

## The changing and different patterns of urban redevelopment in China: a study of three inner-city neighborhoods

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China's urban growth is phenomenal, but some studies tend to see it as a consistent macro process without much turbulence at the micro levels. This article examines inner-city redevelopment in China by analyzing the cases of three types of neighborhoods: a work-unit compound, a historic quarter, and an urban village. It discusses how these projects were implemented, which actors were involved, and who the beneficiaries were. It argues that different patterns of redevelopment were applied in individual redevelopment projects, although all of these projects were property led. The local state's considerations when applying a particular pattern depends on institutional abilities, arrangements, recourses, and aims, as well as the power relations between the state, market, and community. A comparison of processes and outcomes shows that a top-down approach applied through delegated agencies or the immediate authority of the local state tends to implement redevelopment in a coalition with developers instead of considering the benefits for the affected residents and the preservation of the values of historic neighborhoods. In contrast, the bottom-up approach to the redevelopment of urban villages empowers the collective and villagers and enables them to benefit relatively more from the project. The local state has changed its role from an administrator to a facilitator, and has made significant economic concessions to advance the project in the context of significant policy changes in recent years.

**Keywords:** China; inner city; neighborhood; redevelopment; growth coalition

### Introduction

Urbanization has been one of the major driving forces of China's dramatic socio-economic changes since the opening-up reform in 1978. The economic restructuring after China's accession into the World Trade Organization in 2001, and the growing importance of the headquarters economy have further pushed Chinese cities to compete with one another to attract investments and to promote themselves in domestic and global city systems (Chan & Poon, 2012; Li, 2011). In addition, the traditional socio-economic management system at the city level has changed radically, presenting new challenges to urban governance. For example, in the late 1990s, urban residents lost their right to free housing. Meanwhile, the loosening of the *hukou* (household registration) system, which once restricted domestic migration, has also compelled cities to take measures to accommodate the rapidly growing

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inflowing population of rural-to-urban migrants. By the end of 2010, more than 153 million rural-to-urban migrant workers lived and worked in towns and cities (MLSS, 2011). The level of urbanization increased from 18% in 1978 to 52% in 2011, and for the first time in Chinese history, the population of urban residents exceeded that of rural residents (Chan, 2012). This trend is projected to continue over the next several decades, and the urbanization level is expected to reach 70% by 2050 (United Nations, 2008). Suburbanization and inner-city redevelopment have been the two main approaches to accommodating the growing demand for urban space and facilities. Inner-city neighborhoods have been partially or completely demolished and rebuilt into high-end business and residential properties in the process of “new-build gentrification” (He, 2010).

The histories of some cities in developed countries such as Britain and the United States have shown that inner-city issues (such as congestion, pollution, and crime) have resulted in an exodus of middle-class households and businesses to the suburban fringe (Power & Wilson, 2000; Weaver, 1960). Inner-city redevelopment programs are complicated and relatively unattractive to real estate developers because of regulations on heritage conservation, slow cost recovery, resistance from property owners and tenants and other difficulties (Boston & Ross, 1997). However, many Chinese cities have fewer restrictions, and some of these can be bypassed illegally or with the payment of a penalty. In addition, the demand for properties in the inner cities is driven by a shift toward central business district (CBD)-centric, service-sector employment as well as a concentration of public resources and services in the more established inner-city areas. Although China has only recently become an upper-middle-income country, real estate prices in some cities are no less excessive than are those in some established global cities (Wang, Yang, & Liu, 2011b). This lack of a price differential has made the Chinese inner cities hotspots of international and domestic investment and redevelopment.

The close relationship between urbanization and the changing living conditions of a substantial proportion of urban residents has made China’s urban development a notable area of research. As Small (2002) suggest, “For scholars interested in how urban processes affect human welfare, it is hard to think of anything more important than urbanization in China” (p. 2159). A growing body of literature has contributed to the understanding of redevelopment practices that often involve the demolition of most buildings – or even whole neighborhoods – in a contentious and controversial process. For instance, residents have been relocated involuntarily or even forcibly (Wu, 2004a), and a large number of violent – and even fatal – incidents have occurred during housing demolition (Wu, 2012).

