nangok) reached KRW 65 million in 1996 when private developers signed an agreement to participate. When the developers withdrew in May 1998 due to its financial instability, the prospect of neighbourhood redevelopment was endangered, and the dwelling prices fell sharply to KRW 25 million. It never recovered the pre-1998 prices afterwards, as the project’s profitability decreased substantially.

Nearly two years after the withdrawal of the private developers, the property-owners were summoned to hold a general assembly in May 2000 to collectively decide the participation of the KNHC. By this time, the speculators must have been deeply frustrated, as the prices of dwellings were only half what they were before the withdrawal of the private developers.

“Some estimates say it [the proportion of speculators] could be as many as 90% [of property-owners]. These people paid between KRW 50~100 million to buy a dwelling, and they have a very high stake. This might cause conflicts when the management disposal plan [to determine the sale price of redeveloped flats] is executed” (Official consultant to the property-owners’ representative body)

Misleading information that undermines owner-occupiers’ decision-making

The domination of off-site speculators threatened the position of owner-occupiers as an official partner of a redevelopment project. The remaining owner-occupiers’ decision-making was further undermined as they were often presented with misleading information by the redevelopment steering committee and professional developers. A good example was the case of a general assembly held on 20 May 2000, which was to approve the participation of the KNHC as the professional developer. The general assembly was co-hosted by the then redevelopment steering committee and the KNHC.

It was required to obtain consent from at least half of the neighbourhood's property-owners to approve the KNHC’s participation. More than 50% of property-owners were present at the general assembly, and unanimously approved the company’s participation. Some interviewees, however, suggested that the event was very much flawed, and that they were deceived by the rosy pictures presented in the meeting:

“If we talk about the percentage, I think there would be only about 30% of remaining owner-occupiers who would agree with the redevelopment…When I attended the meeting, I just couldn't think of disapproving it… What they said was so sweet and attractive…” (Interviewee KSS10-INT-03)
“Without any explanation, they called us to a general assembly... The mayor of the
district government, members of the local district assembly, and the head of the
redevelopment steering committee were all there. They asked us to bring our seal.
We went there to listen to how the redevelopment would proceed. If it were for us
to decide whether or not we agreed with it, I wouldn't have gone there. When I
arrived, they told us to stamp my seal on a piece of paper next to my name and
address before entering the venue. There was no explanation on why we had to
stamp our seal. There was no other process of giving consent. They used our seal-
stamping as a proof of giving our consent to the redevelopment... During the event
they told us about what was to happen, and that owner-occupiers were to move to
Sillim 10-dong [where public rental flats were provided by the KNHC for their
temporary relocation]. We were told we'd come back here when the construction
was over. People who knew nothing simply thought apartment flats of the same
kind as in Sillim 10-dong would be built here, and we would just move back...”
(Interviewee KSS3-INT-01)

The presentation of exaggerated redevelopment pictures appeared to be an attempt to
prevent any potential failure of winning the required number of votes in the meeting. An
official at the local district government fully understood this problem and stated:

“...For many local residents, they wouldn't agree if they are not presented with
somewhat speculative blueprint, which says their asset would increase by two fold.
So, at the beginning, because the project is not yet concrete, a rather hopeful,
exaggerated plan is shown [by developers] to the residents in order to bring them
together...” (Head of the Housing Bureau, Gwanak district government)

**Weaker association of existing property-owners with the KNHC's participation**

The Urban Redevelopment Act defined that a public agency like the KNHC participated
in a redevelopment project upon the request of more than half of all the property-owners,
and that it was to become the sole implementer of the redevelopment. This meant that
the property-owners could not become joint implementers of the redevelopment, and no
longer had a legal status equal to the developer. In this context, the redevelopment
steering committee of Nangok was dissolved after holding the aforementioned general
assembly in May 2000, and a consultation body was formed instead in July 2000,
consisting of 17 delegates of property-owners. The body was called the ‘council for
residents’ representatives.’ Its role was to collect the opinions of property-owners, hold
meetings with the developer on a regular basis in relation to any issues on which the
developer wished to consult the property-owners, and publicise the project progress as
well as the contents of discussions between the council and the KNHC (Council for the
Residents' Representatives for Sillim District 1 Redevelopment 2000).

The implication of this was that the KNHC had no obligation to obtain property-owners’
consent regarding the submission of the project implementation plan. The only occasion to hold a property-owners’ general assembly was when a management disposal plan was prepared and ready for submission to the local authority. In this case, at least a half of the property-owners were required to attend, and any decision in the general assembly should be made by majority in accordance with the Ordinance on Urban Redevelopment in Seoul (Article 15). Therefore, the council existed to function only as a channel of information between the developer and property-owners, and to facilitate the information sharing among them rather than as a decision-making body.

**Owner-occupiers and their limited access to development gains**

**Owner-occupiers and loss of opportunities to acquire development gains**

For owner-occupiers in dilapidated neighbourhoods, the redevelopment presented a good opportunity to increase their asset by taking advantage of the rent gap in their neighbourhood (see Chapter 5). The purchase of redeveloped flats could also lead to asset increases as the Korean housing market had been experiencing a general price increase especially in the high-rise apartment sector (Kookmin Bank 2005). Furthermore, the price of redeveloped flats sold to the property-owners was about one-fifth cheaper than the price of redeveloped flats set aside for general sales in the new housing market. The majority of owner-occupiers were, however, stripped of the opportunity of acquiring full development gains as they were replaced by off-site speculators. The high prices for the purchase of public lands and redeveloped flats discouraged them from staying, and became the main source of owner-occupiers’ frustration.

As mentioned earlier, in Nangok, more than 90% of the lands were public. By the time the redevelopment steering committee was organised in the neighbourhood in 1995, there was a wide gap between the prices of public lands in the neighbourhood and those of private lands in the vicinity (see Figure 9-2 below).

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52 The redevelopment of Sillim 2-1 District, an area located close to Nangok neighbourhood, was also carried out by the KNHC, completed in 2001. The final management disposal report (finalised in August 2001) that I was able to obtain from the KNHC showed that the price of redeveloped flats was between KRW 90,248,194 (for a flat with a construction floor space of 101.0 m²) and KRW 191,291,336 (for a 195.5 m² flat), which was 17~18% cheaper than the price of redeveloped flats set aside for general sales.
Figure 9-2: Comparison of official land prices in and around Nangok, 1991 - 2005

Gap ① is the price difference between the public land in Nangok neighbourhood and the private land in the vicinity at the time of establishing Nangok neighbourhood’s redevelopment steering committee. Gap ② is the increase in the official land price in Nangok neighbourhood by the time the land preparation was completed.


The official price of public lands in Nangok was as low as one quarter of the price of private lands in the vicinity. As the project went ahead with the participation of the KNHC, the official land price of the public lands in Nangok substantially increased, eventually surpassing the price of private lands in the vicinity. This represented the development opportunities envisaged by the property-owners and developers at the outset of the redevelopment project.

By law, the dwelling owners occupying public lands were to purchase the lands to secure full *de jure* property-ownership. This purchase was carried out between 2000 and 2001. Ten per cent of the total land price was paid as down payment upon purchase, and the remaining balance could be paid in instalment over 20 years with an interest rate of 4%. All information on cost items including the land price remained undisclosed, and it was not possible to obtain the land price information from official sources. An owner-occupier in an interview, however, suggested that the land price of public lands reached about KRW 620,000 per m², which was roughly a mid-point between the price of public lands in the neighbourhood and the price of private land in the vicinity shown in previous Figure 9-2:
“The land I occupied was evaluated to be 39 pyeong [that is, 129 m² in metric terms]...I have to pay KRW 80,000,000 in total, and so far, paid KRW 8,000,000. I have this table that shows how much I need to pay over 20 years. Next year, I have to pay back one-twentieth [of the total land price]...” (Interviewee KSS10-INT-05)

Given that the land price could be paid in instalment over 20 years, the actual amount that an owner-occupier needed to pay at the time of re-housing would be equal to the sales price of a redeveloped flat minus the total land price. By taking the examples of two owner-occupiers, Table 9-1 below shows an estimation of the total payment to the developer expected to be incurred upon project completion. I took the average annual household disposable income for wage- and salary-earning urban households in 2001 to see the affordability of the total payment (NSO Korea 2002a).

Table 9-1: Estimated prices of redeveloped flats and land in Nangok

<table>
<thead>
<tr>
<th>Interviewee ID (owner occupiers in Nangok neighbourhood)</th>
<th>KSS10-INT-05</th>
<th>KSS7-INT-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redeveloped flat (based on a 6th floor flat)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of the redevelopment flat the interviewee applied for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>① Housing price1)</td>
<td>KRW 218,250,000</td>
<td>KRW 118,950,000</td>
</tr>
<tr>
<td>Price-to-annual income ratio (average income)</td>
<td>7.8 : 1</td>
<td>4.3 : 1</td>
</tr>
<tr>
<td>Price-to-annual income ratio (bottom 20% of income decile)</td>
<td>20.3 : 1</td>
<td>11.1 : 1</td>
</tr>
<tr>
<td>Occupied land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>② Land price (KRW 620,000 per m²)</td>
<td>KRW 79,918,000</td>
<td>KRW 16,368,000</td>
</tr>
<tr>
<td>Land area occupied (m²)</td>
<td>128.9</td>
<td>26.4</td>
</tr>
<tr>
<td>Total payment to the developer upon project completion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>① − ②</td>
<td>KRW 138,332,000</td>
<td>KRW 102,582,000</td>
</tr>
</tbody>
</table>

Note: 1) The housing price in this table is based on the preliminary estimate provided by the vice-chairperson of the council for residents’ representatives, which was an official association of property owners in Nangok neighbourhood. The estimation turned out to be fairly close to the official prices of redevelopment flats announced in 2004 (see Table 7-4 in Chapter 7).

The table above reveals three interesting aspects to the situation. Firstly, the price of redeveloped flats appeared to be relatively affordable (price-to-annual income ratio of 4.3~7.8 to 1) for average wage- and salary-earning urban households. Secondly, the redevelopment framework was inevitably in favour of those few owner-occupiers in the neighbourhood who already owned their lands, since they only had to pay for the difference between the prices of the land and the redeveloped flat. Thirdly, the total payment to the developer upon project completion was still much less affordable for low-income households. Since most owner-occupiers had to pay for the lands as well, securing bank loans for the payment of housing price would put an additional pressure upon the household economy. As an owner-occupier explained:
“Even the mayor of the district government told us to sell our properties so that we could at least get some money to pay for rent deposit elsewhere. He said there was a limit on what he could do because this project had been already decided to go ahead. That meant, if you didn’t have the capacity, then you should simply sell your rights…” (Interviewee KSS3-INT-01)

**Remaining owner-occupiers and their collective actions**

As the financial pressure was heavily felt by the remaining owner-occupiers, disputes emerged among them. Some of the remaining owner-occupiers became increasingly unhappy about the inefficiency and incompetent management of the council for residents’ representatives, and established a separate organisation early in 2001, which they named the ‘emergency committee.’ The interviewees who led this movement explained:

“At the beginning, the council for residents’ representatives consisted of twenty delegates. The council represented absentee landlords’ interest only, and some of the poor owner-occupiers felt so endangered that they formed an emergency committee to launch a struggle…” (Interviewee KSS7-INW-01)

“I was originally one of the twenty delegates in that council…There were a lot of disputes at that time. I always raised objection, and had a lot of bickering. Nobody could understand me, so I couldn’t bear it any more and quit. When the emergency committee was organised, I was chosen as the chairperson through a general assembly in order to establish the legitimacy” (Interviewee KSS7-INT-10)

The actions by the emergency committee were, in fact, directed towards the local and central governments. The major demand staged was regarding the public lands within the neighbourhood that were used for accommodating public facilities such as the local administrative office and thoroughfares. Article 56 of the Urban Redevelopment Act stated that any public facilities within a redevelopment district would be transferred free of charge to the implementers of neighbourhood redevelopment. In Nangok, the Korea Forest Service was the largest landlord, and initially denied the free transfer of lands used as thoroughfares. The logic was that the thoroughfares were not officially designated roads, and were illegally created and used by the residents.

“After establishing the emergency committee, we went to the municipal government and the Korea Forest Office, demanding the free transfer of those lands. They didn’t accept it. This transfer was actually a very contradictory issue. Say for example a piece of public land is [designated as] forestry [according to the municipal land use planning]. Its land use designation will change to ‘land for housing’ when the project implementation plan is finally approved. Then, we have to pay for the purchase of lands based on the modified land use. In the case of thoroughfares in our neighbourhood, they were saying these were not [officially recognised] roads and that we had to pay as well…So, we fought. If you have no knowledge, you simply
The land transfer was an important issue for the owner-occupiers, as this would considerably reduce the overall redevelopment costs, which would then reduce the amount of contribution each owner-occupier had to make in order to be re-housed. About twenty owner-occupiers were actively participating in the emergency council, and “staged demonstrations, attended by around 150 residents” (Interviewee KSS7-INW-04). In the end, their request was accepted:

“When we went to the municipal government office and the Korea Forest Service, the official in charge was telling me not to raise my voice. So I told him, ‘people keep quiet because they are not aware of such regulations.’ In the end, we won. What happened was that, say, here is a house. If an alley was a cul-de-sac, it wasn’t counted as a thoroughfare, but if it wasn’t and you could keep on going, then it was recognised as a thoroughfare... It saved a lot of project costs”

(Interviewee KSS7-INT-10)

Upon the approval of the project implementation plan, the total land size that became subject to the free transfer turned out to be 27,324 m² (GDG 2001b). This was about 16% of the total project area. The project costs saved by this free transfer were known to be around KRW 50 billion. According to one of the ex-members of the emergency committee (Interviewee KSS7-INW-04), this could be as much as ten per cent of the total project costs estimated by the KNHC. Upon resolving this issue, the emergency committee dissolved, and six of its delegates joined the council for residents’ representatives, who were then able to check collectively the decisions of those existing council delegates.

**Tenants and their collective actions**

When the KNHC finally decided its participation and signed an agreement at the end of February 2000, several local community-based organisations organised three occasions of public hearing to help tenants understand the redevelopment progress and what compensation measures existed for them. These took place in May, June and August 2000. The formal relocation of owner-occupiers and eligible tenants who chose in-kind compensation took place in October 2000. Until then, there was no concrete movement among the tenants to organise themselves. The approval of the project implementation plan in September 2001 (GDG 2001b) must have triggered a sense of urgency among the remaining tenants, as they began to take organised actions in the following month.
Tenants’ ineligibility for redevelopment compensation

While the owner-occupiers were discontent with their inability to afford redeveloped flats, the frustration of tenants came largely from the fact that they had to leave the neighbourhood, which provided the cheapest means of accommodation in Seoul and the fact that there was a lack of provision for them to find alternative accommodation elsewhere.

In particular, ineligible tenants were severely constrained as they were not subject to any compensation. These tenants were ineligible either because they failed to register their residence status with the local administrative office when they moved in, or because they had registered after 12 August 1997, the cut-off date that determined tenants’ eligibility.

