The Changing Rationale and Interest Distribution of Urban Redevelopment in Shanghai

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Abstract: During the last two decades, urban redevelopment has experienced great transformation and significantly restructured the Chinese cities under the profound influences of neo-liberalism. This study aims to investigate the changing redevelopment practices in Shanghai, and the interaction and interest distribution between involved actors. Firstly, the changing rationale of urban redevelopment in terms of land provision, project financing, and residential relocation is explained. Based on the case study of three redevelopment projects in shanghai: YaoShuiLong (YSL), Zhongyuan LiangWanCheng (LWC), and TaiPingQiao (TPQ), this paper identifies the changing operation mode and the reorganising relationship between participators. After land reform, land administrative allocation system has been replaced by land leasing system, within which the manner of negotiation takes up a major proportion. The financing of redevelopment projects has transferred from government-invested to government-subventionized, and then to enterprises-funded. Relocation compensation manner also changes from on-site relocation to off-site relocation, from in-kind compensation to monetary compensation. Though gradually seceding from direct investment and implementation, the local state is still a powerful actor, insisting the "growth first" approach and facilitating urban (re)development.

Meanwhile, real estate companies actively participate in urban redevelopment and provide potent driving force. With the involvement of profit-seeking enterprises, redevelopment benefit has been unevenly redistributed. Shifting from people-targeted to place-targeted, redevelopment now mainly servers for urban growth and profit making, other than provides decent housing for residents, whose interest share is shrinking. The interactions between the state and market have maintained the balance and durability of the urban growth machine which directly contribute to extensive urban redevelopment and tremendous residential relocation.

1. Introduction

Neo-liberalism can be viewed as a restructuring of the relationship between capital and the state which promotes and normalizes a "growth-first" approach to urban development. Providing an operating framework for competitive globalization, state restructuring and rescaling across a wide range of national and local contexts, the accumulation strategy and market-oriented approaches of neo-liberalism not only prevail in its heartlands, north America and west Europe, but also profoundly affect the urban policies of developing countries (Peck and Tickell 2002). It is claimed that the Third World has entered the "second age" within the post-cold war era of neoliberal globalization, which is characterized by "its re-entry into the protracted process of primitive accumulation" (Moore 2004: 87). Since the ideology of neoliberalism impressively extends its influence from developed capitalist countries to the rest of the world, different countries have seen their path-dependent political economic transformation (Brenner and Theodore 2002). As the major arenas for market competition and economic growth, cities have been identified as the central arenas of neoliberal programs (Smith 2002; Taylor 1995). Cities thus become increasingly important geographical targets and institutional laboratories for various neoliberal policy experiments, e.g. place-marking, urban development corporations, public-private partnerships, new forms of local boosterism, property redevelopment etc., and experience drastic socio-economic and spatial changes (Brenner and

Theodore 2002). It is also identified the neoliberalization of local state which simply follows market logics, and becomes an active partner to global capital, rather than modulating the behaviours of private investment (Smith 2002). Meanwhile, the increasingly neoliberalized policies and practices of urban redevelopment eagerly pursue private investment and value extraction, thus have a preference on seeking short-term returns from subsidized property investment (Weber 2002). Real estate development is thus recognized as "a central driving motive of urban economic expansion, a pivotal sector in the new urban economics", also "a vehicle of capital accumulation" (Smith 2002: 447).

As studies on neo-liberalism suggest, in China, the state, especially the local state is gradually shrinking from direct involvement in urban development. The obligations of local government, e.g. land development, housing provision, urban redevelopment, have partially transferred to the unfledged market. Meanwhile, real estate development as an effective means of capital accumulation and economic growth is providing potent driving force for urban redevelopment. Currently, the redevelopment practices in China are actually following a mixture of state authority logic and market logic, since the legacy of central-planned economy still remains within the gradual market-oriented reform process. To date, a few studies have been done concerning urban redevelopment in China (Abramson 1997; Chan 1996; Dowall 1994; Fang 2000; Leaf 1995; Li 1997; Lu 1997; Wu 2001; Wu 2004). The complicated and transforming urban redevelopment has thus been partially understood under the Chinese context. Relevant studies have recognized the significant changes on land development and housing provision (Li 2003; Wang 2001; Wang and Murie 1996, 2000; Wu 2001; Xie, Parsa et al. 2002; Yeh and Wu 1996; Zhang 2000; Zhu 2004). The mechanism and outcomes of residential relocation has also been explained (Li 2003; Wu 2004). However, existing literature hardly has related these transformations to urban redevelopment practices and explained its changing rationale. Even less is known about the interest distribution between different participators within redevelopment.

Before late 1980s, redevelopment projects were proposed and invested by local state and work units, in some cases with urban residents' input, and were implemented by work units or enterprises affiliated with local state. By now, with the increasing involvement of real estate investors and developers, inner city redevelopment has entered an unprecedented upsurge under the profitable market condition and supply-side favourable intervention by the state. The politic economic transformation in China not only contributes to the changing operation mode and increasing feasibility of urban redevelopment, but also significantly reorganises the relationship and interest distribution between the state, enterprises, and residents. This study chooses three projects: YaoShuiLong (YSL), Zhongyuan LiangWanCheng (LWC), and TaiPingQiao (TPQ) which respectively represent large scale urban redevelopment projects in 1980s', 1990s', and current Shanghai, to illustrate the transformation of urban redevelopment in terms of land provision, project financing, and residential relocation of projects; the interaction and interest shares of involved actors.

2. The changing rationale of urban redevelopment in Shanghai

During the process of urban redevelopment, land provision, project financing, and residential relocation are three essential elements. Within last two decades, the rationale of urban redevelopment in Shanghai has seen significantly changes. This section summarizes the changing redevelopment practices of Shanghai in terms of transforming land provision, project financing, and residential relocation.

2.1 Land provision

From 1950s to 1970s, except for some comparative large-scale projects, such as "*Fangualong*", "*Mingyuan Xincun*", and "*CaoxiBeilu Yanxian*", urban redevelopment was sporadically carried out in the most dilapidated shanty areas in Shanghai. Urban land used for redevelopment was free of charge since these projects were implemented by local government or sitting *danwei* (work units). The deficiency of funding had impaired the feasibility of large scale redevelopment projects. Meanwhile, large amount sitting land users, such as private housing owners, small business, factories and various work units, have also hampered extensive urban redevelopment in the inner city (Zhu 2004). Entering 1980s, some large scale redevelopment projects were proposed by the municipal government. To guarantee the interest of major investors which were work units or enterprises affiliated with municipal or district government, additional urban land was allocated as subsidy to ensure on-site residential relocation and certain extra housing producing. According to *Shanghai Construction 1986-1990* (Shanghai Construction Editorial Board 1991), during the Seventh Five-Year-Plan (1986-1990), Shanghai municipality allocated 273.3 ha urban land for several districts government, of which fifty percent was directly used for urban redevelopment land subsidy. Land subsidy as a major incentive offered by local government had facilitated urban redevelopment in 1980s to some extent.

In January 1992, the contract of the first redevelopment project through land leasing in Shanghai, namely "Haihua Garden" was signed by Shanghai Urban Housing and Land Resources Management Bureau and a foreign-invested enterprise, China Overseas Construction Company (Xu 2004). This company obtained the use right of the 19,790 square meters' urban land in Luwan district by paying certain land leasing charges through negotiation. This project demolished 26,000 square meters' building, of which 20,000 square meters were shanties and old-fashioned *lilong* (alleys) housing, redeveloped multi-storeys modern apartments (Shanghai Construction Editorial Board 1996). The commercial running of this project effectively resolved the problem of financial deficiency and provided a paradigm for urban redevelopment through land leasing. Since then, foreign and domestic real estate developers began to actively participate into land market and urban redevelopment projects in Shanghai. In 1992, 201 plots comprising 20.10 square kilometres' urban land were leased; within the Eighth FYP (1991-1995), 1166 plots comprising 92.14 square kilometres' urban land were leased; while within the Ninth FYP (1996-2000), 1109 plots comprising 22.02 square kilometres' urban land were leased (Shanghai Construction Editorial Board 1996; 2001).

