

Residential Redevelopment and the Entrepreneurial Local State: The Implications of Beijing's Shifting Emphasis on Urban Redevelopment Policies

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Abstract

The entrepreneurial nature of local government activities has significantly influenced socioeconomic and spatial changes in urban China. It is against this backdrop that property-led redevelopment projects were implemented in Beijing after 1990, guided by a programme whose very success depended on the participation of real estate capital for financial contributions. In 2000, however, a new policy was put in practice, which aimed at supplying affordable housing on government-provided land to increase the rehousing rate. This paper analyses the implications of this shifting emphasis on Beijing's redevelopment policy and examines whether the local government has become less entrepreneurial and more socially inclusive in its redevelopment approach. Based on the case study of two redevelopment projects, the paper argues that the local state's entrepreneurial nature has persisted and that this is largely due to its power to dispose of urban land use rights, effectively making local governments *de facto* landlords.

1. Introduction

The central role of the local state in mainland China has been identified as being responsible for the implementation of market-oriented reform policies and led the nation's unprecedented economic growth during the reform period. Commentators have

characterised China's local state-led development as local state corporatism (Oi, 1995), state entrepreneurialism (Duckett, 1998) and local developmental statism (Zhu, 2004b), all focusing on the entrepreneurial nature of local state activities geared towards local economic growth. The decentralisation of decision-making power has increased the

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influence of local governments and has led to the adoption of an entrepreneurial stance in the management of local state activities. Entrepreneurial spirit has captured the nation to such an extent that managers, entrepreneurs and professional groups seem to be more highly appreciated than the workers and peasants whose alliance was behind the establishment of the People's Republic (Gittings, 2006). In the real estate sector, the entrepreneurial orientation of government activities has been sometimes interpreted as leading to an informal coalition with land-based interests such as (both domestic and foreign) real estate developers (Fang and Zhang, 2003; Zhu, 1999, 2002). It is argued that the informal coalition has tapped the expanding property market to extract exchange value by converting urban land into a higher and better use, supported by institutional reform to the commodification of urban lands. Local business partnerships and the use of land lease as an instrument to redevelop urban space are identified as prominent examples of the entrepreneurial endeavour of local governments in the transformation of China's urban governance towards entrepreneurialism (Wu, 2002).

It is against this backdrop that the urban redevelopment policies have been produced and implemented since the early 1990s. Urban redevelopment in Chinese cities has been very much influenced by property-led redevelopment (see for example, He and Wu, 2005) and Beijing has been no exception. Beijing's property-led redevelopment has been facilitated since 1990 by what has been referred to as the Old and Dilapidated Housing Redevelopment Programme (hereafter ODHRP) (Fang and Zhang, 2003). A municipal survey of housing conditions in Beijing conducted in 1990 revealed that more than one-quarter of inner-city dwellings required urgent attention due to their structural instability and severe deterioration (Liu, 1991, p. 16). The mayor of Beijing gave a speech at

the end of April 1990, signalling a major shift in the direction of the city's urban renewal strategy towards a greater adoption of market principles (Beijing Municipal Government, 1990). The particular programme devised thereafter was the ODHRP and this programme was distinguishable from preceding renewal strategies by the fact that its very success depended heavily on the participation of real estate capital and the prospective homebuyers as major financial contributors.

Between 1991 and 1999, the number of ODHRP projects increased from 37 to 279 (Fang and Zhang, 2003). According to an official estimate, the total number of Beijing residents whose dwellings were demolished as part of ODHRP projects had reached 160 900 households by the end of 1999 (UCCBMPPCC *et al.*, 2003). Given that most ODHRP projects targeted dwellings in inner-city districts, this meant that roughly one-fifth of all inner-city households were directly affected by the redevelopment.¹ The main strategy was to demolish and replace dilapidated dwellings with commercial buildings and mostly owner-occupied high-rise flats. The majority of the original residents were permanently displaced. It was estimated that less than one-third of those residents displaced in the 1990s were rehoused (UCCBMPPCC *et al.*, 2003). The official line was to encourage off-site relocation by means of combining suburban new estate development with inner-city redevelopment (Beijing Municipal Government, 1994). Towards the end of the 1990s, redevelopment compensation for displaced residents became increasingly cash-based and residents were expected to use compensation money to finance homeownership elsewhere if they could not afford to buy redeveloped flats in their neighbourhood (Shin, 2007, pp. 169–170). The acute affordability problems confronting displaced residents made it difficult for them to utilise cash-based compensation and remain in inner-city districts. The average sale price of commercial

housing in Beijing reached 4557 yuan per square metre in 2000 (Beijing Municipal Bureau of Statistics, 2001, Table 4-22). For a commercial flat with a construction area of 60 square metres, the price to annual household disposable income ratio in 2000 would be 8.5 to 1 for average Beijing households and 14.3 to 1 for those in the bottom 20 per cent of the income distribution.² In Beijing's inner-city districts within the second ring road, the average sale price was far higher, reaching 7753 yuan per square metre in 2000 (Xia, 2002, p. 138). This meant that an average household would have to pay more than 14 years' accumulation of household disposable income to buy a 60-square-metre commercial flat. Poorer households in the bottom 20 per cent of income distribution would have to pay more than 24 years' accumulation of their disposable income. The average housing price in suburban districts outside the fourth ring road was, however, less than half of that in inner-city districts, reaching 3600 yuan per square metre (Xia, 2002, p. 138).

By 2000, after 10 years' implementation of the market-oriented redevelopment, a new policy was being introduced: *weigai dai fanggai*, which could be translated literally as 'redevelopment accompanied by housing improvement' (Beijing Municipal Government, 2000). This reflected the official stance that more needed to be done, in spite of the decade-long implementation of the ODHRP.³ While the more market-oriented approach was still in place, this new approach received a growing emphasis in subsequent policy documents. Its main feature was to supply affordable housing instead of commercial housing so that it becomes more possible for existing residents to purchase rehousing flats. The affordable housing programme (known as *jingji shiyongfang* in Chinese) was originally proposed by the central government to make homeownership more affordable for

low- and middle-income households through subsidies to real estate developers (Lee, 2000). The affordable housing programme commenced in 1999 with an aim of building flats on government-allocated lands and the housing price was regulated by the local authorities. To the extent that the *weigai dai fanggai* approach aimed at a high rehousing rate, it was deemed more socially inclusive. This feature was in a strong contrast to the dominant approach of market-oriented redevelopment. A pilot project was carried out in the Longtan Xili neighbourhood in Chongwen District in 2000 and the *weigai dai fanggai* approach was then extended to Beijing's other districts. Fifteen out of 36 renewal projects, initiated in Beijing between January and October 2001, adopted the *weigai dai fanggai* approach (Zhang, 2001).

