

Demolition or Renovation

Which is Better to Preserve Urban Form in Shenzhen, China?

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NOVEMBER 2019

FIGURE 1:

Red title document: "Shenzhen Urban Village Master Plan (2019-2025)" officially passed on March 27, 2019



INTRODUCTION

The Shenzhen local government released "Shenzhen Urban Village Master Plan (2019-2025)" for public opinion on November 5th, 2018, emphasizing its "Urban Village Comprehensive Renovation" (城中村综合整治), for the first time shifting from its previous focus on "Urban Renewal" (拆除重建城市更新). This master plan was officially passed as a red title document (红头文件, any officially signed policy by any level of government) shown in Figure 1 on March 27, 2019. In this document, the local government identifies a 99-square-kilometer urban village area in Shenzhen to be a Comprehensive Renovation Zone, which is about one third of total urban village land area in Shenzhen (320 square kilometers). This document prohibits the traditional demolition approach for urban village redevelopment for at least the next eight years and encourages urban village regeneration through improving existing infrastructure and rental housing options. In spite of rental housing apartment projects have already started by local real estate developers in 2015, this document for the first time officially promotes renovation rather than demolition, which reflects a huge shift in political will.

This paper examines both the traditional demolition approach and the recent renovation approach to redevelop urban villages in Shenzhen, and argues that although it is still too soon to judge the effectiveness of the renovation approach in practice, the renovation approach is worth pressuring and is better than the removal approach in the sense of preserving urban villages as a historical asset of Shenzhen's urban fabric. Shenzhen is a city that has been transformed from a fishing town to one of the fastest growing cities in the world within

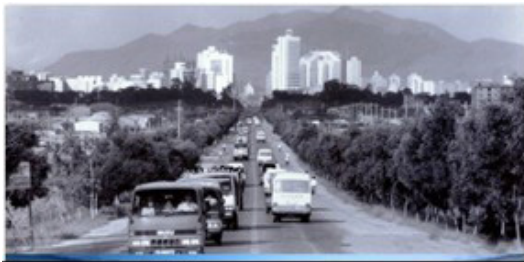
40 years by migrants from across China. Almost everyone in Shenzhen originally comes from other parts of China and has lived in urban villages for cheap housing since they first arrived the city. In some sense, Shenzhen residents do not have a shared identity. Yet I argue that migrant as well as urban villages have become an important shared identity for Shenzhen and its residents. Urban villages in Shenzhen have and still do help Shenzhen grow and develop. Therefore, I suggest planning and policy recommendations at the end of this paper for policymakers, planning professionals, and the general public to continue experimenting on the renovation approach. Urban villages are a unique phenomenon that resulted from China's dual-land ownership system. The complicity of redeveloping urban villages is controversial and needs to find a balance between all core stakeholders. This paper discusses core stakeholders involved in both the demolition and renovation approach, and examines the two approaches only from the perspective of preserving the urban fabric and spatial form as opposed to equity, cost effectiveness for the government, etc.

CONTEXT: URBAN VILLAGES IN SHENZHEN, CHINA

Shenzhen, known as China's technology hub, or China's "Silicon Valley," only became a city 40 years ago when Deng Xiaoping waved his economic wand in 1978, and earmarked this former fishing town to be China's first Special Economic Zone (Figure 2). Shenzhen's development exceeded that of Hong Kong's in 2018, and this remarkably fast development has also increased the cost of living. The metropolis was built by migrants from other parts of China, but it has become one of the most expensive cities in China and is ranked 5th globally, with an average home price of US \$680,283. Shenzhen must find ways to keep attracting young talent and new migrants in the decades ahead

FIGURE 2:

Shenzhen was designated as the first Special Economic Zone in 1980, a new chapter for China's economic reform and opening up.