Basically, real estate developers can obtain urban land use right through negotiation, biding, and auction. However, until recent years land leasing through negotiation takes up a great proportion, which inevitably contributes to inefficient land use and corruption. To increase the transparency of land market and adopt marketized operation, Shanghai municipality published a tentative regulation in July 2001 which required land leasing for six business running types of land-use adopting public biding or auction. In May 2002, the Ministry of National Land Resources published No. 11 document titled *Regulation of land leasing through biding and auction* which required that land leasing for commercial, tourism, recreational and 'commodity housing' development etc. purposes must adopt biding, auction, or other open transaction. This document was called "a new round of land reform". However, after then land-use for work units, urban redevelopment projects claimed by municipal government, important municipal projects etc. can still enjoy the privilege of negotiated land leasing in Shanghai. In August 2003, the bureau of housing and land resources management in Shanghai announced that land leasing for all redevelopment projects, including those claimed by government must adopt public biding. Since the requirement of public bidding and auction normally increases the land leasing cost by 30-50%, the district government tries to help real estate developers bypass the policy. Before this announcement was officially published, many districts government have swiftly leased out most of these urban land through negotiation (Xu 2004). In order to fundamentally stop improper negotiated land leasing, in March 2004 the Ministry of National Land Resources and the Ministry of Supervision published another document titled *Announcement on execution and supervision of land leasing through bidding and auction* (No. 71 document). This document required that before 31st August 2004, all of the remaining problems concerning negotiated land leasing must be resolved. Land leasing for profit-making purposes through negotiation must be strictly prohibited afterward. 31st August 2004 is supposed as a deadline for improper negotiated land leasing, for speculative and corruptive practices in real estate development. However, to what extent this regulation can effectively stop covert land transactions is still unknown.

(Table 1 here)

2.2 The financing of redevelopment projects

Within a very long period from 1949 to early 1980s, urban redevelopment was regarded as the responsibility of the state and work units, to rebuild the dilapidated areas, to improve urban infrastructure, and provide decent housing for urban residents/employees. Generally, the investment was from the financial budget of the government, especially for the redevelopment projects of public interests, e.g. constructing city roadway, public green spaces. In the cases of work units' investment, government also provided certain supports, for example offering land and financial subsidy. These redevelopment projects were normally small scale, since they were not aiming at profit-making and the capital sources were limited. Some comparative large-scale redevelopment projects proposed as "important municipal construction projects" were also mostly invested by the local government.

During Seventh FYP (1986-1990), besides local government's financial allocation, various financing strategies were adopted in different districts (Shanghai Construction Editorial Board 1991).

- ***Jizi Zujian*** means raising money from different channels. Redevelopment capital was raised from sitting work units, outside work units, municipal and district government. After residents were all relocated, surplus housing belonged to the invested work units. To guarantee the proportion of extract housing was no less than 40%, municipal and district government provided land subsidy.
- ***Lianjian gongzu*** mainly invested by work units and partially by residents, and accepted subsidies from government. In these areas, most housing was public-owned before redevelopment. The rebuilt housing was sold to residents with partial property right. Surplus housing belonged to the invested work units.
- ***Minjian Gongzu*** In those areas where private-owned housing concentrated,

residents and employees invested in redevelopment projects under the organizing of district government. They also accepted financial supports from work units and government.

• ***Shangpingfang Jingying*** means developing commodity housing. In these projects, original residents were off-site relocated, and provided better housing. Commodity housing was built and sold to cover the construction and relocation costs, in some cases can even produce net interest. The strategy of commodity housing development has resolved the problem of fund deficiency to some extent.

Though various financing strategies have been tried in 1980s' Shanghai, municipal and district government were still the major investors for urban redevelopment. Marketized operation has not been adopted. As a result, the investment amount was very limited, and has seriously restricted the progress of urban redevelopment.

Since late 1980s and early 1990s, land reform and housing privatization has facilitated the development of real estate market. Through leasing land to domestic and foreign real estate developers, redevelopment projects thus absorb substantive investment, which fundamentally solved the problem of fund deficiency. The financing of urban redevelopment projects becomes diversified, large scale redevelopment thus becomes possible. As real estate development has an extraordinary significance for current urban redevelopment, looking at its capital sources and relevant policies will be instructive for our understanding on the financing of redevelopment projects.

· **Loan as an important investment source**

Land and capital are two elements for real estate development. The establishment of land leasing system has laid down the foundation for real estate development. Loan also provides an important capital source for real estate investment and property consumption. With the sources of real estate investment becoming more and more diversified, the proportion of loan has significantly decrease compared with early 1990s. Even though, loan still plays a crucial role in China's real estate industry.

Figure 1 shows that real estate investment from domestic loan has been dramatically increasing since 1999. As shown in table 2, the proportion of loan from domestic commercial banks within total real estate investment in Shanghai has increased to 41.4% in 2003. The personal housing purchase loan also takes up more than 50% of the commodity housing sale amount in last two years.

(Figure 1 here)

(Table 2 here)

Since loan policy can markedly affect real estate development, it is thus adopted as an effective financial leverage by the government. To prevent bubbles created in the "overheated" real estate market, in June 2003, the People's Bank of China published No. 121 document titled *An announcement about intensifying the management of real estate development loan services*. This document increases restrictions to real estate developers and individuals who wish to apply loans. Some small real estate companies and real estate projects without required procedures are not qualified for applying loan. Individuals who wish to purchase more than one housing unit have to pay higher interest for the loan. Under the requirement of No.121 document, the percentage of governable self-raised capital of developers should increase from 20-30% to 40-50%. Great concussion was thus brought to the real estate development all over the country.

- **Personal housing consumption: mortgage loan and housing provident fund**

Since housing reform, the local government and work units have gradually seceded from housing provision. Currently, personal housing consumption has a great contribution to real estate development in China. Attempting to make private home ownership available to larger segments of the population, mortgage loans is provided to individuals intended to purchased commodity housing. Before 1998, mortgage loan for real estate development was mostly offered to developers. In 1998, the central state published No.23 document to announce the abolishment of work unit housing allocation system, and introduce market provision system. The People's Bank of China also published a document titled *Personal housing loan management measure*. Since then, the proportion of personal housing purchase mortgage loan swiftly increases. Recently, Shanghai municipality also adopts a partially exempting interest policy for middle- to low- income households who apply for housing purchase mortgage loan. Within June 2003 to June 2008, those households whose annual income is lower than certain standard can enjoy 10-15% interest off when apply mortgage loan to purchase certain comparatively lower standard housing.

Housing provident fund is another important capital source for personal housing consumption. The idea of provident fund was first developed in Shanghai based on Singapore's experience, then introduced to many Chinese cities to ensure that both employers and employees in public-sector make a monthly contribution to employees' saving accounts for housing purpose (Wang 2001). The rate and date of monthly saving may vary between different work units according to their financial situation. By now, the provident fund system has been adopted in most public-sector work units, collective-owned enterprises, private enterprises, and even some jointed-venture or foreign-invested enterprises throughout the country. This system helps to shift the housing provision from employers to the market. In April 1999, a housing provident fund management regulation was published by the State Department of PRC to standardize the development of provident fund system. In March 2002, the State Department announced a revised version of provident fund management regulation to update and improve the system. Meanwhile, a national-wide supervision and management information system of housing provident fund has been developed. In October 2004, the Ministry of Construction also published a tentative management regulation for this information system to guarantee its safe and effective operation.

2.3 Residential relocation

Demolition and relocation policy in China has changed a lot during the last decades.

Residential relocation was once the most important objective of urban redevelopment. Right now, as redevelopment has changed from residents-centred to place-centred and profit-making-centred, residential relocation is only a means or a process to realize redevelopment.

- **From on-site relocation to off-site relocation**

Before 1990s, most redevelopment projects adopted on-site relocation, expect for infrastructure construction projects and those projects adopting commodity housing developing strategy. After redevelopment, residents were relocated to the rebuilt housing on original sites by work units or district government. Normally residents who used to live in public-owned housing only possessed the use right, or partial property right of their new housing, which restricted them from transferring or selling the housing. They might also be subject to charges for the extra floor area in their new housing. With the demands of redevelopment expanding, and real estate developers participating into urban redevelopment, the problem of on-site relocation emerged. The requirement of providing temporary housing and onsite housing compensation to residents greatly impaired the feasibility of redevelopment projects (Dowall 1994). On the one hand, the local government did not have the capability to implement extensive redevelopment. On the other hand, developers were reluctant to carry out redevelopment projects requiring on-site relocation since profits can barely be made. Therefore, on-site relocation was no longer a compulsory requirement for redevelopment projects. Adopting off-site relocation, the developers can develop high value-added property on the original sites to obtain high profits. The progress of urban redevelopment thus speeded up since then. Through the redevelopment process, the profiles of traditional old urban neighbourhoods have changed significantly. Low-income residents have been replaced by the middle to high income households who can afford the high price of luxury apartments, or the high-end commercial facilities and office buildings. As for the residents who have been relocated to outer areas, they are deprived of convenient access to facilities, community attachment and social networks.