In this context, this paper aims to analyse the implications of this shifting emphasis of Beijing's urban renewal policy. Two main questions are considered. First, does this revised redevelopment policy suggest that the local government has become less entrepreneurial, thus giving more weight to its governmental function to promote a more socially inclusive approach? Secondly, does this policy shift reflect the change in the way in which land-based interests come together to promote urban growth and real estate development? Through a detailed examination of two case studies of redevelopment projects, the paper shows that the revised redevelopment policy is not inherently different from the city's market-oriented practices of the 1990s, a fact which needs to be understood in the context of local entrepreneurial activities that characterised local states in the course of promoting local economic growth. The paper also argues that the entrepreneurial state activities are largely supported by the local power to dispose of urban land use rights, which in fact makes the local governments *de facto* landlords.⁴

There is little literature evaluating critically urban redevelopment policies in Chinese cities during the reform period and there has been a lack of empirical studies to gain an insight into the actual redevelopment processes. The available literature on urban redevelopment in Chinese cities addresses the issue of high development costs as a barrier to developers' active participation (Dowall, 1994), potential problems associated with residents' suburban resettlement (Leaf, 1995), residents' legal disputes upon displacement (Johnson, 2004) and the coalition of land-based interests engaged in urban redevelopment (Fang and Zhang, 2003; He and Wu, 2005). Other literature on more region-wide processes of urban development during the reform period focuses on the development of or transition to new cities under the influence of globalisation and marketisation (Logan, 2002). It is explained that the transition entails the establishment of a new post-socialist, accumulation regime with the development of an entrepreneurial state (Wu, 2003). "*The game of appropriating the rent gap*" (Wu, 1997, p. 660; original emphasis) seems to lead the changes in the urban built environment, defining the way in which different actors behave in the transitional phase of China's urban political economy. Some interpret the changing urban politics in the process of institutional transformation (that is, marketisation, fiscal decentralisation and land reform) as having contributed to the growth of local growth coalitions in which the entrepreneurial local state and developers coalesce to maximise opportunities to obtain development gains (He and Wu, 2005; Zhang, 2002; Zhu, 1999). While these studies provide a useful framework to reflect upon urban redevelopment processes in Chinese cities, there is a general absence of empirical studies that examine how a particular policy or a set of urban policies impact upon urban residents. The current paper aims to fill this gap.

The remaining part of this paper consists of four sections. First, the paper discusses the transition of urban governance in the developed world from managerialism to urban entrepreneurialism that promotes property-led redevelopment through public-private partnerships. This is followed by a discussion of the changing governance in Chinese cities. Two further sections describe the progress of urban redevelopment in the two case studies to provide an overview and critically examine the nature of the redevelopment policy shift. The final section sums up discussions and draws a conclusion.

2. Property-led Redevelopment and the Entrepreneurial State

Property-led redevelopment has become a governing strategy in post-industrial cities particularly during the past two decades, which have seen mounting policy interest in establishing public-private partnerships for carrying out urban regeneration (Healey *et al.*, 1992; Jones, 1996; Quilley, 1999). The private sector assumed a leading role in rebuilding inner-city areas where problems of declining industry, decaying infrastructure, poverty concentration and social polarisation were prevalent (Gore, 1991; UN-HABITAT, 1993). In other words, the private sector has become "a legitimate provider of public policy initiatives", providing finance that used to be largely in the domain of local authorities (Healey *et al.*, 1992, p. 217). As the public sector's direct intervention in urban renewal and housing development was substantially curtailed, the public-private partnership was seen as a way of tapping the private sector's financial resources and managerial skills (Cameron, 1992).

The emphasis on the private sector was accompanied by the changing role of the public sector, which increasingly became an enabler or facilitator, focusing on removing supply-side constraints and providing

incentives and financial subsidies to attract private capital. In this process, it is argued that there has been a major shift in urban governance from managerialism to entrepreneurialism (Griffiths, 1998; Harvey, 1989; Quilley, 1999). The managerial form of governance, according to Griffiths (1998, p. 42), is characterised by state resource allocation and the bureaucratic organisation of social services delivery on the basis of social welfarism. Structural changes (such as the economic recession, the declining basis of manufacturing industry in traditional metropolitan areas and changes in employment structure and relations) have led to the erosion of the Keynesian accumulation regime and, thus, to the erosion of the basis of managerialism. This has resulted in the emergence of urban entrepreneurialism. According to David Harvey (1989), urban entrepreneurialism is a new form of class alliance to enable cities to survive and succeed in the new environment of diminishing territorial barriers for global capital movement and of intense interurban competition for jobs, resources and private capital investment. It is noted that

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

External pressures for the change include intensifying interurban competition. It is argued that the property-led characteristic of urban regeneration has been strengthened due to the deepening process of globalisation as cities are driven to compete with each other to bid successfully for intergovernmental funding or “pin down increasingly fleet-footed capital” (Weber, 2002, p. 531). Place-promotion and urban re-imagining through ‘flagship’ projects have become dominant

themes of urban regeneration (Bianchini *et al.*, 1992). As Quilley has noted

There has been a pervasive homogeneity in the models of urban regeneration pursued by Western cities since the 1980s (Quilley, 1999, p. 189).

Waterfront redevelopment and the creation of civic centres and shopping malls are the oft-cited examples (Cook, 2004). Within local contexts, the increasing rent gap in decaying inner-city areas provided opportunities for land-based interests (or the urban rentier class, to use John Logan and Harvey Molotch’s term) to capitalise on exchange value by transforming decaying urban space into a higher and better use (Logan and Molotch, 1987; Smith, 1996). Development projects in this case often tend to take on the form of ‘value-free’ economic growth promoted by the land-based interests or a growth machine (Logan and Molotch, 1987; Molotch, 1976).

The transition from urban managerialism to entrepreneurialism, however, should not be equated with the withdrawal of the state. The ‘speculative construction of place’ under entrepreneurialism entails risks, which are absorbed by the local public sector (Harvey, 1989, p. 7). In fact, according to Harvey

It is this feature of risk-absorption by the local (rather than the national or federal) public sector which distinguishes the present phase of urban entrepreneurialism from earlier phases of civic boosterism in which private capital seemed generally much less risk averse (Harvey, 1989, p. 7).

In other words, public-sector subsidies ensure “private sector manoeuvrability ... especially in areas of high risk” (Healey *et al.*, 1992, p. 218). Throughout the 1980s and early 1990s, both local and central government initiatives to enhance private-sector participation had

a remarkably consistent approach with the promotion of private investment and confidence by both financial pump priming and the removal of constraints (Jones, 1996, p. 205).

The transformation from managerialism to urban entrepreneurialism in countries like the UK is thus government-led, fuelled by local authorities that strive to maintain its limited autonomy in times of centralisation of control by the central government. As O'Toole and Usher argued

Not only has central government remained highly active in promoting and sustaining partnership, but local government, the original object of exclusion, has become increasingly entrepreneurial as it has fought to maintain its position in the public policy arena of economic development (O'Toole and Usher, 1992, p. 219).

2.1 Urban (Re)development in Chinese Cities and Land-based Interests

Cities experiencing their economic transition to a post-socialist market economy are often grouped together and referred to as 'transitional cities'. Debates about transitional cities often concern whether or not they represent a qualitatively different path of urban development. Fulong Wu disapproves this, asserting that

Transitional cities are not themselves a prototype of something qualitatively different from the emerging neoliberal city. Indeed, transitional cities are *variants* of the latter, based on historical and geographical contingencies (Wu, 2003, p. 1337).

This perspective helps us to understand the emergence of entrepreneurial and profit-seeking behaviour of local governments in cities like Beijing, Shanghai and Guangzhou, which compete for inward investment and foster local economic growth while still bound by 'historical and geographical contingencies'.

The real estate sector in Chinese cities has been one of the major growth poles. Since the implementation of reform policies, urban China has made a huge amount of investment in fixed assets. A large share of this investment went into the real estate sector, providing

the conditions for extensive restructuring of urban space. For instance, in Beijing, the real estate investment skyrocketed from 4 per cent of its gross domestic product in 1991 to 25 per cent in 1995 (All-China Marketing Research, 2004; National Bureau of Statistics of China, 2002). The real estate investment as a share of total investment in fixed assets in Beijing also increased, from 13 per cent in 1991 to 40 per cent in 1995, and recorded 48 per cent in 2002 (All-China Marketing Research, 2004). The expansion of real estate investment has also benefited from China's land use reform, which allowed the transaction of land use rights and thus produced a favourable environment for long-term real estate investment. The most important piece of legislation was the 1988 Amendment to the Constitution that officially ratified the transaction of land use rights. The Land Administration Law was also subsequently revised, thus laying the foundation of the land market that used to be virtually non-existent before the reform period (Fang and Zhang, 2003, p. 150). This legislation dictated that landownership still lay with the state, but the right to use would be detached from the bundle of property rights and become subject to transaction through tender, auction or negotiation.

