

**Urban Conservation in China: The reasons and conflicts of historical neighborhood  
preservation**

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**by**

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Thesis Title: Urban Conservation in China: The reasons and conflicts of historical neighborhood preservation

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Abstract: Historical neighborhood conservation plays an important part in the inner city redevelopment in China. The purpose of this thesis is to identify and understand the complexity of stakeholders' incentives and their responsibilities in historical neighborhood conservation in Chinese urban contexts by analysis two cases in Beijing and Shanghai. The two research questions are: 1) who are the stakeholders and what are their incentives in an urban conservation project? 2) What social, political, and economic factors affect decisions to preserve neighborhoods in Chinese cities? From the analysis, political implications are drawn that: 1) The governments should encourage and solicit original residents participation on a historical neighborhood conservation project. 2) The governments should introduce the private capital into the neighborhood conservation project.

# 1. Introduction

Starting in 1979, especially after the deepening political and economic reform in 1992, urban redevelopment began to speed up in China. Urban redevelopment involves extensive demolition, which led to the loss of significant historical resources. Many low-rises, low densely populated historical neighborhoods have been transformed into high-rise residential, commercial and business districts. Such extensive demolition had far-reaching influence on socio-economic and caused the changing of inner-city land use type, the rising of living cost, the discontent to the government and massive population relocations.

However, despite these losses, substantial historical neighborhoods survive in the process of urban redevelopment. Taking Beijing city for example, in the early 2000s, the Beijing municipal government launched a plan to conserve 25 designated historical neighborhoods in the Old City of Beijing. These 25 historical conservation areas occupy 1038 hectares, taking up for 17% of the total surface area of Old Beijing City. Such policies seem to show the government's determination to conservation.

Recent studies consider the shortcomings of the preservation political policies, inappropriate commercialized redevelopment and related social impacts. This thesis is focused on the internal conflicts between the stakeholders. The purpose of this thesis is to analysis the complex intrinsic conflicts between government, local residents, and real estate developers by examining their disparate incentives during neighborhood conservation process. Ultimately, the findings want to inform recommendations for

possible better appropriate practice models of historical neighborhood conservation.

## 2. Background

### Urban redevelopment in US and Western countries

I think China has a similar but somehow different pattern from the Western. Studying the urban redevelopment generations in Western countries can give us a better understanding for the urban redevelopment in China.

Carmon (1990) divided the urban residential renewal process into three generations. He said that these three generations could be identified in the US, UK, and several other European countries. The first generation is the “era of the bulldozer,” the second generation is the “era of the neighborhood rehabilitation,” and the third generation is the “era of revitalization”.

The “era of the bulldozer” generation began at the 1930s. At that time, urban slums and low-rise private buildings were demolished for the development of “luxurious projects of concrete, steel, and glass” (Carmon, 1999). At the same time, most poor residents were moved into new high-rise public housing. The long-term social and economic costs were increased at this stage. (Carmon, 1999)

The second generation began in the 1960s. In this generation, the government’s aim was to improve and to rehabilitate the existing housing and neighborhoods in the urban area instead of demolishing them. Meanwhile, from this generation, public opinion got more

attention and residents' involvement began to play an important role in the decision-making processes (Carmon, 1999).

The third urban renewal generation is revitalization. It happened in years of the 1970s and 1980s. Urban center land and housing prices were very low and started attracting both small and large private entrepreneurs (Carmon, 1999). During this period, public-private partnerships became a prevailing development pattern. Under the collaboration, deteriorated housing and neighborhoods in the urban center were transferred into commercial districts (Carmon, 1999). The new commercial districts "attract business, local customers and tourists, make a significant addition to the local tax base and enhance the city's prestige" (Carmon, 1999). However, the third generation enlarged the gap between the rich and the poor, exacerbating social conflicts in the major cities of Western countries (Carmon, 1999).

## **Urban redevelopment in China**

Over the past three decades, China's urbanization and economic development have become rapid, leading to a wide range of urban physical and social changes. China also has been experiencing three generations in the urban redevelopment process. The first generation was demolishing the old housing and rebuilding housing on the original sites. Then similar to the Western countries, in the second generation, the government preferred to rehabilitating the old neighborhoods rather than completely demolishing them (Li, 1998). The governments supported these two generations of inner city redevelopment. The third generation was to transfer the old residential neighborhoods into commercial uses.

Because of the market incentives, during the beginning of the third generation, private enterprises got involved in inner city renewal process and invest the inner city land for commercial development such as high-class apartments and shopping centers. However, in this process, historical and relic buildings were destroyed on a large scale. Then the Chinese government issued regulations and rules to protect those neighborhoods and buildings with historical significance (Tsai, 2008).

## **Urban conservation in China**

The first national law on heritage sites protection is issued in the year 1982. At this year, the State Council issued the Law of the People's Republic of China on the Protection of Cultural Relics. This new policy focused on "restoring national unity after dissension and trauma of the Cultural Revolution."

Urban Planning Law of the People's Republic of China is the first planning law in China. It is effective since April 1, 1990 ("City Planning Law of the People's Republic of China," 1990). This law paved the way to the construction of urban planning law. After that, China enacted various planning laws and regulations.

In 2000, the Beijing Municipal Planning Commission drafted a conservation plan for the 25 Historical and Cultural Heritage Areas in Beijing Old City. Another 5 Heritage Areas was added to the plan in 2002.



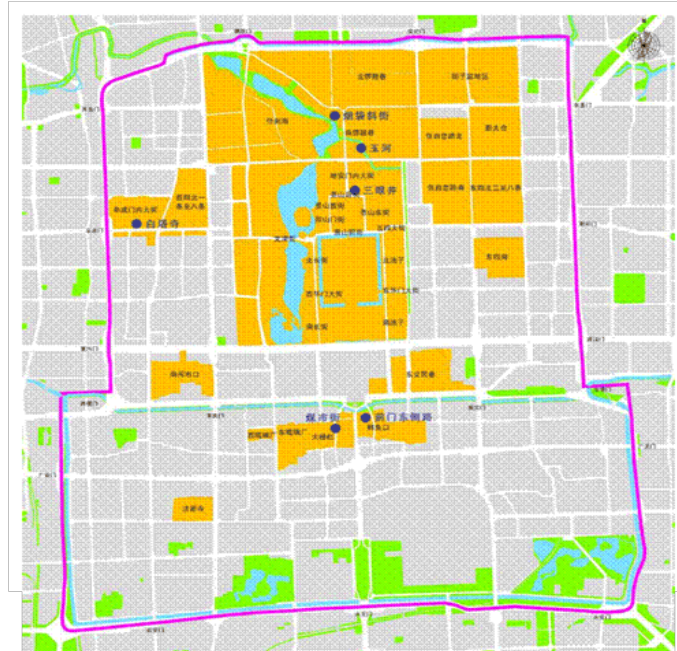


Figure 1 Historical and Cultural Heritage Areas in the inner city of Beijing

(Source: Baidu Image)

In 2004, a group of historic preservation specialists and Beijing residents drafted a letter to the World Heritage Committee, applying for the identification of heritage status for the old city.