- **From in-kind compensation to monetary compensation.**

In June 1991, the first regulation on urban housing demolition and relocation was published by the State Department of PRC. This regulation allowed in kind compensation and monetary compensation, while the former as major compensation manner. While in those cases when relocated residents are tenants instead housing owners, only in kind compensation is applicable. Mostly, developers were required to provide corresponding housing for the relocated residents. Lots of new houses were built in the suburb, second-hand housing were bought from property market to accommodate the relocated residents. Comparatively, in-kind compensation is time-consuming as lost of argument might happen when residents are not satisfied with the relocated housing. Moreover, since extensive redevelopment is carrying out, available housing even in the suburb becomes more and more deficient and expensive. In November 2001, a new regulation encouraging monetary compensation, replaced the old one. The adoption of monetary compensation aims to increase the feasibility of urban redevelopment and provide more housing choices. The new regulation indicates that the evaluation of housing compensation should base on its location, function and construction area. However, the compensation is usually far too little for the original residents to purchase housing in the redeveloped areas. In most inner city redevelopment projects, residents' returning rate is very low, even zero. With the housing prices keeping rising in Shanghai, the compensation for relocated residents are even not enough to purchase housing within a reasonable distance to the city centre. Many residents would rather choose in kind compensation. In practice, demolition companies mostly offer monetary compensation, while also offer small amount of in kind compensation as alternative.

- **From household size-based compensation to floor area-based compensation**

The relocation compensation standard was once based on the household size. The average floor area per capita in Shanghai is comparatively low, which was only 6.7 square meters per capita in 1991. The compensation amount equals to the number of family members multiply compensation standard (certain amount of area or money per person). Therefore, the household size-based compensation has helped to improve the average housing condition for residents. However, some residents have taken advantage of this policy by adding their relatives who are not actually live in the same housing into the name lists of their households. Although making a false report on household size is not allowed, many residents still managed to do so through different channels. Within a short time before redevelopment, the population of the redevelopment areas normally increased 20%. In some cases where housing area was less than ten square meters, the household size might be even more than ten. To prohibit these speculative behaviors, the new demolition and relocation regulation published in 2001 discarded the household-based compensation, and suggested a floor area-based compensation manner. In October 2001, Shanghai municipality also published No.111 document titled *Detailed rules of Shanghai urban housing demolition and relocation management*. Until May 2002, all districts and counties have set up their respective standard of relocation compensation. The compensation standards of 18 districts and countries are floor area-based, only one district (Jing'an) is household size-based. In practice, majority of redevelopment projects have adopted floor area-based compensation. While in some cases when average housing area per capita is extremely low, household size-based compensation is adopted to improve residents' housing condition.

- **The operation of demolition company**

Noticeably, local government, especially district government is always responsible for the demolition and relocation process, since demolition and relocation fee is included in the land acquisition fee submitted by developers. The first regulation of demolition and relocation suggested that the local government should arrange unified demolition and relocation if possible, or consign it to other qualified demolition organizations. The new regulation has cancelled unified demolition and relocation, but the local government is still accountable to assign it to qualified demolition companies which are normally under the direct administration of municipal or district government. As demolition and relocation fee takes up the majority of land acquisition fee, its calculation is normally based on the location and area of redevelopment site, the quality of buildings, the property prices, the amount of relocated work units and households etc. However, the calculation standard is always vague and “flexible”. Usually, certain amount of capital is given to the appointed demolition company to carry out demolition and relocation. These demolition companies are mostly very familiar with local district. Many of these companies may also engage in real estate development, they can either offer monetary compensation or in kind compensation by providing housing developed by themselves or purchased from the market. Pursuing high profits, demolition companies will try to squeeze the compensation for relocated residents to increase their shares.

3. Three redevelopment projects within the last two decades

3.1 Brief introduction on the three projects

· **YaoShuiLong (YSL) redevelopment project**

Until the end of 1970s, there were still 4.50 million square meters’ shanty areas in the inner city of Shanghai. The urban housing was extremely deficient and dilapidated. In 1980, Shanghai municipality proposed a plan to redevelop 23 blocks’ dilapidated areas comprising more than 120,000 households, 3.31 million square meters’ dilapidated buildings, known as “23 blocks redevelopment scheme”. The major operating agents were district government. While the municipal government provided land subsidy, financial support, and transitional housing. From 1986-1989, 117 ha urban land was allocated to district government to ensure that the proportion of net housing producing (exclude the housing built for relocated residents) was higher than 40%. The municipality invested 0.42 billion Yuan for the redevelopment projects. 330,000 square meters’ temporary housing were also provided for relocated residents until they moved back to the original sites (Shanghai Construction Editorial Board 1991).

YaoShuiLong, Zhujiawan, Panjiawan, and Tanziwan together were called "Sanwanyilong" (meaning three bays and one alley), one notorious shanty area in Putuo district. "YaoShui" means chemical solution in Shanghai slang, "Long" means alleys. Literally, YaoShuiLong (YSL) was alleys with chemical plants. It was the worst area in "Sanwanyilong", concentrated with dilapidated shanties along the extremely narrow alleys and poor migrant worked for the pollution chemical plants. In 1985, YSL redevelopment project was proposed as an important project of "23 blocks redevelopment scheme", and implemented by the housing and construction bureau of Putuo district. After redevelopment, a modern residential complex with high-rise and multi-storey buildings were built in the 10.6 ha site, the name "YaoShuiLong" was also changed to "Changshou Xincun" (meaning long life new village). This project was known as a famous "shanty fighting" redevelopment project in 1980s, by successfully redeveloping the notorious shanty area (Shanghai Urban Planning History Editorial Board 1999).

(Figure 2 here)

· **Zhongyuan LiangWanCheng (LWC) redevelopment project**

In early 1990s, the average floor area of 300,000 households in Shanghai was still below 4 square meters per capita, of which 30,000 households was blow 2.5 square meters per capita. In 1992, a scheme aiming to redevelop 365 ha shanties and dilapidated areas before 2000 was officially proposed, known as "365 redevelopment scheme". To insure the accomplishment of this scheme, the municipal government has issued three documents in 1996, 1997, and 1998 respectively to facilitate the redevelopment projects. These documents exempted or decreased various administrative charges and land use charges for "365 scheme" projects; allowed developers paying the land leasing costs by instalment. In 1998 the government even provided 900 Yuan per square meter's subsidy to developers to redevelop the uncompleted 125 ha shanties and dilapidated areas. The total government financial input for the scheme was 1 billion Yuan. Moreover, to facilitate the participation of private developers, many redevelopment projects with extremely high construction density have been approved. Till the end of 2000, the scheme was successfully accomplished. 27.87 million square meters' buildings were demolished, 640,000 population were relocated.

Zhongyuan LiangWanCheng (Zhongyuan is the name of the developer, LiangWanCheng means "city of double-bays") was one prominent project of "365 scheme", also the biggest shanty area redevelopment project in Shanghai. Developed by subordinated real estate development company of Zhongyuan Group (COSCO: China Ocean Shipping Co.), LWC project has successfully transformed the 49.5 ha shanty areas into 32 high-rise modern condominiums. On August 2004, the fourth part of the project has been accomplished and entered the property market. LWC project has a great demonstrating effect on the other projects of "365" plan. Diminishing the last large-scale shanty area in Shanghai, this project was highly praised by the municipal government, and was deemed as an important redevelopment project for public interests. Actually, LWC project not only successfully re-images the derelict urban area, but also obtains great commercial profits through high density real estate development.

(Figure 3 here)

· **TaiPingqiao (TPQ) area redevelopment project**

In 1996, the tasks of "365 scheme" in Luwan district (one of the busiest and oldest inner city districts of Shanghai) have been basically accomplished. However, the tasks of redevelopment were still very arduous. Luwan district government was thus looking for chances to promote old-fashioned lilong (alleys) redevelopment. A quarter of the old alleys in Luwan district were concentrated in Taipingqiao (meaning peace bridge) area, which thus became a focus of redevelopment. Immediately to the south of Huaihai road, one of the most prosperous commercial streets in Shanghai, the TPQ area has great potential for property development. In May 1996, Luwan district government and Shui On Group, a Hong Kong based construction and real estate development corporation, signed an agreement on cooperation in TPQ redevelopment projects, which aimed at promoting the redevelopment of this area through real estate development.