The municipalities' endeavour to attract and increase investment resulted in the strengthening of urban place-making, re-imaging and intense transformation of urban land uses through property (re)development. This endeavour has been enhanced through the process of decentralisation of state power to make economic decisions and to share tax revenues between central and local governments, thus increasing the degree of local autonomy for resource mobilisation and economic planning (Wei, 1996). Through decentralisation, the state control over budget and economic planning became less influential and the sources of investment in the urban built environment have been diversified. For instance, the state budgetary

contribution to the national investment in fixed assets declined substantially from 28.1 per cent in 1981 to 2.7 per cent in 1996 (National Bureau of Statistics of China, 2002, Tables 6-3 and 6-7). The balance was supplemented by the increase in funds 'self-raised' by local governments and locally based enterprises (Wu, 1997, p. 654). The increasing share of self-raised funds in the investment in fixed assets and capital construction "enables new projects to be funded outside state resource allocation" (Wu, 1997, p. 654). The decentralisation has fostered localisation in terms of investment flow. Various fees are now charged by municipal governments upon the use of land and urban infrastructure by enterprises (Wu, 1997, p. 655). The local governments also gained greater control over state-owned enterprises throughout the 1980s and 1990s. The control rights over state-owned enterprises were gradually transferred from their supervisory central government agencies to local governments

By 1994, it was estimated that local governments at various levels controlled approximately 65% of the assets of all state-owned enterprises (China Reform Foundation, 1997; in Li and Lian, 1999, p. 178).

Decentralisation has also led to the intense competition for finite resources among localities, which is more like a zero-sum game, leading to the hierarchical ordering of cities depending on their strength to attract inward investment by both domestic and foreign capital (Logan *et al.*, 1999). This is closely related to the interurban competition among Chinese cities to take advantage of the 'open door' policies and the gradualist state-led absorption of Chinese cities in globalisation processes (Wu, 2001, 2002). The investment structure of Beijing's urban redevelopment projects in the 1990s represents the heavy influence of foreign capital. For instance, due to lack of state funds allocated for Beijing's ODHRP projects, the Beijing municipal

government, and subsequently district governments, encouraged the use of foreign investment. Between 1990 and 1997, 68.1 per cent of total investment in ODHRP in Beijing's inner-city districts came from foreign investment. In Dongcheng district (where the two case study neighbourhoods for this paper are situated), the share was even higher, reaching 84.3 per cent (Luo and Zhou, 1998, p.5).

In the process of implementing reform measures such as decentralisation, local governments under fiscal pressure became more entrepreneurial in the way that reflects the legacy of the party state, combining uniquely with the newly arrived market environments. For instance, Jane Duckett finds in her study of Tianjin's real estate management and commerce departments that

market reform has created opportunities and constraints for officials in these departments that have led them to see business as a viable way of solving their financial and staffing problems (Duckett, 1998, p. 153).

It is argued that this model of state entrepreneurialism emerges as part of "the entrepreneurial activities of state officials aimed at producing profits for their bureaux" (Duckett, 1998, p. 155). Oi (1995, p. 1139) notes that the institutional changes in the reform era "blended the entrepreneurial and governmental roles of local governments", resulting in the use of local administrative bureaucracy to facilitate market production and to fund corporate growth often through preferential allocation. This indicates that, under the increased fiscal pressure, local state activities are becoming entrepreneurial and the local state transforms itself from a regulator of local enterprises to an advocate whose intention is to maximise local interests (Oi, 1995, pp. 1144–1146). The promotion of local interests rather than national interests is a theme which runs through the arguments of other researchers who focus on the way

in which a strong bonding occurs among newly emerging land-related interests pursuing property rights reform to allow the transaction of state-owned land use rights (He and Wu, 2005; Zhang, 2002; Zhu, 1999, 2002). For instance, Zhu (1999, p. 546) argues that ‘informal local urban regimes’ have been established, which “compete for local growth by capitalising on financial gains from urban land and property development”. The informal coalition is said to have emerged as a result of ambiguous property rights under gradual urban land reform that failed to delineate a clear notion of the ownership of land use rights among the land users from the pre-reform period (Zhu, 2002). A similar growth-oriented alliance appears to have formed not only in big cities but also at the level of less-developed counties for the promotion of cross-border economic development zones (Luo and Shen, 2004).

3. Market-oriented, Property-led Redevelopment in the Xinzhongjie Neighbourhood

For this analysis, I take two empirical case studies. These two cases are redevelopment projects in two inner-city neighbourhoods, Xinzhongjie and Haiyuncang, both situated close to each other in Dongcheng district, one of Beijing’s four inner-city districts. The redevelopment of the Xinzhongjie neighbourhood, discussed in this section, corresponds to the market-oriented ODHRP (hereafter the Xinzhongjie model); the redevelopment of the Haiyuncang neighbourhood (discussed in section 4) refers to the revised ODHRP, that is *weigai dai fanggai* (hereafter the Haiyuncang model). Field visits to both neighbourhoods were carried out between 2002 and 2003, which included semi-structured interviews with local officials, neighbourhood committee leaders and local residents. Interviews with developers

were also carried out in 2004. Secondary sources such as local official documents and archival records were also consulted to analyse redevelopment processes in these neighbourhoods.

The case study of the Xinzhongjie neighbourhood redevelopment is discussed here in depth, to enable a detailed understanding of the municipality’s market-oriented ODHRP. This will allow a contrast with the case study of the revised OHDRP for a more vivid understanding of the differences between these two approaches.

3.1 Project Overview

The Xinzhongjie neighbourhood lies just outside the eastern section of Beijing’s, second ring road, situated across the Workers’ Stadium. Its redevelopment was representative of Beijing’s redevelopment practices in the 1990s—that is, market-oriented commercial redevelopment led by both local and foreign real estate developers. In total, 8.5 hectares of dilapidated neighbourhood were initially subject to redevelopment (Dongcheng District Government of Beijing, 2000, p. 330). The total construction space, as envisaged at the project outset by the district government, was 255 000 square metres, leading to an average floor-to-area ratio of 300 per cent. The whole project aimed at transforming the existing neighbourhood into a mixed use, combining residential, retail and business functions.⁵ The neighbourhood was divided into six districts (Districts A to F) and the neighbourhood redevelopment was phased in. The first phase of redevelopment comprised Districts A and D, and lasted about two years from the residents’ displacement at the end of 1999. The completion of the first phase resulted in four high-rise blocks of commercial flats (named the Sun City estate) in Districts A and D whose combined surface area reached 2.3 hectares. The second phase was yet to start as of March 2007 (see Figure 1).



Figure 1. A high-rise block of flats in Sun City estate, Xinzhongjie, Beijing

Source: author's photograph.