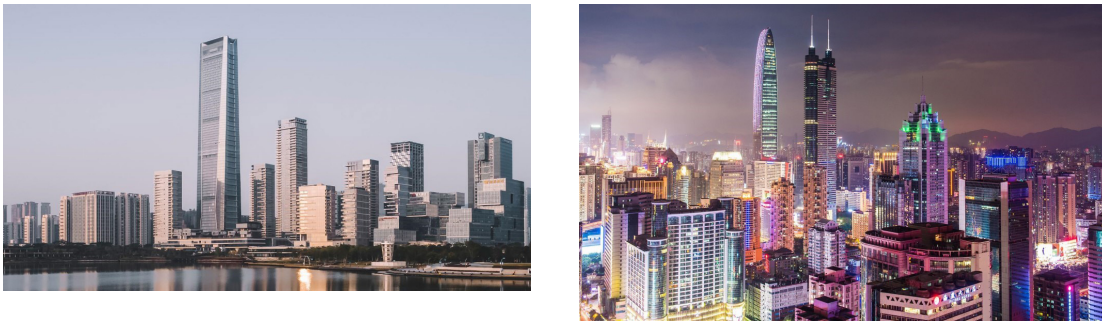
Left: Shenzhen in 1980. Right: Shenzhen in 2018.

Source: China Global Television Network (CGTV) Official.

Urban villages play an irreplaceable role, as Shenzhen has undergone one of the most dramatic transformations in urban history. As of the end of 2017, the population of Shenzhen was around 12 million, of which the registered population (with Shenzhen city *Hukou*) was 4.5 million. The actual administrative population was over 20 million within the city boundary, including a floating population that does not have Shenzhen city registration, or *Hukou*. About 10 million of Shenzhen's population lives in urban villages, which is half of Shenzhen's regular residents. According to official data from the Shenzhen local government, urban villages are critical suppliers of rental housing in Shenzhen, providing more than 70% of the rental housing of the entire city. Almost every young professional or migrant settles in urban villages for cheap rental housing options when they first arrive the city and start their career. There are about 350,000 buildings that are built by villagers, composing 49% of the total residential gross floor area of Shenzhen. Urban villages are crucial to maintaining the city's economic vitality by providing cheap affordable rental housing to newcomers—migrants, blue-collar workers, and young poor college graduates—who are major constituents of the general production and

manufacturing labor force of Shenzhen. As a migrating city itself, almost everyone who first come to Shenzhen has lives in one of its urban villages. In addition, unlike other megacities such as Beijing and Shanghai which have grown in the form of urban sprawl, Shenzhen, being a Special Economic Zone, has a pre-determined city boundary that defines its urban area. Shenzhen has been facing an incremental land shortage in recent years for new development within the city to accommodate and adapt to new economic and population growth. Therefore, redevelopment of urban villages in Shenzhen is not only an issue of improving infrastructure and the urban image, but more importantly, of accommodating and attracting migrants and others to the city to get its growth engine going.

FIGURE 3:
Shenzhen.



Source: (Left) KPF, One Shenzhen Bay, Raffles Shenzhen. (Right) ThinkStock/yangyang1991, Hong Kong Tatler.

FIGURE 4:
Urban villages co-exist with CBD in Shenzhen.



Source: sznews.com

FIGURE 5:

Urban villages in Shenzhen provide convenient and affordable living options.



Looking at Shenzhen's history beyond its 40-year transformation, urban villages have existed on this land for more than 600 years and have become part of Shenzhen's urban fabric (see Figure 4). There have been on-going academic discussions on what urban villages really are internationally as well as nationwide; interpretations include classification by density, distance to urban area, or infrastructure. "Shenzhen Urban Village Redevelopment Temporary Regulation (2004)" clearly defines Shenzhen's urban villages as non-agricultural land that is collectively owned by rural residents in the process of urbanization. In the past decade, both political and social views and wills toward urban villages in Shenzhen have shifted. The overcrowding and lack of adequate infrastructure and public services in urban villages were why they were once viewed as a "poison tumor" that needed to be removed and replaced. However, in recent years, urban villages in Shenzhen are viewed as efficient, convenient, and vibrant living communities that provide affordable living options and nurture grass-roots lifestyles (see Figure 5). Lonely Planet put Shenzhen as second on its top cities list for 2019 for its unparalleled supply chain and vibrant nightlife. Urban villages have become part of Shenzhen's urban identity and its ecosystem serving migrant workers and graduate newcomers that are worth preserving and protecting by both policymakers and planning professionals.