Although some research examines redevelopment at the micro level (Li, 2004), most studies emphasize the macro and technical aspects (such as land provision and residential displacement), and focus on some of the largest and most developed cities, such as Shanghai and Beijing. Some studies view redevelopment after the 1990s as a relatively consistent era of urban entrepreneurialism, and pay little attention to changes in policies and practices over time (Wang, 2011). As Fang and Zhang (2003) observe, most studies on redevelopment have “avoided assessments of social and economic impacts,” and “there has been a level of misunderstanding with respect to China’s urban redevelopment policies” because of the lack of data and sensitivity of the topic (p. 150). These authors suggest that the rapid changes in China’s inner cities cannot be explained appropriately by synthesizing existing perspectives based on the histories of Western countries, because the effects of redevelopment on Chinese cities

are complex, multifaceted, and geographically diverse. Therefore, a comparative analysis of Chinese cities can help reveal not only common trends, but also regional variations in these urban changes (Gaubatz, 1999).

To contribute to this research area, the present study use mainly original data to examine the stakeholders, mechanisms, patterns, processes, and consequences of inner-city redevelopment projects in the neighborhoods of multiple cities. The rest of the article is organized as follows. The next section analyzes the driving forces of redevelopment, conceptualizes the three types of inner-city neighborhoods that are usually targeted by redevelopment, and introduces the research sites. Three sections follow that describe case studies of inner-city neighborhood redevelopment in three cities. The final section provides the discussion and conclusion.

## Research background

### *The emergence of property-led redevelopment in transitional China*

In China, all urban land is owned by the state. A land market was largely absent for nearly four decades until the 1987 land reform, which legalized paid transfers of urban land use rights. This reform dramatically changed the pattern of land development and the spatial structure of Chinese cities by spurring urban development (Wu & Yeh, 1997). However, redevelopment projects were not attractive to the emerging private developers because regulations required on-site replacement of demolished housing and the provision of community facilities, in addition to imposing numerous fees and charges (Dowall, 1994). These regulations resulted in a low level of inner-city redevelopment activity after the land reform despite a rapidly increasing demand for properties (Wang & Murie, 1999).

After the early 1990s a series of institutional changes stimulated intensive and large-scale urban (re)development in Chinese cities. Fundamentally, the administrative and fiscal relationships between the central and local states were reconstructed and decentralized during this political devolution. On the one hand, the decision-making authority on local affairs was transferred from the central government to provincial and city governments (Heikkila, 2007). Since then, these governments have been allowed to formulate and implement their urbanization strategies, including (re)development projects, with little intervention from the central state. On the other hand, the 1994 taxation reforms granted permission to the local state to utilize its fiscal income to fulfill local institutional aims (Deng, 2005). The increased autonomy in fiscal management gave the local state an unprecedented degree of freedom to use unconventional mechanisms to expand its extra-budgetary revenue (Wang, Zhang, Zhang, & Zhao, 2011a; Wu, 1999). One of these mechanisms exploits inner-city land resources, which have high commercial value and the potential to generate fiscal income. Chinese cities have gradually adopted the financing model applied in Hong Kong, Seoul, and Singapore, which allows developers to provide compensation for buildings and urban land given up for redevelopment (Leaf, 1995; Zhang, 2000). This property-led (re)development approach has since become the norm, applied to meet the growing demand in the emerging property and land markets (Cao, 2009; Chen, Guo, & Wu, 2011).

During the course of these changes, local states and developers formed growth coalitions to boost land (re)development for rapid growth (Zhang & Fang, 2003; Zhu, 1999). This process is similar to that observed during urban renewal and

growth in the United States (Logan & Molotch, 1987). According to a study by Zhang and Fang (2004) comparing urban renewal in the United States in the 1950s and 1960s with inner-city redevelopment in China since the late 1980s, both programs used government authorities and subsidies to make large-scale private or quasi-private investments attractive in the name of improving living conditions. The authors argue that America's urban renewal was "an ill-fated federal program in which the local government and downtown business interests cooperated to boost declining inner cities that were competing with burgeoning suburbs (p. 286);" while in contrast, China's redevelopment was "propelled by emerging local elites using decentralized state power to pursue fast growth in rising real estate markets (p. 286)." A "growth machine," as initially conceptualized by Molotch (1976), formed during China's economic decentralization processes. The growth coalition and the growth machine are both results of neo-liberal urbanism, which emerged in response to multiple difficulties and crises, and to the desire for rapid development (Wu, 2009). The neo-liberalization process, as He and Wu (2009) argue, emphasizes growth first, and includes numerous controversies and inconsistencies involving conflicts between neo-liberal practices and social resistance, as well as tensions between the central and local states.