The 52 ha TPQ area comprises 23 residential blocks and more than 25,000 households. The redevelopment of the whole area was expected to be accomplished within 15 years. The project consists of four parts (figure 3): a mixed development zone comprising commercial, entertainment and tourism facilities, food and beverage services with historical and cultural characteristics, of which Shanghai Xintiandi (meaning new heaven and earth) is an integral part; the “international corporations headquarters” zone consisting of office buildings for major national and international corporations; a high-quality residential complex zone with a pleasurable “green” environment; and a mixed shopping, entertainment and commercial zone, complementing the neighbouring “Yu Garden” and “DaShiJie”, which are Shanghai’s well-known traditional recreational and retail establishments. The success of Xintiandi has significantly raised the reputation and property prices of TPQ area. Although the redevelopment of TPQ is still in progress, it has become one of the most eye-catching projects in current Shanghai.

(Figure 4 here)

3.2 The changing operation mode

Since 1980s, the rationale of urban redevelopment has changed a lot, this section investigates the changing operation mode of the three projects in terms of land provision, project financing, and residential relocation.

· **Land provision**

YSL was first formed in 1920s-1930s. Since 1950s, sporadic housing improvement and rebuilt have been taken place in this area. However, the infrastructure and sanitary condition were still very appalling. Residents were eager for redevelopment. When YSL redevelopment project was eventually proposed in 1985, it accepted great supports from the municipal and district government as a project serving for public interests. This project was taken charge by the housing and construction bureau of Putuo district, which late was transferred into a real estate company, Zhonghuan Group. There was no land transaction in this project since the redevelopment agent was governmental organization. Urban land for constructing relocated housing, and temporary housing for original residents were also provided by the local government. In sum, land grant and land subsidy were offered in YSL project.

Similar to YSL, "LiangWan YiZhai" (the former name of LWC)—Panjia Wan, Tanzi Wan, and Wangjia Zhai (meaning two bays and one housing) was a notorious shanty area in Shanghai before redevelopment. In late 1990s, affected by Asian economy crisis, the real estate market in Shanghai was in its downturn. Therefore, many real estate developers were reluctant to take charge of the large scale redevelopment project of LWC at that time. Till the end of 1997, Putuo district government eventually signed a contract with COSCO to redevelop the "LiangWan YiZhai" area. As a part of the "365 scheme", LWC project was exempted from various administrative charges and land use fee, and even accepted direct financial subsidy. Furthermore, an extremely high density development design along the waterfront of Suzou River was also approved for the LWC project. During the period of "365 scheme", under the pressure of municipal government, redevelopment has become a political task that must be accomplished by all means. Although real estate development was adopted as a strategy to facilitate redevelopment, LWC project actually inherited the legacy of land allocation system, obtaining the land use right for free.

Comparatively, TPQ area had a better profile before redevelopment. Attracted by its great potential for high-end property development, Shui On Group managed to obtain the development right of the 52 ha TPQ area from Luwan district through land leasing. Shui On adopts a gradually developing strategy in this complex redevelopment project. It was planned that 2 to 3 blocks in this area will be redeveloped every year. Since the contract for every sub-project will be signed separately, the corresponding land acquisition fee actually varies. The leasehold is 50 years, and will commence from the date when demolition and relocation in each individual sub-project is accomplished. In 1998, 6 blocks in TPQ area including two blocks of Xintiandi project were leased out through negotiation. The land use fee was assessed based on the prices set down by municipal government which will be adjusted every three years. It is said that these land will be leased through openly bidding or auction later (interview with Mr Xu, a planning officer of Construction Committee in Luwan district on 3rd March 2004).

· **Project Financing**

Directed by the bureau of housing and construction in Putuo district, the financing of YSL project was come from three channels: investment from work units, *Lianjian gongzu* (as stated above, mainly invested by work units and partially by residents, accepting supports from government), and investment from government to provide relocation housing (Shanghai Urban Planning History Editorial Board 1999). Similar to other redevelopment projects carried out in 1980s, the financing source of YSL project was mainly from work units and government, absorbing partial inputs from residents. The housing problems of residents were still solved by work units and government, instead of real estate market, since an open real estate market has not been well developed.

After 1992, urban redevelopment in Shanghai has begun to take up investment from real estate industry. Most projects of “365 scheme” also sought to attract real estate development as a financing strategy. Shanghai COSCO SALIM Group Ltd., COSCO Development Ltd., and COSCO LiangWan Ltd. were the joint investors of the redevelopment project of LWC. Besides the directly invested capitals from the three companies, the investment of LWC project was partially from loans, and partially from the stock market as one of the investor COSCO Development Ltd. is a listed company. Since late 1999, LWC has become one of the bestsellers in Shanghai's property market, large amount housing purchases through mortgage loans thus also have a great contribution to the financing of LWC project. Furthermore, the No. 33 document published in 1998 by the municipal government also provided 900 Yuan per square meter's subsidy to LWC, which was part of the remaining 125 hectares shanty and dilapidated areas included in "365 scheme". Exemption of land use fee and financial subsidy from government plus divers financing channels greatly contribute to the success of LWC.

In TPQ project, Shui On is the principle investor. Fuxing construction developing Ltd., a subordinated real estate development company of Luwan district government, is a nominal partner of Shui On, contributing 2-5 percent investment in the project. The participation of Fuxing was because there must be a local participator in the "foreign" invested project under the demand of policy at that time. It is estimated that 25 billion Yuan (about 3 billion US dollars) will be invested in this project (interview with Mr Li, an officer of planning bureau in Luwan district on 17th February 2004). The financing of TPQ project has abolished government involvement, and successfully attracted overseas funds. On June 2003, Mainland China and Hong Kong signed an agreement titled *Closer Economic Partnership Agreement* (CEPA), which reduced the restrictions on real estate investment, and allowed investors from Hong Kong independently providing real estate development or related services. The publication of CEPA further facilitates the development of Shui On in mainland China. In February 2004, Shui On Group successfully attracting investment from several prestigious international and local real estate and private equity investors, including ERGO Tru Asia Limited, Metro Holdings Limited, CitigroupVenture Capital International Asia Pacific, Ocean Equity Holdings Limited, Value Partners Funds, Standard Chartered Bank, Shanghai Hotel Investments Limited, and Jebsen & Company Limited, established a flagship property company named Shui On Land

Limited, which was valued at nearly one billion US dollars at its formation. Two famous redevelopment projects, RuiHong Xincheng (Rainbow City) and TPQ redevelopment project have been infused into the new developed Shui On Land Limited.

· **Residential relocation**

Within YSL project, 75 work units and 3581 households have been relocated, within which more than 2000 households returned to the redeveloped site. The rest residents were relocated to Pudong district. A brand-new residential area with 10 high-rise building and 23 multi-storeys building was built up. Residents could choose to move back to the rebuilt neighbourhood by investing in the redevelopment project or by paying extra costs of the enlarged housing. Other residents were also allocated better housing in Pudong. In general, most people were satisfied with the relocation results. This project was deemed as a great achievement of Putuo district government by transforming the image of "YaoShuiLong" and improving residents' living conditions, also as an epitome of the "drastic changes" happening in post-reformed Shanghai.

Different from other real estate development projects adopting gradual developing strategy, LWC invested 2.38 billion Yuan in the first stage to implement the demolition and relocation of the 49.5 ha "Liangwan Yizhai" area. The residential relocation process of LWC project was very swift since people lived in the shanty areas were very eager to improve their housing condition. 274 work units, 10,500 households were relocated within less than a year. Demolition and relocation was taken charge by the demolition company affiliated with Putuo district government. In kind compensation was adopted as the major compensation manner. Most residents were relocated to other places in Putuo district or nearby Baoshan district and Jiading district. There were also some residents managed to purchase new housing in the redeveloped site. As another large scale shanty-clearance movement after YSL, LWC has successfully improved more than ten thousand households' living condition and re-imaged the dilapidated urban landscape. In general, the relocation process was very smooth and relocated residents were satisfied.