APPROACH COMPARISON: DEMOLITION AND RENOVATION

In the past decade, the Shenzhen local government has viewed urban villages in the city as a negative presence that needs to be removed. This demolition approach—literally demolishing everything within the development boundary and building new housing and mixed-use commercial complexes as part of the urban area—is still largely implemented across China, especially in lower-tier cities. Renovation, on the other hand, improves existing urban village living conditions, including public safety, the environment and streetscapes, transportation and circulation, stormwater management, and more. The idea is to regenerate urban villages through service interventions rather than urban renewal. Figure 7 below summarizes the differences between demolition and renovation approaches.

Due to the dual-landownership system in China, land is either owned by the government or the village collective. Urban villages in Shenzhen are non-agricultural land that are still collectively owned by rural registered residents. A traditional urban renewal approach can be led by local government, real estate developers, the village collective, or a combination of the three. These drivers will be in charge of the entire process of redevelopment, including acquiring land ownership and property rights from current villagers, negotiating compensation strategies with villagers, financing the redevelopment project and compensation, displacing and demolishing the site, building the new community, and selling the newly built properties. New developments, as shown in Figure 6, are often high-density, market-rate commercial or residential towers that completely disrupt and destroy the original urban fabric and spatial form.

FIGURE 6:

Shenzhen Gangsha Village (岗厦村), with more than 600 years of history, redeveloped its west village in 2009 and left its east village as an urban village



Source: Google Images.

Compared to the demolition approach, the renovation approach usually does not involve transition of landownership. The local government or the real estate developer, depending on who is the primary driver of the project, will lease existing properties from the villagers individually or collectively for an 8-to-12-year period at an incremental leasing fee. The driver of the renovation will then convert current properties to rental

apartments and communities with better facilities and amenities on site. These apartments are then rented out together by the operating management team. This regeneration approach aims to regenerate urban villages through soft interventions, providing an adequate living environment while to some extent preserving existing urban village fabrics. At this point, it is too soon to conclude what would happen after the first round of leases with villagers, and how to profit from converted communities.

FIGURE 7:
Side-by-side comparison of the traditional demolition approach and the newly promoted regeneration approach.

Approach	Urban Renewal: Demolition & Build	Urban Village Comprehensive Renovation
Detail	Complete demolition of the existing and new build of mix-used complex and communities	Include public safety (crime, fire, electricity, gas, food), environment and streetscape, transportation and circulation, stormwater management, etc
Process	Acquiring land ownership and property right, financing, compensation, displacement, demolition, build, management	Leasing land/property, financing, renovation, leasing, management
Driver	Government-led Village-collective-led Developer-led (Pearl River Delta)	Government-led Developer-led
Outcome	High-density market-rate communities Original spatial form completely destroyed	Newer and safer urban village with adequate amenities Original urban fabric preserved

FIGURE 8:
Core stakeholders and their interests in urban village redevelopment, for the traditional demolition approach as well as the recent soft-renovation approach.

Approach / Stakeholder	Urban Renewal: Demolition & Build	Urban Village Comprehensive Renovation
Local Government	Provide more housing units Generate local revenue Build new urban image	Improve urban village living condition with adequate infrastructure and amenities through "soft transformation" Provide affordable housing options (attract young population) Manage urban buildings, communities, and residents info
Developer	Acquire developable land Profit-driven	Expand business model (70% rental vs. 30% ownership in Shenzhen) Response to local policy / requirement Profit-driven by providing services (although unclear yet)
Villager	Get compensation , revenue-bonus, or higher market-value housing from demolition and newly built market-rate housing	Earn income (incremental leasing fee) from property management team (developer or local government)
Renter (Migrant)	Displaced completely	Trade-off between better living environment and increase in rent Create young professional communities Some pushed out by increase in rent