3.2 Partnership with Local and Foreign Capital

The work was carried out by an alliance between the local government, local developers and foreign investors who collaborated to execute the project. Homebuyers, who contributed their money through off-purchase of redevelopment flats, could also be regarded as part of the alliance of land-based interests (see Figure 2). Here, the local authority, in a narrow sense, refers to Dongzhimen Street Office that directly administers the neighbourhood's affairs but, more broadly speaking, would also include the district government which was given a more autonomous status in terms of administering the transaction of land use rights. The local representative of foreign investment was China Homes Ltd (hereafter China Homes). The foreign investment itself originated from two overseas investors, one of which was a US-based

insurance company, Prudential Financial, owner of the Bermuda-based PRICOA China (Residential) Ltd. China Homes was a subsidiary of PRICOA China (Residential). The other overseas investor was Tan & Tan Developments Berhad, a Malaysia-based investor. A joint venture was established between China Homes Ltd and a locally based real estate developer (Beijing Zhonghong Real Estate Company Ltd, hereinafter Beijing Zhonghong) in order to carry out Xinzhongjie's first phase redevelopment. This joint venture was named the Beijing Huaju Workers' Gymnasium Real Estate Development Company Ltd (hereinafter Beijing Huaju).

Developers behind the Xinzhongjie project were proud of the overseas investment, advertising in their marketing posters that Sun City realises the lifestyle of other global cities like Paris and Rome. They were also proud to illustrate that the Sun City project was backed by a Fortune 500 company as the major investor. China Homes held a 95 per cent share of the newly established Beijing Huaju in order to take full operational control of the company. Beijing Zhonghong held the remaining 5 per cent, but their role was essential as they held the land development rights, secured from the local government. The joint venture invested at least one-third of the total project costs to meet the minimum investment requirement in accordance with related government regulations. The rest of the project costs were financed through the sales of Sun City flats. The former manager at China Homes commented

Thirty per cent of the total project costs were required to be invested as minimum capital by us investors. This was used for the payment of land premium after the project lands were granted, and also for some upfront construction costs. Two-thirds of the total project costs were then financed by the bank mortgages and downpayment by the homebuyers (former manager at China Homes Ltd).

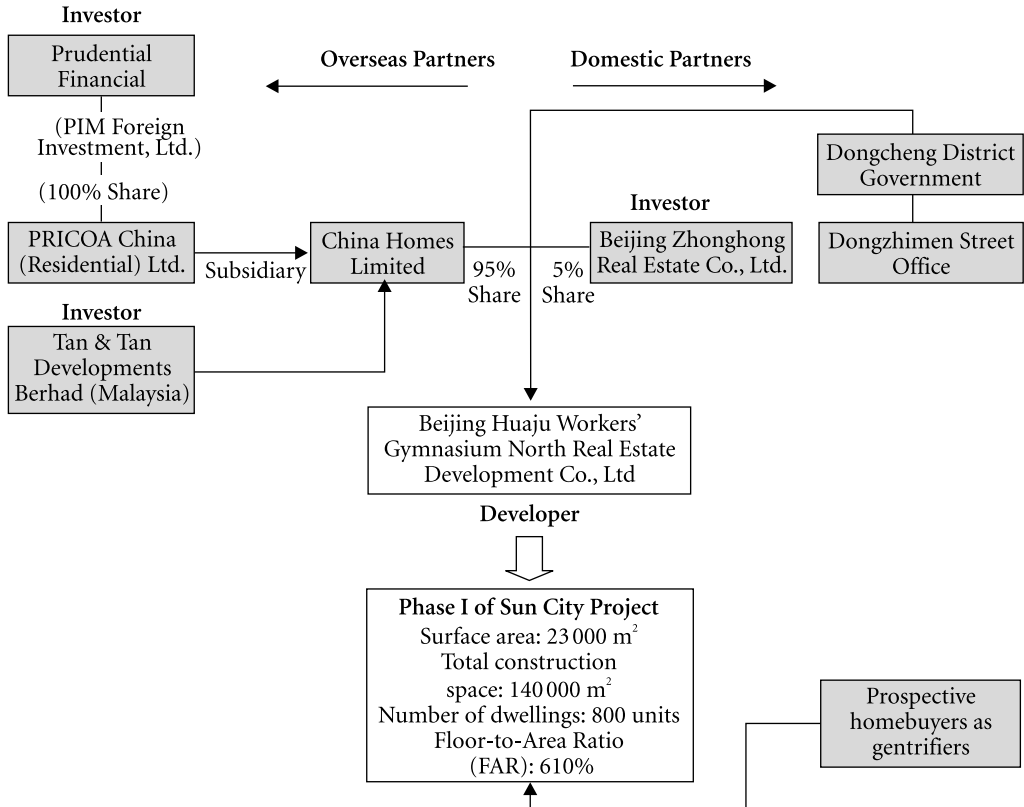


Figure 2. The alliance of interests involved in the first phase of the Sun City project

The land lease in the case of the Xinzhongjie redevelopment was negotiation rather than based on competition through a bidding process. This was typical of Beijing for most of the 1990s. For example, in 1996, only 3.7 per cent of newly developed lands were leased out through tender or auction, while the rest were transacted via negotiation. In major cities such as Beijing, Shanghai and Tianjin, there was no case of tender or auction (Wu, 2001, pp. 276–277). The predominance of price negotiation as a land lease method over tender or auction has led to the arbitrary determination of land value, increasing the risk of land transactions involving arbitrary decision-making and possibly corruption and informal relationships.

The use of foreign investment and the densification led to the changing of the landscape

from a low-rise dilapidated neighbourhood to a high-rise modern estate. Upon completion of the first phase of the redevelopment, the total construction space built on the land parcel of 23 000 square metres reached nearly 140 000 square metres, resulting in a floor-to-area ratio of about 610 per cent. This was much higher than the originally envisaged 300 per cent. The orientation of the district government towards the real estate development and its strong emphasis on the sector for its economic development would explain the preference for a high building density. For the developers, the higher density would result in higher returns on their investment. As for the local authority, the transformation of the neighbourhood provides the basis of an increased tax revenue and proves the competitiveness of its administrative capacity.

3.3 Local Residents' Permanent Displacement

The neighbourhood redevelopment has threatened existing residents' way of life. When old and dilapidated neighbourhoods are subject to market-oriented real estate redevelopment, the majority of existing residents are much more likely to face permanent displacement from their neighbourhoods: the commercially redeveloped flats are unaffordable for them. Developers' commercial interests prevailed, assisted by the local authority. This is exemplified by the Xinzhongjie redevelopment. When the Sun City estate was proposed as the end-product of the Xinzhongjie redevelopment, local officials at the Dongzhimen Street Office projected that only about 10–20 per cent of local residents would be rehoused. Upon project completion in early 2002, a far lower number of residents could actually afford to be rehoused: only about 20 households (or 3.6 per cent) out of the 550 displaced came back for rehousing.

The permanent displacement of local residents was due to the high sale price of the completed commercial flats. Although local residents were given a preferential price, which was one-third less than the average market price, the sale price was still far beyond their reach. For instance, a typical two-bedroom family unit on the Sun City estate would have a construction space of 110 square metres. This would have cost about 600 000 yuan, resulting in the price-to-annual household disposable income ratio of 16 to 1 for an average Beijing household in 2002, and 31 to 1 for a household belonging to the bottom 20 per cent of the income distribution (Beijing Municipal Bureau of Statistics, 2003, Table 9-2). Even if they could afford to purchase a flat by mobilising their available financial resources and/or relying on their social network, the living costs would be too high to sustain long-term residence. Of the 20 rehoused households at Xinzhongjie, it was found that 14 households moved elsewhere within the

next 18 months. Interviews with two of the remaining households suggested that they moved out due to difficulties in meeting the high living costs in high-rise apartments.