Since TPQ project comprises accomplished, ongoing, and intact sub-projects, their situation of residential relocation varies. Within the two projects of Xintiandi and Taipingqiao Park, residential relocation was very swift and efficient because both projects were proposed as presents contributed to the 80th anniversary of the establishment of Chinese Communist Party in 2001, and thus accepted extra attention and priorities from the local government. According to some former residents of TPQ area, comparatively high standard compensation, e.g. free property rights for residents who used to live in public-owned housing, and increased floor area without extra charge, have been offered to relocated residents. The relocation of 1950 households in Xintiandi was accomplished within half year. In Taipingqiao Park project, more than 3800 households and 156 work units were relocated in only 43 days, which has created a record in the relocation history of Shanghai (Xu 2004). Most of relocated residents in these two projects were offered in kind compensation. At present, monetary compensation has been adopted as the major compensation manner in TPQ. In a redevelopment site of the TPQ project where residential relocation has been carried out for more than one year, only 60 percent of residents have moved out. The compensation standards set up by the government for relocated residents have barely increased compared with that of Xintiandi in 1999. However, according to Chinese national statistical bureau, the average housing price in Shanghai has reached 5118 Yuan per square meter in 2003, the increasing rate is 24.2%. It was the first time that the average housing price in Shanghai exceeded Beijing and became the highest in the country (excluding Hong Kong and Macao). Although in certain cases, the actual compensation is higher than the standard (interview with Mr Chen, the manager of a demolition company on 20th February 2004), it still can hardly resolve relocated residents' housing problems, due to the continuously increasing housing prices and the deficiency of affordable housing. As a result, the feasibility for the ongoing TPQ project is impaired since the residential relocation process is stuck.

(Table 3 here)

3.3 Reorganised interest distribution and interaction between involved actors

- **Reorganised interest distribution**

Within the YSL project, the main involved actors included municipal and district government, invested work units, demolition and construction company affiliated with local government, and residents. Basically, the relationship between local government and residents was comparatively simple, since it was a project mainly served for the public interest without the involvement of profit-making enterprises and market operation. At that time, eliminating shanty areas and improving housing conditions were still considered as part of work units' and local government's responsibility, since most residents in the shanty area could not improve their living condition by themselves. Provided with on-site relocation and better housing conditions, most residents were totally satisfied with the redevelopment results. The project also raised the prestige of local government. Although developing commodity housing as a financing strategy was adopted in other projects of "23 blocks redevelopment scheme", district government or work units were still the principal participator. Moreover it was realized through land subsidy offered by municipal government.

"365 scheme" was another large-scale shanty-eliminating plan proposed by the municipal government in 1990s. As mentioned above, through offering favourable policies, e.g. exempting various administrative charges and land use fee, providing financial subsidy, the government invited real estate developers into this scheme. In LWC project, the local government provided urban land and certain financial subsidy, while the developer provided investment and reconstructed the large-scale shanty area. LWC thus can be deemed as a cooperative project with the inputs from both local government and enterprise. Residents' situation was similar to the case of YSL, they have all received better housing through in-kind relocation, although the returning rate was extremely low. Due to its particular location (waterfront of Suzhou River, close to city centre), LWC now has become one of the bestsellers property in Shanghai. It was elected as the most popular property of Shanghai in 2002. In August 2004 when the fourth part of LWC came into the market, people even queued for several days to purchase the new housing. Benefited from the continuously raising housing prices, the developer, COSCO is harvesting a windfall from this project. Putuo district government also built up a good reputation for successfully accomplishing the political task of “365 scheme” and redeveloping the biggest shanty areas.

In TPQ project, improving residents’ housing condition was not the major objective. Actually Luwan district government has a high expectation on revenue raising and urban re-imaging through redevelopment. Within this large scale redevelopment project, Shui On also adopts a particular strategy to produce high profits. Xintiandi and Taipingqiao Park were developed as the flagship projects to re-image the entire area and raise the property prices. At the early stage of TPQ project, in order to accomplish the two projects of Xintiandi and Taipingqiao Park swiftly, flexible compensation standards were applied to relocated residents. According to a former resident of *Lanxingli* (current Taipingqiao park) Ms Zhang, who has been relocated to Pudong, she got a great deal of compensation after times bargain with the demolition company:

“I used to live in the old-fashioned lilong housing with my husband and one child. The floor area was only 14 square meters, no sanitary facility, no private kitchen. My housing condition has been greatly improved after relocation. Now I owned a two-bedroom flat, the construction area is 77 square meters. I was supposed to pay the charge of 28,000 Yuan for the extra floor area. After times bargain, I needed to pay 8,000 Yuan, but finally I only paid 4,000 Yuan.”

However, the favourable compensation was not the result of particular concerns of residents’ interests, but the result of a deal between the local government and developer: as mentioned above, the two projects served for their political and economic interests. Furthermore, the highly “flexible” compensation standards also indicate inequitable practices in the residential relocation. In short, this project mainly serves for the interests of the developer and district government. As a result, the interests of residents are less considered. In November 2003, the municipal government demanded that all of the property development projects in the inner city should decrease construction amount and FAR (floor area ratio). Therefore, the construction amount of TPQ project has been reduced from 1.6 million to 1.3 million square meters, the FAR has also correspondingly decreased after times negotiation with municipal government (interview with Mr Li, an officer of planning bureau in Luwan district on 26th February 2004). Decreasing construction amount and FAR means big loss of commercial profits for the developers. Moreover, the requirement of land leasing through public bidding or auction also significantly increase the land use costs. Inevitably, the developers have to slow down the development process. Meanwhile, they might reduce the compensation amount and increase the property prices to guarantee their high profits. Consequently, it becomes more and more difficult for residents in redeveloping sites to relocate in the city. In one demolition site of TPQ area, when residents were asked when they will move out the neighbourhood, they asserted:

"We will not move until they (the demolition company) give us a satisfied deal. Those people who can afford a housing elsewhere have moved out very soon. If we have the capability, we would like to move as soon as possible. However, the compensation standard is too low, based on which we can never afford a housing within a reasonable distance from the city centre. The alternative housing they provided is too far way and not livable, we won't accept."

The local state, work units, and residents used to be the main involved actors of urban redevelopment. Their interaction can simply generalized as local state and work units were jointly obligated to redevelop the dilapidated area and provide better housing for residents. After a developmental state is developed, and the real estate developers have become active participators of urban redevelopment, the interaction between the state, enterprises, and residents within the process of urban redevelopment becomes more complicated. Meanwhile, the interest distribution has also seen significant changes, e.g. local government and developers collaborate to maximize their interests, while the interests of relocated residents are marginalized.

· **Interaction between involved actors**

The State VS enterprises

In 1980s, before land leasing was adopted in urban redevelopment, work units which carried out urban redevelopment projects, accepted direct supports from local government, such as financial and land subsidy. Therefore, the interests of these work units were guaranteed by the local government, or were accordant with that of local government in most circumstances. In the case of YSL, *Lianjian Gongzhu* was one major financing manner combining the inputs of work units, individuals, and local government. Though work units were the principle participators, this project was greatly underpinned by district government and municipal government.

Later on, land leasing has introduced market operation into urban redevelopment in 1990s. The objective of local state was promoting urban redevelopment in shanty and dilapidated areas. While the enterprises were seeking for high profits through real estate development. The interests of local state and enterprises are no longer totally consistent. To manoeuvre enterprises' investment into urban redevelopment projects, the state provided various privileges, e.g. exempting land use fee, approving flexible land development. LWC project was a typical example of urban redevelopment with government's high performance. The cooperative relationship between local government and enterprises was developed through redevelopment project, though their respective objectives were different. The redevelopment project was promoted by the district government under the pressure from municipal government and urgent redevelopment demands from residents lived in the shanty areas.

Under profound influence of neo-liberalism, the market-oriented economy reform has deepened, and a series of institutional transformation have taken palace. As a result, the interests of local state and enterprises overlap in many aspects. For instant, increasing local revenue through real estate development, re-imaging urban landscapes and acquiring political achievement through redevelopment projects have become important targets for local government. Based on the common goals of economy growth and urban development, the relationship between local government, especially district government and enterprises become closer. In TPQ project, on the one hand, Luwan district government was eager to promote further redevelopment and revenue raising; on the other hand Shui On was also seeking development opportunities in Shanghai. Therefore, a reciprocal relationship was developed and a pro-growth coalition was created, within which private enterprise was the primary participator, and the district government has transferred into an active collaborator of private enterprise. The success of Xintiandi further increases their confidence in TPQ project and consolidates their cooperation. During the redevelopment process, both district government and private enterprise are struggling for their comment interests, e.g. striving for privileges of land provision, attracting international funds.