Ineligible tenants came to the neighbourhood because the place offered the most affordable means of accommodation in times of their financial difficulties. In particular, the South Korean economy was badly hit by the Asian Financial Crisis at the end of 1997, leaving many companies bankrupt and pushing the official unemployment rate from 2.6% in 1996 to 7.0% in 1997 (Roh et al. 2004: 10). An ineligible tenant who had been living in Nangok for more than four years explained how she came to live there:

“Our previous house was put up to auction when my husband’s business went bankrupt…All my family had to leave [the house] in a hurry in order to avoid creditors, and were living three months like rough-sleepers on streets. There was nowhere else to go, and eventually [a close acquaintance] found this place for us… [At first] I thought I would be living here only for one year…because I thought we would repay all the debts within a year, and spring back again…”
Another ineligible tenant also pointed out in an interview that Nangok offered the most affordable means of accommodation for his family when they first migrated to Seoul:

“When I first came here to live, I initially borrowed some money, KRW 5,000,000 from the bank to find a Chonsei house, and because it was beyond my means to repay the loan [after the bankruptcy of his company and subsequent unemployment], all my savings accounts were closed. So, we moved our house within Nangok…to another Chonsei with cheaper deposit, KRW 1,500,000, so that we could spend the difference on living. The house was cheap because the landlord wanted to have anyone living there until redevelopment. The house would have collapsed due to negligence if remained vacant…” (Interviewee KSS7-INT-03)

As the largest supplier of public rental flats in the country, the KNHC apparently made an advertisement in September 2001 before the commencement of residents’ formal relocation, encouraging both eligible and ineligible tenants to apply for public rental flats. More than 70 ineligible households responded to this, but were not offered any flats in the end. This provoked the remaining tenants’ stronger frustration and distrust in the developer.

Weak socio-economic status of tenants

As examined in Chapter 4, Nangok residents experienced a high incidence of non-regular jobs and unemployment. This placed them in unfavourable situations when it came to formal sector borrowing, driving them towards greater dependence on personal means and informal borrowing.

For instance, residents’ poor credit rating would deter them from gaining full advantage of the National Housing Fund (hereafter NHF) Housing Loan Programme. The programme has been implemented to make it the most accessible housing finance programme for poor households. To be beneficiaries, applicants should first make an application to the local government, which then recommends eligible applicants to financial institutions (see Section 7.1 in Chapter 7 for more detailed discussions on the programme). Experiences showed that around 30~40% of the eligible applicants failed to pass the screening of the financial institutions (Kim et al. 2004: 123). Because applicants should have signed a Chonsei contract and pre-paid 10% of the Chonsei deposit before making an application, poor residents are often discouraged from making a loan application in fear of failed application.
In particular, the NHF housing loan was not applicable to those on the credit delinquency blacklist managed by the Korea Federation of Banks. Since the Asian Financial Crisis in 1997, the number of credit delinquents rapidly increased to 3.76 million by January 2004 (Kim 2004). These credit defaulters experienced various forms of restrictions with regard to their financial transactions. To maintain the sound collection of loans paid out, the NHF housing loan programme excluded these credit defaulters. Many of the ineligible tenants, who had moved to Nangok after the outbreak of 1997’s Asian Financial Crisis, faced double constraints upon displacement: they were ineligible to receive any legal compensation; and also ineligible to apply for the NHF housing loan programme to subsidise their rental housing costs.

“Because I am on the credit delinquency blacklist, I haven’t dreamt of any loans from financial institutions, though I’d wish I could… I am in the worst situation. I am not eligible [for relocation compensation], and I am also a credit defaulter. Because of these conditions, I can't even apply for the [NHF] housing loan… The loan is for low-income households, but only for those who do not have a bad credit history…”
(Interviewee KSS7-INT-01)

“We wanted to move to a Chonsei, but the conditions didn't allow us. In our case, we can't even take out the housing loan, because my husband is on the blacklist as a credit defaulter. That's why we borrowed the money…from our previous neighbour…”
(Interviewee KSS7-INT-15)

Establishment of ‘Tenants’ Committee for Countermeasures for Housing’

The remaining tenants in Nangok organised a committee and held an inaugural assembly meeting on 13 October 2001, naming their organisation the ‘Tenants’ Committee for Housing Countermeasures’ (hereafter Tenants’ Committee). Its establishment was substantially aided by the local community-based organisations that had been operating for many years, but it was the residents themselves who took the final decision to step forward to start the committee activities. One of the tenants, working as a deputy chairperson of the committee, explained:

“This committee was not established solely by the residents. There was no one who could do the job on one's own initiative. I don't have the strength either. I felt the needs, but I was tied up with things to earn my living. Meetings first began with the local community-based organisations, and the participating residents came forward to start this. Without their help, it [the committee] couldn't have proceeded like this. Residents don't know much. We don't know how to fight and what to do, so we take advices…”
(Interviewee KSS7-INT-02)

The establishment of the Tenants’ Committee was triggered by the approval of the
project implementation plan, as this provided legal justification to proceed with the demolition and land preparation works. The remaining tenants were arguing that there were still about 700 households who were residing in the neighbourhood, and that any demolition works without consultation with them would constitute safety threats. As soon as the Tenants’ Committee was organised, they launched their first demonstration in front of the municipal government office on 12 November 2001. They demanded additional measures for those who were in financial difficulties and for the postponement of any demolition attempts until appropriate relocation measures were taken for remaining tenants (Tenants’ News Vol.2 in November 2001).

**Figure 9-4: Tenants’ Committee and the view of its general assembly in Nangok**

![Front façade of the Tenants’ Committee office. The placard above its entrance reads, ‘Where are we to go now? Tenants are also human beings.’](image1)

![Tenants’ Committee having a general assembly in December 2001 to select its leadership](image2)

**Split between the tenants and owner-occupiers**

As the remaining tenants delayed their house moving, the demolition schedule was also delayed, placing pressure upon property-owners. Since a longer project schedule would result in increased project costs, the tension between the property-owners and tenants also increased.

“There was increasingly a divide between property-owners and tenants. From the viewpoint of property-owners, tenants were detestable because the project costs kept on increasing [when the tenants postponed their house-moving]. From the tenants’ viewpoint, it was as if we were kicking them out. So, once the demolition started, the atmosphere was like that of a battle field. Property-owners couldn’t walk near tenants even though we were not doing anything…”

(Interviewee KSS7-INT-10)

The free-of-charge public land transfer as noted earlier was interpreted by the remaining tenants as a kind of ‘discrimination’ by the local authority in favour of property-owners:
“They [that is, the property-owners] received the public lands free of charge, and I hear the total amount [they could save] would be about KRW 50 billion …They received it free of charge, because they were property-owners. On the contrary, tenants’ request for small loans was not accepted. This is a serious matter, because it simply means those who already possessed something get more, while those with no possession at all are being more squeezed out. I don’t know about law, and I don’t know why they [property-owners] received it, but it doesn’t seem nice. When I think of us [tenants], I feel miserable”

(Interviewee KSS7-INT-02)

The property-owners were conscious about reducing the total project costs so that their financial contributions could be reduced as much as possible. Any demands from tenants such as additional cash compensation would lead to the increase in property-owners’ financial contributions. In this respect, the conflict between property-owners and tenants were bound to occur due to the way in which the JRP framework was designed and implemented. The head of the Housing Redevelopment Bureau in the municipal government also recognised the problem, but spoke in favour of maintaining the status quo of the current compensation framework since any additional allowance for tenants needed to come from property-owners:

It might be nice to allow more compensation [for tenants], but property-owners have to bear the increased costs. The municipal government doesn’t feel the need to do anything about it. There are criteria to stick to…

(Head of the Housing Redevelopment Bureau, Seoul municipal government)

Remaining tenants’ relocation preferences

One of the tasks the Tenants’ Committee embarked on was to carry out a survey on remaining tenants in order to find out their relocation preferences, and use the results as the basis for their demands (Tenants’ News Vol.2 in November 2001). It was estimated that there were around 466 tenant households and 65 owner occupying households who were found to be residing in the neighbourhood by the end of November 2001. The Tenant’s Committee collected responses from about half of the remaining tenants.

<table>
<thead>
<tr>
<th>Sub-total</th>
<th>Tenants</th>
<th>Owner occupiers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surveyed</td>
<td>Unsurveyed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Eligible for compensation</td>
<td>Ineligible for compensation</td>
<td>Eligibility unspecified</td>
</tr>
<tr>
<td>466</td>
<td>113</td>
<td>80</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Survey by the Tenants’ Committee in Nangok neighbourhood, November 2001

Table 9-2: Remaining Nangok residents’ tenure status
Table 9-3: Remaining Nangok tenants’ relocation preferences

<table>
<thead>
<tr>
<th>Chonsei tenure in private residence</th>
<th>Public rental flats</th>
<th>Welfare facilities</th>
<th>Temporary accommodation during the project period</th>
<th>Land allocation elsewhere for self-help construction</th>
<th>No response or about to move out</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>93</td>
<td>60</td>
<td>2</td>
<td>7</td>
<td>6</td>
<td>46</td>
<td>214</td>
</tr>
<tr>
<td>43.5%</td>
<td>28.0%</td>
<td>0.9%</td>
<td>3.3%</td>
<td>2.8%</td>
<td>21.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Survey by the Tenants’ Committee in Nangok neighbourhood, November 2001

As shown in Table 9-3, remaining tenants showed a strong preference for Chonsei tenure in private residence, while the second preference was an access to public rental flats. Although the relocation of eligible tenants to the KNHC-provided rental flats began in October 2000, many eligible tenants still remained in the neighbourhood, unsure about which compensation option to take. The Tenants’ Committee also found out from the household registration records that 11.2% (52 households) of the remaining tenants were the beneficiaries of the national means-tested social assistance programme.

**Organised actions and tenants’ demands**

Since the Tenants’ Committee was established, it organised many visits to the offices of the developer, municipal and district housing bureaux. Between October 2001 and March 2002, three demonstrations were staged by the Tenants’ Committee, and two of them were in protest at the KNHC sub-contractor’s attempts to send in demolition squads and equipment. Just after the Tenants’ Committee organised a second demonstration in December 2001, the mayor of the Gwanak district government agreed to visit and hold a meeting with the remaining tenants. All the concerned parties were present including the KNHC and the property-owners’ delegates. It was in this meeting that the mayor agreed to establish a round-table for multi-party talks to discuss remaining tenants’ relocation. The representatives from the developer, district housing bureau, the property-owners’ council and the Tenants’ Committee joined the roundtable meetings. The demands of the Tenants’ Committee as presented to the mayor of the district government were as summarised in Box 9-1 below.
Box 9-1: Demands of the Tenants’ Committee in Nangok

- Access to the public rental flats for the ineligible tenants;
- Housing loan to be paid back in instalment over 10 years after 5 years of grace period in order to help residents move to Chonsei tenure in private dwellings;
- Temporary accommodation built near the neighbourhood for those who couldn’t afford to move at all so that they could accumulate enough savings in time to find an alternative accommodation in either private or public rental dwellings;
- Provision of permanent rental flats for the beneficiaries of the means-tested National Basic Livelihood System (hereafter NBLS) programme;
- Provision of appropriate measures including the provision of permanent rental flats for those elderly single-person households who have no dependents to rely on;
- No attempts to be made for forced eviction and demolition.

Final resolutions

Despite the comprehensive demands by the Tenants’ Committee, the resolution agreed in the multi-party roundtable by March 2002 was rather modest. The KNHC agreed to provide additional 59 public rental flats regardless of tenants’ eligibility for redevelopment compensation. The district government also agreed to do their best to consider the fast-track offer of permanent (yeong-gu) rental flats in favour of tenant households who were subject to the means-tested social assistance programme. With regard to the long-term housing loans, the Tenants’ Committee failed to achieve this, but they were able to persuade the district government to shorten the process of assessing applicants’ eligibility for the loan applications. In return, the Tenants’ Committee agreed with the KNHC for the company to proceed with the demolition of vacant dwellings in areas where few dwellings remained occupied.

Figure 9-6: View of demolition works in Nangok

Demolition work in action in Nangok neighbourhood

View of a section of Nangok neighbourhood after demolition works. The house on the left was not demolished as the tenants did not evacuate yet.
It still took more than half a year to reach the final resolution for the last remaining tenants. In November 2002, the Tenants’ Committee, the KNHC and the property-owners agreed to provide additional cash payment for the households who were remaining. As for the eligible households, they received cash compensation 20% more than they were legally entitled to. Ineligible tenants also received cash compensation, equivalent to 90% of what an eligible household would have received by law. Once this arrangement was carried out, the Tenants’ Committee was dissolved at the end of November 2002. Table 9-4 lists the events that took place from the inaugural meeting of the Tenants’ Committee to the displacement of last remaining tenants in the neighbourhood.

**Summary**

This section has shown that the JRP implementation on the principle of property-owners’ voluntary association has not been able to ensure owner-occupiers’ active participation throughout the redevelopment processes. This was due to the domination of absentee landlords who largely consisted of off-site speculators. Misleading information also confused the remaining owner-occupiers’ decision-making. The participation of the public agency as the professional developer made it more difficult for owner-occupiers to participate as they lost their status as legal implementers. Collective responses largely came from the tenants who organised themselves to start negotiation with the developer and the local authority. This action was concerned more with demands for appropriate relocation measures for remaining tenants on compassionate grounds rather than with preserving their neighbourhood.
<table>
<thead>
<tr>
<th>Date</th>
<th>Meetings</th>
<th>Demonstration held</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 Oct. 2001</td>
<td>Inaugural meeting to establish the Tenants' Committee for Housing Countermeasures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02 Nov. 2001</td>
<td>Leaders of the committee, delivering their demands to the district government, the KNHC and the property owners' representatives' council</td>
<td></td>
<td></td>
</tr>
<tr>
<td>05 Nov. 2001</td>
<td>Tenants' demands also sent to the municipal government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Nov. 2001</td>
<td>Demonstration at the Seoul City Hall (attendees: 150 residents)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Nov. 2001</td>
<td>Meeting with the Head of Municipal Housing Bureau</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Nov. 2001</td>
<td>Demolition sub-contractor's first attempt to send in equipment resisted by residents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07 Dec. 2001</td>
<td>Demonstration at the KNHC Sillim Office to protest previous demolition attempt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Dec. 2001</td>
<td>Visit to the Seoul Head Office of the KNHC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Dec. 2001</td>
<td>Visit to the Housing Bureau at Gwanak District Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Dec. 2001</td>
<td>Tenants meet with the mayor of the district government. An agreement was made to establish a multi-party committee in which the district government, the KNHC, property owners and tenants all participated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 Feb. 2002</td>
<td>Demonstration at the District Government Office in protest of the third demolition attempt by the KNHC's sub-contractor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar. 2002</td>
<td>Initial resolution made in the multi-party talk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr. 2002</td>
<td>59 tenant households (both eligible and ineligible) granted access to KNHC-provided public rental flats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov. 2002</td>
<td>Cash payment arranged for the final remaining tenants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 Nov. 2002</td>
<td>Dissolution of the Tenants' Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mar. 2003</td>
<td>Last remaining 14 households moved out</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9.2 Beijing: lack of opportunities for residents’ participation

In this section on Beijing, I will start by addressing the absence of the legal basis for local community participation within the Old and Dilapidated Housing Redevelopment Programme (ODHRP). It shows that residents are only able to intervene at the stage of their displacement. I will then discuss further barriers to their participation, and then identify residents’ discontent and its sources by referring to the case study of the second phase redevelopment of Xinzhongjie neighbourhood. The final two subsections examine the limited actions by individual residents facing redevelopment and displacement, and try to identify if there are any signs of collective responses.