As for the permanently displaced households, their post-displacement housing experiences were expected to be conforming to 'market-oriented practices'—that is, either house buying or private renting, as they were left with cash compensation only. This was due to the major change in the compensation method in 1998, which imposed cash-based compensation instead of in-kind compensation. Before 1998, urban households displaced from their neighbourhoods due to redevelopment and land use change were largely given in-kind compensation, which meant that they were provided with a relocation dwelling where they could continue their pre-displacement housing tenure. This practice changed completely in 1998 when the central government called for the termination of all types of in-kind housing benefits. The municipal measure for redevelopment compensation, announced in 1998 (Beijing Municipal Government, 1998), called for the implementation of cash-based compensation. Although the announcement allowed for the provision of relocation dwellings under certain conditions, the dominance of cash-based compensation was what local frontline officials understood. Residents compensated in this way were faced with additional socioeconomic constraints that made it difficult for them to stay in central Beijing as owner-occupiers (see Shin, 2007, for further discussion).

3.4 The Local State as an Enabling Entrepreneur

The experiences of the Xinzhongjie redevelopment showed that Beijing's redevelopment was executed within the policy framework of a partnership with real estate capital (in this case, both local and foreign) for the transformation of dilapidated neighbourhoods

into commercial high-rise estates of much higher building density. Real estate developers and local government made a contractual relationship for the land lease and redevelopment of the Xinzhongjie neighbourhood. The Sun City project was a success from the local authority perspective that opted for the transformation of its built environment into a modern cityscape. The local authority's inadequate financial resources and expertise to manage such a large development in the locality were compensated by the participation of foreign investment through the establishment of a joint venture with a local private developer. To do this, the local authority made use of its business network to bring together domestic and foreign developers.

The Sun City project had favourable conditions such as high density, high sale price, a good location and thus the possibility of high returns to investment, which were attractive for the developers. It exemplifies the formation of a local alliance of land-based interests that brought together the local government, domestic and foreign real estate developers with a stake in maximising development profits. This has become an increasingly common practice in urban China—transforming old neighbourhoods in good locations with a high land value, where high returns to capital investment are promising (Wang, 2003, p. 258). The intense investment in the real estate sector in the 1990s presented opportunities to extract market rents from urban land and dwellings (Wu, 1997). Global inward investment has made a significant contribution to urban restructuring in Chinese cities, facilitated by the institutional and economic reform that enabled revenue generation from selling urban space. The case of the Sun City project in the Xinzhongjie neighbourhood is a typical example of how foreign investment was invited to take part in the city's redevelopment projects. In this process, the 'right to space' of local residents

was taken away to make way for the entry of developers and more affluent homebuyers.

4. 'State Entrepreneurialism' and the Revised ODHRP

Market-oriented urban redevelopment projects in the 1990s received criticisms due to their high development costs that led to high sales price of redeveloped commercial flats and which undermined their financial feasibility (Dowall, 1994). The Planning and Construction Committee of Dongcheng District Government also acknowledged that one-third of the total project cost was due to development-related taxes, while another third was incurred by residents' displacement and relocation (Planning and Construction Committee of Dongcheng District Government, 1998, p. 17). In 2001, four neighbourhoods were chosen as exemplary cases for the official implementation of the revised approach in Dongcheng District. Haiyuncang neighbourhood, discussed herein, was among them, and the other three neighbourhoods were Jiaodaokou-dong, Dongsì and Min-an. The total number of local residents in these four neighbourhoods affected by redevelopment reached 17 814 households (Dongcheng District Government of Beijing, 2002, p. 247). This accounted for 7.6 per cent of registered permanent households in Dongcheng District (p. 355). As mentioned earlier, the Haiyuncang model is used interchangeably to refer to the revised ODHRP.

4.1 Project Overview

In order to implement the Haiyuncang model, the local authorities assumed a more proactive role. The district government transformed one of its bureaus to establish Dongcheng Housing Development Corporation (hereafter Dongcheng HDC) and it was this public agency that acted as the principal developer for the Haiyuncang redevelopment.

Demolition and construction works were contracted out. Local officials claimed that 1.5 billion yuan were spent in total for the project (CCHS, 2004). The project financing was to come from both the local government and residents' contribution (that is, payment for their rehousing flats). The exemption from land use charges, which applied to the construction of affordable housing, also provided the reason for lower prices compared with other commercial housing sales.

The project area for the Haiyuncang redevelopment reached 26.8 hectares (Dongcheng District Government of Beijing, 2002, p. 256). The official notice for residents' displacement and demolition was issued on 18 May 2001. Displacement and demolition works took place within less than 50 days and were praised by the then deputy mayor of

Beijing for being swift. According to information from the Haiyuncang neighbourhood committee, 5319 households in total (12 252 people) were displaced. This also indicated that the average population density of the neighbourhood before displacement was about 45 939 people per square kilometre, which exceeded by far the average population density of Dongcheng District (25 847 people per square kilometre in 2002) (Beijing Municipal Bureau of Statistics, 2003, Table 3-2). The building work took approximately 15 months and the rehousing of the original residents started in November 2002 (Dongcheng District Government of Beijing, 2003, p.260). Figure 3 shows the façade of medium-rise completed blocks in the southern part of the redeveloped neighbourhood.



Figure 3. Medium-rise flats in the Haiyuncang redevelopment area
Source: author's photograph.

4.2 High Rehousing Rate

Rehousing flats were for sales only, thus prohibiting any buy-to-let practices. According to an official at the Housing Management Department of the Dongzhimen Street Office, the sale price of a self-contained affordable housing unit in Dongcheng District was set at a ceiling of 5000 yuan per square metre. This price was also applied to the Haiyuncang redevelopment project. The full price of a completed rehousing flat with a construction space of 70 square metres⁶ would cost approximately 350 000 yuan, equivalent to about 9.4 years' accumulation of an average Beijing household's annual disposable income in 2002 (Beijing Municipal Bureau of Statistics, 2003, Table 9-1). The original residents in Haiyuncang, however, could enjoy discounts by taking into account their working years and the construction space of their original dwellings. In addition, the implementation of the Haiyuncang model was to accompany the provision of long-term loans from the Housing Provident Fund (hereafter HPF) in order to help residents' housing purchase and rehousing. The provision of HPF loans could reduce the affordability pressure for eligible residents, thus increasing the likelihood of rehousing. To qualify for the HPF loans, it was essential for applicants to have a stable job and income. They should also have kept their HPF accounts for at least the preceding 12 months, into which they must have contributed consistently during the last six months (Beijing Ribao, 2003).

The Haiyuncang neighbourhood committee specified that, among the 5319 households displaced from the neighbourhood, 3716 households (10 880 people) were to be rehoused in the neighbourhood upon project completion. This led to the rehousing rate of 70 per cent, which was very high compared with the rehousing rates in other market-oriented redevelopment projects such as the Xinzhongjie redevelopment. Those residents who did not choose the rehousing option

received cash compensation and were to find a dwelling on their own, which included the purchase of affordable housing in a suburban estate outside the north-eastern section of the fifth ring road. The arrangement was made by the Dongcheng district government

Our district government has an affordable housing estate at Tiantongyuan area in Changping district ... Here, we issue a certificate and the residents take it to go and relocate in that area. The sales price is 2650 yuan per square metre ... That's relatively cheap. If you are not satisfied with the place, you can go to other places on your own and choose a house, somewhere in Chaoyang or Daxing. For example, if you are particularly worse off and cannot come back for rehousing, you can relocate to these areas, as the houses there are cheap, but nobody went there. It was too far away (Haiyuncang neighbourhood committee leader).