STAKEHOLDER AND INTEREST: DEMOLITION AND RENOVATION

One major reason the urban villages remain in many places in the city is because of their contentious redevelopment plans among a multitude of stakeholders; the core ones include the local government, real estate developers, urban village landowners (villagers), and urban village residents (renters or migrants). Among this group of stakeholders, each party has mixed and sometimes conflicting interests, largely depending on the offers from other parties. In addition, under the ongoing shift in political will as well as the market trend

away from removing urban villages and building new developments and towards regenerating existing urban villages, stakeholders' interests can be drastically different, which complicates and brings in more uncertainties to the process of urban village redevelopment. From the viewpoints of city planning, policymaking, and private investment, the mechanism of how to balance mixed conflicting needs while creating value for all stakeholders and society is still unclear going forward. Therefore, the success of an urban village redevelopment, whether removing or preserving, is on a case-by-case basis. The effectiveness of a redevelopment depends on meeting multiple needs of various groups and creating win-win situations for most or all stakeholders involved in a dynamic environment. Figure 8 below summarizes and compares side-by-side key interests of the core stakeholders in the two approaches to urban village redevelopment.

DEMOLITION AND BUILD APPROACH

Demolition or removal is the default approach for the local government to tackle urban village problems in Chinese cities. By doing so, the local government is interested in maximizing land value and generating local revenue for the city by land acquisition, providing housing units for city expansion and population growth, as well as creating a modern urban image by building “modern” city blocks and developments. Real estate developers seek profits in the process of redevelopment while establishing a good relationship with the local government by upgrading the urban image. Developers are also interested in acquiring developable land in the city as inventory to prevent risk for the company and to accumulate wealth as the city expands. In the process of redevelopment, urban villagers or the landowners are thrilled to bargain for a higher compensation from the government or the developer depending on whether a project is government-led or developer-led. Compensations can vary in forms, such that villagers can get either cash compensation, revenue-bonuses from the future new mixed-use complex or high-rise condominium, or new condominiums of an equivalent size but higher market value. The negotiation process between urban village landlords and the government or the developer can be a long and complicated process on a case-by-case basis. Violent conflicts are often seen if villagers and the local government or the developer cannot land on an agreement about displacement and compensation. Although conflicting and complicating, the local government, real estate developers, and urban villagers are core stakeholders who can benefit from the redevelopment process if handled properly; yet such evictions mean a complete uprooting for the real occupants of urban villages—the renters or migrants. In the traditional approach, renters, as a critical group being impacted by the redevelopment, are not seriously considered and involved in the process as stakeholders. Rental residents are often completely displaced without any prior notification nor compensation of any sort. Without any protection of their rights, renters are forced to move to other urban villages for affordable housing options.

COMPREHENSIVE RENOVATION APPROACH:

The renovation or regeneration approach of redeveloping urban villages that has taken root over the past two or three years involves the same core stakeholders in the process, yet caters to a different set of interests from all sides. As discussed in previous sections, Shenzhen, being one of the fastest growing and most expensive cities in the world, with a defined city boundary, is in need of attracting young talents as well as population in general to come and contribute to the city's growth and development. The local government recognizes the living cost challenge of the city and wants to create affordable and adequate housing options to attract young professionals and new graduates to stay in the city. Instead of getting rid of existing urban villages, the local government is improving urban village living conditions by a softer approach, upgrading infrastructure as well as creating affordable communities that meet the needs of the younger generation. Renovation of existing high-density urban villages also helps the local government with urban management and public safety in terms of urban buildings, communities, infrastructure, and residents.

Given the fact that about 70% of housing tenure in Shenzhen is private rental apartments as opposed to the traditional apartment ownership of Chinese culture, real estate developers want to expand their business model beyond the traditional building/selling of new condominiums and into operating rental properties. Developers would like to build good relationship with the local government by responding to local policies on providing rental housing to young professionals as well as to brand their company as socially responsible, yet developers are ultimately profit-driven. The goal of developers is to be profitable in the long run by operating renovated urban village communities and providing additional services to residents, but the short-term profitability of most finished urban village communities is still unclear and subject to experiment by developers.