By now, under the particular Chinese institution and the widened influences of market rules, the interaction between local government and enterprises is becoming more complicated. With domestic and foreign enterprises increasingly providing driving force for urban redevelopment, they are also playing “structural speculation” (Jessop, Peck et al. 1999) to try to input their influences on local governance. Although enterprises hardly have a place in local governance, “the market is much more than a tool in the state’s decision-making” (Zhang 2003). On the other hand, it is also identified that “global capitalism has to seek shelter from locally specific conditions in order to take root in socialist soil” (Lin 2001). The international capitals have to adapt themselves to the uncertain market condition and capricious institutional changes in China. According to the experiences of some successful real estate companies, it is crucial to maintain close connection with the local state, which means they can have more priorities in land development.

Mr Liu, the director of research and development department in a Hong Kong-based real estate company mentioned:

"As I know, the experiences of those successful foreign-invested enterprises are similar: they normally have a successful cooperation with local government at first, for example, helping the government accomplish flagship projects, actively attending activities for public interests. After being trusted by the local government, their development in Shanghai will be smoother."

Mr Li, an officer in Planning Bureau of Luwan district also said:

"The success of Xintiandi becomes Shui On Group's invisible asset, which laid down a solid foundation for its development in Shanghai's property market. Shui On has benefited from obtaining local government's trust. For example, the development right of Yangpu University Town was recently granted to Shui On. Even under the demand of land leasing through openly biding and auction, maintaining close connection with government is still very important."

It is claimed that the "capricious" regime "yields sub-optimal development" in urban China (Zhu 2004). The developmental state was blamed for its uncertainty in terms of the changing regulations and policies. However, behind the uncertainty, there is something firmly certain, e.g. the long-term objective of urban growth and economy expanding, the persistence of market-oriented economy reform. Since late 2003, land development and real estate development have been slightly slowed down after the publication of latest regulations and ordinances. As shown in figure 2, there was an upsurge of demolition and relocation from 2000 to 2002. While in 2003, the demolished area and the number of relocated households have seen a significant decrease. Though the speculative operations of private enterprises are constrained, their profits are guaranteed and the reciprocal relationship between the state and enterprises is maintained. In short, within the interaction between the state and the market, urban growth machine is created, and its balance and durability is retained.

(Figure 5 here)

The state vs. residents

As mentioned above, the local government, mostly the district government always takes charge of demolition and relocation within urban redevelopment. Therefore, even after enterprises are involved into urban redevelopment, they do not directly take part in the demolition and relocation processes. In other words, there is no direct interaction between enterprises and residents. This section is thus looking at the interaction between the state and residents through the demolition and relocation process.

Demolition and relocation is a complicated and time-consuming process within urban redevelopment. On the one hand, residents are looking forward to improving their living conditions through redevelopment, and might ask for high compensation according to their own demands and the property prices. The local government needs to take care of residents badly suffered from current living condition, meanwhile prevent some people taking advantages of relocation to acquire extra profit. On the other hand, pursuing high profit, the demolition companies will manage to reduce relocation compensation by all means, for example persuading, threatening, sometimes even enforced relocation. Without a transparent operation mode of demolition and relocation, misunderstanding, even hostility between relocated residents and demolition companies is created. Moreover, providing compensation through negotiation instead referring to open and settled standards inevitably also causes inequity and impairs the feasibility of relocation, since that will mislead people trying to get as more compensation as possible through bargaining with the demolition companies.

Through interviews with the manager of a demolition company and some residents in demolition sites, different voices are unfolded. According to Mr Chen, the manager of a demolition company carrying out demolition and relocation on one redeveloping site of TPQ,

"We adopt various compensation manners, such as in-kind compensation and monetary compensation, household size-based compensation and floor area-based compensation to offer the best deal for relocated residents. We also offer many privileges for low-income and disabled residents. However, many residents ask for extremely high compensation, such as 10,000 to 15,000 Yuan per square, and refuse to move on time."

While on the same demolition site, residents were unsatisfied with the compensation standard and reluctant to move. They also complained the opaque operation mode of the demolition company. One old woman expressed her worry about housing problem:

"I can not sleep well at night for a couple of weeks, I am so afraid I am going to lose my home. Since I can not afford to buy a new house, I will not have a place to stay."

Other residents also complained:

"They (the demolition company) always squeeze the relocation compensation, we have to struggle for higher compensation through endless bargaining. They extract great profit from the compensation capital offered by the developer which was supposed to belong to us. Nobody knows what is going on under table".

The profit-seeking nature of demolition companies, uncertain compensation standards, and the opaque operation together have resulted in corruption and inequitable practices within the demolition and relocation processes. The oven or potential resistance from relocated residents not only lies in the inequitable compensation, but also due to the great concussion of institutional transformation. Though demolition and relocation are implemented by state-owned demolition companies, obviously the local government is intended to transfer this process into market operation. The changing role of the state plus the undeveloped social security system have pushed those lowest-income groups who do not have a powerful work units to rely on into hot water. The economic and psychological unbalance created within relocated residents has directly contributed to collisions between residents and demolition companies. These collisions are then transferred to the social conflicts between the state and residents, since demolition companies represent the local government from residents' point of view. Since 2002, the conflicts of residential relocation have become more and more intensified. In sum, the reasons mainly lie in following aspects:

- Lack of unified compensation standards and transparent operation mode, inequitable compensation and unreasonable demolition and relocation manners are created.
- Available housing for relocated residents becomes more and more deficient within the booming urban redevelopment. Meanwhile, the adjustment of monetary compensation standard is greatly disproportionate with the climbing property price.
- The new urban poverty and marginal groups normally have high expectation on relocation compensation to improve their living standards in general. The great contrast between expectation and reality create great shock to these people.

4. Conclusion

As more market-oriented urban redevelopment has appeared in urban China, the power of market, rather than the "omnipotent" government has significantly reshaped urban landscapes. Seemingly, "spaces of neoliberalism" (Brenner and Theodore 2002) have been created in Chinese cities within the drastic urban restructuring movement. The neoliberalized urban policy, which is characterized by the shrinking state intervention and the expanding market rules and competition, has been adopted by the local state of Shanghai. Due to the particular political economic background, a pathway-dependent neo-liberalization is happening in Shanghai which is quite different from the rest of the world. This study makes a scrutiny into the neo-liberalized transformation of urban redevelopment in Shanghai during the last two decades by looking at the changing rationale and interest distribution of redevelopment projects in different period.

The evolution of urban redevelopment in recent Shanghai can be divided into two stages: before and after the adoption of land leasing in 1992. Before 1992, local state and work units carried out redevelopment projects to provide better housing for residents and reconstruct urban landscapes, e.g. YSL. The three essential processes of redevelopment: land provision, project financing, and residential relocation were all underwritten by the local government and work units. Since 1992, the revitalization of real estate industry provides substantive feasible capital sources for urban redevelopment, the principle role of local government and work units was gradually fading out, expect for some important redevelopment projects, infrastructure and public green area construction projects which are still carried out by the government. Urban redevelopment has seen some signs of neo-liberalization. The changing land provision manner has brought fundamental transformation to urban redevelopment. However, negotiation has been the major manner of land leasing before 2001, and usually causes inequitable land transaction and corruption. To promote redevelopment in the dilapidated areas which were less attractive to developers, the local state even exempts land use fee and provides subsidies to lever developers' investment and alleviate their risks, e.g. the case of LWC. The central government and Shanghai municipal government have published documents and regulations to stop negotiated land leasing for business running land use. However, to develop a normative and mature land market, China still has a long way to go. Absorbing vast sum of capitals from real estate industry, the financing problem of urban redevelopment has been substantively resolved. Mortgage loans, overseas funds, provident funds, and stock market have provided divers financing sources for redevelopment projects. As another vital process within urban redevelopment, residential relocation also experienced great transformation during the last two decades. With urban redevelopment becomes more and more marketized, on-site relocation has been replaced by off-site relocation, in-kind compensation has replaced by monetary compensation. To some extend, these changes have increased the feasibility of redevelopment. However, ignoring the interests of relocated residents within demolition and relocation also hampers the progress of redevelopment projects, e.g. the case of TPQ.