No provision for residents’ participation until displacement

In the case of Beijing’s ODHRP, it is the responsibility of the Old and Dilapidated Housing Redevelopment Office in each district government to conduct feasibility studies and designate a neighbourhood as an ODHRP district (see Figure 2-6 in Chapter 2 for the ODHRP implementation process). In practice, however, neighbourhoods are first chosen by developers. Government offices conduct feasibility studies afterwards to make sure the proportion of dilapidated dwellings in the neighbourhoods chosen by developers exceeds the municipal criteria for ODHRP implementation. Studies found that permissions were often granted even if the proportion of dilapidated dwellings did not meet the requirement (Fang 1999: 61-62; Planning and Construction Committee of Dongcheng District Government 1998: 17).

When professional developers acquire permission to proceed with an ODHRP project, they draw a plan for demolition and relocation of local residents, and submit it to the district government (Article 10 in BMG 1998a). Upon the approval of the application, the district government is required to make a public announcement that includes the names of the developers, the demolition area, the demolition schedule and the compensation details (Article 14 in BMG 1998a). This is also the moment that the local authority and developers together proceed with publicity works to inform the residents. The local authority also orders relevant departments to freeze any changes in household registration, tenure and dwelling structure within the ODHRP neighbourhood.

Unlike the implementation process of Seoul’s JRP that largely depends on property-owners’ voluntary association, the ODHRP does not allow individual homeowners or
tenants’ intervention. There appears to be no legal obligation for the government offices to obtain residents’ consent before a redevelopment project takes place. This is on the extension of the lack of participation by the general public in urban planning processes in mainland China, which has been noted as one of the main deficits of a centralised planning system (Yeh and Wu 1999). The situation place Beijing residents in a much weaker position when it comes to negotiation with developers or local authorities upon their displacement.

**Barriers to participation**

**Complaints procedure in favour of developers**

The implementation of an ODHRP project includes procedures for residents to make complaints when they disagree with the compensation presented to them, but these procedures are largely in favour of developers.

The national regulation on the management of demolition and relocation processes first appeared in March 1991 (State Council of China 1991). Its major revision was made in 2001 (C. Wang 2001). In Beijing, there were two major announcements of related regulations: once in 1998 to adopt cash-based compensation, and again in 2001 to reflect the 2001 revision (BMG 1998a, 2001c). The demolition procedure including the negotiation with residents over compensation, however, remained largely unchanged throughout the years.

When a demolition notice is officially announced by the district government, residents enter into negotiation with developers to come to an agreement on compensation (Article 16 in BMG 1998a). As soon as an agreement is reached, demolition squads visit residents’ dwellings and make holes in the wall and on the roof to brand them as being subject to demolition.

“[The demolition schedule is] all written on the notice. [It says] when you need to move, that the house is to be demolished completely. You speak with the demolition company [regarding compensation]. After the talk, they come with two people, holding an axe and a spade, and make holes on your house…”

(Interviewee CBK-INT-01)

If no agreement is reached, both parties refer the matter to arbitration by the district government which initially granted permission to the developers to proceed with the ODHRP (Article 18 in BMG 1998a). Figure 9-7 below shows the process of negotiation.
and arbitration. If the residents do not accept the arbitration decision by the local government, they are entitled to take the matter to the people’s court (Article 20 in BMG 1998a).

The fact that the local government, which granted permission to developers to implement ODHRP projects, also makes arbitration decisions implies that it would be less likely for the government to come to a decision that would delay approved projects. If residents refrain from vacating their dwellings without legitimate reasons, local authorities also hold the right to instruct relevant bureaux to proceed with forced eviction of occupying residents, or obtain court orders to do so (Article 21 in BMG 1998a). Developers and demolition companies possess the right to proceed with demolition if they can prove that...
they have fulfilled their legal responsibilities of providing residents with cash compensation or relocation dwellings. In such a case, the residents’ further appeal to the people’s court would not make any difference in terms of preventing developers from demolishing their homes. Moreover, it has been reported that residents rarely win against developers in court proceedings (Fang 1999).

**Hasty displacement**

Residents in ODHRP neighbourhoods also have difficulties in appealing against demolition and relocation compensation due to tight schedules of demolition and eviction. The interviewees displaced due to the first phase Xinzhongjie redevelopment testified that they were given only twenty days to evacuate. The formal notice for neighbourhood demolition was publicly announced on 19 December 1999, and the deadline for dwelling vacation was 8 January 2000 (Interviewees CBK-INT-01 to -03).

“[We were] given twenty days [to move out]…The notice was pasted on the wall on 19 December in the evening, and the deadline [to move out] was 8 January”

(Interviewee CBK-INT-01)

Within this period, they had to reach an agreement on their compensation, and also find a dwelling to move to. For interviewee CBH-INT-01 from Haiyuncang neighbourhood, there were only two weeks from the date of formal demolition notice to the date of house evacuation. Interviewees CBY-INT-01 to -03 were also given only twenty days to reach an agreement and move out of their homes.

“The demolition squad [commissioned by developers] is a temporary unit. They just work here for a few days, and then simply go away. They don't tell you when they are going to do the demolition, very secretive. For example, if they are to start the demolition in October, they tell you how much you will be given and explain the compensation method in September. Afterwards, you are to move out within a month”

(Interviewee CBX-INT-07)

The interviewees who were already displaced and re-housed at the time of interviewing had lived over 30 years on average in their old neighbourhoods before displacement. Even if their displacement did not involve any kind of violence, the tight schedule of displacement and demolition with no definite prospect of re-housing would place residents under a lot of stress and pressure. An interviewee who was displaced moved to an outer suburban neighbourhood described her experience of displacement:

“People received the [redevelopment compensation] offer, pulled in cars for viewing
Just took that offer, how much per square metre. At that time, our displacement was really bustling...Everyday, got in a car, went to see houses. In the end, we came to see this place. At that time, our house-moving was really in a hurry. From 16 April to 6 May. Twenty days to find a house and move out. My goodness…”

(Interviewee CBY-INT-01)

Paying incentives to encourage timely displacement

In order to encourage residents’ house-moving, the period of residents’ absence from work due to moving is to be treated as ‘paid leave’ (Article 23 in BMG 1998a). Residents were also given an incentive if they moved out before the house-moving deadline set by the developers (Article 45 in BMG 1998a).

“They [developers and demolition squads] usually give you one month. If you move out within one month, you would receive ten thousand or twenty thousand yuan, because you don’t hinder their demolition progress…” (Interviewee CBX-INT-07)

Incentive payment was also given when residents moved to outer suburban districts: for instance, if a household’s original place of residence was between the second and third ring roads, they were entitled to receive 20,000 yuan as an incentive payment for moving out to outer suburban districts (BMG 1994b). In the case of three interviewees displaced from Dongcheng district to an outer suburban Shunyi district, each interviewee’s total incentive payment for having moved within the house-moving deadline was 25,000 yuan. This was about 9%~12% of their total cash compensation. A more detailed breakdown can be seen in Table 9-5 below, based on a sample copy of a compensation contract supplied by another interviewee, CBD6-INT-01. In this case, the total incentives also reached 25,000 yuan, about 8.4% of the interviewee’s total compensation.

<table>
<thead>
<tr>
<th>Compensation for</th>
<th>Subsidies</th>
<th>Incentives for</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dwelling</td>
<td>Land use right</td>
<td>House-moving expense</td>
<td>Others</td>
</tr>
<tr>
<td>24,255</td>
<td>245,585</td>
<td>593.20</td>
<td>735</td>
</tr>
</tbody>
</table>

Source: A copy of a compensation contract from the interviewee, CBD6-INT-01

Residents’ discontent and its sources

It was noted above that the interviewees who were already subject to displacement were under stress and pressure due to the tight displacement schedule imposed upon them by developers and demolition companies. With regard to the redevelopment itself, the
residents were largely in favour of it, pointing out the fact that their pre-redevelopment dwellings were dilapidated, and that the redevelopment provided them with an opportunity to change their housing conditions.

“[When we first saw the demolition notice] we were delighted, [because] it was to build [new] flats. Those cramped, worn-out pingfang should be demolished…At that time (when living in pingfang), we used to go and see our two daughters’ flats, which looked better at a glance. We just wondered when we were to live in such flats. In my opinion, I think demolition and redevelopment is a good thing. If not, one would always live in a cramped, dilapidated pingfang…” (Interviewee CBH-INT-02)

Their favourable comment on Beijing’s ODHRP might have also owed to their tenure conversion to owner occupation, which was largely made possible by the receipt of redevelopment cash compensation. In contrast, the interviewees from Xinzhongjie who were subject to its second phase redevelopment expressed frustration and discontent towards redevelopment.

**Full monetarisation of redevelopment compensation and residents’ reduced gains**

The in-kind allocation of relocation dwellings in the 1990s inevitably incurred a large amount of relocation costs upon developers (Leaf 1995). The BJ-1998 Compensation Measure allowed them to implement cash-based compensation instead of more time-consuming and costly relocation. In May 2001, the municipal government made a further revision to its compensation criteria (hereafter BJ-2001 Compensation Measure), which stipulated that the estimation of redevelopment compensation should be based solely on two factors: (1) the construction space of one’s formal dwelling, and (2) the market-appraisal value of the occupied land (BMG 2001b, 2001c).

“The purpose of this [that is, BJ-2001 Compensation Measure] is to follow the principle of market appraisal value. In other words, the housing space of an original house and the market appraisal value determine how much one gets. Basically, there is an evaluation company that completes the appraisal and submits a report to the Displacement and Relocation Department of the Housing Management Bureau. One copy is also given to the displacee…”

(Official from the Displacement and Relocation Department, Dongcheng district government)

The BJ-2001 Compensation Measure would lighten the burden of developers by reducing the total costs on residents’ displacement and relocation. Table 9-6 shows the amount of cash compensation expected under the BJ-2001 Compensation Measure. It suggests that the application of the BJ-2001 Compensation Measure would result in as much as 36%

295
reduction of the total compensation in comparison with the BJ-1998 Compensation Measure.

Table 9-6: Comparison of the amount of cash compensation as per BJ-2001 Compensation Measure

<table>
<thead>
<tr>
<th>Policy Doc.</th>
<th>Calculation method</th>
<th>Non self-contained dwelling for a 3-person household with a construction space of</th>
</tr>
</thead>
<tbody>
<tr>
<td>BJ-2001</td>
<td>Cash compensation = ① x (② + ③ x K) + ④</td>
<td>Compensation(1) = (5,600 x 1.3 + 1,000) x ① + (24,255/29.66 x ①)</td>
</tr>
<tr>
<td></td>
<td>①: Dwelling construction space</td>
<td>181,955</td>
</tr>
<tr>
<td></td>
<td>②: Base dwelling price in yuan per m²</td>
<td>272,933</td>
</tr>
<tr>
<td></td>
<td>③: Base land price in yuan per m²</td>
<td>363,910</td>
</tr>
<tr>
<td></td>
<td>④: Building replacement value</td>
<td></td>
</tr>
<tr>
<td></td>
<td>K: Plot ratio adjustment co-efficient</td>
<td></td>
</tr>
</tbody>
</table>

| Rate of reduction (BJ-1998 vs. BJ-2001) | 36% | 21% | 11% |

Note:
(1) The values for ②, ③, ④ and K were taken from the compensation contract provided by the interviewee, CBD6-INT-01, who was displaced at the end of 2002. In the case of building replacement value (④), I assumed for the sake of simplicity that the building replacement value was in linear proportion to the dwelling space. The building replacement value of the 29.66 m² dwelling occupied by the interviewee CBD6-INT-01 before displacement was 24,255 yuan.

The table above also shows clearly that the rate of reduction would be greater for those in smaller dwellings. For instance, a household residing in a dwelling with a construction space of 20 m², would experience 36% reduction in their total compensation, while a household in a 40 m² dwelling would experience 11% reduction only.

Future displacees’ frustration regarding compensation

The interviewees from Xinzhuangjie’s second phase redevelopment area were largely frustrated over the compensation policies. One source of this frustration was its frequent changes in recent years. The residents facing displacement in Xinzhuangjie remained uncertain as to which policies were to be applied in the future and how much they would eventually receive upon displacement.

“[In the old days] if a house gets demolished, we would move to a new flat, but the method of demolition and compensation is changing step by step, and now there is a new demolition and compensation method. Let’s wait. We don’t know which method is going to be used in the end.” (Interviewee CBX-INT-04)

“At present, policies are changing day after day…At the moment, the state policies regarding this [compensation] are changing. I am not saying the state is bad. The Communist party is still good. Otherwise, we wouldn’t have joined the party. The state leaders are still good, but when it comes down to the bottom, it’s not always like that…” (Interviewee CBX-INT-07)

While the changing policies presented uncertainties among the future displacees, they
were fully aware of the lack of opportunities to be re-housed in their neighbourhood if its redevelopment was to go ahead. The Xinzhongjie residents, subject to the second phase redevelopment, closely witnessed the fate of their old neighbours who were displaced at the end of 1999 as part of the neighbourhood's first phase redevelopment. Very few residents were able to come back due to the high prices of redeveloped flats. Although the interviewees preferred to stay in their old neighbourhood, all of them were pessimistic about re-housing, knowing that it would not be possible under current policies. For instance:

“I don't think of that [re-housing after redevelopment]. It's not possible to come back, really impossible. Why? Good heavens! Do you know how many were able to come back in that place [Xinzhongjie's first phase redevelopment area] after displacement? Particularly families like us who live on minimum living allowances are really impossible to be re-housed…”  

(Interviewee CBX-INT-02)

The other major source of frustration was the significantly reduced redevelopment compensation that was implemented with the announcement of the BJ-2001 Compensation Measure. The residents subject to the second phase redevelopment in Xinzhongjie expected to have much less chance of following in the footsteps of their previous neighbours who had become homeowners upon displacement. Despite their approval of the redevelopment itself, the current compensation policy was subject to heavy criticism:

“What I mean is this. Housing redevelopment itself is not wrong…Everyone wants it to be carried out according to the previous policy. If the previous policy is applied, then everyone will go obediently. If there's a big difference [in the amount of compensation], then people cannot leave…We ordinary people should have been provided with a house. This is the most important key point. Premier Zhu Rongqi also called for the improvement of residents’ living conditions. Has it been improved in Beijing? According to our current policies, it's not possible to improve, is it? This demolition and relocation method has a problem…Support the government? We, ordinary people all feel we need to be genuinely convinced…”

(Interviewee CBX-INT-03)

This was a problematic issue, and was recognised as such by the Xinzhongjie neighbourhood committee leader, who was herself to be displaced when the neighbourhood's second phase redevelopment was to take place.

“They are essentially incapable of buying a house. From what used to be more than 200,000 yuan [as compensation], you can only obtain 100,000 odd yuan [under the new compensation policy]. With such a big difference, people are definitely going to experience difficulties…In the case of a three-person family living in an eleven
square metre dwelling [in terms of use space; this would equal to about 14.6 m² of construction space], given the average land appraisal value of 8,300 yuan in Dongcheng district, the relocation compensation will not exceed 130,000 yuan at all…” (Xinzhongjie neighbourhood committee leader)

In order to see if the residents’ frustration regarding reduced compensation could be justified, each interviewee’s cash compensation was calculated on the basis of the BJ-1998 and BJ-2001 Compensation Measures, shown in Table 9-7 below (for the method of calculation, see Table 7-9 in Chapter 7 for the BJ-1998 Compensation Measures, and previous Table 9-6 for the BJ-2001 Compensation Measures).