## Political structure

Political structure plays an important role in China. The National People's Congress is the supreme organ of state power in China, and it exercises the state legislative power. The State Council is the executive body of the People's Congress and is the supreme organ of state administration. According to the Constitution, the State Council provides administrative measures, enacts administrative rules and regulations, and issues decisions and orders. In addition, the State Council brings forward proposals to the National People's

Congress. The Provincial People’s Congress and the same level governments constitute the local regulations. The District level planning department constitutes local normative documents. (Lan, 2010)

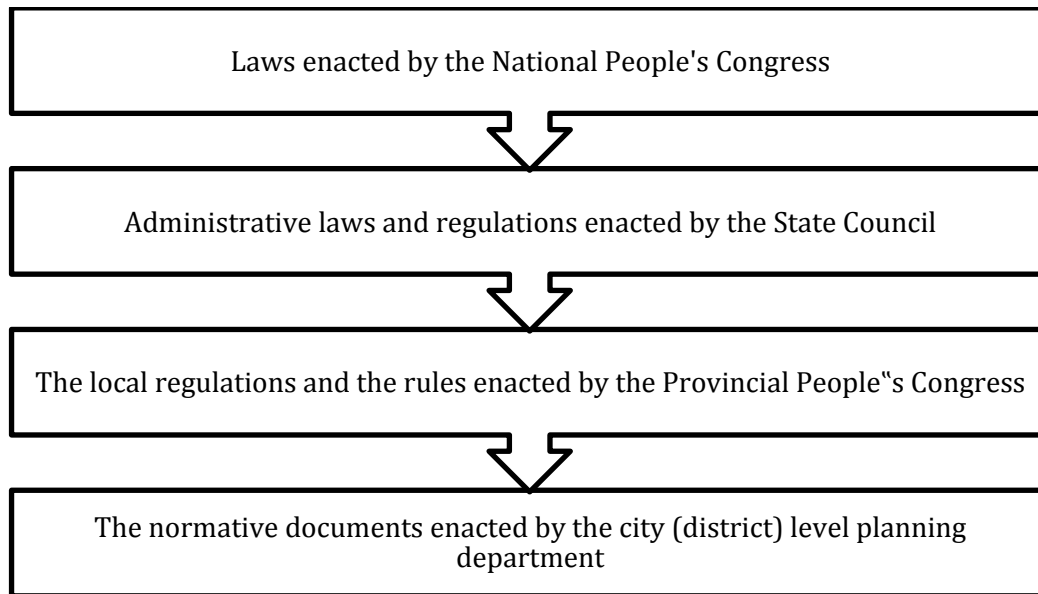


Figure 2. The legal system of historic and cultural heritage protection in China (Created by Lan, 2010)

According to the Constitution, lower levels of Congress and government should be consistent with higher levels governments. In practice, the sub-level congresses and governments must comply with the principle of those laws and regulations conducted by the upper-level congresses and governments when they conducted the laws and regulations.

Ministry of Housing and Urban-Rural Development of the People’s Republic of China (MOHURD) and State Administration of Cultural Heritage of the People’s Republic of China (SACH) are two major cultural heritage administrative departments. They are under the

regulation of the State Council. When they enact laws and regulations, they must send the laws to State Council for them to examine.

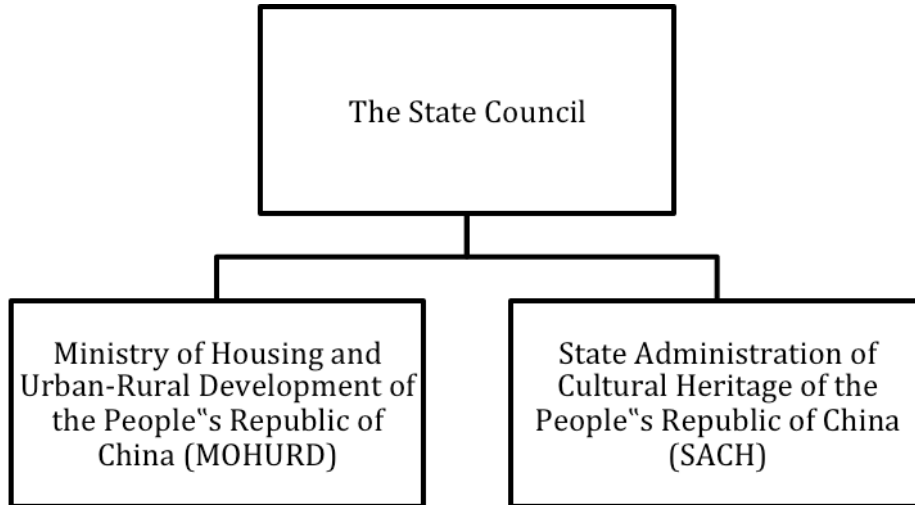


Figure 3. Cultural heritage administrative departments under the State Council( Created by Lan, 2010)

The political system of historic preservation in China is significantly different from that of the U.S. The U.S., “as a federal republic, the central government has no power over land use regulations, a responsibility that falls entirely on each of our individual states and territories” (“Historic Preservation in the United States,”). It means every state is free to implement its own protective mechanisms in accordance with the state constitution. “The National Historic Preservation Act (NHPA) is responsible for creating a framework for permanent cooperation among the federal, state and local levels of governments plus the private sector” (“Historic Preservation in the United States,”).

In China, the central government has more power than land use regulation. In accordance with the law, land use regulations are drafted by the province-level people’s congress and must be audited by the MOHURD. After that, the land use regulations can become formal

laws and be implemented by the provincial planning commissions and used by the provincial judicial system.

In the U.S. the National Historic Preservation Act “fosters municipal control by certifying local governments that meet certain preservation performance” (“Historic Preservation in the United States,”). In contrast, China’s planning law requires higher-level governments at all levels to direct lower-level governments, which must be consistent with the former.

As for the planning administrative departments, they should be accountable for the same level governments. The operation of the lower lever urban planning department is supervised by the superior urban planning administrative departments. (He & Wu, 2005).

## **3. Literature Review**

### **3.1 Growth collaborations in urban redevelopment in China**

During the Cultural Revolution, which began in 1966 and ended in 1976, the overall economy in China was seriously affected (Li, 1998). 1978 is the changing point for China (Li, 1998). With the policy of “reforming and opening up”, China’s economic transferred from a planned economy to a market economy. There emerged collaborations among local governments and private enterprises in Chinese cities. With the capitals from the private investors, urban redevelopment began to speed up in China.

However, the urban redevelopment and historical preservation experienced a severe imbalance during this period. The Chinese government enacted laws and regulations for the protection of historical heritage, but in fact, with the participation of private real estate developers, these conservation efforts continue to focus on the most profitable projects, such as historical areas with tourism potential, or important monuments. (Steinberg, 1996).

### **3.2 Urban conservation difficulties**

In the urban redevelopment process, there are more and more historic residences and neighborhoods conserved. Beijing’s Hutong and Courtyard housing and Shanghai’s Shikumen lilong housing are both traditional residential housing styles.

With the rising awareness of the heritage preservation, many of those neighborhoods have been designated as conservation areas (Steinberg, 1996).