In the renovation approach, urban villagers earn income, and often times an incremental leasing fee, from leasing their properties to either the developer or the local government depending on who is leading the project. Although increasing every two years or in various terms, this income is nothing compared to the amount of compensation or long-term revenue villagers would get if their village was demolished for new developments. Villagers therefore are not in favor of this new approach and are interested in bargaining for a higher leasing fee or other means of compensation. On the other hand, the rental residents of urban villages benefit from the improved living conditions. The trade-off between better living conditions and somewhat increased rent is acceptable for the young generation who seeks affordable housing options while still wanting personal space as well as connections with other similar people. These renovated communities are often targeted to specific groups of renters, such as unmarried young professionals, while migrants from the uneducated older generation with a low skill-level and very low income and blue-collar workers are pushed out by the increase in rent.

RENOVATION APPROACH CASE STUDY: SHUIWEI VILLAGE, SHENZHEN (深圳市水围村)

FIGURE 9:

Shiuwei Village before (left) and after (right) renovation.



Source: Shenzhen Design Center https://www.szdesigncenter.org/city_buildings?data_nub=A85

One successful case study of renovating an urban village into a rental apartment community in Shenzhen is Shuiwei Village in Futian District, or in Chinese 深圳市水围村, which literally translates as Shenzhen Shuiwei Village. The renovated community as shown in Figure 9 is named LM Youth Community, a literal translation of 福田水围柠檬人才公寓. Completed in December 2017, this project is the first government-authorized affordable housing community for young professionals in Shenzhen, developed in a joint effort between Shum Yip Land Investment & Development Co. LTD, the Futian District government, and the Shuiwei village collective. Instead of having the developer negotiate with each individual landowner in Shuiwei Village, the village collective leased 35 tower blocks collectively to the developer at ¥73 per square meter, with a 6% incremental increase every 2 years for the next eight years. The developer then converted the existing buildings to 504 units ranging from rental studios to 2-bedroom units (Figure 10), with street-front commercial space rented to the local Futian

FIGURE 10:

18 unit typologies of renovated YM Youth Community.



Source: Gooood.cn

FIGURE 11:

Unit interior of renovated YM Youth Community.



Source: Gooood.cn

District government at ¥150 per square meter to cover the basic costs of the renovation. The local government leased these units to young professionals with an under-market rental price at ¥75 per square meter per month, subsidizing the other half of renovating cost as part of a talent-housing program. The converted buildings are now inter-connected to each other by sky corridors and provide common amenities such as a roof garden, rooftop farming, a roof laundry garden, a gym, a lounge, a tea house, a communal dining room, and a communal kitchen and living room (Figure 11). By renovating rather than demolishing, the original urban fabric was preserved to a great extent and given better facilities (Figure 12).

FIGURE 12:

Sky corridor of renovated YM Youth Community.



Source: Gooood.cn

PROSPECTS OF THE URBAN VILLAGE RENOVATION APPROACH:

CRITICAL FACTORS OF SUCCESS

Shuiwei LM Youth Community is considered a successful pilot project in Shenzhen in urban village renovation. It is worth noting that this project has been undertaken in a three-way partnership between the village collective, the developer, and the local government. Compared to other renovation projects in Shenzhen beginning in 2015 that were initiated exclusively by private money and developers, LM Youth Community has been able to remain relatively affordable because of the government subsidizing from the Shenzhen young talent affordable