Table 9-7: Impact of changing compensation policies upon Xinzhongjie residents subject to displacement (BMG 1998a, 1998b, 2001b, 2001c)

<table>
<thead>
<tr>
<th>Interviewee ID</th>
<th>Number of co-habiting household members</th>
<th>Construction Space (m²)</th>
<th>Per capita dwelling space</th>
<th>Possibility of household split to get more</th>
<th>Estimation of cash compensation on the basis of BJ-1998 (2)</th>
<th>Estimation of cash compensation on the basis of BJ-2001 (3)</th>
<th>Rate of reduction 1 - (1)/ (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBX-INT-01</td>
<td>2</td>
<td>0.0</td>
<td>0.0</td>
<td>n.a.</td>
<td>382000 + α  Yes</td>
<td>324000</td>
<td>15.2%</td>
</tr>
<tr>
<td>CBX-INT-02</td>
<td>8</td>
<td>35.6</td>
<td>4.5</td>
<td>No</td>
<td>288000 + α  Yes</td>
<td>188000</td>
<td>34.7%</td>
</tr>
<tr>
<td>CBX-INT-03</td>
<td>5</td>
<td>20.7</td>
<td>4.1</td>
<td>Yes</td>
<td>462000</td>
<td>439000</td>
<td>5.0%</td>
</tr>
<tr>
<td>CBX-INT-04</td>
<td>2</td>
<td>48.3</td>
<td>24.2</td>
<td>No</td>
<td>253000</td>
<td>138000</td>
<td>45.5%</td>
</tr>
<tr>
<td>CBX-INT-05</td>
<td>3</td>
<td>15.2</td>
<td>5.1</td>
<td>Yes</td>
<td>331000 + α  Yes</td>
<td>251000</td>
<td>24.2%</td>
</tr>
<tr>
<td>CBX-INT-06</td>
<td>5</td>
<td>27.6</td>
<td>5.5</td>
<td>No</td>
<td>501000 + α  Yes</td>
<td>497000</td>
<td>0.8%</td>
</tr>
<tr>
<td>CBX-INT-07</td>
<td>5</td>
<td>54.6</td>
<td>10.9</td>
<td>Yes</td>
<td>294000</td>
<td>197000</td>
<td>33.0%</td>
</tr>
<tr>
<td>CBX-INT-08</td>
<td>3</td>
<td>21.7</td>
<td>7.2</td>
<td>No</td>
<td>267000</td>
<td>158000</td>
<td>40.8%</td>
</tr>
<tr>
<td>CBX-INT-09</td>
<td>3</td>
<td>17.4</td>
<td>5.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
(1) This is based on the dwelling space as acknowledged by each household’s official rental contract, and doesn’t include informal or self-built space.
(2) ‘+ α’ indicates that these households might be able to claim more compensation by splitting their household. Those households with three or more generations co-habiting one dwelling are included in this category.

The table justifies residents’ frustration. Some residents such as the interviewee CBX-INT-05 would experience as much as 46% reduction in their total cash compensation if the BJ-2001 Compensation Measures were applied. As was shown earlier in Table 9-6, the interviewees with larger dwelling spaces experienced less reduction. For instance, the interviewee CBX-INT-07 would hardly experience any reduction, and this owed largely to the interviewee’s large dwelling space.

Weak socio-economic status of residents

When the revised approach to Haiyuncang neighbourhood was applied to redevelop the area, the residents’ access to housing mortgages was crucial for their re-housing. In order to do this, at least a member of a household must have been an account holder of the Housing Provident Fund (hereafter HPF). On this basis, it could be argued that the reduced compensation could be supplemented by relying on housing mortgage loans if
future displacees were to buy a flat in their preferred location. In reality, housing mortgage was not considered as an option by most interviewees due to their inability to make repayment and, most of all, due to the absence of account holders in their families.

As summarised in Table 9-8 below, many interviewee households in Xinzhongjie who were subject to the second phase redevelopment: did not have regular employees among their co-habiting household members; were dependent on the means-tested Minimum Livelihood Security System (hereafter MLSS) benefits; and did not have HPF account holders within the household either.

Table 9-8: Xinzhongjie household circumstances regarding their opportunities to access formal loans

<table>
<thead>
<tr>
<th>Interviewee Household ID.</th>
<th>Regular employee(s) among co-habiting household members?</th>
<th>Minimum Livelihood Security System beneficiaries?</th>
<th>Housing Provident Fund account holder(s) within co-habiting household members?</th>
<th>Expectation for formal housing loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBX-INT-001</td>
<td>No</td>
<td>Beneficiaries</td>
<td>None</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-002</td>
<td>Yes</td>
<td>Beneficiaries</td>
<td>None</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-003</td>
<td>Yes</td>
<td>Non-beneficiaries</td>
<td>Yes</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-004</td>
<td>No</td>
<td>Beneficiaries</td>
<td>None</td>
<td>n.a.</td>
</tr>
<tr>
<td>CBX-INT-005</td>
<td>No</td>
<td>Beneficiaries</td>
<td>None</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-006</td>
<td>Yes</td>
<td>Beneficiaries</td>
<td>Yes</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-007</td>
<td>Yes</td>
<td>Non-beneficiaries</td>
<td>Yes</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-008</td>
<td>No</td>
<td>Beneficiaries</td>
<td>None</td>
<td>No expectation</td>
</tr>
<tr>
<td>CBX-INT-009</td>
<td>No</td>
<td>Non-beneficiaries</td>
<td>None</td>
<td>No expectation</td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>n.a.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Household interviews by the author in Beijing in 2003

The interviewees’ hesitance and negative views towards bank loans and mortgage could have resulted from the fact that only few of the interviewed household members were classified as regular employees. As shown in Table 9-9 below, most household members were either in temporary and informal employment or out of work. It would be unlikely for them to have an employer-based HPF account. With no creditable income-generating activities and no HPF account, they would have difficulties in accessing formal loans or housing mortgage opportunities that favoured those with proven credit records.
Table 9-9: Employment status of all interviewee household members in Beijing

<table>
<thead>
<tr>
<th>Condition</th>
<th>Regular employee</th>
<th>Temporary employee</th>
<th>Informal employment</th>
<th>Laid-off or unemployed</th>
<th>Retired and beyond working age</th>
<th>Working age but no employment</th>
<th>Schooling</th>
<th>Not working age</th>
<th>Not known</th>
<th>Sub-total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject to displacement</td>
<td>7</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td>Displaced or re-housed</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>10</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Temporary residence after</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>displacement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>10</td>
<td>3</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>8</td>
<td>16</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

| Source: Household interviews by the author in Beijing in 2003 |

These conditions would limit access HPF housing loans for these Xinzhongjie interviewee households. The reduced cash compensation under the revised regulation in 2001 was going to make it more difficult for these residents to envisage any tenure conversion even if they moved to suburban districts. All these conditions were experienced by the Xinzhongjie future displacees while their actual household income level was not much different from that of previously displaced households (see Figure 9-8 below). For these reasons, Therefore, there were unanimously negative responses from these interviewees when they were asked about whether they had any expectation of getting formal housing loans to become owner-occupiers.

Future displacees’ compensation preferences

Under the circumstance of reduced compensation under the BJ-2001 Compensation Measures, the interviewees had a straightforward request regarding their future
displacement: a relocation dwelling in an area not too far from their original place of residence. If not, they all expressed explicitly that the cash compensation should be enough to finance their homeownership. For instance:

“Give us a house, and if you ask us to move, then give us enough money to buy a house. Without a house, do you think it’s okay? If you give us money only enough to buy a house outside the fifth ring road, then what if something happens to this 88 year old man? He will be dead while waiting for an ambulance to arrive…”

(Interviewee CBX-INT-09)

The Haiyuncang model of providing affordable housing to increase the re-housing rate seemed to have appealed to some residents who wished to stay in the neighbourhood without moving to other districts. For example, the interviewee CBX-INT-05 expressed she was in favour of the Haiyuncang model despite her inability to apply for bank loans, stating that she might be able to rely on her relatives to borrow some money:

“I hope for the renewal [as was done in Haiyuncang]. But, this area is not subject to such approach. If this approach takes place, one only needs to contribute 100,000 odd yuan. Then, other people would help me. My relatives would give me some money, and I can borrow some from others, and if I try hard, I would repay some gradually. In this way, I still have some hope of staying here…If they can't do in this way, then just find a place nearby and give it to us. I am not asking for a new house. Just something big enough, something comparable to the floor space of this house…”

(Interviewee CBX-INT-05)

Limited individual actions

Information constraints and individual efforts to make enquiries

It was noted earlier that residents subject to the Xinzhoujie second phase redevelopment were uncertain about which policies were to be applied and how much they would eventually be given upon their future displacement. In addition, the residents were left in the dark with regard to the actual commencement date of the redevelopment. From the recollection of some of the interviewees, it appeared that the household survey by the local authority and developers had already begun early 2003. The survey was to investigate tenure, dwelling conditions and household size so that the developers would have all the information necessary for estimating the total compensation. Even at this stage, residents were not provided with any piece of information that would have helped them prepare in advance.

“[The demolition company] already came here. They came in March [2003]. It was
the company that is going to demolish this house, and the same one that demolished that chunk of street [that is, the neighbourhood’s first phase redevelopment area]. I don’t know what they are called. They recorded the number of houses, and the number of people. All these were recorded. Having completed this, they would come back only to carry out demolition… [Rather than informing the details or matters concerning the demolition] they just came into the house and took the survey.” (Interviewee CBX-INT-07)

Under such circumstances, did the residents try to make individual efforts to collect as much information as possible in preparation of their neighbourhood’s redevelopment? Table 9-10 below suggests that the interviewees actively sought information from their talks with neighbours, and that most interviewees asked their neighbourhood committee leaders to find out more information.

Table 9-10: Efforts by Xinzhongjie interviewees to find out redevelopment-related information

<table>
<thead>
<tr>
<th></th>
<th>Have you asked the local authority?</th>
<th>Have you asked the neighbourhood committee leader?</th>
<th>Have you discussed with your neighbours?</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBX-INT-001</td>
<td>No</td>
<td>n.a.</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-002</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-003</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-004</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>CBX-INT-005</td>
<td>n.a.</td>
<td>Yes</td>
<td>n.a.</td>
</tr>
<tr>
<td>CBX-INT-006</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-007</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-008</td>
<td>n.a.</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CBX-INT-009</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2</th>
<th>7</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>No</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>n.a.</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Household interviews by the author in Beijing in 2003

The neighbourhood committee leaders were the first point of contact for the residents, as these leaders were supposed to mediate the relationship between the local residents and the local authority. The neighbourhood committee leaders often took a visible role when it came to neighbourhood redevelopment, as they usually accompanied developers when the household survey was carried out. This was because they were in principle best acquainted with the lives of local residents. However, as the lowest in the administrative hierarchy, the neighbourhood committee leaders in Xinzhongjie also lacked detailed information. Their limits were also acknowledged by the interviewees:

“Regarding the current policy of demolition and relocation, I always ask her [the
neighbourhood committee leader], but she doesn't know either. She is also worried, as she also lives here, and is also confronted with demolition”

(Interviewee CBX-INT-03)

“The neighbourhood committee says the [Dongzhimen] Street Office doesn't say a word [about redevelopment]. Just this neighbourhood committee leader, she says the Street Office doesn't tell the neighbourhood committee”

(Interviewee CBX-INT-09)

Table 9-10 above also shows that the interviewees were reluctant to ask the local authority. Only one interviewee out of nine mentioned that she had gone to the municipal housing bureau to find out more information about the new compensation policy. Other interviewees did not consider making a direct enquiry to the local authority, in particular, the Street Office that was responsible for the administration of the Xinzhongjie redevelopment. The interviewees’ responses (shown below) suggested that this was because of their distrust in the local authority. The heavy criticisms were explicitly pronounced during the interviews when this researcher was not accompanied by the neighbourhood committee leader.

“I haven't asked them [that is, the housing bureau]. Even if I go and ask them, they wouldn't have any documents. Also, you don't have the right to ask them. They wouldn't talk to you” (Interviewee CBX-INT-06)

“Ask who? The demolition squad doesn't explain that to you. The Street Office just says it's going to be the end of the year. The Street Office doesn't tell the true story to us ordinary people… The Street Office should have told us about whether or not the demolition would take place. Take a note of this clearly. At the moment, everyone has a lot of complaints on this matter… Previously, the Street Office was the poorest work unit. Now, it's become the richest” (Interviewee CBX-INT-07)

“This Street Office, what a despicable being it is. If you don't believe this, then do a survey, and everyone will swear at the Street Office. I'll tell you about them. They think of taking advantage of residents…Talking about the Street Office, [they are] just wicked…It always thinks of making money…those dregs of society, caring for the people? Who would believe that? (Interviewee CBX-INT-09)

Individual negotiation with developers and refusal to move if not satisfied

Residents’ direct engagement with developers only takes place after the official demolition notice is delivered to the neighbourhood. Although the municipal and district governments are involved in every stage of a redevelopment project, they do not come in direct contact with residents when developers embark on actual demolition works. The local authority such as the Dongzhimen Street Office would only act as an official
mediator when unresolved disputes between developers and residents over compensation are brought to them for their arbitration decision. In fact, the local authority appears to maintain a 'non-interventionist' policy as explained below:

“[Under the BJ-2001 Compensation Measures] there’s no room for any negotiation [over compensation]… Under such circumstances, it’s for sure that there’s no way they could buy a house. Their living conditions would be worse after demolition…They might refrain from moving out. Then, the demolition company just has to get in touch with the family and resolve the situation…In the end, the only way is for them to negotiate with the demolition company to see if there’s any other way of supplementing compensation. But, from the viewpoint of the government, we cannot speak out, because we have to guarantee impartiality of our policy implementation. It has to be equal for everyone…”

(Official from the Displacement and Relocation Department, Dongcheng district government; Emphasis added by the author)

As the news of reduced cash compensation under the BJ-2001 Compensation Measure was shared among the residents in Xinzhongjie, all the interviewees unanimously proclaimed that they would not move out if the compensation was not up to their expectation. For instance:

“At the moment, all of us don't want to move out. All are frankly saying that you needn't do demolition…Everyone thinks in this way. [If you] demolish ten odd square metres, then give us ten odd square metres [in return in the new building]. Don't push us to move out…We will simply go to the municipal planning committee…” (Interviewee CBX-INT-03)

Judging from some of the negotiation cases reported by the interviewees, it seemed that negotiations were not uncommon, providing even greater motivation for the residents to insist on staying put when their expectation was not met. An interviewee who was displaced as part of Xinzhongjie’s first phase redevelopment recollected that many of her neighbours were able to claim more money by postponing their house-moving:

“Those who moved out to this place, I am telling you the truth, are all law-abiding people. As soon as we were told to move out, we moved out right away. Those people who didn't move out received more money. They were formidable. They didn't obey and made all the noise, then took the money… [Such people] were not few” (Interviewee CBK-INT-01)

Another interviewee, CBH-INT-01, recollected that she was able to receive another 90,000 yuan by making a pledge to the developer via her neighbourhood committee leader. The interviewee was displaced before the implementation of the BJ-2001 Compensation Measure, and she was able to take advantage of the old compensation policy that took the
household factor into consideration.