Figure 4. Beijing's Courtyard housing (Source: Baidu Image)



Figure 5. Shanghai's Shikumen lilong housing (Source: Baidu Image)

However, in practice, there lacks practical criteria for preservation practices. Ren (2008) criticized that “local district government rushed to identify and encircle more sites as preservation zones, anticipating the potential economic return” (Ren, 2008). The hasty designation and moderate preservation of these neighborhoods and buildings have resulted in unsatisfactory results. The destruction of the old city of Beijing has not been completely controlled. The historic buildings around the Forbidden City continued to be demolished.

In addition to the lack of historic preservation regulations, many other factors hamper the conservation work, and the number of historical and cultural quarters has declined year by year.

After 1978 reform, the low prices of inner city land and housing began to attract profit seekers. The real estate developers invest the inner city areas for high-end residences and other commercial business districts. According to Carmon (1999), “This is the common patterns of gentrification and property-led regeneration, has frequently resulted in rapid improvement of the status of the neighborhoods and a rise of property values”. In China, the most effective way for the governments to increase their fiscal revenue is to leasing land. Meanwhile, the inner city is the most valuable land in China. By leasing the inner city land to private developers, the government can increase their fiscal revenue. Thus, many of the historical residential neighborhoods in the inner city were leased to the private developers and were demolished for new and modern construction.

Also because of the lack of maintenance and poor public services, many houses of those residential neighborhoods became dilapidated and in extremely poor condition (Li, 1998). The low-income families lived in most of the old houses and there were no basic living facilities such as a toilet, bath and kitchen. Because of these problems, local governments are unlikely to seek to restore these communities. On the contrary, they are likely to choose to rent these areas to the private sector in order to achieve direct income developments (Lan, 2010).

In addition, due to the main low-rise buildings, these residential buildings in the inner city are unlikely to be retained. Beijing 's courtyards are only one story; Shanghai' s Shikumen Lilong houses also only have two or three stories. Rapid population growth requires high-rise residential instead of low-rise buildings. In view of these requirements, those low-rise affordable housing cannot be restored and preserved. (Lan, 2010)

These problems make it very hard to conserve the historical residential neighborhoods in the cities. So in reality, if China does not formulate appropriate strategies and guidelines, even the designated neighborhoods will not be properly conserved (Steinberg, 1996).



## 4. Research questions & Methodology

In the background part, we already know that since 1978, China began its economic reform and the value of cultural relics has been restored. Since then, historical protection has been received more and more attention in China.

However, according to the literature review, there are still many difficulties in urban historical neighborhood conservation in China. For example, local district government rushed to identify and encircle more sites as preservation zones, anticipating the potential economic return. At the mean time, private real estate developers invest the inner city areas for villas, high-class apartment, or other commercial development at the cost of demolition historical neighborhoods. As an important sector of residence neighborhoods, the low-income residents had little rights to fight for the preservation of their own neighborhoods.

To better solve these difficulties, I would like to see the role of each stakeholder and their incentives in the neighborhoods conservation projects.

So, The two research questions are: 1) who are the stakeholders and what are their incentives in an urban conservation project? 2) What social, political, and economic factors affect decisions to preserve neighborhoods in Chinese cities?

For these questions, I will use case study. I will collect data on neighborhood redevelopment processes and actions, government approaches and processes, and private real estate developer's actions. I think the case study model will provide the

opportunity to compare findings from multiple research contexts and identify significant similarities and distinctions that can inform the interpretation of analysis and extend the reach of findings.

## **5. Case Study**

### **5.1 Nanluoguxiang Conservation Project, Beijing**

Nanluoguxiang is one of the 25 Historical and Cultural Heritage Areas in Beijing City. It is famous for its traditional dwellings courtyard houses, which is the distinctive architectural heritage of Beijing city. So the traditional architectural styles plus the unique street layout made Nanluoguxiang more and more popular among visitors and investors. Instead of demolition or reconstruction, Nanluoguxiang has experienced incremental upgrading and courtyard house restoration. For those reasons, the urban conservation of Nanluoguxiang has received national attention. It was considered as a successful conservation plan and has been a showcase with frequent visits by party leaders, government officials, and journalists.

However, the Nanluoguxiang conservation program was also calling in many questions. In 2015, the Ministry of Housing and Urban-Rural Development of the People's Republic of China and the State Administration of Cultural Heritage made a list of 30 national cultural and historic districts, and Nanluoguxiang is not on that list. Their reason for Nanluoguxiang's fallen to be chosen is that it is over commercialized and lost its cultural spirit traditional local Beijing residents living style. They do not regard Nanluoguxiang as a successful historical community conservation project because it fails to reach their original goal to preserve this residence's overall features and fails to improve the residents' living standard. To

some degree, Nanluoguxiang project is not a conservation of a historical residence community but a commercialized redevelopment.

## Nanluoguxiang Historic Residence Community

Nanluoguxiang is located north of the Forbidden City. It is located within the northern section of the second ring road, which surrounds the Old City of Beijing (see Figure.6). The Old City of Beijing was originally the walls of the imperial city's Inner and Outer walls. Nanluoguxiang has over 700 years history. It displays Yuan dynasty street layouts. The neighborhood is divided into two areas by a central lane, Nanluoguxiang Street, which extends about 800 meters. Sixteen other narrow lanes known as hutong send out from the middle lane, showing “a classic fishbone pattern” (Wu, 1999) (see Figure.7).



Figure 6. The location of Nanluoguxiang (Source: Zhang and de Roo, 2016)



Figure 7. A classic fishbone pattern of Nanluoguxiang (Source: Baidu Image)

Nanluoguxiang residence community is rich with examples of traditional courtyard houses. The courtyards are the major unit of Beijing's vernacular architecture. A courtyard composes a quadrangle of buildings that encloses an inner, private courtyard (see Figure. 8).

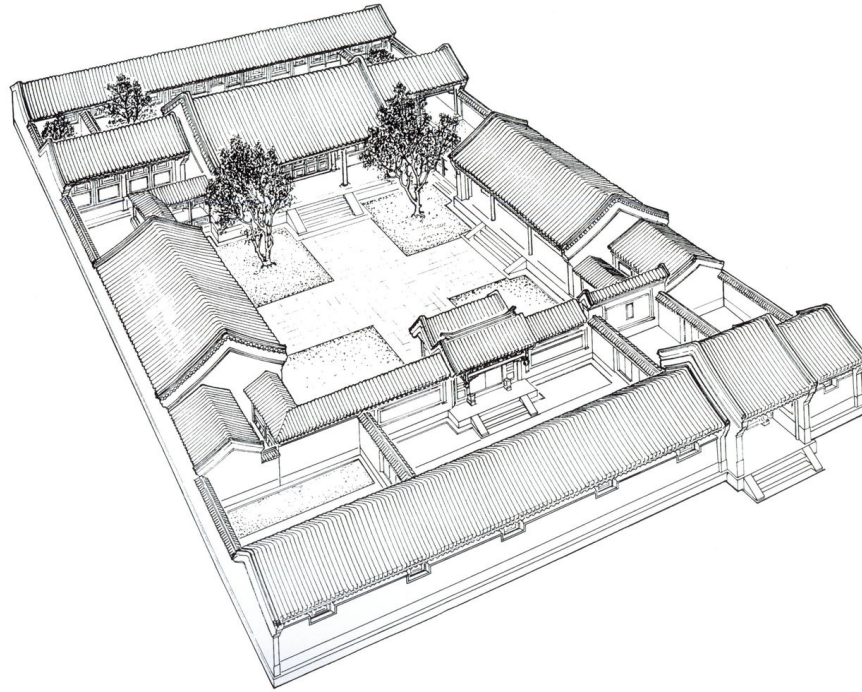


Figure 8. A traditional Courtyard housing in Beijing (Source: Baidu Image)

Nanluoguxiang has more than 1200 courtyard houses with the total construction space reaching 39.54 hectares. After the establishment of the People's Republic of China, some courtyard houses in Nanluoguxiang were demolished for the use of new offices for the administrative institutions. However, this neighborhood is the area with the highest concentration of courtyard houses in Beijing.