Before 1992, real estate developers have not been invited into the domain of urban redevelopment in Shanghai. Residents are the most beneficial actor in urban redevelopment, since the local state and work units were incumbent to implement redevelopment projects. The participation of work units in urban redevelopment was aiming to provide welfare for their employees and improve their living conditions. Profits generated from redevelopment projects were only by-products. Work units are actually representing the interest of their employees, though people may have different interest share according to their rank in the work units (Wu 2004). Since real estate development becomes the major driving force of urban redevelopment, the relationship between the state, enterprises, and urban residents has been reconstructed. The interest distribution between these actors also has been significantly reorganised, since every involved actor struggles to maximise their own interest. Developers instead the local state or work units take charge of the redevelopment projects. Profit-making is the major objective of the involvement of these enterprises, which inevitably transfers the redevelopment projects from people-targeted to place-targeted. Meanwhile, the neo-liberalized local state also actively seeks for urban development and economy growth by promoting market operation. Urban redevelopment now mainly servers for the purposes of urban growth and profit making, other than provides decent housing for residents. Pursuing the common goals, the local state and enterprises constitute pro-growth coalition to promote large scale urban redevelopment. Pursuing long term profits in local development, real estate developers endeavour to maintain close connection with local government, and even strive for a place in local governance. While the local state on the one hand adopts various strategies to attract enterprises' investment into redevelopment projects, on the other hand modulates the real estate market to maintain a "sustainable" development through policy intervention and financial leverages. The interaction between local state and enterprises has contributed to the continuous economy growth and extensive urban redevelopment. Whilst, residents are excluded from the pro-growth coalition for lack of political and financial resources. The only straw they can draw is refusing removal and bargaining with demolition for higher compensation. However, since the local state is the owner of urban land, and developers control the capitals, residents are in a disadvantageous position. Apparently, the interest share of relocated residents is shrinking since late 1990s. More and more people are suffering from the inequitable residential displacement. Their lifestyles have been significantly changed and their life quality has receded to some extent in terms of access to local amenities, transport, cultural and recreational facilities, social networks and community development etc. Moreover, the great shock created by the transformation of government is still unacceptable by people who lack of capability to change their living situation. Unequally burdening the tremendous socio-economic costs of redevelopment, urban residents actually enjoy the least benefits within the urban redevelopment boom. As a result, their physical and psychological resistances make the social conflicts of urban redevelopment more and more overt.

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Table 1 Land leasing in Shanghai (1988-2002)

Year	Land area (ha)	Developable building area (10,000 m^2)	Types of Building (10,000 m^2)			
			Residential	Complex buildings	Industrial	Others
1988-1991	980.30	32.45	3.30	14.40	11.40	3.35
1992	1927.49	731.79	263.10	454.32	14.37	0
1993	4880.33	650.68	184.35	290.99	175.34	0
1994	1830.61	1373.10	307.51	418.44	579.00	68.15
1995	998.47	1234.21	444.49	196.45	417.99	175.28
1996	878.99	1365.41	858.29	169.43	273.07	64.62
1997	1426.06	1962.11	1308.19	190.29	325.29	138.34
1998	1058.17	1929.96	1193.88	271.58	385.38	79.13
1999	954.53	1240.98	919.10	69.77	138.41	113.70
2000	1729.54	1991.42	1352.82	38.19	430.50	169.91
2001	2517.10	3152.53	1693.63	227.58	1127.15	104.17
2002	3871.99	4724.88	2524.64	371.23	1717.08	111.93

Source: Shanghai Real Estate Market, 2002, 2003.

Table 2 Loan from domestic commercial banks and real estate investment and sales in Shanghai (2001-2003)

Unit: Billion Yuan

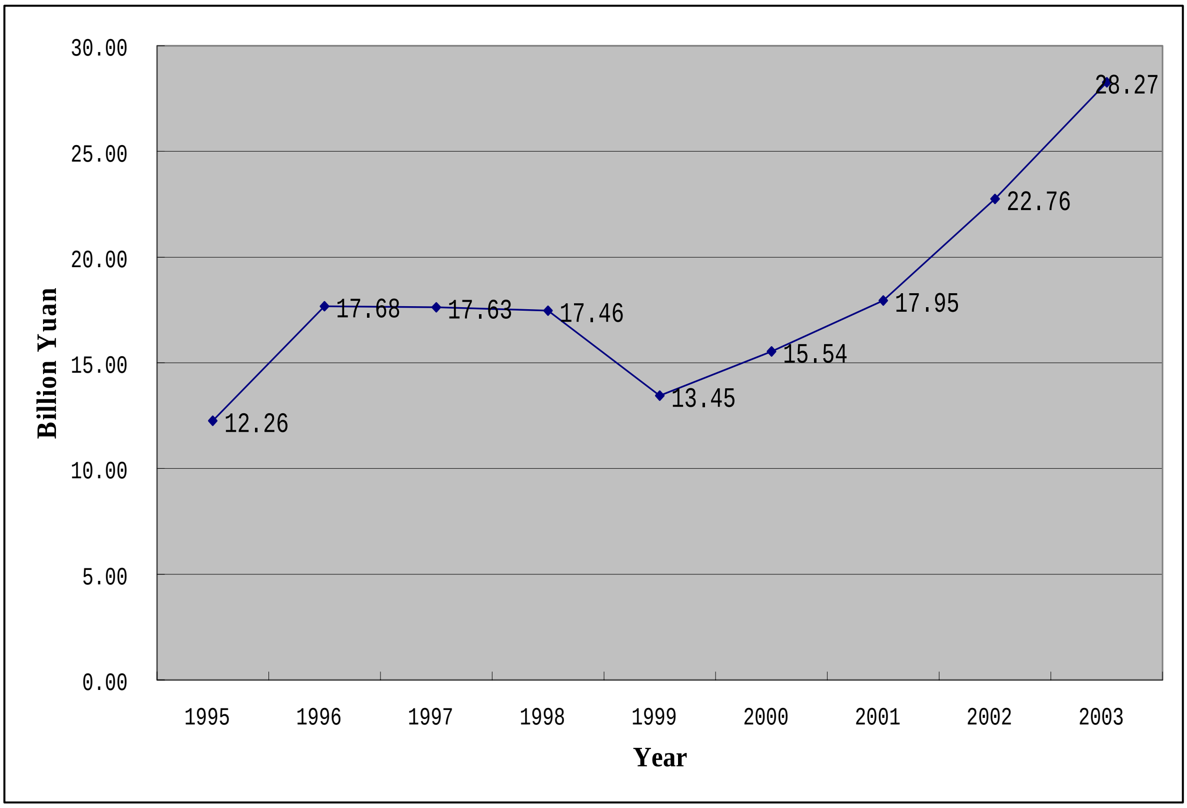
Year	Real estate investment amount	Real estate development loan	Proportion of loan within total investment	Commodity housing sale amount	Personal housing purchase loan	Proportion of loan within sale amount
2001	62.03	10.796	17.4%	69.465	29.886	43%
2002	74.889	24.996	33.4%	81.503	44.399	54.5%
2003	90.124	37.269	41.4%	121.634	62.242	51.2%

Source: Xun Wu, The effects of macro adjustment in Shanghai real estate market on commercial banks, 13. 9. 2004, www.jjxj.com .