Inner-city property-led redevelopment in the Chinese context involves much more than rekindling degraded local economies and beautifying the built environment. It is a battlefield, with enormous benefits for different parties and groups in the emerging market economy, and contains elements inherited from the planned economy. For property developers, redevelopment provides opportunities for considerable capital gains. For local states, it attracts capital inflow, boosts employment, increases tax revenue, and strengthens governance. For some government officials, it provides opportunities for rent seeking and corruption. Redevelopment also delivers political premiums to those climbing the career ladder in a bureaucratic system that privileges the physical growth of cities. Many residents affected by redevelopment are forced to fight for compensation and live uncertain lives because their houses (and often their livelihoods) are demolished.

Local state and developers are usually perceived as sharing the goal of smoothing operations and preventing disputes in inner-city redevelopment. Communities and individuals rail against these potentially colluding parties to empower themselves because community organizations are excluded from urban (re)development (Zhang, 2002). However, previous studies have left many questions on the variations in property-led redevelopment unanswered. For instance, whether the coalition is always in a single, stable organizational structure that is exclusive to the local state and developers, and if not, what the roles are of the other actors in inner-city redevelopment projects.

### *Neighborhoods in inner-city redevelopment*

This sub-section conceptualizes the neighborhoods involved in inner-city redevelopments. State-owned work unit compounds, historic and dilapidated residential quarters, and urban villages are the three major redevelopment targets in inner cities where land is scarce. Historically, these areas were formed by various social, economic, and political forces during different periods. This study adopts a broad definition of the inner city to examine the Chinese context, which includes not only the city centre or downtown areas, but also the centers of suburbs.

Mixed work unit compounds, most of which were built in the pre-reform era, are run by state-owned enterprises (SOEs) under the organizational structure of *danwei*, or the socialist work-unit, which performs both production and residential functions (Bray, 2005). These compounds were the dominant units in the pre-reform urban economy and society. Some large compounds aiming for maximum self-sufficiency became sub-centers within walled boundaries. Since the 1990s the national reform of the state sector has bankrupted and restructured a large number of SOEs. Consequently, many of these compounds have deteriorated significantly. Given that the state owns these compounds, it can dispose of land use rights with nearly absolute control, and can easily make these former industrial sites available for redevelopment (He et al., 2009).

Old and dilapidated residential quarters usually include concentrations of low-income households and dilapidated houses (Wu, He, & Webster, 2010). These neighborhoods usually have long histories. Many of them were formed before the foundation of the socialist regime, and the majority of the properties in these quarters are privately owned (Li & Wu, 2006).

Urban villages (*chengzhongcun*) in the Chinese context are rural settlements encircled by cities. They have become transitional neighborhoods in which farmland is requisitioned by the city government. However, the cores of villages often remain intact, and villagers retain property rights over their own houses and housing plots (Liu, He, Wu, & Webster, 2010). Many of these urban villages, which were originally in the outskirts of the city, have become centers or subcenters after decades of outward urban expansion. Villagers normally have two sources of income after losing their farmland: the first is rental income from properties leased to migrants who need cheap housing in the inner cities. To maximize rental income, many villagers expand their houses (without permission) to create more floor area. The other source is salaries and/or bonuses from the village's shareholding cooperative, which manages rental properties, businesses, and factories on behalf of the villagers.

Problems in these deteriorated neighborhoods, such as high crime rates, inadequate infrastructure and services, and poor living and environmental conditions, threaten the public security and management. Consequently, many of these neighborhoods are being redeveloped out of existence because local governments view these dense, informal spaces as a threat to their ideal of modernity and their ability to attract investments. Because these neighborhoods are often on prime location land, the projects present an opportunity for the local state to change perceived problems into a mechanism for urban transformation. The redevelopment of these neighborhoods has mostly followed the general pattern discussed above (that is, the development pattern led by real estate projects). However, the potential differences in the interplay between the state, the market and the community in different neighborhoods are unclear. Therefore, we need a comparative examination of these neighborhoods' histories and trajectories during the redevelopment process using a research approach that examines the underlying forces that have shaped and reshaped them (Arkaraprasertkul, 2010).