Nanluoguxiang residence neighborhood is governed by the Jiaodaokou Street Office. The latter belongs to the Dongcheng district government. The general conditions of residential dwellings were in poor conditions. In January 2006, Jiaodaokou Street office carried out a survey, which showed that the per capita housing space in hutong areas reached only 6.9 square meters and it was only about one-quarter of the Beijing average.

Many of these courtyards were taken by major government institutions to be used as residential for their key officials and their family members. Meanwhile, many houses were confiscated during the Cultural Revolution and they were transformed into the public rental housing by the government.

Residents in Nanluoguxiang tend to live here for a long time and most of them live in the public rental housing. According to Yutaka (2004), nearly half of the recorded permanent residents in this neighborhood have been living in the area for more than 15 years. The majority of residents lived here since the Cultural Revolution in the 1960s(Yutaka et al., 2004).

## **Commercialization**

When Nanluoguxiang was added to the list of historical and cultural conservation neighborhood, at the beginning period, major government investments to bring about significant changes in Nanluoguxiang did not arrive immediately. Before 2006, only some small individual business owners were attracted by the special cultural environment and unique business potential of Nanluoguxiang. They quick grabbed this opportunity and began to open trendy shops and café in this area. Their main business targets were newly rising middle class and overseas visitors. At the beginning period, the commercialization in Nanluoguxiang was more self-generated than government-led. The business forms were only preliminary at that time.

Later on, the self-generated development and the urban conservation awareness of the society drew the attention of the Dongcheng government. In 2006, Dongcheng District government published a Nanluoguxiang Conservation and Development

Plan, which was the turning point of Nanluoguxiang historical neighborhood. From then, the Dongsheng District Government launched several plans to redevelopment Nanguoguxiang. Above all, from 2006, the Jiadaokou subdistrict government office was granted 370 million Yuan for the redevelopment project from the Beijing municipal government. Then the local government launched another ten projects to promote the existing infrastructure in Nanluoguxiang.

With the enormous financial support of the local government, the infrastructure in Nanluoguxiang was upgraded greatly. Then because of the location, the infrastructure, and the history reasons, Nanluoguxiang gradually caught the attention from the society.

In the following years, Nanluoguxiang witnessed a quickly increasing number of different kinds of trendy shops. In 2007, Dongcheng government established the Nanluoguxiang Construction Management Office to manage the commercial development in Nanluoguxiang. Cultural Creative Industry, Cultural Touristic Industry, and Modern Business Service Industry were selected as the leading commercial industries for this neighborhood. To support the selected industries, 20,000 RMB was given to each business as subsidies through Nanluoguxiang Construction Management Office. By early 2009, about 115 shops were operating in the area. Moreover, in 2015, only the shops beside the middle lane are over 200.

Along with the increasing number of shops are the increasing rents. The rents for leasing shop spaces have been rising rapidly in these years. Because of the reputation of its trendy shops there, people are willing to pay a much higher rent than market price to attract more business. The increasing rents become important



revenue for those private property owners in Nanluoguxiang.

Residents facing main hutongs also supported the growth of business activities. Despite the high revenue they got from landlordism, many of residents joined the group of small business owners because of the commercial reputation Nanluoguxiang provided. Local residents in Nanluoguxiang operated many businesses.

However, the commercialization in Nanluoguxiang received more and more critics. As mentioned before, Nanluoguxiang fails to be listed in the newest National Cultural and Historic Districts because it lost their cultural aspect after commercialization. With the increasing of Nanluoguxiang's popularity, more and more kinds of business formats such as food chain, electronics are brought into this community. By 2015, only 14 shops on the Nanluoguxiang Street are related to Beijing's traditional culture.

## **Stakeholder Analysis**

### **Municipal government**

Soon after the economic reforms in China, the State Council and Beijing municipal government published a few policies promoting and protecting China's history and cultural heritage.

The principal turning point for the heritage preservation is the year 1982. At this year, the State Council issued the Law of the People's Republic of China on the Protection of Cultural Relics. This new policy focused on "restoring national unity

after dissension and trauma of the Cultural Revolution.” (Sofield and Li, 1998) This national law provided a mechanism for Beijing government to conserve the urban heritage during the urban development.

In the following year 1983, Beijing was highlighted as a “historic cultural city” and had the “valuable revolutionary artifacts, historical relics, old architecture, and old archaeological sites of value have to be preserved. The built form and volume surrounding such sites must be appropriately controlled.”(Sit, 1995) After that, Beijing municipal government issued several laws and regulations step by step.

#### 1) Fiscal support

As stated before, Beijing municipal government designed a conservation plan for the 25 historic heritage areas in the inner city of Beijing, and Nanluoguxiang was among them.

For further support the district government with the preservation of the historic area, in 2006, the Beijing government granted 370 million RMB to the Jiadaokou government office, which was the sub-district government of Dongsheng government. (Gu, 2014)

#### 2) The performance and achievement assessment system

For Chinese government officials, because personnel nominations, the performance and achievement assessment system is the most important driver to contribute to rapid economic growth (Xu, 2011). The central government inspires and controls municipal government officials through the assessment system, at the meantime, the central government also controls district government through this evaluation system.

Because of specialties of the urban redevelopment project, it can promote their behavior in the assessment system. As a result, the performance and achievement assessment system became an important driver for both the municipal and district government in Nanluoguxiang's conservation plan.

## **District government**

### 1) Face-lifting

Nanluoguxiang's successful on attracting business brought a lot of tax revenue to the Dongcheng government and the self-generated commercialized industry also successfully draw the government's attention. The Dongcheng district government and Jiaodaokou Street office began to do the beautification work in Nanluoguxiang. Face-lifting became their core word for beautifying this community. Under this guideline, the government carried out a wide range of public works. The measures include the demolition of illegal structures, relocation of offices such as police station, pavement of the middle lane and infrastructure upgrading. As a consequence, those local government-led activities gave a positive signal to the business owners and investors. Face-lifting boost more individual entrepreneurs to cater for large visitors and higher income consumers who want to have different cultural experience. (Shin, 2010)

### 2) Courtyards restoration

Besides the beautification of Nanluoguxiang Street, local government also helped with courtyards restoration. For the public owned courtyards, the local government carries out a house-by-house restoration approach, which is often referred to as a

'micro-circulation' model. This method requires all courtyards residents to sign a joint application for courtyard restoration. At the same time, they would also have to agree on their relocation plan. Usually, the relocation plan is their permanent displacement with government compensation. Dongcheng government and Jiadaokou Street office lead the whole process. In this process, the Street office would usually be in charge of administrative procedures. They also involved in the production of relocation plan. (Shin, 2010)

However, this restoration did not help to improve the living condition of residents immediately. During the "micro-circulation" restoration, the governments do the select demolition and reconstruction of units within a courtyard. The government picked the dwellings with serious health and safety threats, and the municipal government of Beijing provided funds. However, this kind of restoration of units did not increase the living spaces for local residents, and their living condition remained poor. So some local residents were more willing to be displaced and get the displacement compensation (Shin, 2010).