“I didn't discuss with them [that is, the developer in charge of demolition]. I just went to the neighbourhood committee, and the neighbourhood committee leader gave them a call, explaining my situation...I said I couldn't move out, and would have to stay here, that I had no money. They said we were four-person household, and I said that's not alright...I said we are equivalent to five-person household. [When it was done] we were counted as five-person household, and took another 90,000 yuan...” (Interviewee CBH-INT-01)

The experience of another interviewee (CBD6-INT-01) also exemplified that displacees would make use of personal connections in order to gain as much money as possible. When the interviewee's family was displaced and compensated in accordance with the new BJ-2001 Compensation Measure, the size of their dwelling, which served as the basis for estimating the total compensation, was increased to provide the family with more compensation. The construction space of their original dwelling before displacement was 21 m², but according to their compensation agreement with the developer, it was recorded as 29.66 m².

**Are there any signs of collective response?**

The Xinzhongjie residents were clearly unhappy about the reduced compensation that they were entitled to upon their future displacement. They also explicitly expressed that they would refrain from house-moving. When the demolition work was being carried out as part of Haiyuncang redevelopment, the district government web site reported that 18% of the residents had failed to move out before the imposed house-moving deadline. Whether or not this frustration would lead to organised action as in Seoul, however, could not be identified.

Some of the news reports on displacees' protests in recent years indicated that individual protests were not unheard of, and were in fact on the increase. The government figure on the number of protests revealed that “there were some 74,000 protests” in 2004, “up from 10,000 in 1994 and 58,000 in 2003” (The Economist 29 September 2005). Given the exercise of censorship and political control, the number of protests was likely to be underestimated. Most protests were isolated and contained, though occasional violent incidents alarmed the nation. For instance, a nation-wide shock was received in August 2003 when a man died after setting fire to himself in protest at his home's forced demolition in Nanjing, Jiangsu Province (China Daily 17 September 2003). His family was
one of the 10 out of 1,000 families in his neighbourhood, who refused to move out. Less than a month later, another similar incident occurred, this time, in the heart of Beijing, the Tiananmen Square. A peasant set fire to himself in the morning of 15 September, suffering serious burn (Jiangnan Shibao 18 September 2003). He was also protesting against his home’s forced demolition and poor compensation. The Ministry of Construction also revealed that between January and July 2002, the residents’ protests against demolition resulted in twenty six deaths (China Daily 17 September 2003), clearly indicating the seriousness of violence and resistance against demolition. The protests and violent clashes seemed to be on the increase especially in rural areas where many lands were taken for urban expansion and the provision of infrastructure services (The Economist 23 June 2005). These sporadic cases of organised protests and petitions were found to take place across the cities, but most cases were eventually unsuccessful and isolated (Human Rights Watch 2004: 26-31).

With the reform of legal systems, law suits filed by displacees and residents in redevelopment districts against developers seemed to gain popularity gradually. The case of a law suit filed against the municipal housing corporation by a group of Haiyuncang residents (as explained earlier in Chapter 6) could be one of the examples of organised action against a developer. Ian Johnson, a Wall Street Journal correspondent, reports the case of two pioneering citizens in Beijing who made a series of failed law suits against the municipal government for making huge profits at the expense of demolishing their homes in central Beijing in the mid-1990s (Johnson 2004). Recently, in Chaoyang District, a near suburban district next to Dongcheng District, more than one hundred households collectively filed a law suit against a demolition company, claiming that its certificate of demolition issued by the Chaoyang Bureau of Land and Resources was not legitimate, and that it should be cancelled in order to stop their dwellings’ forced demolition (Jinghua Shibao 17 October 2004). In many of these cases, it was reported that residents rarely won against developers or governments (Fang 1999). Often, the myriad of bureaucratic processes acted as obstacles to the residents’ petition and legal proceedings (Beijing Review 2005). So was the use of implicit and explicit forces that pushed people away from resorting to judicial solutions (Human Rights Watch 2004; Johnson 2004).

Alarmed by a series of protests in relation to demolition and land confiscation, the municipal government began to issue some supplementary regulations that provided limited opportunities to guarantee the housing rights of local residents in redevelopment
districts. One of the recent regulations included a municipal guidance in April 2004, which stipulated that a consultation meeting should be held when more than 40% of the residents in a redevelopment neighbourhood could not come to an agreement over compensation with developers/demolition companies. All the parties concerned in a demolition process were required to attend the consultation meeting, including the neighbourhood committee leaders, the Street Office, and residents (Jinghua Shibao 17 October 2004). These measures, however, would do little to engage the residents from an early stage of redevelopment.

**Summary**

This section has explained the lack of government provision for residents’ participation. There were also further barriers to their participation, which included the complaints’ procedure in favour of developers, hasty schedule and incentive payment to encourage residents’ timely displacement and cooperation. The changes in redevelopment compensation policies in recent years led to growing frustration on the residents’ side, fuelled by the fact that their weak socio-economic status made it difficult for them to finance their preferred homeownership upon displacement. The field research in Beijing was unable to find explicit collective responses, though there were signs of resistance and attempts for individual negotiations with developers.

**9.3 Conclusion**

This chapter has shown contrasts in the way in which residents participated in and responded to neighbourhood redevelopment in Seoul and Beijing. Although the redevelopment framework of the JRP and ODHRP both place emphasis on residents’ participation and cooperation, the design of the JRP was more inclusive of owner-occupiers as they were considered to be legal implementers through the formation of redevelopment association. In this way, owner-occupiers were entitled to participation throughout the whole process of project design, implementation and evaluation. The property-based nature of the JRP meant, however, that there was no room for tenants to intervene at any stage of the redevelopment process. Despite the relatively extensive opportunities for owner-occupiers in Seoul to participate in redevelopment, their participation was very limited due to the speculative nature of redevelopment and their replacement by off-site investors and speculators who join the property-owners’
association as absentee landlords. All these undermined owner-occupiers’ decision-making power, which was usually exercised by casting individual votes in a general assembly to reach a collective decision. The predominance of absentee landlords meant that any decision-making process would be heavily influenced by their own profit-oriented interests. When a public agency participates, the status of owner-occupiers is downgraded as they lose the position of legal implementers and become subject to consultation only.

In the case of the ODHRP, no provision was identified for residents to participate in the planning or implementation processes of neighbourhood redevelopment. The only occasion they were able to express their views was when they entered into negotiation to agree upon redevelopment compensation, but this process was severely in favour of developers. In short, the residents’ cooperation in neighbourhood redevelopment was their cooperation to evacuate in timely manner not to delay the redevelopment schedule, and if financially capable, to purchase highly priced redeveloped flats upon project completion.

As for the tenants in Seoul, they were in a similar position to the residents in Beijing as they had no room for intervention, and were able to respond only at the stage of their displacement. Unlike the residents in Beijing, the tenants in Seoul were more pro-active in making a collective response through the establishment of their own organisation to enter into negotiation with developers and the local authority. To some extent, the tenants’ collective action in Nangok was inherited from other organised actions that took place elsewhere in previous decades (ACHR 1989a; CIIR 1988; Kim 1998; Kim 1991). Since delays to the project schedule were against the interests of property-owners and developers, the tenants’ organised actions to prevent demolition and refusal to evacuate gave them some bargaining power with which to negotiate. The tenants’ demands were largely focused on additional provisions for relocation and compensation as they were only able to intervene at the very last stage of redevelopment preparation.

In Beijing, this research was not able to identify collective actions, though there are signs of the rise of residents’ resistance in the form of lawsuits, protests and petitions across cities in mainland China. Individual resistance in the form of refusing to evacuate in order to gain more compensation could be identified from residents’ recollection of indirect experiences, and the future displacees also showed their intention to follow the same strategy. Their frustration was fuelled by the reduction in their redevelopment
compensation expected upon their displacement in future, but, in the absence of their
own organisations, most residents interviewed did not go as far as making direct enquiries
to the local authority. To some extent, this was not surprising as most individual and
collective actions in mainland China were isolated and short-lived, if not managed by the
state (Beijing Review 2005; Cai 2004; Johnson 2004; The Economist 23 June 2005, 29
September 2005). Moreover, the most problematic issue for the residents engaging in legal
proceedings such as lawsuits and petitions was that even if the outcome was in the
residents’ favour, legal proceedings would do little to stop the demolition. As a Beijing-
based lawyer commented, “the house is gone anyway” even if the verdict turned out to
support residents (quoted in China Daily 17 September 2003).

This chapter, therefore, reveals an interesting picture for our understanding of the
neighbourhood redevelopment programmes in Seoul and Beijing. The redevelopment
experiences in both cities testify to the local residents’ participation significantly
constrained under profit-oriented, developer-led redevelopment. Even if the local
residents were legally permitted to participate from the outset of a project as in Seoul,
their strength was considerably reduced due to the gentrification of local residents. Local
authorities, professional and individual developers share the goal of maximisation of
development gains, and the community participation is minimised in the midst of realising
this goal. Since the residents’ involvement comes only at the time of displacement and
demolition, the intervention only concerns residents’ demands for appropriate relocation
measures and compensation for remaining residents on compassionate grounds rather
than with preserving their neighbourhood.
Chapter 10
Conclusion: assessing developer-led partnership

10.1 Myth of partnership: disadvantaging local residents
   Residents’ weak position in partnership
   Divided community, more vulnerable to exploitation
   Partnership or a growth coalition of property-related interests?

10.2 Residents and redevelopment benefits
   Scale of local residents’ displacement
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   Is it a good or bad thing to involve developers?
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   Protection of disadvantaged residents
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10.5 What this research adds: contributions of this research

10.6 An agenda for further research
   Redevelopment compensation and ineligibility
   Long-term effects of redevelopment and asset inequality

10.7 Concluding comments
This thesis examined urban redevelopment experiences in two East Asian cities, Seoul in South Korea and Beijing in mainland China, from a comparative perspective. The thesis aimed at understanding how developer-led partnership for neighbourhood redevelopment emerged in different urban contexts, what contributions were made by participating actors, and whether or not neighbourhood redevelopment brought benefits to local residents.

To conclude this thesis, I will pull together research findings from previous chapters to discuss three issues: (1) developer-led partnership disadvantaging local residents; (2) residents and redevelopment benefits; and (3) beneficiaries and losers in Seoul and Beijing's neighbourhood redevelopment. Then I will draw lessons learnt from this research and identify future research agendas.

10.1 Myth of partnership: disadvantaging local residents

Despite the difference in the formation of their dilapidated neighbourhoods, Seoul and Beijing shared difficulties in ensuring cost-recovery and replicability of government- or community-led neighbourhood renewal programmes. In response to these problems, both cities came up with partnership-based redevelopment programmes that relied heavily on developers' contributions. These programmes were known as the Joint Redevelopment Programme (JRP) in Seoul, and the Old and Dilapidated Housing Redevelopment Programme (ODHRP) in Beijing. Both programmes were developer-led in that the success of these programmes depended heavily on the participation of professional developers who provided financial resources and managerial expertise. As the UN-Habitat asserts, the most attractive aspect of a multi-sectoral partnership arrangement would be the idea of exploiting the comparative advantages of various sectors (UN-Habitat 1993). As argued in the following discussion, the redevelopment programmes in Seoul and Beijing, however, disadvantaged local residents.

Residents' weak position in partnership

In implementation, a partnership approach faces conflicts among different actors, which may occur at every stage of planning and management (Devas and Rakodi 1993). This is because each actor has vested interests, which conflict with those of other partners. Each actor forms different views on the desired outcomes. How to resolve the conflicts depends on the power dynamics in a partnership arrangement. Each actor has a different
level of resources at his/her disposal, and local communities have the least financial resources to contribute, even though they possess the best knowledge of their neighbourhoods and surroundings and share the highest stake in the outcome. In a market economy, the ability to contribute financially often determines the degree of influence over decision-making processes. Therefore, the basic partnership principle, that is the contribution of each sector’s strengths and capabilities on a ‘complementary and mutually-supportive’ basis, is endangered from the beginning (UN-Habitat 1993).

In Seoul’s JRP, owner-occupiers’ inability to make significant financial resources led to their demise. Most owner-occupiers were replaced by off-site speculators and individual investors who were alien to redevelopment neighbourhoods but who could afford redeveloped flats. The owner-occupiers’ decision to sell their property rights ultimately came from themselves, but for most of them, this was not a proactive decision to acquire development gains. It was a passive response to the infiltration of real estate capital and gentrifiers into their neighbourhood. In this process, the majority of owner-occupiers were effectively displaced, but the principle of JRP partnership framework, that is, a contractual bonding of property-owners and professional developers, remained unaffected.

In the case of tenants in Seoul or all residents in Beijing, there was no channel for them to intervene in the planning or implementation processes until a project reached its critical stage of commencing residents’ displacement and relocation. In financial terms, they had little to contribute, and therefore, were to remain ‘mute’ throughout the project. Beijing’s public sector tenants were excluded from enjoying the benefits of housing privatisation due to severe dilapidation of their dwellings. Upon displacement, their compensation agreement included contracts for the purchase of their dwellings, which meant that the dwelling ownership was transferred to the sitting tenants before their compensation was paid out. Only then were they able to secure financial means to make any contribution, but this cash compensation was far less than was needed even for the subsidised purchase of redeveloped flats.

**Divided community, more vulnerable to exploitation**

Many partnership approaches advocate co-operation with local communities, but as noted by Devas and Rakodi, “Except in popular mythology, there is no such thing as ‘the people’. There are individuals, classes, groups, communities, and popular organisations, each of
which may have different and competing interests and ideas” (Devas and Rakodi 1993: 50-51). This accords with the statement by the UN-Habitat that “slum dwellers are not a homogeneous population” (UN-Habitat 2003b: 28). Local residents in renewal neighbourhoods have a diverse income spectrum, and not all residents are the poorest (Yap 1995). The differentiation and stratification among residents would give rise to different attitudes towards neighbourhood changes, and have differing impacts upon the patterns of housing consumption and investment (Miah and Weber 1991). This was clear in the case studies presented in this thesis.

In Seoul, local residents were divided into several groups depending on their tenure, compensation eligibility and employment/income status. In terms of tenure, local residents were divided into owner-occupiers, Chonsei tenants and monthly rental tenants. Owner-occupiers were the least worse off, as they were implementers and in principle financial contributors, therefore in a much superior position than tenants in terms of negotiation and access to information. The experience of Nangok neighbourhood showed, however, that their voice could be weakened considerably as their numbers grew smaller. In terms of compensation eligibility, tenants were further split into two groups: eligible and ineligible tenants. Ineligible tenants were in the most difficult position as they received no in-kind nor cash support for their displacement. Both eligible and ineligible tenants were also further divided in accordance with their financial capacity to move to post-displacement dwellings that required increased Chonsei key money or higher monthly rents and maintenance costs.

In Beijing, the residents in redevelopment neighbourhoods were more homogeneous in terms of tenure distribution than those in Seoul: most residents were public sector tenants, and very few were in owner occupation. It is possible that redevelopment projects would face more diverse residents as the number of private sector tenants and non-permanent Beijing residents increased. For the time being, government attention has been more focused on owner-occupiers and public sector tenants in dilapidated neighbourhoods. Among the public housing tenants, however, we could still identify some elements of stratification on household income, employment status and eligibility to access housing finance system, which led to residents’ differing capacity to finance post-displacement dwellings. Moreover, the residents in redevelopment neighbourhoods had dwellings of different size, which would lead to different amount of cash compensation. Many studies pointed out that the in-kind housing allocation before the reform led to unequal
distribution of welfare housing, largely influenced by the hierarchy of work places as well as the hierarchy of employees within a work place (Gu and Colwell 1997; Huang 2002; J. Lee 2000; Logan et al. 1999; Wang 2000). The monetarisation of redevelopment compensation since 1998 thus led to the visible emergence of unequal housing distribution during the planned economy period.