housing program. Vanke, the largest real estate group in China, based in Shenzhen, has also expanded from its roots in operating rental properties and into converting urban villages in Shenzhen to rental apartments. Although the demand for Vanke rental apartments in Shenzhen is higher than the supply, the Vanke model is still losing money renovating and operating these properties. Through the three-way partnership, LM Youth Community is able to cover its renovation costs while the local government is able to provide adequate rental housing for young talent, which is another critical reason why LM Youth Community is successful. The target residents for these converted rental apartments are clear at the beginning, so the new design can respond to the needs of the target residents. Young professionals who have obtained higher education but are not yet financially capable of better housing options fresh out of school want private space but also communal spaces and amenities. Although rental prices are higher than previously, these young professional rental apartments fulfill their needs with rental prices that are still lower than non-urban village areas. To meet all these needs within an existing built environment requires innovative design and preservation strategies. Renovating while preserving urban villages in Shenzhen has required ongoing, dynamic research and has been a practical topic for institutions in Shenzhen, Guangzhou, and Kong Hong. These design strategies and experiments have played an important role in the success of LM Youth Community as well as other developer-led renovations.

BARRIERS

FIGURE 13:

Landowner demonstration against comprehensive renovation for their village.



Source: Zhihu.

However, the regeneration approach of urban village redevelopment also triggers conflicts and risks for the core stakeholders. As discussed in previous sections, the interests of different stakeholders are often one-sided, mixed, or conflict with one another. The balance between all interests is not easy to reach. For example, as shown in Figure 13, on the day after releasing the new urban village master plan for public opinion in November 2018, landowners of Sungang Village in Shenzhen staged a demonstration. “Strongly against comprehensive renovation, request for urban renewal” was written on their sign. Their reason was that comprehensive renovation “affected their normal life” because renters were forced to leave and stores were

empty. Yet their underlying reason was that landowners would get as much as 60 times greater compensation for demolition compared to leasing fees from renovation. In addition, real estate developers came together after the release of the document to discuss policy interpretation as well as development strategies for the next eight years, because operating rental apartments would require a heavy amount of investment that would come from building and selling condominiums. Prohibiting demolition while promoting renovation would limit the revenue and cash flow of these developers and involve a large amount of renovating costs upfront. How to sustainably operate a business would become a big uncertainty, and therefore risk, for real estate developers. Last but not the least, national and local plans aim to speed up the city's transformation by attracting white-collar employment, and almost all renovated rental apartments are targeted to the white-collar, well-educated young generation, which leaves behind blue-collar workers who cannot afford any increase in rent or do not benefit from any local public welfare.

PLANNING AND POLICY RECOMMENDATIONS

Based on my research on the status quo as well as the redevelopment trend of urban villages in Shenzhen, I suggest the following planning and policy recommendations.

- The local government needs to specify the responsibilities of and ways of collaborating between different branches of local government. As of now, according to the “Shenzhen Urban Village Master Plan (2019-2025)” document in Shenzhen, traditional urban renewal projects report to the Urban Renewal Bureau, whereas future comprehensive renovation projects report to the Urban Management Bureau. However, the responsibilities and collaborations of both branches are not yet specified in the new document.
- Establish detailed criteria and mechanisms for the selection and renovation of urban villages. As of now, the “Shenzhen Urban Village Master Plan (2019-2025)” document only provides an overall urban village renovation area for each district of Shenzhen, yet specific criteria are not specified in the document. It would help reduce conflicts between stakeholders as well as reduce corruption and ambiguity if specific villages were determined by a series of metrics.
- Strengthen policy by learning from successful cases with more evidence and examples on how urban village renovation can be done in different cities sustainably.
- Announce explicit affordable (rental) housing requirements and regulations of private rental housing. Shenzhen has a particularly large rental housing market because of its migration trend. Yet existing regulations on the private rental housing market are still missing. Clear and detailed regulation would help sustainable growth of the private rental market in Chinese cities.
- Encourage innovative design approaches that preserve the urban fabric and history through financing benefits to developers/designers/operators.
- Learn from, listen to, and follow-up with current renters/residents' voices before and after renovation.
- Conduct in-depth, multi-dimensional analysis and evaluation, such as through economic, environmental, social impact, spatial, time, and urban management lenses, for large-scale implementation and public policy decision making.



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