For those private owners of courtyards, the restorations were all carried out by the owners' family expense. However, not all owners are wealthy enough and are willing to do the restoration. So, for those people who possess courtyards but do not have money to restore them, they are often rid of their property right and give up their property courtyard to corporate investors (Liu, 2007). This also accelerated the speed of commercialization of Nanluoguxiang area.

In conclusion, the way government carried out the courtyard restoration did not conserve the residence environment. It, in fact, accelerated the disappearing of

original local residents. By using the incremental way, the government successfully avoided the sharp critics from conservationists. However, the result eventually became the same with other commercialized urban redevelopment projects. So in this aspect, it is more like a commercialized redevelopment project rather than a historic residence conservation project.

### 3) Manipulating the business industries development

At the beginning of Nanluoguxiang's redevelopment, Dongcheng District government realized that it would be a wise choice for Nanluoguxiang to develop the creative cultural industry. In the Nanluoguxiang Protection and Development Plan, the district government chose the Cultural Creative Industry, Cultural Touristic Industry, and Modern Business Service Industry as leading industries for Nanluoguxiang.

In 2006, the municipal government granted 370 million RMB for the redevelopment project. Include all, 25 million RMB was designed for Optimization of Business Formats. Then, in 2007, the local government organized the Nanluoguxiang Construction Management Office to manage those funds. The office provided up to 20,000 RMB as the subsidies to those selected businesses. As the result of this support, the percentage of creative industry had also increased from 60.5% to 92.9% (Lu, 2012).

## **Local Residents**

### 1) Differentiated interests among residents

The commercialization of Nanluoguxiang and increased opportunities for real estate

revenue supported by the local state intervention gradually produced differentiated benefits among residents. We know that residents can gain income from urban conservation projects mainly two ways: seeking for rents and running a business by themselves. However, residents can only gain those two benefits if they are private owners and their dwellings are in good location.

According to the data from the Jiaodaokou police station, the majority of Local residents in Nanluoguxiang are not private owners; they are long-term residents living in public rental dwellings. (Jiaodaokou Street Office, 2007).

For those public rental tenants, the increasing appreciation of courtyard housing value had little relevance to them. Even if they were eligible to lease their housing to some else, if their units were not facing hutong or located deep in a courtyard house, it is difficult for them to making money from leasing because these units were less demand for other tenants.

Another way for local residents to gain benefits was from running the business. However, it also caused a differentiated benefit among residents. Because of the “classic fishbone pattern” of Nanluoguxiang and its conservation pattern, most of the tourists would stay on the 800 meters Nanluoguxiang Street. The tourists seldom went deep into every hutong send out from the main street. So the owners of courtyard houses, which are not located closely to the Nanluoguxiang Street, would be less profitable than other owners.

## 2) Inconvenience brought by commercial activities

According to a questionnaire conducted by Hyun (2010), most local residents seem to have inconvenience caused by the increased business in Nanluoguxiang. These

include the disappearance of local grocery shops, breakfast sellers and the noise and disturbance created by visitors. For example, on October 1st, 2016, which is the nation holiday in China, on the only 800 hundred-length street, over 100,000 people visited this community.



Figure 9. Nanluoguxiang (Source: Baidu Image)

Also, because the newly emerged commercial is not aimed to the local residents, some of the local residents have the affordable problem which led to their unfamiliar with the services and products in their neighborhood.

### **Nanluoguxiang Commercial Association**

Nanluoguxiang Commercial Association was established in 2005. It is a grassroots commercial organization composed of business owners in this neighborhood including bars, cafes, tea bars, hostels, clothes stores, handicrafts and so on. It stands for the interests of Nanluoguxiang's commercial participants. (Gu, 2014)

The association hosted a range of social and art activities such as Nanluoguxiang Hutong Cultural Festival, Creative Fair, and Cultural Exposition to accelerate the development of Nanluoguxiang's commercial. They also collected money to publish the books like A History of Nanluoguxiang and Nanluoguxiang Tourism Service Handbook to promoting the overall popularity of Nanluoguxiang. Meanwhile, this association also formed a self-regulation department in supervising the businesses in Nanluoguxiang.

During the redevelopment Nanluoguxiang, the Nanluoguxiang Commercial Association succeeds in promoting the commercial of this neighborhood. To some degree, it provides a bottom-up model for the commercialization in Nanluoguxiang.

### **Community Involvement Initiative**

Another grassroots' NGO named Community Involvement Initiative stands for the interest of the neighborhood residents. This organization hosted a series of Community Tea Meetings from 2009. Unlike formal public hearing between governments and residents, this meeting was intended to create a platform to settle the conflicts between residents and business owners. For example, on 2012, with the support of Community Involvement Initiative, a convention called Nanluo Convention was reached between residents and business owners. The Nanluo convention is divided into "Resident Edition" and "Merchant Edition" two versions and each of them specify the obligations that residents and businesses should do. The Community Involvement Initiative also tried to help neighborhood residents with their revenue. For example, Nanluoguxiang Community Art Crafts Workshop



was established by the Community Involvement Initiative to sell the handcrafts made by present residents.

<b>Stakeholders</b>	<b>Role Description</b>	<b>Incentives</b>	<b>Responsibilities</b>
Beijing government	--Municipal government --Financial supporter	Promote the behavior on assessment promotion system	--Issue laws and regulations --Fiscal support
Dongcheng government	--District government --Principal leader in the redevelopment project	Promote the behavior on assessment promotion system	--Face-lifting --Courtyards restoration --Manipulating the business industries development
Local residents	--Original and present residents	--Relocation compensation --Better living condition	--Relocation --Courtyards restoration
Nanluoguxiang Commercial Association	Grassroots commercial association	Promoting the overall commercial and popularity	--Self-supervision of businesses --Hosted social activities
Community Involvement Initiative	Grassroots residents organization	Seek more benefits for neighborhood residents	--Creative platforms for residents and business owners to solve conflicts --Create more Source of revenue for residents

## **Conclusion**

Nanluoguxiang as China's most famous government-led historical neighborhood conservation project, it built a "bottom-up" transformation step by step by leading the residents and social organization in. The redevelopment process is not as fast as Xintiandi project and it is still an ongoing project. However, this slow pace gives Nanluoguxiang a better chance to consider different aspects.

From Nanluoguxiang case analysis, we can see that the government-led project gives a unified planning for the whole neighborhood, at the meantime, the "bottom-up" small-scale incremental and "microcirculation" transformation could ensure the rights for residents and small business owners.

## **5.2 Xintiandi Redevelopment Project, Shanghai**

### **The History of Shikumen Lilong Housing**

Xintiandi preservation plan has a significant role in China. It is the first time that Chinese government let the international private company take part in the process of designing a plan for urban planning field in China. Xintiandi is also the first time to use the adaptive reuse historic houses for commercial development in urban preservation for China.