**Partnership or a growth coalition of property-related interests?**

From this research, it was evident that most local residents had little means to contribute to and influence redevelopment partnership in their favour, and that the community itself was stratified, vulnerable to the exploitation of the property-related interests. These property-related interests included professional developers, property-owners as individual developers and local authorities as collectors of property-related taxes and land sales/lease revenues. Even though the implementation of redevelopment projects in Seoul and Beijing was partnership-based, the way in which the partnership proceeded was by and large to promote the growth of locality and transform dilapidated neighbourhoods into a higher and better use. Most local residents were excluded from decision-making processes. Nor were they able to continue living in redeveloped neighbourhoods upon project completion. In this respect, the operation of redevelopment partnership in the interest of local communities was a myth at the best.

The way in which the redevelopment partnership worked was analogous to the operation of growth machine or the formation of growth coalition (Logan and Molotch 1987; Molotch 1976). In the growth coalition thesis, the city is perceived as “a growth machine, one that can increase aggregate rents and trap related wealth for those in the right position to benefit” (Logan and Molotch 1987: 50). The growth coalition thesis explains that local economic development and urban renewal are driven by the territorial coalition of land-based elites that include local officials, business elites, local media, and sometimes, trade unions and corporate capitalists in search for regional basis (Logan and Molotch 1987). For the land-based elites, “the agenda…is to secure the preconditions of growth” in order to “increase the value of land and revenue streams” (Jonas and Wilson 1999: 5-6). In spite of their potential conflicting individual interests, land-based elites have a consensus of achieving the growth agenda. Inter-city or inter-regional competition becomes inevitable in order to attract mobile capital and central government funds for local growth. Although land-based elites try to promote “community ‘we feeling’” (Molotch 1976: 314) so that local residents become receptive to the growth ideology, local communities are often
threatened and become subject to dismantlement as “the preconditions for economic growth” require “changes in the built environment” (Jonas and Wilson 1999: 7).

There are differences in the way in which land-based elites in American cities interact and influence each other in comparison to those in Seoul and Beijing. The implementation of developer-led partnership as discussed in this thesis, however, suggests that the essence of growth coalition has also penetrated the dilapidated neighbourhood redevelopment in Seoul and Beijing. The property-related interests (professional developers, property-owners including absentee landlords, and local authorities) in both cases worked in coalition to accomplish the neighbourhood transformation and realise development potential at the expense of local residents and long-standing neighbourhoods.

**Seoul: Urban growth coalition in consolidation**

The implementation of partnership-based redevelopment programmes in Seoul took place at the time of the central government exercising development-oriented policies. The South Korean economy in the second half of the twentieth century was often interpreted as being under strong state leadership. The South Korean government had been intervening actively in economic planning and resource allocation in order to overcome constraints in the process of late industrialisation (Amsden 1989). In times of its economic take-off between 1963 and 1982, public sector investment was often found to exceed public sector saving, and involved heavy borrowing of foreign loans for investment in key industries and infrastructure provision (ibid, pp.88-92). This involved, however, little spending on social services (Jacobs 2000; White and Goodman 1998), indicating that the “welfare arrangements have been shaped to fit the strategic priority of rapid industrialisation” (White and Goodman 1998: 14). The developmental priorities characterised by export orientation governed the shaping of social policies, which largely focused on mobilising human resources and enhancing labour productivity (Deyo 1992: 304-305). In return, the role of non-state agencies such as communities, firms and families were given a major welfare role in both financing and providing welfare services (Jacobs 2000; Jones 1990; White and Goodman 1998). Unlike Hong Kong and Singapore where the provision of public housing has been thoroughly implemented as part of welfare arrangements (Castells 1992), the South Korean government distanced itself from direct provision, and relied on private-led initiatives. The implementation of JRP projects was a continuation of prior strategies as it tried to resolve the problems of dilapidated neighbourhoods by means of mobilising private capital and the private sector
participation with less direct intervention by the public sector.

Based on the contractual relationship, professional developers and property-owners (as individual developers) worked together to acquire development gains. The public sector was also an active participant: it signed contracts for public land transfer, contributed public funds (e.g. land sales revenue and National Housing Funds) and facilitated redevelopment through planning regulations. As we have seen in the case of the Nangok neighbourhood redevelopment, the involvement of the Korea National Housing Corporation (KNHC) could also be interpreted as a way of using a public agency to close the rent gap in the neighbourhood, and meet the needs of property-owners who were desperate to salvage their projects. From the tenants or poor owner-occupiers’ point of view, the implementation of the rolling redevelopment did not make too much difference in terms of displacement. The efforts made by property-owners, district assembly members and government officials indicated how closely they could work together to promote growth in times of difficulties. These efforts were made in the name of helping local communities, but the local communities remained abstract, and in reality, were replaced by off-site investors and speculators.

**Beijing: Urban growth coalition in the making**

In Beijing, the ODHRP was based on a formal relationship between local authorities and professional developers. Local residents were expected to cooperate by making timely displacement to facilitate land preparation or purchasing redeveloped flats for re-housing. China’s constitution stipulates that urban lands are owned by the state. It is in this context that local authorities entered a contractual relationship for the redevelopment of dilapidated neighbourhoods based on the transfer of the use right of the state-owned lands. The case of the Xinzhongjie redevelopment was typical of ODHRP projects, oriented towards commercial housing redevelopment in inner city districts. The participation of an overseas joint venture highlighted the attractiveness of property-oriented redevelopment that the ODHRP promoted. The case of the Haiyuncang redevelopment was illusionary in that the project accomplished a very high re-housing rate, helping residents to remain in the neighbourhood, but closer examination indicated that such a resident-friendly approach came together with stronger government intervention to promote property development. By shifting residents into a smaller, densely redeveloped neighbourhood, the local authority was able to free up some of the neighbourhood lands and sell the use rights to business elites in search for office building sites.
In this respect, ODHRP projects could be identified as facilitating ‘urban growth coalition’ between local government officials and developers, and this thesis agrees with other researchers who have recently interpreted urban (re-)development in the growth coalition context (Fang and Zhang 2003; He and Wu 2005; Zhang 2002; Zhang and Fang 2003; Zhu 1999). The formation of urban growth coalition has been facilitated in the decentralised environment of resource control and revenue generation. Local governments were provided with greater decision-making power and more incentives through fiscal reform to manage and proceed with local investment to meet their regional needs and achieve local economic growth (Li and Lian 1999; Wei 1996; Wu 2001). The sale of land use right by the municipal government was an effective means to secure extra-budgetary revenues to invest in urban built environment such as motorways, metro connection, electricity and water supply, all of which required immediate public intervention for the growing population and economy.

The developers, who are mainly former state-owned enterprises, have relied on their personal and institutional links to exploit the new speculative environment of land and housing development. In the 1990s, all the major developers in cities were former state enterprises, which were nevertheless under strong influence from the central and local governments. These developers were in close partnership with the local officials who administered the lease of public lands. For example, in the early 1990s when ODHR began, it was reported that there were more than “200 property development companies registered in Beijing, nearly all of which are owned or controlled by one or another level of government,” and it was these companies that undertook the majority of ODHRP projects (Leaf 1995: 152-153).

Furthermore, the development goals and policies at municipal level are still set and implemented in line with the national guidelines put forward by the central government. As for Beijing, this characteristic is strengthened by the presence of the central government institutions and high-ranking state work units, all imposing certain limits to the way the municipal government carries out the policy recommendations from the central government. The city promotion of Beijing results in municipal pride, but also results in national pride as was witnessed at the time of Beijing’s successful bid for 2008 Olympic Games.
10.2 Residents and redevelopment benefits

The fundamental question in this thesis was: does the developer-led partnership benefit local residents? The findings indicate that redevelopment projects involved the displacement of most residents, and that whilst there were short-term gains for some residents, the long-term sustainability of these gains was doubtful.

Scale of local residents' displacement

From the viewpoint of residents’ displacement, Seoul’s JRP and Beijing’s ODHRP did not bring benefits for most local residents as these programmes led to their large-scale displacement and the dismantlement of long-standing communities. JRP and ODHRP projects accompanied gentrification of dilapidated neighbourhoods, and redeveloped flats were largely consumed by middle- or higher-income households.

In Seoul, owner-occupiers in JRP projects did not enjoy the benefit of re-housing even though they were in principle the official implementers of neighbourhood redevelopment. Eligible tenants had the choice of re-housing in redevelopment neighbourhoods as JRP projects required the provision of public rental flats on site by regulations. This allowed a certain proportion of eligible tenants to be re-housed, avoiding permanent displacement. As for ineligible tenants, they faced displacement with no compensation at all.

In Beijing, ODHRP projects accompanied the production of commercial flats, which were increasingly purchased by middle- or higher-income individual homebuyers. Local residents were displaced from their inner city neighbourhoods, many of them moving to near and outer suburban estates. Even if residents were entitled to purchase redeveloped flats at reduced prices, these prices were still unaffordable for most residents. The case of Xinzhongjie neighbourhood’s first phase redevelopment showed that less than 5% of original residents were re-housed, and eighteen months after purchase, the majority of the re-housed residents had moved out due to unaffordable monthly housing costs.

When the revised JRP and ODHRP approaches were implemented, they led to interesting results. In Seoul, the implementation of rolling redevelopment programme did not change the fate of owner-occupiers or ineligible tenants, but made a significant difference for eligible tenants. The rolling redevelopment called for the provision of public rental flats for eligible tenants before the commencement of residents’ displacement. This increased
eligible tenants’ housing security as they did not have to go through long-term temporary relocation during the project, but in return led to eligible tenants’ permanent displacement since these public rental flats were provided elsewhere. In Beijing, the revised ODHRP approach since 2000 (that is, the Haiyuncang model) led to a much higher re-housing rate (70%). In this respect, as far as displacement was concerned, Beijing’s latest Haiyuncang model brought benefits to the majority of local residents.

**Redevelopment and financial gains**

In Seoul, redevelopment allows owner-occupiers to legalise their tenure, and tap into the development gains. In Nangok, most original owner-occupiers, however, sold their property rights to off-site speculators, and few managed to stay for re-housing. As we have seen in the rise and fall of Nangok’s first phase redevelopment, the risk and uncertainties involved in redevelopment projects caused dwelling prices to fluctuate during project preparation. Based on the most common dwelling size (26m²), the sale price of a dwelling in Nangok neighbourhood between 1996 and 2002 fluctuated between KRW 25 million and KRW 65 million (see Section 9.1 in Chapter 9). Given that the key money to enter the KNHC-provided public rental flats as Chonsei tenants reached KRW 33 million, owner-occupiers were likely to convert into private rental tenure if the sale price of their property rights was their only finance for their post-displacement housing. The biggest loss for such owner-occupiers would be the loss of opportunities to reap more redevelopment benefits by purchasing redeveloped flats. These opportunities were taken by off-site investors and speculators. As for the eligible tenants, they were entitled to cash compensation, which was equivalent to three months’ household expenditure for average urban wage- and salary-earning households, weighted by the number of household members. This could be considered a financial gain, but not enough to cover the increase in housing rents upon displacement. Ineligible tenants were not entitled to any compensation, and therefore, had no financial gains at all.

In Beijing, redevelopment compensation has been monetarised since 1998, and residents were entitled to cash compensation that could be more than their life-time savings (see ‘Redevelopment Compensation’ in Section 7.2, Chapter 7 and also ‘Financing homeownership’ in Section 8.2, Chapter 8). The compensation contract for public tenants included the purchase of their rental dwellings, which gave them an equal footing to owner-occupiers in terms of making financial gains. According to the manager who used to work for the developer involved in Xinzhongjie redevelopment, the cost of residents’
displacement and relocation usually constitutes one third of the total redevelopment project costs. This indicates that residents’ compensation is hugely subsidised by redevelopment costs. Displaced residents could make a decision on how to use their new financial assets, including their move to suburban estates to become owner-occupiers. Given that the residents in dilapidated neighbourhoods were previously excluded to take part in the privatisation process under China’s housing reform policies, neighbourhood redevelopment provided a platform for residents to accumulate assets and overcome their marginal position in the city. In 2001, however, the compensation regulation changed to reduce the total compensation by 11~36% (see ‘Residents’ discontent and its sources’ in Section 9.2, Chapter 9). Given the average housing prices in inner city and suburban districts, residents facing displacement after 2001 would find it more difficult to become owner-occupiers.

**Redevelopment and loss of affordable dwellings for poor residents**

In Seoul, the implementation of JRP projects since the mid-1980s has reduced the number of dilapidated neighbourhoods which had similar characteristics to Nangok. Dwellings in these neighbourhoods were dilapidated but most were affordable for poor residents. In Gwanak district where Nangok was located, there were still some dilapidated neighbourhoods, but they were already designated for or in the process of redevelopment. Given that displacees showed a high tendency for ‘intra-district mobility’ (that is, house-moving within Gwanak district) most likely for the reasons of employment, existing social network and children’s education, they had no choice but to move to the dwellings of higher standard and rents available in the proximity. The loss of affordable dwellings due to redevelopment also pushed up the rents of dwellings in adjacent neighbourhoods.

In Beijing, the situation was similar in that neighbourhood redevelopment reduced the number of dilapidated neighbourhoods in the city, but this might not have resulted in fewer choices for displaced residents. It was unlikely for them to move to other dilapidated neighbourhoods since these neighbourhoods largely consisted of public rental dwellings, which were already occupied. Individual access to these public rental dwellings was unlikely unless displacees had informal connections (for example, interviewee CBD6-INT-01 who was able to move temporarily to their father’s vacant dwelling). It is likely that intense redevelopment of inner city districts in Beijing contributed to the increase in rents and sale prices in the private housing sector, but part of this increase could also have come from Beijing’s booming real estate sector in the municipal preparation for the 2008
Olympic Games.

**Redevelopment and housing conditions**

In Seoul, the physical standard of post-displacement dwellings was much superior to that of pre-displacement dwellings but, as mentioned earlier, this was inevitable as residents had no choice but to move to higher standard dwellings. Residents’ displacement also led to higher rents (that is, higher Chonsei key money or monthly rents) as well as tenure conversion from the preferred Chonsei tenure to less favoured monthly rental tenure. For instance, most eligible tenants who moved to the private rental dwellings were able to stay in Chonsei tenure, but this required a substantial increase in Chonsei key money. For them, cash compensation was helpful, but still fell short of fully financing the rent increase. Eligible tenants who moved to the public rental flats could be said to have received some benefits (that is, long-term tenure security and improved physical conditions), but their move involved tenure conversion to less favoured monthly rental tenure, which might not be affordable for those with unstable and/or low incomes. The important thing is that for most displaced tenants, their displacement went against their initial reason for living in Nangok neighbourhood: to minimise expenditure on housing. In this regard, their displacement might have detrimental impacts on how they allocated household resources to meet their various needs in future, which could not be verified in the short term.