Table 3 Comparison between YSL, LWC, and TPQ

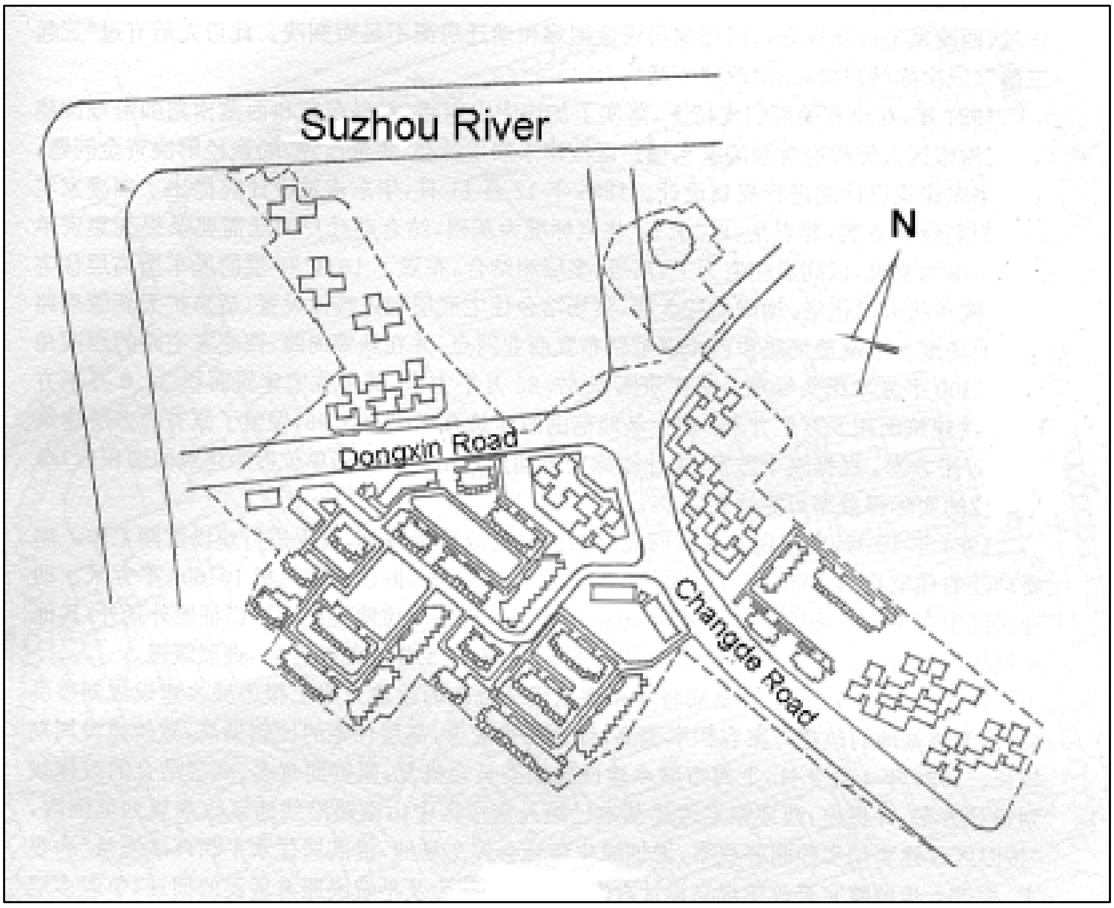
	YSL	LWC	TPQ
Time	1985-1995	1998-2004	1998 – to date
Municipal plan	"23 blocks redevelopment scheme"	"365 ha shanty area redevelopment scheme"	N/A
Area	10.6 ha	49.5 ha	52 ha
Location	Putuo district	Putuo district	Luwan district
Relocated work units & households	75 work units, 3581 households	274 work units, 10,500 households	More than 800 work units, 25,210 households
Built environment	Notorious shanty areas	Notorious shanty areas	Mostly old-fashioned *shikumen lilong* housing
Project financing	Work units investment plus residents' input and government subsidy	6.498 billon Yuan, enterprise investment plus government subsidy	Estimated 18 billon Yuan, enterprise-funded
Redevelopment manner/ objectives	Shanty-fighting, improving residents housing conditions	Shanty-fighting, urban re-imaging, real estate development	Revenue raising, urban re-imaging, real estate development
Major involved actors	Work units, district government, and residents	District government, enterprises, residents	District government, enterprises, residents
Relocation manner	On site	Off-site: in-kind compensation	Off-site: in-kind and monetary compensation
Reputation/ influence	Good reputation, successfully redeveloped the shanty area	Successfully redevelop the shanty area and generate great commercial profits	Known for Xintiandi redevelopment, successful commercial property development

Figure 1 Domestic loan as a real estate investment source in Shanghai (1995-2003)



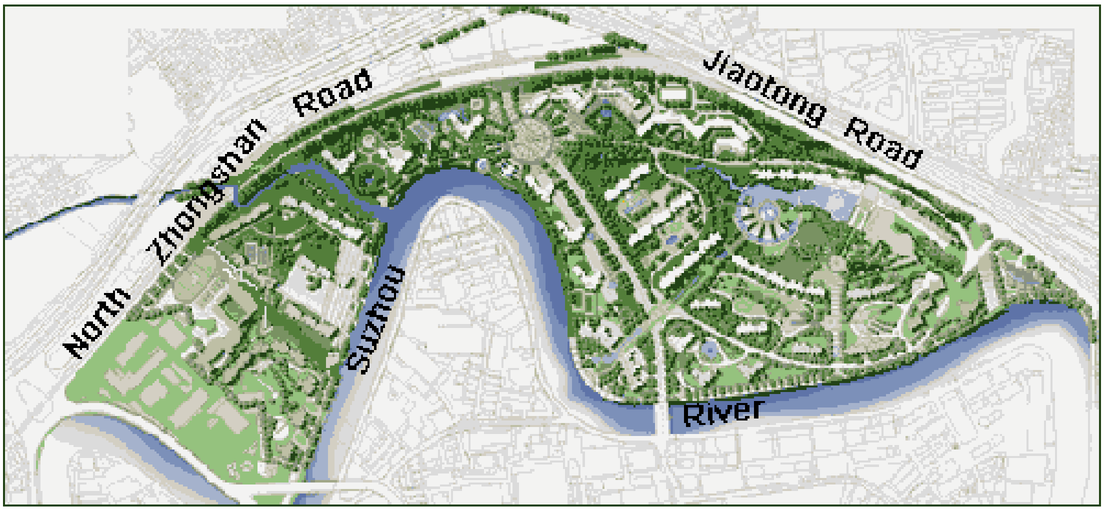
Source: Shanghai Statistical Yearbook, 2004.

Figure 2 The layout of YSL



Source: Shanghai Urban Planning History, 1999.

Figure 3 The layout of LWC

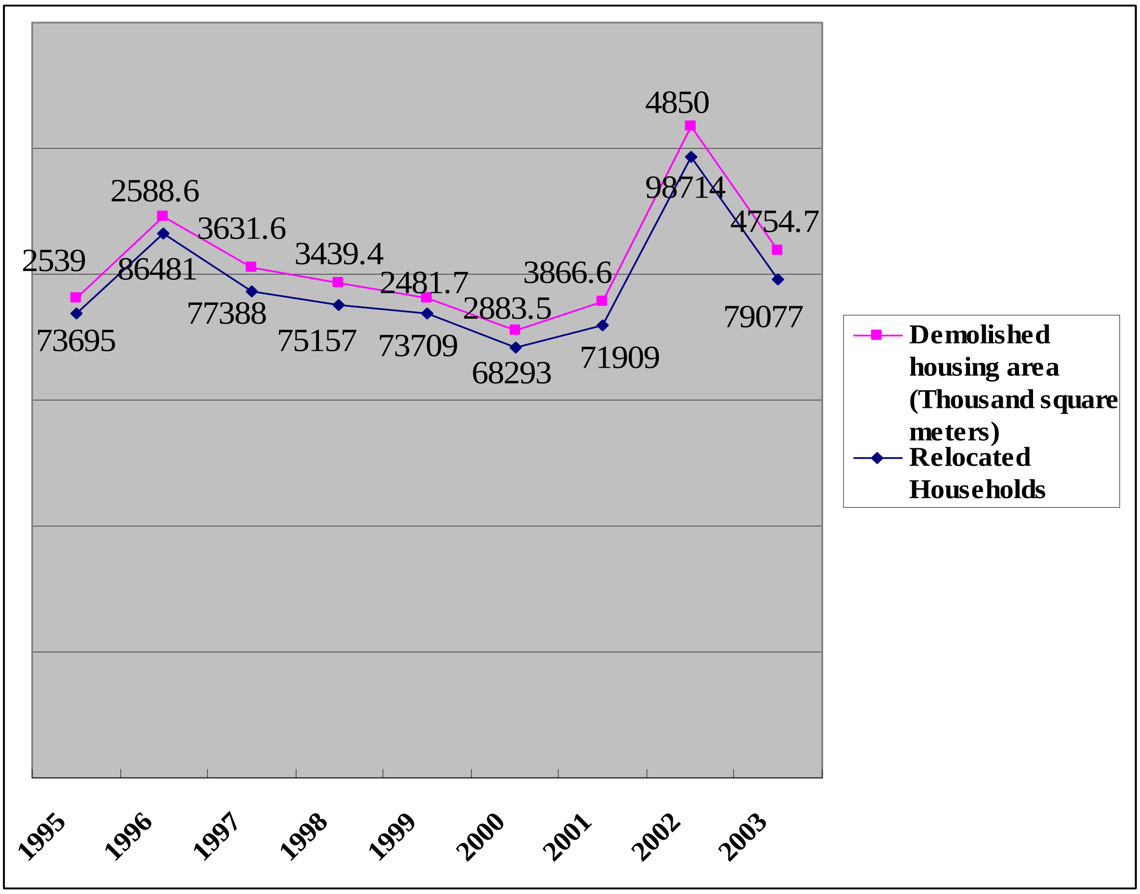


Source: http://sh.soufun.com .

Figure 4 The layout of TPQ

Source: Shui On Properties.

Figure 5 Urban housing demolition and relocation in Shanghai (1995-2003)



Source: Shanghai Statistical Yearbook, 2004.