The high rehousing rate achieved in the Haiyuncang model was seen as a positive feature by local residents. In order to see how much a household would have to pay to be rehoused and how much the same household would have received if it chose cash compensation, I took the example of a Haiyuncang neighbourhood committee leader whose family was also rehoused upon project completion. Her family was a four-person household, which used to live in a non-self-contained dwelling with a construction space of 32 square metres and which was rehoused in a three-bedroom flat with a construction space of around 75 square metres. The total amount her family had to pay reached 130 000 yuan, which was only about one-third of the full price of an affordable housing flat of the same size in Dongcheng district. If her family had chosen cash compensation instead of rehousing, she would have received only about 190 000 yuan, which was far from enough to buy even a one-bedroom affordable housing flat whose minimum space was about 45 square metres.

4.3 Raising People's Degree of Accepting Redevelopment

The high prospect of rehousing in the Haiyuncang model seems to have appealed to local residents. The residents living in Xinzhongjie's second-phase redevelopment area were particularly attracted by this, as they had witnessed in front of their eyes the fate of their neighbours' permanent displacement brought by a more profit-oriented redevelopment. They were in favour of the Haiyuncang model that would allow them a better chance of remaining in the city where all the social services of a high standard were within easy reach. For instance

It should be *weigai* with *fanggai* for us. Here, it was only *weigai* [that is, redevelopment] without *fanggai* [that is, housing improvement]. It was just redevelopment, building commercial flats. This kind of redevelopment is not right. Towards all of us, there should not be any profits involved (54-year-old laid-off female resident).

The best option is to have the *weigai* [that is, the Haiyuncang model in this context]. In the case of *weigai*, all that is required is to pay one hundred thousand-odd yuan. If you ask me to pay more than two or three hundred thousand yuan [that is, in the case of the Xinzhongjie model], that is not possible. I think *weigai* is more considerate for us ... I just hope it's going to be rehousing on site, because I am really well acquainted with this community. I am used to living here. Environment, transport, all very convenient (44-year-old female resident living on income support).

This favourable view was, however, with no clear reference to how they would finance the purchase if rehoused. The 44-year-old female interviewee, for instance, had no member of her family who was in possession of an HPF account and thus was not eligible for the formal-sector loan. For those who were rehoused in Haiyuncang, long-term HPF

loans were arranged for qualified residents, but only about one in two rehoused families received these loans. Just before rehousing started, the district government reported on 7 November 2001 that 1894 applications (that is, about half the rehoused households) from Haiyuncang were approved, the total loan amount reaching 245 million yuan. It was not known, however, how many applicants failed to receive the housing loans. For those not qualified for the HPF loans, residents opting for on-site rehousing would have to resort entirely to personal savings and/or informal loans from family members and relatives.⁷

Resorting to formal-sector housing loans involved commitment to a monthly loan payment that might be beyond one's household income capacity. For instance, the neighbourhood committee leader whose family borrowed 60 000 yuan to pay for her 130 000 yuan rehousing flat, was paying back 600 yuan each month by spreading the loan repayment over 10 years. For a family in Beijing whose income level belonged to the bottom 20 per cent of the income distribution, this would constitute about one-third (37 per cent) of their monthly household disposable income in 2002 (Beijing Municipal Bureau of Statistics, 2003, Table 9-2).

4.4 Reducing the Backlog of Urban Redevelopment

The implementation of the Haiyuncang model has, however, substantially reduced the backlog of urban redevelopment in inner-city districts and near suburban areas, releasing state-owned lands for more profitable and commercial use. Between 1991 and 1995, the total number of residents displaced by urban redevelopment projects in Beijing as a whole reached approximately 100 000 households (Beijing Municipal Government, 1996, p. 272). During the next five-year period between 1996 and 2000, the total number of displaced residents amounted

to about 83 000 households, fewer than in the previous period (Beijing Municipal Government, 2001, p. 279). With the implementation of the new approach as applied to the Haiyuncang neighbourhood, however, the total number of Beijing residents in inner-city and near suburban districts, whose dwellings were demolished due to redevelopment, reached 93 000 households in 2001, which surpassed the number of residents affected by redevelopment during the previous five years (Beijing Municipal Government, 2002, p. 234).

In Dongcheng district, where the Xinzhongjie and Haiyuncang neighbourhoods were located, the official estimate indicates that redevelopment activities as well as residents' displacement peaked in 2001 and 2002 when the Haiyuncang model was being implemented. The total number of displaced residents in 2001 alone amounted to approximately 22 500 households (roughly 65 000 people). The report was proud to state that this figure exceeded the total number of residents displaced during the previous 10 years, implying the efficacy of the new Haiyuncang model of urban redevelopment (Dongcheng District Government of Beijing, 2002). This meant that about 12 per cent of the residents in Dongcheng district were displaced in one year in 2001. As shown in Table 1, about one-quarter of all the formally registered residents in Dongcheng district were affected by the redevelopment projects between 2000 and 2005.

4.5 The Entrepreneurial Local State

Beijing's urban planning guideline aims at reducing overall population density in inner-city districts by approximately 15 per cent by 2010. The completion status of the Haiyuncang neighbourhood indicated that the displacement of existing residents did accompany a reduction in population density of the project area as a whole. According to the summary of the Haiyuncang neighbourhood committee, the total number of residents displaced from the Haiyuncang neighbourhood reached 12 252 (5319 households) with a population density of 45 939 people per square kilometre. Upon completion of the neighbourhood redevelopment, the population density for the project area as a whole decreased slightly to 40 795 people per square kilometre (see Table 2).

A closer examination of each sub-district and its population density, however, indicates that the post-redevelopment residential areas (that is, District A and District D) experienced substantially higher post-redevelopment density. For instance, District D, where medium-rise residential blocks were built on a total surface area of 12.81 hectares (0.13 square kilometres), accommodated 7800 residents (2600 households). This resulted in a population density of 60 890 people per square kilometre. District A turned out to have a much higher density, as high-rise flats were constructed on a smaller land area.

What happened was that rehoused residents were squeezed into a much smaller

Table 1. Scale of residents' displacement in Dongcheng district in Beijing

Year	2000	2001	2002	2003	2004	2005	Total
Displaced residents (households)	3 712	22 500	13 000	2 399	2 949	3 012	47 572
Percentage of all formally registered residents ^a	2.0	12.2	7.0	1.3	1.6	1.6	25.7

^a Based on the 2002 Census result that there were 536 000 people formally registered in the district; the average size of a household in Beijing is assumed to be 2.9.

Source: Dongcheng District Yearbooks.

Table 2. Pre- and post-redevelopment land use details for the Haiyuncang redevelopment

Districts	Number of residents		Surface area (square km)	Density (people/ square km)	Built form
	Households	People			
<i>Pre-redevelopment</i>					
Total	5 319	12 252	0.27	45 939	
<i>Post-redevelopment</i>					
Total	3 716	10 880	0.27	40 795	
District A	1 116	3 080	0.03	98 718	High-/medium-rise; residential
District D	2 600	7 800	0.13	60 890	Medium-rise; residential
District B	—	—	0.04	—	Business/commercial
Public use	—	—	0.07	—	Infrastructure (roads, etc.)