The original Xintiandi area is famous for its Shikumen lilong housing. This kind of architecture can be traced back to the mid 19th when Shanghai was occupied by the British, the Americans and the French as settlements and concessions (Tsai, 2008). The style of Shikumen Lilong housing has the feature of both the details of English worker's house and Chinese philosophy's building construction. The European architects originally designed the Shikumen housing and combined the traditional Chinese courtyard with the European style row house (Lan, 2010).



Figure 10. Shikumen housing (Source: Baidu Image)

The Shikumen lilong housing was the major form of residence in Shanghai until the 1980s. Most of the middle class Shanghainese was living in Shikumen lilong houses (Ren, 2008). At the peak time of the Shikumen style housing, more than 9,000 locations in Shanghai were built into this kind of architecture, which was about 20 million square meters and took up 65% of the total housing space in Shanghai (Ren, 2008).

With the similar reason as Nanluoguxiang case in Beijing, this kind of housing cannot fulfill the accommodation of the growing speed of population in Shanghai. At the meantime, Shikumen style is no longer suitable for the modern urban living (Ren, 2008). Hence, after 1949, there was no new Shikumen housing being built, and it became a history for Shanghai.

## Taipingqiao Area Redevelopment Process

Xintiandi is located in the Taipingqiao residential area. It is supervised by Luwan District Government. This area is in the center of Shanghai City. This area consisted of old Shikumen houses. Most of the houses there were constructed between the 1900s and 1930s. The Lilong housing in Xintiandi was in the dilapidated situation because of the lack of maintenance. Meanwhile, the growing population in Shanghai also made the housing extremely crowded. So more and more low-income families inhabited it, and the quality of life was poor there.



Figure 11. Shanghai district map with Luwan district highlighted.

(Source: Baidu Image)

From early 1992, the Luwan government set up a plan to bring a private company to carry on the redevelopment project of Taipingqiao area. Nevertheless, because of the resettlement issue of the residents, few developers were interested in taking charge of this project, and this redevelopment project was postponed then. (Yang & Chang, 2007).

However, in 1995, Shui On, which is a real estate company in Hong Kong, made a significant commercial decision- transfer most of its capital assets to Shanghai. This decision also created a strong relationship between Shui On company and Shanghai government. This company was interested in Taipingqiao area for its special locations and expressed their intention to renovate this area. Their goal is to change the whole area into a great tourism attraction with commercial and entertainment functions. At the mean time, they also expressed their hope to retain the unique Shikumen Lilong housing style for the visitors to experience this history. In fact, it is the enormous potential increasing value of the surrounding area of the real estate properties attracts the Shui On most.

The Shanghai government also admired this proposal. It can both increase the tax revenues and stimulate the local economy and job market. At that time, the third parties like scholars and medias have begun to notice the necessities of urban historical conservation. Because ShuiOn Company's redevelopment plan tried to remain the unique Shikumen housing style as an attraction for visitors, the collaborative with Shui On Company can keep them away from the massive

demolition of Shikumen housing and its potential critics raised by the scholars and medias. (Mo, T. & Lu, D. 2000).

So, in 1996, Shanghai Luwan district government signed a 50 years lease of 52 hectares of Taipingqiao residential area (including Xintiandi area) with Shui On Group, which is the beginning of the Xintiandi project. Shui On Group planned to invest 3 billion dollars in next 15 years, which took up 97% of the total investment. The rest 3% investment was made by a state-owned construction corporation name Fuxing (Ren, 2008).

In the conduct of the redevelopment plan, Shui On Company introduced an international architectural and design firm, Skidmore, Owings, and Merrill (SOM), to district government of Luwan. The SOM was the principal planning consultant to design the detailed plan for Taipingqiao area. Meanwhile, Shanghai Urban Planning and Design Research Institute (SUPDI) is the subordinate adviser of the Taipingqiao Redevelopment project.

The consultants designed a detailed plan for Taipingqiao area, which consisted of 4 parts: ("Shanghai Xintiandi,")

Shanghai Xintiandi	An urban tourist attraction with the historical and cultural legacies
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Taipingqiao Lake and Park	The largest human-made lake in the center of Shanghai
Corporate Avenue	The high-end cluster of office towers, hotels, and other commercial facilities
Lakeville	A premium residential zone

The Shui On Group wanted to launch the redevelopment plan with the Corporate Avenue and the Lakeville projects. However, due to the 1997 Asian economic crisis, both the Hong Kong and Shang was influenced dramatically, and the housing price declined 50% then. In the same year, Shui On Group had to postpone the development of Corporate Avenue and the Lakeville and started the construction of Taipingqiao Lake and Park project and the Xintiandi project (Ren, 2008).

The construction of Taipingqiao Lake and Park attracted the public attentions. The park is 30,000 square meters, and the human-made lake is 10,000 square meters. Such a vast open space in the center of the city increased the popularity of Xintiandi rapidly and promoted Xintiandi to be the most attractive commercial center in Shanghai (Ren, 2008). People love this great park, and it became the best advertisement for the entire Taipingqiao Redevelopment and Shui On Group.

## **Xintiandi Redevelopment Project**

Xintiandi was the first phase of the whole Taipingqiao Redevelopment plan. Under the collaboration with the Luwan government, Shui On real estate developer,



international design companies, the Shikumen Lilong houses in Xintiandi area has been transformed into a commercial district in 1996. In the project, around 100 Shikumen Lilong houses were preserved and maintained in their original spots (Ren, 2008). Except for those preserved Shikumen houses, Shui On Group also erected many replicated Shikumen houses. They also used materials from the already demolished neighborhood in their construction of the commercial center (Tsai, 2008). For example, one of the alleys was paved with the original slate-gray bricks from the walls in the already demolished neighborhood. At the meantime, they redesigned the interior of Shikumen Housing for a better commercial use. For example, the designer replaced some wooden doors and windows with big glass windows for a better display of luxury goods. Open spaces are also built for the outdoor activities. They explained the idea of Xintiandi “ the old interweaves with the new, the East meets the West” (Shanghai Foundation for International Cultural Exchange). The successful of the commercialization of the whole neighborhood has boosted the local economy and raised the land value of the surrounding area.

However, different from Nanluoguxiang case in Beijing, in the Xintiandi conservation plan, all the residents in Xintiandi area were relocated. According to the contract, Luwan government takes responsibility for residential relocation. The complete relocation of the residents also brings many critiques to Xintiandi model. The critics indicate that Xintiandi model of urban redevelopment is "fake conservation" plan because the residents represent an original Lilong living culture and the valuable traditional living culture of Lilong housing is dying because of the commercial redevelopment.

## **Stakeholder Analysis**

### **Municipal government**

Shanghai Government began a massive old building demolition in the 1990s. In 1996, they launched the most famous project - the "365 Plan". In this plan, 365 hectares of dilapidated neighborhoods were demolished and redeveloped by the year of 2000 (He & Wu, 2005; Ren, 2008). At that time, to support the redevelopment process further, the municipal government of Shanghai provided many incentives to real estate developers like the reductions in the land-leasing fee, subsidies for urban redevelopment projects (Ren, 2008). Meanwhile, the municipal government kept pushing district governments on the tasks of urban redevelopment. For example, Shanghai municipal government ranked the rates of redevelopment project among district governments every year (Yang & Chang, 2007).

