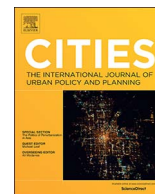




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Cities

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# Shantytown redevelopment projects: State-led redevelopment of declining neighbourhoods under market transition in Shenyang, China

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## ARTICLE INFO

### Keywords:

Shantytown redevelopment  
Declining neighbourhoods  
Market transition  
Governance  
Demolition  
China

## ABSTRACT

Since 1978, market transition in China has significantly influenced the roles of the state, the market and the residents in urban restructuring. Since 2008, the central government has initiated Shantytown Redevelopment Projects (SRPs) to improve the living conditions of low-income residents. Between 2008 and 2012, about 12.6 million households were involved in SRPs, and forced to move as their dwellings were demolished. This paper investigates how SRPs are implemented by revealing how different stakeholders interact in SRPs in the city of Shenyang, China. Through in-depth interviews with various stakeholders and analysis of policy documentation on SRPs, the paper reveals a complex interplay between different stakeholders, which is characterized by the centralization of the inception of SRPs, the decentralization of actual SRP implementation, changes in the role of market forces, and decreasing housing affordability and multiple deprivation of residents in SRP target areas. Various stakeholders have consensus on the need for improving the living conditions in deprived neighbourhoods and on boosting the housing market. However, conflicts arise due to frictions between the central and local governments regarding the implementation of SRPs. We also find evidence of an entrepreneurial paradox in the relationship between local governments and developers. Finally, a mismatch occurs between the scope of the SRP policy and residents' attempts to improve their socioeconomic situation.

## 1. Introduction

Since 1978, China has undergone the process of market transition, which has led to a commercialized housing provision system in which urban residential redevelopment has become strongly market-oriented (Shin, 2009; Wu, 2001). Developers and entrepreneurial local governments have embarked on extensive urban housing demolition and redevelopment on profitable locations, featuring large-scale forced rehousing of residents (He & Wu, 2007). Neighbourhoods with low land values have not received much attention from the state or the private sector. In 1998, the central government enacted a regulation to suspend the public housing provision system. From then on, low-income residents who are not eligible for state (or state-owned enterprise) housing subsidies have very limited access to dwellings (Chen, Yang, & Wang, 2014; Lee, 2000).

In 2008, parallel to the local government-initiated residential

redevelopment projects, the Chinese central government initiated the first round of national Shantytown Redevelopment Projects (SRPs, Peng-hu-qu Gaizao in Pinyin). SRPs aim to improve the living conditions of low-income residents and to stimulate the depressed housing market. In China, the term shantytown (Peng-hu-qu) is widely used in government policies and refers to the dilapidated housing or illegally constructed shanties in old inner cities, *danwei*<sup>1</sup> communities, or run-down villages in (sub)urban and rural areas. There are some differences in what the term shanty(town) represents in the Chinese context and in other countries with regard to the concrete structure, construction materials, development history and the formal position of the shanty. For instance, regarding the development history and legality of the shanty, some of the shantytowns in China were planned and legally constructed by state-owned enterprises to reside their employees' family members, sometimes temporarily, in the socialist era. Due to a shortage of housing, these areas were retained, but a lack of

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<sup>1</sup> "A work unit (*danwei*) generally refers to a special kind of workplace in the context of state socialism where the workplace becomes an extension of the state apparatus and undertakes the function of social organization and control" (Wu, 1996: 1604). Work units not only took the responsibility of production and offering job opportunities. They also function as a social organization which provided employee services and welfare such as housing, education, hospital, canteen, and sports fields (Bjorklund, 1986; Wang & Chai, 2009).

<http://dx.doi.org/10.1016/j.cities.2017.10.016>

Received 3 April 2017; Received in revised form 18 August 2017; Accepted 22 October 2017

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maintenance caused them to become dilapidated. However, shantytowns in China and in other countries also share similarities, such as poor dwelling quality, the lack of basic infrastructures, social disorder issues, etc. In line with the discourse, policies and context of shantytowns in China, this paper uses the term shantytown to refer to neighbourhoods or areas with a high concentration of physically run-down dwellings, which lack basic infrastructures such as gas and water (MOHURD, 2013a). While the year 2008 witnessed a new policy turn to shantytown redevelopment projects, these are by no means new. Since 1980s, some local governments such as Beijing have initiated neighbourhood redevelopment projects in the inner city which are featured by upgrading the physical conditions of the neighbourhoods (Fang & Zhang, 2003; Leaf, 1995). During the end of the 1990s and in the early 2000s, such redevelopment projects have evolved into larger-scale demolition of dwellings and forced relocation of residents from the inner city to sub-urban areas (Fang & Zhang, 2003; He, 2012).

Current SRPs in China involve the demolition of run-down neighbourhoods and the forced relocation of the residents. Between 2008 and 2012, about 12.6 million households were involved in the national SRPs (MOHURD, 2013a); their dwellings were demolished and they were forced to move. In 2013, the central government triggered a second round of SRPs, which focused especially on improving the living conditions of vulnerable residents in undesirable small scale urban areas. From 2008 to date, the neighbourhoods targeted for SRPs have changed from large-scale and well-positioned desirable locations to small-scale neighbourhoods in undesirable locations from a housing market point of view (MOHURD, 2013b).