Source: Haiyuncang neighbourhood committee; Dongcheng district government (2002).

neighbourhood as the public housing corporation set up by the district government reserved some of the appropriated lands for infrastructure provision or business/commercial uses. The residents' complaints regarding the substantially increased density were heightened in a recent court hearing that took place on 13 March 2005. According to a local newspaper report, the Beijing City Planning Committee was accused of having tacitly increased the density of four high-rise blocks (Block Nos 1, 4, 6 and 9) in District A by adding one storey without raising the building height (*Jinghua Shibao*, 2005). Homeowners filed a collective law suit against the municipal government, claiming that such design changes were not explained to them and were contrary to what was presented at the time of signing the rehousing contract before displacement.

The reserved land, District B, was then subdivided and leased out by the Dongcheng Housing Corporation to business enterprises and developers, which looked for available lands to provide well-accessed business premises or carry out profitable real estate development in strategic inner-city locations.

The data from the Beijing Municipal Bureau of State Land and Resources indicated that these companies included CapitaLand China (a wholly owned subsidiary of a Singaporean real estate developer, CapitaLand Ltd) and Beijing Mobile Communications. The land use premium seems to have been quite phenomenal. For instance, CapitaLand China signed a contract to lease a plot of 1.47 hectares for business and commercial development and the land use charge paid amounted to 175.8 million yuan, which was equivalent to about 12 per cent of the officially estimated total projects costs of the Haiyuncang redevelopment (*Huaxia Shibao*, 2004). Beijing Mobile Communications had to pay 89.4 million yuan for leasing a plot of 1.25 hectares. Why the land lease was cheaper for Beijing Mobile Communications in comparison with CapitaLand China is not known. It could be because CapitaLand China envisaged mixed use real estate development while Beijing Mobile Communications proposed office development for its own use. It could also be because CapitaLand was a subsidiary of an overseas developer while Beijing Mobile Communications had a

more intimate relationship with the municipal government.

This practice of Dongcheng Housing Development Corporation indicates that it behaved in the same manner as a private developer, making development gains under the guise of the socially more inclusive goals of rehousing original residents. This suggests that the local authority itself turned into a business-oriented entrepreneurial entity that paid more attention to profit and revenue maximisation and relatively less attention to the housing welfare of residents within its jurisdiction. About 1600 households had to be displaced permanently to make way for this profit and revenue maximisation strategy, which involved domestic and foreign capital as well as the local government (see Figure 4). Rehoused residents also became part of the land-based interests as their financial contribution was essential for project

implementation, and they received benefits from property redevelopment.

5. Conclusion

This paper has examined specific instances of change in Beijing’s urban policy employed by the Beijing municipality to implement city-wide urban renewal activities. Urban renewal in Beijing, like in other Chinese cities, has consisted largely of the wholesale demolition and redevelopment of existing dwellings. The Xinzhongjie model discussed in this paper represents the city’s market-oriented ODHRP implemented since the early 1990s, replacing dilapidated dwellings with high-rise commercial flats at the expense of displacing most of the local residents. This commercial approach to neighbourhood redevelopment invoked widespread disapproval among local residents and,

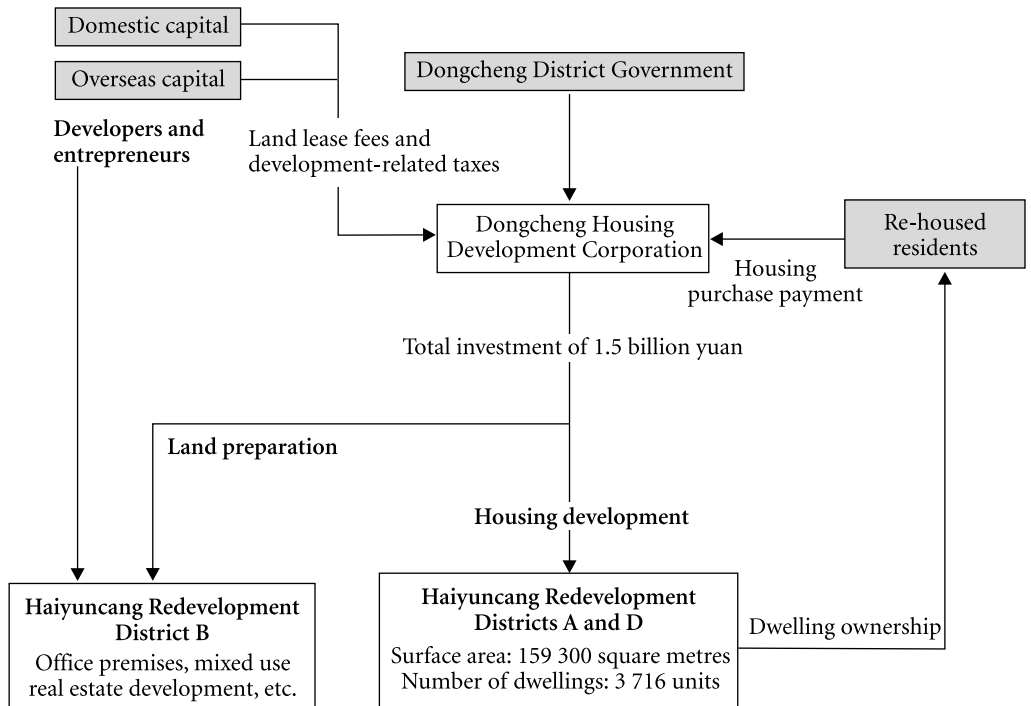


Figure 4. The alliance of interests involved in the Haiyuncang redevelopment project

hence, disapproval of those parties involved in the alliance of land-based interests. The Haiyuncang model, on the other hand, seems to advocate the value of social inclusion at a first glance by providing affordable housing and placing emphasis upon the rehousing of the original residents. In practice, however, it could be interpreted as a way of maximising real estate development activities in the inner-city districts of Beijing. Existing residents were squeezed into a much smaller neighbourhood, while the local district government released the rest of the existing neighbourhood area to market entities searching for strategic inner-city locations in which to build their business premises. The entrepreneurial behaviour of the local state persists and 'state entrepreneurialism' continues to be "an important new dimension of state activity" (Duckett, 1998, p. 153).

In reform China, it is argued that the moral capacity of local governments as social protectors and market regulators is often challenged as local officials are increasingly under pressure to meet the various requests from 'socialist land masters' (that is, *de facto* owners of urban lands) and to achieve local economic accumulation (Hsing, 2006). It could perhaps be this moral imperative that led to the production of the revised Haiyuncang model by the Beijing municipality. The case of the Haiyuncang model shows that the local state maintains its role as an 'embodiment of public interests' but in a very entrepreneurial way that has been consistent for many years. Thus, the moral imperative lures residents to be more receptive to city-wide demolition, making urban land use change more effective and efficient. In mainland China, the pre-reform practice of landownership and land administration was based on the principle of 'socialist people's ownership', which in effect entrusted the rights to control and dispose of urban land to the state as an embodiment of public interests (Zhu, 2004a, p. 1251). The entrepreneurial activities by local authorities

were made possible in the Haiyuncang model largely due to their power to dispose of urban land use rights, which was devolved to the local district government in the early 1990s. Through this power, local authorities remain largely as enablers and facilitators of redevelopment processes.