During the construction of Taipingqiao Redevelopment project, the municipal government began to grant more rights to the Luwan District government, which was a turning point for a decentralized governing structure in this city. The municipal government granted the district governments the right to sign contracts with real estate developers for the land leasing. (Yang & Chang, 2007) The district governments also are granted the right to issue construction permits to real estate developers and negotiate the land leasing fees for urban redevelopment with

private developers. Furthermore, the district governments have the rights to examine and approve detailed plans.

In the Xintiandi neighborhood redevelopment project, the Shanghai municipal government mainly played the role as a supervisor. They ensure the project obeys detailed rules and regulations. At the mean time, they have to prevent any possible social conflicts such as the steadfast property owners and residents, known as “nail houses” and lead the project into a sustainable development way (He & Wu, 2005).

### **District government**

Along with the devolution of rights on land management issue, district government became the principal cooperator with real estate developers in urban redevelopment projects step by step.

In the Xintiandi conservation case, the Luwan Government played an active role. The Luwan Government took in charge of leasing the land, issuing the permits and determining the leasing fee of land (Yang & Chang, 2007). They also play an important role in negotiating and examining the detailed plans of Taipingqiao Redevelopment project.

The incentives for the Luwan government were

#### 1) The increasing of revenue

The value of the inner city lands in China is the highest. By leasing the inner city lands to private companies, the governments can increase their tax revenue. At

the mean time, Shanghai municipal government created the “financial index” for district governments. Among them, land leasing fees are a primary resource of revenue of district governments (Yang & Chang, 2007). Therefore, a good performance in the “financial index” becomes an important incentive for the district governments to lease more land to developers.

2) A good performance on the Shanghai government urban redevelopment rank

The Shanghai city government has been promoting the district governments to start more urban redevelopment projects. According to Yang and Chang (2007): “... city government established the rule that land leased from downtown district must be used for urban redevelopment”. Meanwhile, every year, Shanghai government ranks the degree of city redevelopment among district governments. The urban redevelopment ranking also gives the incentive to the district governments to start more redevelopment projects (Yang & Chang).

3) An advance urban redevelopment quality

The Xintiandi Redevelopment project has resulted in the public embrace of historical neighborhood preservation and changes the way government officials treat old neighborhoods and buildings. Many cities in China are trying to copy the Xintiandi model and it brought a lot of honor to Luwan government. For example, the Xintiandi project won two valued prices: the Urban Land Institute (ULI) 2003 Award for Excellence and the 2004 AIA Citation for Heritage (Takesuye, 2004).

During the process of the Taipingqiao Redevelopment project, Luwan government was responsible for the residential relocation. The developers did not negotiate with residents. However, they spent a lot of money on the demolition fee and compensation for the original residents (Ren, 2008). Luwan government branched a professional demolition and relocation entity to conduct the relocation task (He & Wu, 2005). On the ground level, sub-district government, which is the street committees in China, also helped persuade residents to relocate.

### **Real estate developer**

The primary participant in the Taipingqiao Redevelopment project is a Hong Kong real estate company name Shui On Group. As a private corporation, the principal goal of Shui On Group in is the project is to gain profit.

Even Shui On Group is the major developer in the redevelopment process; it has less influence in this public-private partnership. This is mainly because of two reasons:

#### 1) The investment structure.

The investment of Shui On Group took up 97% of the total investment of Taipingqiao Redevelopment. However, a state-owned construction company, Fuxing Development Corporation also shared 3% of the total investment (Yang & Chang, 2007). Although the amount was limited, it gave the government the chance to participate in the whole ground redevelopment process thoroughly.

#### 2) Land leasing structure

The Luwan government signed a 52 hectares Taipingqiao area with Shui On Group for 50 years. However, the land was leased to Shui On Group step by step. That is, according to the investment plan, Shui On would redevelop 2-3 blocks every year, and the government would lease these lands step by step (He, 2004; Yang & Chang, 2007). This leasing structure gives more rights to the Luwan government.

Generally speaking, in this public-private coalition, the government had more influence and played the leading role, leaving the Shui On Company restricted command power and less influential in this relationship.

### **Original residents**

In the Xintiandi Redevelopment Project, the original residents were the excluded stakeholders. There were no any format public meetings related to the relocation. The subdistrict government (Street committees), which is the same administrative division level as a town level government, it implements the policy of the upper level governments and develops specific management practices and organize the implementation, but itself does not constitute a regime, played the bridge role between the residents and authorities. However, the dialogues were carried in informal ways. Because of the forced relocation and inappropriate treatment, the residents suffered both tangible and intangible costs (Lan, 2010). In general, the residents took the cost of the redevelopment plan, whereas the government and the developer shared the benefits of both fiscal and profits grow.

Stakeholders	Role Description	Incentives	Resources	Responsibilities
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Shanghai Government	Municipal government  Authoritative mediator and supervisor	Promote the behavior on assessment promotion system	Land resources Superior governing authority	Delivering the policy of central state Overseeing the redevelopment process Examine detailed controlling plan of XTD project Right devolution
Luwan Government	District government  Active and potent collaborator	Gain fiscal revenue from land leasing  Performance on urban redevelopment assessment	Limited land and financial resources  Limited governing resources on certain urban areas	Leasing land to private developer Residential relocation  Allocating subsidies for inhabitant
Shui On Group	Real estate developer  Primary participators	Commercial Profits	Ample capital resources and impelling capital accumulating capabilities  Lack of influence on redevelopment coalition	Redevelopment  Investment (construction + demolish + relocation)
Original residents	Excluded players	Demolition compensation	Lack of economic resources  Lack of political/governing resources	Relocation

## Conclusion

The case of Xintiandi is a distinctive and unique case. It is the first case that Chinese governments allowed private international enterprises to be involved in designing a controlling detailed planning for urban planning projects in China. Moreover,

Xintiandi is the first attempt in China that adaptive reuse historic houses for commercial development, and finally received commercial success.

However, as a pioneer of adaptive reuse in the urban redevelopment, Xintiandi attracted many attentions, as well as many critiques. Critics indicate that the Xintiandi model is a “fake protection” launched by profit seekers. Also, as the important sector of a residence area, Xintiandi project excluded all the residents resulted in tangible and intangible losses and costs for those residents.

## **6. Comparative analysis**

Both Nanluoguxiang Redevelopment Project and Xintiandi Redevelopment Project have received wide attention in discussions on China's inner city redevelopment and historical neighborhood conservation. Although both of the two cases conserve the historical neighborhoods in the inner city, their redevelopment processes differed a lot.

To study the political and social factors influence in these two designated historical neighborhoods, these cases are discussed in three aspects: 1) Government regulation and political policies; 2) public sectors involvement; 3) private sector support



	Project start year	Redevelopment model	Location	Land use type	Major stakeholders
Nanluoguxiang	2006	Government-led	Beijing	Commercial	Beijing government Dongcheng government Local residents Nanluoguxiang Commercial Association Community Involvement Initiative
Xintiandi	1996	Public-private coalition	Shanghai	Mixed use of Commercial and Residential	Shanghai Government Luwan Government Shui On real estate company Original residents

## 6.1 Government regulation and political policies

In China, because of the land ownership, (In China, all urban land is owned by the state and managed by the municipality, while all rural land is collectively owned) any component of historical neighborhood conservation planning and its implementation are related to politics.