Under recent market transition, urban redevelopment in China involves complicated interactions between different stakeholders, such as entrepreneurial local governments, emerging market forces and self-enterprising individuals (He & Lin, 2015; Lin, Hao, & Geertman, 2014; Ong, 2007; Zhu, 1999). These stakeholders behave differently in response to ‘the gaming between formal institutions (laws, rules, regulations) and informal institutions (norms/values, and traditions and routines)’ (He & Lin, 2015: 2759). Some studies argue that while local governments and developers dominate urban redevelopment as land and capital providers respectively (He & Wu, 2005; Shin, 2009; Zhang, 2002), residents and communities are becoming more disadvantaged and marginalised (He & Wu, 2007; Ren, 2014; Shin, 2014). Other studies and media reports reveal conflicts between local governments, developers and sitting tenants because of fundamental disagreements over urban redevelopment projects (He, 2012; Hin & Xin, 2011; Sichuan News, 2009). Meanwhile, evolving regulations for the urban housing demolition and relocation are changing the interrelationships between different actors in urban restructuring (Ren, 2014; Shih, 2010).

Most studies investigating urban restructuring projects in China have focussed on neighbourhoods with high land values in the context of a prospering housing market. Developers and local governments are highly motivated to take part in these redevelopment projects, because such projects have been very profitable. However, few studies have been conducted on urban restructuring and residential upgrading projects in less popular areas for low-income residents, especially since the recession in the Chinese housing market after 2013. Also, most of the urban redevelopment projects examined in empirical studies were initiated by local governments or developers, and carried out within a certain time period. These studies document the position of different stakeholders in one particular institutional, economic and social context, and do not investigate changes in stakeholders' roles over time.

This paper aims to investigate how the state-led SRPs are implemented in Shenyang and what this means to different stakeholders by revealing how different stakeholders interact with each other, and how their roles have changed over time against the changing context. The paper is based on semi-structured interviews with different stakeholders involved in SRPs in Shenyang, including experts, governors, developers and residents. Shenyang is an old industrial city in Northeast

China and is the capital city of Liaoning Province. The city is considered as a pioneer of SRPs in China. In 2005, Liaoning Province firstly initiated the SRPs at the provincial level in China. As the capital city of Liaoning Province, Shenyang had initiated large-scale demolition and forced relocation of residents during the years 2005–2006, which involved about 130,000 households and accounted for 37.7% of the total share of affected households in the Liaoning province (LNJST, 2008). During the current round of SRPs (2014–2016), about 81,500 households are involved. The Ministry of Housing and Urban-Rural Development of PRC (MOHURD) has promoted ‘Shenyang Mode’ nationally due to its success on SRPs (Shenyang Daily, 2016).

The remainder of this paper is structured as follows. The next section locates different stakeholders within the context of market transition and urban restructuring in China. Then the research area, data and methods are described. Following this, the paper discusses the implementation of SRPs, and the changing roles and interaction between different stakeholders in SRPs in Shenyang. The last two sections present the discussion and conclusions respectively.

## 2. Urban restructuring under market transition in China

State-led redevelopment of declining (inner-city) neighbourhoods with a large social housing segment is often designed by governments around the globe to tackle issues such as segregation, disorder, poverty concentration and physical decline (Kleinhans & Kearns, 2013; Lélévrier, 2013; Uitermark, Duyvendak, & Kleinhans, 2007). Governments often declare that such redevelopment contributes to economic growth, social mix and social equality, via introducing middle-class households to declining neighbourhoods or by relocating minority or low-income households into more affluent neighbourhoods (August, 2016; Lélévrier, 2013). However, such efforts have been criticized for marginalising low-income residents and maintaining their limited influence on the decision-making of redevelopment (Goetz, 2016; Lees, 2012), although social housing tenants throughout Europe enjoy some level of rent protection in the context of urban redevelopment (Korthals Altes, 2016). While low-income households in the United States are often displaced due to sharp increases of rents and living costs after redevelopment, middle-high income households, private developers and local governments usually benefit from gentrification and revalorization of urban land (Goetz, 2016; Lees, 2012). Both in Europe and the United States, neoliberalisation has greatly affected the governance of urban redevelopment policies (Brenner & Theodore, 2002). Due to fiscal austerity and public deficits, national governments cut down social housing subsidies and invite private developers into social housing redevelopment, which can substantially moderate the outcome of social welfare delivery as the interests of low-income residents are often marginalised for the achievement of general economic growth (Goetz, 2016; Marom & Carmon, 2015). Although some collaborative governance between governments, residents, and private developers is promoted in Western European countries such as the UK and the Netherlands, the national state often still plays a significant role in shaping and implementing the policies and redevelopment (Dodson, 2006). Compared with the Western cities, the role of the state on urban (re)development in East Asian cities might be even more apparent and outstanding (Shin, Lees, & López-Morales, 2016). In East Asia, the strong state intervention both exists in economic development and social welfare policy delivery, and it cooperates or mobilises market forces to achieve capital accumulation via space reproduction such as ‘slum’ clearance and forced relocation or residents, under the joint effects of East Asian histories (e.g. colony or socialist legacy) and the recent global economic and political trends such as democratisation, decentralization, neoliberalization, etc. (Shin et al., 2016). This has led to the disparities of the position of different actors during urban redevelopment, featured by the advantaged position of the state and capitalists and the disadvantaged position of the affected residents on mobilising urban resources such as land ownership, institutions, policy

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