This leads to the issue of the Haiyuncang model's sustainability in the long term. The Haiyuncang model was realised through the combination of neighbourhood redevelopment with affordable housing programmes. This indicates that local authorities, delegated with the power to administer state-owned urban land, made investment in urban renewal projects by relinquishing opportunities to secure revenues from the lease of land use rights. Various development-related fees and taxes were also reduced to lower the final sale price of the affordable housing units. Whether or not the Haiyuncang model will be sustained in the long term may depend on the sustained commitment of local authorities along this line. What this paper has shown is that this cannot be relied upon. Unlike the pre-reform experience of administrative allocation of urban lands, the transfer of land use rights in market ways provides enormous revenue-raising opportunities for the public sector, helping local governments to pursue their own development programmes. For example, the sales revenue of land use rights in Beijing reached, according to the official statistics, 32 per cent of total municipal government income in 1995 and 21 per cent in 1996 (Li, 1999, p. 196). Urban space like Beijing's inner-city districts nowadays has high development potential, presenting revenue-generating opportunities for local authorities through commercial land lease. Therefore, only those neighbourhoods in less strategic locations for profit generation and business activities are likely to experience more ease in replicating the Haiyuncang model. The problem is that most dilapidated neighbourhoods

are largely concentrated in and around the inner-city districts where the developmental potential has been the highest. This may partly explain why the Haiyuncang model has not been applied to the second-phase development of the Xinzhongjie neighbourhood. Although Xinzhongjie's first-phase redevelopment was completed in early 2002, its second-phase redevelopment had not started as of March 2007. The letter of intent for the second-phase redevelopment was, however, signed on 26 May 2002 between the Street Office and a consortium of the Beijing Zhonghong Real Estate Company and a Hong-Kong-based investment company. The latest account from the developer states that the second-phase redevelopment is to provide a hotel, luxury apartments and commercial premises, strongly suggesting that this project will adhere to the market-oriented ODHRP approach.⁸

To some extent, the Haiyuncang model's sustainability is also influenced by the number of less affluent local residents who cannot make any financial contribution. In the Haiyuncang neighbourhood redevelopment, various forms of preferential treatment were provided by the local government in order to allow substantial price discounts for the rehousing of local residents. These discounts were largely in lieu of cash-based compensation, calculated by taking into account residents' working years and the construction space of their original dwellings. HPF loans were also part of the Haiyuncang model. In order to be eligible for these HPF loans, applicants must have contributed for a certain period, which meant that at least one member of a family needed to be employed by a formal employer in a workplace that operated the Housing Provident Fund. This employer-based system, therefore, bears a serious equity issue (see Lee, 2000, for more discussions). Disadvantaged residents with no secure jobs or those working in underperforming firms without the capacity to make the employer

portion of the HPF contribution would be denied access to the HPF programme and thus denied the HPF loans upon displacement. One in two rehoused families in the Haiyuncang neighbourhood failed to benefit from this housing loan programme, resorting to personal savings and/or informal loans from their relatives or friends. However, for those Haiyuncang families who were not able to finance rehousing costs, there was only one remaining option, which was to take the cash compensation and be permanently displaced from their neighbourhood. About one-third of the existing families went along this path. For these families, the Haiyuncang model was hardly a success.

As shown in this paper, despite the changes in residential redevelopment policies and the provision of affordable housing, the essential dynamic of how redevelopment of dilapidated neighbourhoods takes place in Beijing has remained unchanged and the local state's entrepreneurial nature persists. What, then, does this suggest in terms of the way in which land-based interests come together for the promotion of urban residential redevelopment? In their analysis of Shanghai's experience, Shenjing He and Fulong Wu argue that property-led redevelopment is promoted by pro-growth coalitions between local government and developers, which excludes local residents as a whole (He and Wu, 2005). The experience of the Xinzhongjie neighbourhood redevelopment discussed in this paper also supports this argument. The local government closely collaborated with real estate developers and investors, driving away local residents. The case of the Haiyuncang neighbourhood redevelopment, however, suggests that the geography of pro-growth coalitions has been reconfigured to include relatively affluent local residents. Instead of becoming "the costs of large-scale property-led redevelopment" (He and Wu, 2005, p.16), these residents are invited in the Haiyuncang model to make a financial contribution to

their neighbourhood redevelopment and to buy their position as homeowners in the post-redevelopment reconfiguration of property rights. This does not mean that local residents were more actively involved in the decision-making and implementation processes. The Haiyuncang model only goes as far as involving local residents in the last stage of the implementation process (that is, displacement, relocation and rehousing), which was the norm in China's contemporary urban renewal practices (see Shin, 2008, for further discussions).

In the Haiyuncang model, the local government (as *de facto* landlord) has used its power to dispose of urban land use rights, has contributed neighbourhood land free of charge for the construction of affordable housing and has released part of the existing neighbourhood to market entities. In this process, the risks entailed by urban redevelopment have been absorbed effectively by the local government, safeguarding the interests of real estate capital. Through the implementation of the revised ODHRP, the municipality succeeds in increasing the pace of urban redevelopment of dilapidated inner-city neighbourhoods so that modern flats replace shanty dwellings, business interests gain access to strategic locations in the globalising city and a modern cityscape is achieved for Beijing's preparation of the 2008 Olympic Games. The local government has become more pro-actively entrepreneurial, being closely allied with local entrepreneurs and repackaging redevelopment programmes to win public support by tapping local residents' aspirations to remain in their original neighbourhood and retain their right to stay in their neighbourhood. Therefore, the revised ODHRP model since 2000 has served the interests of a land-based alliance that consists of real estate capital, the local government and relatively affluent members of the local population.

Notes

1. This is based on the total number of permanently registered households in the four inner-city districts of Beijing, which was approximately 787 000 households with the average household size of 3.08 persons per household (Beijing Municipal Government, 1991).
2. The average annual household disposable income in 2000 reached 32 084 yuan in Beijing. For the bottom 20 per cent of the income distribution, it was 19 056 yuan (Beijing Municipal Bureau of Statistics, 2001, Table 19-2).
3. In a national conference on urban demolition and relocation works held in Beijing in October 2001, the Beijing Municipal Bureau of State Land Resources and Housing claimed that 150 redevelopment projects had been started since 1990, of which 48 had been completed to date. The bureau also claimed that the city still needed to implement 164 redevelopment projects, targeting approximately 350 000 households.
4. This paper does not attempt to review exhaustively the different models of urban redevelopment that range from residential to infrastructure provision projects. The paper largely focuses on dominant residential redevelopment models that target Beijing's dilapidated neighbourhoods to shed light on the role of the local state in urban spatial transformation. The two models discussed in this paper are taken as the two most influential models of residential redevelopment in the city.
5. Unless otherwise mentioned, the source of information on the status and progress of Xinzhongjie neighbourhood redevelopment in this sub-section is from the Dongcheng district government news website (<http://www.bjdch.gov.cn/>) and also from the author's interview with a former manager affiliated with China Homes Ltd who wished to remain anonymous.
6. The area of rehousing flats occupied by interviewed households in the Haiyuncang neighbourhood ranged between 66 and 75 square metres. A 70-square-metre flat is therefore assumed to be a typical rehousing flat offered to residents.

7. For instance, one of the interviewed Haiyuncang families consisted of a retired old lady and her disabled son, whose combined monthly income (1080 yuan) came from the minimum living allowance and a small amount of government subsidy from the son's disability. The family was originally entitled to a three-bedroom flat in accordance with her originally registered household size at the time of displacement. Instead of purchasing this flat, the family went for a two-bedroom flat by giving up one bedroom and in return received 90 000 yuan as cash compensation. Their two-bedroom flat with a construction space of 66 square metres was priced at 170 000 yuan after discount. To purchase this rehousing flat, the family used their cash compensation and also received help from the old lady's youngest son and her nephew.
8. What delayed this project and what negotiations took place between the officials and developers would be subject to a further study. Beijing Zhonghong Real Estate Company is the same developer that was behind the first-phase redevelopment of the Xinzhongjie neighbourhood. It may be that this company earmarked the Xinzhongjie neighbourhood for a series of redevelopment projects from the beginning.

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