### **Research sites**

In order to examine the three types of structurally different neighborhoods, the author conducted fieldwork in Xi'an in Shaanxi province and in Guangzhou and Foshan in Guangdong province from September 2008 to February 2012. Xi'an has

been a city since the eleventh century BCE, and is now the capital of the Shaanxi province in the underdeveloped north-western region. Xi'an has been the political and economic center of the north-western region, but was outstripped economically by the eastern region after the reform. Recently, Xi'an commenced a massive wave of urban (re)development with the goal of becoming an international city. The significance of Xi'an development lies in its characteristics as the representative of an inner-China development model (Walcott, 2004). In the Pearl River Delta, where the manufacturing industry earned the area its reputation as the "factory of the world," Guangzhou and Foshan represent cities undergoing high levels of industrialization, marketization, and openness in the developed coastal region. In particular, the urban villages in Guangzhou number more than 20 of these planned areas and provide homes to 80% of all migrants (Hsing, 2009).

During the fieldwork for this study, the author collected data while conducting numerous visits to one industrial and residential compound in Xi'an, one historical residential quarter in Foshan, and one urban village in Guangzhou. Contextual and historical information and original data were obtained at these research sites through documentary surveys, observations, and in-depth interviews with residents, business owners, government officials, and the representatives of developers. Appendix 1 provides basic information on the interviews cited in this article.

### ***Fangzhicheng, Xi'an: vicegerent top-down redevelopment***

Fangzhicheng (literally, "City of Textiles") in eastern Xi'an has a population of approximately 160,000 within an inner-city area of 5.3 square kilometers. Financed and built by the central government in the 1950s, it was once one of the largest mixed industrial and residential compounds in north-western China. During this period Fangzhicheng accommodated five large state-owned textile mills and numerous supporting institutions and factories. These mills provided workers and their families with lifetime jobs, discounted foods, accommodations, education, healthcare and recreation facilities. From the 1950s to the 1980s this area was widely perceived by the locals as one of the best places to work and live in the province (Cheng & Beresford, 2012). However, well into the reform era, Fangzhicheng failed to compete with the private textile enterprises in the coastal area. Since the mid-1990s some mills have reduced or ceased production, and many workers were asked to take compulsory leave with a small living allowance. In 2008 the central government handed Fangzhicheng over to the local government, which subsequently bankrupted four mills, and retrenched nearly 10,000 workers after paying them some compensation. A substantial proportion of the laid-off workers maintained their employment relations with their mills with the hope of becoming reemployed after the post-bankruptcy restructuring. As part of the national SOE reform, this move pushed many of these workers into hardship and poverty because of the state's renegeing on its welfare provisions (Wu, 2004b, 2007).

The city government of Xi'an was under pressure from the central and provincial governments to maintain social stability among the disgruntled laid-off workers. The city government faced an urgent need to revitalize the degraded and poverty-stricken city of Fangzhicheng and to create reemployment opportunities. However, these opportunities relied on external capital because of the local government's shortage of fiscal funds (Interview 1). Due to its proximity to a newly opened subway station, and because of the growing demand for housing in the surrounding area, several

developers and businesses (such as supermarkets and department stores) expressed interest in investing in the redevelopment (Interview 2). In 2008 the local government announced its plan to redevelop the compound into a mixture of new residential, business, and industrial buildings. The Fangzhicheng Integrated Development Office (IDO) was established as a vicegerent of the local state to manage the redevelopment process. For the first time in the history of the city's urban management the local government granted almost full administrative and approval powers to the IDO.

As the state-endorsed representative, the IDO worked to build a close relationship with the developers involved in the land acquisition, planning, and implementation phases of the redevelopment process. For example, the IDO borrowed nearly 204 million yuan from a developer to acquire land. In return, the developer was given surreptitious priority in its obtaining of land and project management (Cheng, 2011). This process is not uncommon. The lack of transparency in the trading of land use rights at the local level by SOEs and state agencies has troubled the central state for a long time (Xu, Yeh, & Wu, 2009).