The political involvement can be examined in both Nanluoguxiang and Xintiandi cases. The evolution of urban conservation policy and its influence were discussed in each case study analysis.

However, there was another significant policy, the “harmonious society” policy, which paved the different ways of these two projects. “Harmonious society” is a concept that was introduced by President Hu Jintao of China as a vision or objective for the country’s future socioeconomic development.

During the 1996 Xintiandi project period, all the original residents were relocation and became the excluded players in the urban redevelopment projects. They took the cost of the Xintiandi project. At that time, relocation was forced, and there were a lot of forced demolition happened in China every day.

However, in 2003, the "harmonious society" policy was promulgated by the State Council and "harmonious" became the key word for the government work. At the meantime, several regulations were issued to balance the inequity in urban development. After that, local governments and private real estate developers are no longer able to accelerate the urban redevelopment projects by forced demolition, and residents can get the fair compensation ensured by law.

So, when we examined the 2006 Nanluoguxiang redevelopment project, the residents have been involved in the project and became a major stakeholder, and no forced relocation happened in Nanluoguxiang's case. Then I would like to analyze how the residents' involvement affects the outcome of the urban historical neighborhood conservation project.

## **6.2 Residents' involvement**

In Xintiandi's case, there was no residents' involvement. The whole area was completely commercialized by a private real estate company. However, as a residence neighborhood, residents should be an important part of the traditional history. Thus critics indicated that Xintiandi project is a fake preservation composed by profit seekers. They also expressed the idea that the traditional living culture of Shikumen lilong housing disappeared through the fully commercial redevelopment.

As an essential element of the planning process in western countries, the public, especially the residents, usually play a significantly important role in involving in all

stages of planning and monitoring its implementation. However, in China, the public participation is still at a low level or even none basis.

### **1) The essence of the historical neighborhood – traditional living style**

Residents can reflect the living style of a certain history residences neighborhood. They should be regarded as a part of the historical neighborhood. To better conserve the urban historical neighborhood, the residents and their traditional living style should be considered when we conduct a neighborhood conservation project. That is why critics indicated that Xintiandi project is a fake preservation launched by profit seekers. They also expressed the idea that the traditional living culture of Shikumen lilong housing disappeared through the fully commercial redevelopment.

In Nanluoguxiang's case, there was no massive relocation. Besides the main street, the land use of the other parts of the neighborhood is still for residence. Although the Nanluoguxiang redevelopment project is also under the critic of inappropriate commercialization, it preserves the nature of a historical residence neighborhood.

### **2) Social network of original residents**

The relocation of the original residents resulted in a server social problem in China. In Xintiandi's case, the original residents were relocated to urban edges. They are no longer able to access to the healthcare, education, and community support in their first neighborhood. They have to leave the place where they have been living for

generations. The residents were unsatisfied with the decreases in social activities, especially group activities (Chun, Bin, 2014).

### **3) Monitoring the detailed plan and its implement of urban conservation**

A mature society should at least have three sectors – the State, the Market, and the Third Sector. Together, they can cooperate and find a way to satisfied the public needs. By doing this, the cooperation can promote the development of the democracy and economy (Healey, 1998). During the urban redevelopment process, a powerful public organization can negotiate the planning decisions with the governments and the developers.

In Nanluoguxiang's case, there is some public sector to fight for the right of business owners and neighborhood residents. To some degree, this organization ensures the project's aim of increasing the living quality of local residents.

### **6.3 Private sector support**

In the Xintiandi redevelopment project, the Luwan government created collaboration with a private real estate company. It is the first case in China that government allowed a private developer and foreign design companies to be involved in controlling detailed planning.

The collaboration brings such benefits to Xintiandi's redevelopment project:

1) The public-private partnership in this project gave the opportunity for the talent designers. 2) The division of labor is more specific. Shui On Group was in charge of the redevelopment and investment; the Luwan government was in charge of the residential relocation. 3) The financial burden of Shanghai government got released with the investment of Shui On Group.

However, when the private sector get involved in the urban redevelopment project, just like the situation in Xintiandi's case, there would be disparate incentives among governments and real estate developers. Although gaining profits is not the objective for the urban redevelopment, when we introduce the public-private collaboration into the redevelopment process, the real incentive for the developer is to making the investment and gaining profits. So from the private developer's point of view, they barely care about the utility of local residents and their cultural living style. So in order to guarantee the interest of original residents, the government should regulate more strictly in this process to lead the public to participate in this process.

## 7. Conclusion and policy implications

In China, there were very few attentions on inner city historical neighborhood conservation. Mostly, the traditional architecture style was regarded as the remaining of Feudalism. Massive historical neighborhoods in the inner city were demolished at that time. With time, however, people's attitudes have shifted.

Nowadays, historical neighborhood conservation plays an important part in the inner city redevelopment plans. The district governments try to preserve these neighborhoods to increase their fiscal revenue and to get a better result on the assessment promotion system and the urban redevelopment assessment. At the meantime, the private real estate developers also find the business chance in the urban redevelopment projects and get involved in the historical neighborhood conservation process.

However, in reality, the historical neighborhood conservation still raised many critics. Social conflicts were caused by the large-scale residential relocation. Original residents suffered losses through the complete relocation caused by this project.

What's more, due to the relocation of the residents, the traditional living style of the historical neighborhood also disappears, which influence the quality of historical neighborhood conservation.

The purpose of this thesis is to identify and understand the complexity of stakeholders' incentives and their responsibilities in historical neighborhood

conservation in Chinese urban contexts by analysis two cases in Beijing and Shanghai.

At this stage, it is not possible to say which case is successful and which is not successful. Both Nanluoguxiang and Xintiandi cases give us possible implications on the future historical neighborhood conservation projects in China.

First, the government is supposed to encourage and solicit original residents participation on a historical neighborhood conservation project. Residents and their living style are the important part of the neighborhoods. At the same time, they can play the role as the monitors of the detailed plan and its implement of urban conservation. The resident's participation can be significantly improved by the government policies. From both of the cases, we already examined the incentives of each stakeholder, and one of the conclusions is that both the lower level governments and the real estate developers' action are influenced by the upper-level governments' policies. One possible solution is that the municipal governments support the resident's participation by adding the resident's participation into the performance on assessment system.

Second, the government should introduce the private capital into the neighborhood conservation project. At present, the historical district housing repair, infrastructure transformation, cultural relics protection requires a lot of money. The involvement of private capital can partly relief the governments' financial burden. At the same time, just like the Xintiandi's case, the public-private partnership can give more opportunities for the talent designers. However, it should be noted that the tedious

approval of the procedure would stop a lot of private investors. So, the government may further decentralize the power to improve efficiency.

Finally, in the decision-making system of Nanluoguxiang, the involvement of residents contains quasi-participatory decision-making structures and a bottom-up approach led by street offices. It is clear that bottom-up approaches to redevelopment are better than top-down approaches for the local residents. However, this bottom-up structure was guaranteed by a top-down political policy. To some degree, in China, it is the top-down political structure that promotes the development of bottom-up decision-making structures in urban redevelopment projects.



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