In Beijing, the physical standard of residents’ post-redevelopment dwellings was also much superior to their pre-redevelopment dwellings. This was also accompanied by their tenure conversion from public rental tenure into homeownership, which was made possible by heavy subsidies to displacees in the form of redevelopment compensation. Similar to the experiences of the privatisation of public housing in Britain (Forrest and Murie 1988), most public rental dwellings in good condition in urban China had seen heavily subsidised privatisation by the late 1990s. This provided a natural desire for the displacees to become owner-occupiers, which seemed to have been within their reach given the large amount of cash compensation under the 1998 Compensation Measures. The legacy of welfare housing provision seemed to have dominated people’s minds, and private renting was hardly considered as it did not provide long-term tenure security. In Beijing, the likelihood of enjoying larger cash compensation (and hence obtaining more assets for further investment) depended on larger dwelling size and longer working history. As mentioned earlier, the 2001 Compensation Measure has substantially reduced the total compensation, and future displacees would be less optimistic regarding their prospect of
becoming homeowners in new dwellings. It is also yet to be seen whether or not the increased monthly housing costs (maintenance and management costs) would have any negative impacts on household economy in the long term.

10.3 Who benefited and who lost in neighbourhood redevelopment

In urban renewal and gentrification debates, ‘who benefits’ has been the most central issue (Cameron 1992). This is particularly important as urban renewal objectives proposed by central and local governments are often unclear and ambiguous. Two contesting perspectives exist regarding the nature of urban renewal policies (Bailey and Robertson 1997: 562). On the one hand, there is a perspective that views urban renewal policies as promoting economic growth and inviting higher-income groups. In this perspective, gentrification is a positive outcome, as urban renewal is expected to provide new jobs and generate increased demands for local services, thus trickling down renewal benefits. On the other hand, there is another perspective, which argues that urban renewal policies should aim at “redistribution of opportunities or resources to low-income or ‘deprived’ groups directly” (ibid). In this perspective, gentrification is considered negative, as local residents are displaced with less chance of enjoying the direct benefits. Therefore, the discussion of benefits and costs could easily be biased depending on whose perspective is taken. In this section, I attempt to address the costs and benefits for all the participating actors in neighbourhood redevelopment, and conclude that most benefits accrued to the property-related interests, supporting the argument in Section 10.1 that the developer-led partnership in Seoul and Beijing has been a growth coalition in practice (see Table 10-1 at the end of this section for the summary).

Beneficiaries

In the case of Seoul, the principal beneficiaries were professional developers, local authorities and property-owners. Here, property-owners consisted of dwelling owners (or owner-occupiers) and landlords. Landlords included both absentee landlords, and the central and local governments who owned public lands in dilapidated neighbourhoods. Professional developers benefitted as redevelopment projects presented them with access to lands and hence valuable opportunities for real estate development in a city like Seoul where vacant lands had become scarce after decades of rapid urban growth. Local authorities were able to transform dilapidated neighbourhoods into modern estates, thus
increasing their property tax basis, collecting land sales revenues and achieving city ‘beautification’ in their terms. The redevelopment of dilapidated neighbourhoods also enabled the upgrading of urban services and infrastructure provision in these neighbourhoods by means of relying on private investment and little public spending. As for owner-occupiers, they were, in principle, given opportunities to gain from redevelopment projects by purchasing redeveloped flats at discounted prices, but it was mostly absentee landlords who had the financial means to do so. The provision of new high-rise flats also benefited middle- and higher-income households in and around the city, who were looking for new dwellings. People running local stores and businesses around the redevelopment neighbourhood might also enjoy increased demands for local services from the new incomers. Tenants who moved to public rental flats as part of redevelopment compensation could be considered beneficiaries at first glance, since the redevelopment provided fast-track access to public rental housing, which occupied only a marginal position in Seoul. For the municipality as a whole, the provision of public rental flats in redevelopment neighbourhoods contributed to the expansion of the public rental sector, which was under-developed in Seoul.

In the case of Beijing, professional developers and local authorities have certainly benefited from redevelopment projects. Professional developers were given access to valuable inner city lands to transform them into high-rise modern residential estates. As was the case in Haiyuncang redevelopment, higher density residential redevelopments also helped release lands for commercial and business uses. As for the local authorities, their monopolistic control over urban lands allowed them to gain extra-budgetary revenues (in the form of land use premiums) by land leasing. As Fulong Wu noted, “The policy of land leasing enabled the local government to extract landed benefits from developers and reinvest in urban development” (Wu, 2001: 283). For local authorities, the neighbourhood transformation could also be considered as representing administrative achievement in their inter-governmental competition. The transformation of dilapidated neighbourhoods into modern, high-rise flats could also be regarded as improving urban landscape especially in times of preparing for international events such as the 2008 Olympic Games. The provision of modern flats in the inner city districts of Beijing also benefited higher-income Beijing residents, foreigners or migrants in well-paid professional employment, who sought homes within proximate distance from their work and leisure places. Incomers would generate more demands for local services and new employment such as housekeepers and cleaners, although these job vacancies would likely be filled by poorly-
paid migrant workers from other provinces. As for the local residents who used to live in
dilapidated neighbourhoods, they found an opportunity to catch up with other former
public sector tenants, and become homeowners by using relatively affluent cash
compensation (if displaced) or taking advantage of subsidised sale of redeveloped flats (if
re-housed). The latter choice turned out to be particularly beneficial when affordable
housing construction parameters were applied as in Haiyuncang redevelopment.

**Losers**

The neighbourhood redevelopment did not come without costs. In Seoul, dilapidated
neighbourhoods provided affordable dwellings for the poorest population within the city.
As one of the residents expressed in an interview (KSS7-INT-10), there was a circulation
of people, moving in when they were in difficulties and moving out when they gained
strength and saved enough money to live elsewhere. The demolition of such
neighbourhoods as Nangok gave no regard to this positive role, and effectively reduced
affordable dwellings for poor people in and around the city. Most local residents could
also be considered as having lost as a result of neighbourhood redevelopment. They had
to spend much more upon displacement in order to finance increased housing costs.
Large-scale redevelopment and residents’ displacement raised rent levels in adjacent
neighbourhoods, making it more difficult for the displacees to find affordable dwellings.
Even the tenants who moved to the public rental housing sector as part of redevelopment
compensation could be considered as losers, since the tenure transfer from private
Chonsei tenure to public monthly rental tenure placed heavy pressure on their monthly
household expenditure, and for most households, their living conditions in the public
rental sector still did not meet the national minimum living standard.

In Beijing, the residents were compensated with relatively large cash compensation, and
could use it to become owner-occupiers in new suburban dwellings within their budget
limit. Since the changes in compensation regulation in 2001, it appears less likely for
displacees to do so if their pre-displacement dwelling space is relatively small. Unlike in
Seoul, the demolition of dilapidated dwellings in Beijing might have less city-wide impact
in terms of reducing affordable dwellings for general population. This was because most
dwellings in dilapidated neighbourhoods in inner city districts of Beijing belonged to the
public rental sector, to which free access was restricted. The demolition of these dwellings,
however, could be a loss to the local authorities as the number of public rental dwellings
in their disposal has been substantially reduced in times of privatisation. It is also a loss to
the city as the historic heritage such as the courtyard housing is demolished in the name of modernisation while pursuing neighbourhood redevelopment. In Beijing, the demolition of cultural relics has been criticised on numerous occasions (e.g. Beijing Today 9 July 2004; China Daily 13 August 2003, 20 August 2003), but the logic of modernisation seems to override the need for cultural preservation.

In summary, a lot more benefits of neighbourhood redevelopment seemed to accrue to developers, local authorities, and middle- or higher-income earners in search for homeownership than to local residents. In this regard, this research agrees with Smith and LeFaivre’s conclusion that gentrification benefits accrue to “those who own and control capital for the purpose of investing it for profit or interest, as well as to the middle class in general, who are the beneficiaries not only of new living space but also of profitable, if

| Table 10-1: Summary of beneficiaries and losers in Seoul and Beijing's neighbourhood redevelopment |
|---------------------------------------------------------------|---------------------------------------------------------------|
| **Beneficiaries** | **Losers** |
| Professional developers | Local authorities |
| Access to lands and opportunities for real estate development | Loss of cheap housing supply |
| Development profits | Loss of public rental stock (in Beijing) |
| Release of lands for commercial and business uses (as was in the Haiyuncang model in Beijing) | Loss of social supports |
| Local authorities | Higher costs requiring more subsidy |
| Higher quality housing | Loss of historic and cultural heritage (in Beijing) |
| Expansion of public rental stock (in Seoul) | |
| Better quality neighbourhoods | |
| Increased property tax basis | |
| Collection of land sales revenues (in Seoul) or land use premiums (in Beijing) | |
| City 'beautification' by modernising urban landscapes | |
| Upgraded urban services and infrastructure with little public spending | |
| Absentee landlords | Poor households in the city |
| Purchase of redeveloped flats at discounted prices | Loss of affordable dwellings |
| Opportunities to influence redevelopment processes (in Seoul) | |
| Middle- and higher-income households in the city | Owner-occupiers |
| Provision of higher quality housing for homeownership or renting | Loss of affordable homes, and potential tenure conversion from homeownership to private rental tenure |
| Potential increase in demands for local services and new employment by incomers | Loss of future gains from redeveloped flats as the majority of owner-occupiers are displaced |
| Owner-occupiers | Little influence over redevelopment processes |
| For some, opportunities to legalise their land tenure (if resided on public lands) | |
| For some, opportunities to purchase redeveloped flats at discounted prices, but few were able to do so | |
| Relatively affluent cash compensation, though reduced substantially since 2001 (in Beijing) | |
| Eligible tenants | Both eligible and ineligible tenants |
| Opportunities to access public rental flats (in Seoul) | Loss of affordable dwellings to rent |
| Relatively affluent cash compensation, though reduced substantially since 2001 (in Beijing) | Increased rents and/or maintenance costs upon displacement |
| Little influence over redevelopment processes | Little influence over redevelopment processes |
comparatively small, investments” (Smith and LeFaivre 1984: 54). The finding also confirms our earlier discussion that the developer-led partnership has been closer to the operation of a growth coalition. Beijing residents received more benefits in terms of increased asset, but as discussed in Chapter 9, this could be interpreted as the attempts by the developers and local authorities to minimise their resistance and make them more receptive to the redevelopment and displacement.

10.4 What lessons can we learn?

Several important lessons could be drawn from this research on the experiences of neighbourhood redevelopment in Seoul and Beijing. Four questions are discussed in this section: (1) is it a good or bad thing to involve developers in neighbourhood redevelopment; (2) is there a role for the government to play; (3) how do we protect disadvantaged residents; (4) how can residents participate as equal partners in neighbourhood redevelopment?

Is it a good or bad thing to involve developers?

Despite the negative consequences such as residents’ displacement, the importance of developers’ participation still needs to be acknowledged. It was evident that resource-constrained governments and owner-occupiers in fast growing cities like Seoul and Beijing were not able to cope with all the redevelopment needs. Professional developers possess the expertise and human/financial resources to achieve neighbourhood transformation and redevelopment in an efficient way.

The participation of developers, however, still left some room for concern. The success of the neighbourhood redevelopment depended largely on recovering development costs and profits through the sales of redeveloped flats, and also on the financial capacity of professional developers. They needed to be financially capable of handling large-scale housing projects, having adequate assets and access to financial institutions for project financing. In Seoul, for instance, the average number of redeveloped flats in 251 JRP project areas (completed or in progress by the end of December 2004) reached 990 flats, equivalent to roughly ten twelve-storey high-rise apartment blocks. The largest project in Seoul, implemented in Bongcheon 3 District between 1994 and 1997, demolished 1,954 dwellings and produced 5,387 flats (Housing Bureau of SMG 2005). Under these
circumstances, developers’ financial instability could easily jeopardise neighbourhood redevelopment as we have seen in the example of the failed first phase Nangok redevelopment in Seoul, caused by the withdrawal of professional developers in the aftermath of the 1997’s Asian Financial Crisis. The first phase Xinzhongjie redevelopment in Beijing could not have been possible without the participation of the overseas partner that responded to the call of a local developer.

The success of developer-led redevelopment also depended on the extent to which redeveloped flats could be consumed in the housing market. As one of the real estate developers interviewed in Beijing commented, “because residential projects are built for sale, there is a natural exit for the investment.” In Seoul, redeveloped flats were largely for consumption by middle- or higher-income households. The housing shortage and the prevalence of real estate speculation (W.-J. Kim 1996: 106-134) allowed developers to proceed with high density redevelopment to extract as many profits as possible. In Beijing, redeveloped flats supplied in the 1990s were largely unaffordable for average households, and the immature development of housing finance system aggravated the situation. It was the overseas investors, state enterprises and institutions who played important roles in consuming commercial flats supplied in the 1990s (Wu 1996), and in turn, sustaining the production of highly priced redevelopment flats in inner city areas.

Is there a role for the government to play?

The central and local governments play an important role in setting the preconditions of neighbourhood redevelopment. As the UN-Habitat proposed, a partnership approach pre-supposes a stronger but effective government to establish a legal and regulatory framework to achieve dual purposes: (1) the facilitation of the private sector’s participation that would bring experienced and efficient human and capital resources; and (2) the protection of people who would otherwise be exposed to profit-driven private sector (UN-Habitat 1993). Partnership with profit-driven private sector has a risk of running counter to the interests of the poor population, but this can be avoided by employing appropriate regulations by the “public interests (since the private sector is non-accountable politically). This means that there will be a large area of decision making (with regard to minimum standards, zoning and so on) which will need to be retained by government” (UN-Habitat 1993: Chapter 2A).

This research has shown that the central and local governments made both direct and
indirect intervention in neighbourhood redevelopment programmes, though the results of the intervention were largely in favour of property-related interests. There were, however, some elements of positive intervention, which we need to focus on and exploit. In Seoul, the provision of public rental flats in redeveloped neighbourhoods was something that was not available in Beijing. This measure helped expand the available housing choices for tenants eligible for redevelopment compensation. The measure also helped the municipality to expand its public rental housing sector, which was substantially underdeveloped in Seoul. The application of rolling redevelopment also helped eligible tenants to avoid temporary relocation by providing public rental flats before displacement. The rolling redevelopment could have had more positive implications if they were adopted from the early stage of municipal redevelopment history. The financial support for tenants in difficulties (e.g. National Housing Fund housing loans for Chonsei tenants) also helped tenants to pay for their increased housing costs, but as requested by displaced tenants in their organised action in Nangok, the financial support scheme needs to be implemented with a longer redemption period so that poor tenants with unstable or low income could have more time to save enough money for repayment.

From Beijing’s experiences, we could also learn that redeveloped dwellings could be supplied at a much lower sales price when neighbourhood redevelopment took place on public lands. Public intervention of this kind was not exercised in Seoul even though the majority of JRP neighbourhood lands belonged to the central and local governments. The long-term mortgage provided for those residents with Housing Provident Fund account encouraged residents to purchase redeveloped flats upon their re-housing, but there need to be provisions to protect residents who fall victim to the on-going economic restructuring and labour market reform. In this respect, the municipal policy of promoting privatisation and the rapid contraction of the public housing sector need to be reconsidered.

**Protection of disadvantaged residents**

When a redevelopment takes place in dilapidated neighbourhoods where poorer sections of the municipal population largely reside, particular attention needs to be paid to the more disadvantaged residents who are vulnerable in both the housing and labour markets. At this point, the tradition of social housing in Europe would be a useful point of consideration. Despite the decline of the social housing sector and the decay of public housing estates, we learnt that there remained a role for the state to play by providing...
affordable dwellings for the socially excluded population (Power 1993). The lack of public housing stock in Seoul, and the rapid decline of the public housing sector in Beijing under reform policies need to be reconsidered. In the case of housing finance, families with irregular and insufficient income are not able to benefit from existing financial arrangements. This is something the market cannot provide on its own, and this goes back to the enhanced role of the state. As was shown from the interviews with tenants in Seoul, they were still willing to make contributions and repay any loans as long as the terms of repayment could be arranged by taking their household situation into consideration.

One good example would come from the experiences of housing restructuring policies in the Netherlands, which aimed at promoting neighbourhood redifferentiation and diversity by means of physical intervention (demolition and upgrading) of post-war social rented housing (Kleinhans 2003). As most project areas largely accommodated low-income households, demolition or upgrading of housing stocks led to their forced relocation. Tracing the relocation experiences of residents displaced from two restructured neighbourhoods, Reinout Kleinhans (2003) found out that many displacees actually improved their housing situation if they had taken advantage of ‘priority rights’ and ‘rent subsidy for displacees’ in the housing market. In the Netherlands, social rented housing units were allocated through ‘advert model’ (or the ‘Delft model’): rental units were advertised in a weekly newspaper and on a designated web site, specifying eligibility criteria and housing characteristics. Eligible households were required to send in a reply coupon to the relevant housing association, ranked in accordance with the selection criteria. Those with longest residency or waiting period were given priority in the allocation process. As for displacees from restructured neighbourhoods, they also had to make an application in the same manner, but they were provided with a ‘certificate of urgency’ if they apply for a dwelling unit with a standard comparable with their current residence, which then gave displacees with selection priority over other regular applicants (Kleinhans 2003: 477). 53 If the displacees were the recipients of means-tested rent subsidy, they were entitled to this rent subsidy even if they moved to a rental unit that commands higher rents than what was allowed for their initial qualification for rent subsidy. Such an arrangement allowed those households receiving rent subsidy to move to

53 If the displacees are applying for a dwelling unit of a better standard than their current residence, then the length of residency in current residence is the main eligibility criterion. They are also given priority if they apply for a dwelling unit in a new housing project delivered by a local housing association, provided that they meet the eligibility criteria of the project (Kleinhans 2003: 478).
a better rental unit (Kleinhans 2003: 478). From this Dutch case, it is evident that neighbourhood restructuring policies that provide forced displacees with preferential treatment, allowing them to make a head-start over other households in housing markets, have positive effects on the housing experiences of the displacees.

**Encouraging residents’ participation**

In order to ensure equal footing for developers and residents, local authorities need to make more coherent partnership frameworks within which residents can make their voices heard from the early stage of a redevelopment project. Here, the residents should also include tenants as they have also made contributions to the neighbourhood.

From the viewpoint of local communities and the third sector in the developing world, the potential for sectoral empowerment and increased participation in decision-making process indicates that the residents in dilapidated neighbourhoods could be ‘enabled’ to take an initiative in a ‘bottom-up’ approach (Awotona 1999; Hardoy and Satterthwaite 1989). In developed world, advocates of residents’ empowerment also argue that the decline of inner city neighbourhoods and their ‘dissertification’ could be remedied with more innovative measures that rely on residents’ own initiatives (Mumford and Power 2002; Power and Mumford 1999).

The implementation of the JRP in Seoul had potential for residents’ empowerment. It was designed to promote the partnership between professional developers and property-owners including owner-occupiers in redevelopment neighbourhoods. Owner-occupiers were invited to intervene in each project milestone. In its actual progress, however, the owner-occupiers’ initiatives were largely undermined due to the high degree of inaffordability and developers’ profit-maximisation approaches. Most owner-occupiers in redevelopment districts in Seoul found it difficult to afford the redeveloped flats, and sold their rights to off-site speculators. Such sales took place well before the commencement of a project. This process effectively reduced the proportion of owner-occupiers among the property-owners, which meant that the owner occupying local residents’ decision-making power was significantly undermined.

As for the tenants in Seoul, there was no provision at all to listen to their views and to encourage their contribution. They were subject to displacement at the early stage of the JRP. In the 1990s, there were some measures to allow them to be re-housed in public
rental flats built on site, but their exclusion from taking a share in the partnership framework continued. This led to their resistance when the actual displacement was to take place. As shown in the case of Nangok redevelopment in Seoul, such resistance and tenants’ negotiation with developers might allow them to extract a little bit more concession from property-owners and developers.

In Beijing, there was no provision for tenants’ participation throughout the whole process of a redevelopment project. The only moment they could voice out was when the time came for making negotiation with developers and demolition companies over compensation. In Beijing’s ODHRP, residents were considered to be important actors in the sense that they were to transfer their land use rights and dwellings to developers, and in principle, make financial contribution by means of purchasing a redeveloped flat. In reality, they were subjected to displacement and relocation to make way for more profitable redevelopment that targeted off-site buyers who could afford to pay.

In order to off-set this and encourage the decision-making power, it would be necessary for the local authority to establish a framework that guarantees residents’ intervention from the early stage. Furthermore, in order to prevent residents from making an early departure from their neighbourhood, a set of financial assistance would be necessary particularly for those groups of residents who would not have established credit history to access existing financial arrangement.

10.5 What this research adds: contributions of this research

This research contributes to the existing body of knowledge in a number of ways. Firstly, this is empirical research that closely examines neighbourhood redevelopment experiences in Seoul and Beijing, which have been understudied despite relatively long-term implementation. This research allows us to gain an insight into the process of neighbourhood transformation, revealing how it was possible for municipal governments to execute a common strategy of developer-led partnership in different urban contexts. This research is a timely academic intervention especially because the urban landscape in mainland China has been undergoing dramatic changes in recent years, involving mass clearance of urban dwellings and displacement of local residents. In order to understand these changes, a number of literatures on issues such as China’s urbanisation, urban spatial restructuring, land reform and real estate development have appeared. There are some
pioneering works on urban redevelopment, but a more empirical research as presented in this thesis was in demand to gain a thorough understanding of what has been going on in local neighbourhood contexts.

Secondly, this research enhances the understanding of urban redevelopment at neighbourhood level by placing local residents at the centre of its attention. The main strength of this research is that it was an area-based study in redevelopment neighbourhoods, conducting in-depth interviews with local residents who were subject to urban redevelopment and displacement as well as interviewing other participants from the public and private sectors. In this way, it was possible to collect the views and deliver the voices of participating actors and residents. This research approach was particularly rare in the study of urban redevelopment in mainland China, where few studies conducted in-depth enquiries into residents’ experiences. The few studies that could be identified included Tan (1997, 1998) on Beijing and Wu (2004) on Shanghai, but these studies focused on quantitative analysis of residents’ housing outcome. The studies by Tan (1997, 1998) do not tell us much about the changes since 1998 when the compensation was fully monetarised.

Thirdly, the in-depth enquiry into residents’ post-displacement housing experiences also allows this research to go beyond the discussion of the scale of displacement. Researchers studying residents’ displacement have been largely inferring the scale of displacement by means of using census data rather than taking a direct measurement due to difficulties in tracking displacees (Atkinson 2002: 9). Moreover, Bailey and Robertson (1997) argued that “the concern over displacement is quite narrow, focusing on whether particular households in a renewal area (the ‘community’) are able to continue living there after the buildings have been substantially upgraded” (Bailey and Robertson 1997). This research successfully overcame such difficulties and limits of studying residents’ displacement by recruiting displacees as subjects of this study.

Fourthly, this research contributes to the theoretical understanding of urban redevelopment and neighbourhood gentrification by revealing the fact that surprisingly similar property-oriented approaches were undertaken by the cities in mainland China and South Korea. Such approaches were not confined to the cities of the developed world. It was found in this thesis that developer-led partnership was an important strategy for dilapidated neighbourhood redevelopment, bringing together property-related interests in
search for profits and resulting in local residents’ displacement in most cases.

Finally, this research showed that the experiences of Seoul and Beijing were highly visible in comparison with other cities in developing world due to a strong government emphasis on redevelopment. In most developing countries, the absence of efficient, effective policy making and strong government has made it difficult to develop a systematic approach to concerted urban redevelopment (UN-Habitat 1996, 2003). In this respect, a multi-sectoral partnership was strongly advocated to supplement the weaknesses of each sector in developing countries. This research on Seoul and Beijing showed that such a partnership was already in place in these cities, having driven urban changes for many years. This research also tells us that most benefits of the partnership-based urban redevelopment accrue to property-related interests, and that caution needs to be taken in order to protect the disadvantaged local population.

10.6 An agenda for further research

The findings of this research have enhanced our understanding about the nature of neighbourhood redevelopment in fast growing cities like Seoul and Beijing, providing insights into the role of different actors behind the neighbourhood transformation and what impacts the transformation had upon local residents. This research, however, opens up more opportunities for further research.

Redevelopment compensation and ineligibility

The municipal governments in Seoul and Beijing all made a clear distinction regarding who was to be eligible for redevelopment compensation. The residence status and the duration of residence were the key criteria for deciding residents’ eligibility for compensation. In Beijing, one important additional requirement was that residents were to hold permanent Beijing hukou if not owner-occupiers (BMG 1998a, 2000b, 2001c).

Since Beijing is still in the process of completing housing reform measures, more attention needs to be paid to the expansion of the private rental sector. With the development of the housing market in Beijing, the number of private rental tenants is expected to grow in the near future. This will also be facilitated as the restrictions on inter-city migration become less severe, inviting more migrant population into the private rental
sector. The latest compensation regulation, 2001 Compensation Measure (BMG 2001c), stipulates that private rental tenants do not receive cash compensation. When redevelopment takes place, they are to terminate their rental contract with landlords, or if not agreed, renew their contracts with the original landlords in relocation dwellings provided by developers. At first glance, these conditions appear to give tenants more choices and prevent their forced eviction. In its actual implementation, however, it is doubtful if the provision of relocation dwellings would proceed as promised due to two reasons. Firstly, the monetarisation of redevelopment compensation was to avoid excessive costs on providing relocation dwellings for original residents. The regulation above would only work if the number of private sector tenants was small enough not to bear financial pressure on developers. Secondly, the compensation regulation is obscure about how to solve any conflicts when the private sector tenants refuse to relocate. It is very likely that such conflicts are going to be more prevalent as the reform policies continue and the private sector expands.

In Seoul, when formal dwellings are reconstructed, the private rental tenants do not enjoy any compensation. In South Korea, a rental contract lasts not more than two years, and landlords hold the right to renew or terminate a rental contract. Unlike JRP projects, the reconstruction of private dwellings is entirely considered to be at the discretion of property-owners, and there is no legal provision to guarantee compensation for tenants.

In this respect, under what circumstances could compensation be socially just? This question is closely linked to the issue of establishing a property rights concept in connection with development gains in property development. In market economies, to what extent could property-owners claim the land increments (increase in land value) due to redevelopment and subsequent public investment that goes into the redevelopment neighbourhoods? Would it be possible to assign some notions of property rights to tenants and allow them to claim a certain portion of development gains for having made substantial (human and physical) investment into the neighbourhood in proportion to their duration of residence?

**Long-term effects of redevelopment and asset inequality**

One of the strengths of this research was the investigation of post-displacement impacts on displacees’ housing experience. It was, however, difficult to see in this research what impacts residents’ displacement might have upon their future accumulation of human and
In Seoul, one of the findings presented in this research was that tenants had to pay for increased rents (either increased Chonsei key money or increased monthly rents) upon displacement. The increase in housing costs meant that their displacement incurred forced spending on housing-related expenditure, which could have been used to meet non-housing related household needs if they were not displaced in the first place. For example, displaced residents would have preferred minimal spending on housing (by staying in dilapidated neighbourhoods such as Nangok where rents are extremely cheap), and save as much as possible to pay off their existing debts (as some interviewees explicitly mentioned) or spend more on children’s higher education to build upon human capital. Most tenants also relied on external formal or informal loans to finance increased Chonsei key money, and we are yet to find out what negative or positive impacts this might have upon household economy in future.

In Beijing, the large cash compensation for displacees led to the substantial increase in their financial assets in their disposal. Unlike displacees in Seoul, those in Beijing therefore had more choices in terms of how to spend their new assets to meet various household needs. Like in other market economies where homeownership has long been associated with family wealth (Forrest and Murie 1995), Beijing’s displacees were presented with opportunities to be active participants in housing markets. Their financial assets in the form of compensation would also give rise to a number of different investment strategies at household level. For many interviewees quoted in this thesis, the priority was to secure homeownership, but as the private rental sector and second-hand housing market mature in time, it would be possible for them to consider splitting their financial assets for different uses. For instance, some of the financial assets could be invested in children’s education, or saved to meet any medical needs in future. This might prove to be beneficial for families with low income and insecure jobs since the state provision of welfare has been diminishing under the reform policies, and welfare provision has been tied more closely with beneficiaries’ income and employment status.

In this regard, it would be interesting to find out long-term impacts of residents’ displacement and compensation upon wealth distribution and asset inequality among displacees as well as between displacees and other urban residents in the city. As for the residents in Beijing’s dilapidated neighbourhoods, they were marginalised in the process of
privatisation, and their relatively poor household circumstances would suggest that they might face the fate similar to that of powerless, marginal groups in the UK who suffered the most in the process of privatising council housing (Forrest and Murie 1988). In this respect, it would be interesting to further investigate if neighbourhood redevelopment contributes to the residents’ asset accumulation or further marginalisation. With the monetarisation of redevelopment compensation, the size of cash compensation has become directly proportionate to the size of one’s dwelling under the new compensation regulation. This indicates that those residents who received larger dwellings during the period of the planned economy and welfare housing allocation would receive larger compensation, giving them a head start over other displacees in terms of accumulating financial assets in the new market economy. This could be an important source of income and wealth disparities in mainland China, closely associated with wealth accumulation through homeownership (Forrest 2003: 9-13). In this sense, the compensation is never fair.

10.7 Concluding comments

This thesis aimed to disclose the momentum behind Seoul and Beijing’s neighbourhood redevelopment, and examine the redevelopment impacts on local residents. This was to examine what roles were undertaken by participating developers, local authorities and local residents, and ultimately to find out if developer-led redevelopment partnership was beneficial to local residents. In doing so, this research disclosed the downside of seemingly successful urban transformation in Seoul and Beijing. In the process of city promotion in the globalising world, urban policies led to the exploitation of development opportunities in dilapidated neighbourhoods, which disappeared one after another to accommodate the growing demand for modern flats, office spaces and/or commercial buildings. The search for profits led property-related interests to form a developer-led partnership, demolishing affordable homes, dismantling long-standing neighbourhoods and displacing poor residents.

It is thus essential to recognise the profit-oriented nature of residential redevelopment projects in these cities, and devise renewal approaches that are placed in a wider social context on the basis of the needs of urban poor residents. Such approaches need to acknowledge the various constraints that are faced by residents in dilapidated neighbourhoods. Profit-oriented developer-led partnership brings the urban growth that suits the interests of policy-makers, developers or more affluent sections of the urban
population. The problem is how to make the government more accountable to local residents, and make its policies more balanced between property-oriented redevelopment and protection of local residents. Governments need to weigh up much more carefully the costs and benefits of neighbourhood redevelopment to different parties or actors, find ways to recover excessive profits made by developers and absentee landlords at the expense of local residents, and help residents build their assets to survive in market economies.
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Appendix

Appendix A1  A sample of interview schedule for residents
Appendix A2  A sample of interview questionnaire for Beijing residents
Appendix B1  List of residents interviewed in Seoul and Beijing
Appendix B2  List of key actors interviewed in Seoul and Beijing
Appendix C  Explanation of field research data classification