Meanwhile, laid-off workers' benefits and interests were undermined under the coalition of the IDO and developers, as illustrated by one of the sub-projects that was designed to transform a self-built residential village (*Zijiancun*) accommodating nearly 400 households on 8000 square meters of state-owned land. The village was full of multistory brick houses built in the 1950s by workers who did not have access to public housing because of insufficient supply. Initially, most households welcomed the redevelopment. They were eager to move out of the dilapidated village and to receive in-kind or monetary compensation for the full floor areas of their houses, most of which were 100–180 square meters (Interviews 3). Unfortunately, in July 2011 the residents were told that full in-kind compensation would be provided for only 20 square meters of each house, and the households would be entitled to purchase discounted off-the-plan apartments at a price of 2300 yuan per square meter (for which the market price was approximately 5000 yuan) for floor area exceeding 20 square meters (Appendix 2). To receive the discount, the workers had to pay approximately 100,000–250,000 yuan in additional costs in only two instalments, depending on the floor area of the new apartment. This price was unaffordable to the vast majority of these households, which had been in severe financial difficulty since the late 1990s.

The residents angrily protested against the low compensation and asked for community participation and empowerment. Subsequently, the residents resisted the authorities and developers by initiating collective and individual actions, lodging formal and informal protests, forming rights groups, and presenting legal challenges (Ho, 2005). They held demonstrations, posted petitions in Fangzhicheng and online to increase public attention, and invited journalists to the village. The residents also pointed out that the policymaking processes driving the demolition decisions and compensation schemes had not followed the central government's policy, which required consultative meetings with the residents and the publication of compensation schemes for public comment for a minimum of 30 days. They also learned that, according to an internal document issued in 1956, the status of private houses was recognized by the Ministry of Textiles (MOT, the former management of Fangzhicheng), although the residents did not have property deeds.

The IDO applied several measures to dissolve the resistance under the guidance and assistance of the local state. First, in the name of maintaining social stability, online petitions were deleted from local websites, and media inquiries were prohibited through the local government's publicity department to "limit and solve

the issues within Fangzhicheng” (Interview 4). Second, the residents’ claims for private property rights were rejected by the IDO because the MOT was disbanded in 1993 and the document had expired. Thus, these claims were illegal under the current laws. Third, although the compensation standards were increased slightly after nine internal meetings, none of these meetings were open to the residents in accordance with the regulations. Because the households did not hold property deeds, they were told that the compensation was appropriate, and that it was the best the IDO could offer. Fourth, to impel residents to sign the demolition agreement, the IDO installed loudspeakers in the village to broadcast the announcement repeatedly, and officials from the IDO, as well as managers from the mills, visited the households to justify the importance of the redevelopment process and the legitimacy of the already scheduled demolition. Fifth, the IDO decided to present a hard line to demonstrate its control over Fangzhicheng to outside developers and investors, who might have been concerned about the negative effects of workers’ resistance on their business operations. The residents were told that there was no room for negotiation on the increased compensation (Interview 5). Households that hesitated to sign the agreement were threatened by the IDO’s demolition branch with the prospect of losing their electricity and water supply – a method widely used in China to threaten *dingzihu* (literally, “nail households”) who refused to sign agreements and move. Sixth, the laid-off workers who maintained their labor affiliations were told that they might be given priority for re-employment in the restructured mills if they signed the agreement, and that they would be entitled to an on-site low-rent apartment if they could not afford to buy a new one (Interview 6).

These measures effectively dissolved the cohesion of the resistance, and increasing numbers of households decided to accept the terms after realizing that there was little hope for better compensation. The demolition of the village, which is scheduled to be completed by the end of 2012, is currently being implemented in a steady but forcible manner. With the institutional support of the local state, more than 20 real estate projects with investments of 23 billion yuan will be introduced by the IDO to Fangzhicheng in the next few years. The massive redevelopment of Fangzhicheng has just begun, and other affected residents are likely to present disputes and resistance soon if the redevelopment process continues to operate in a way that leads these residents to feel that their rights have been violated.

### **Donghuali, Foshan: immediate top-down redevelopment**

A historic residential quarter in the inner city of Foshan, Donghuali is famous for its cultural heritage. Most houses in the historic quarter can be dated to the 1800s and 1900s, and the quarter is the largest of its type in the Guangdong province. Most houses maintain their original architectural structures, with traditional Cantonese features. Donghuali was named as a site for national historical preservation in 2001. Covering 0.64 million square meters, this quarter accommodates 9635 households, with approximately 30,000 residents, as well as numerous small and family businesses, including the author’s maternal family. In early 2007 the city government commenced the redevelopment of Donghuali, which was the largest project of its type in China. Unlike the case of Fangzhicheng, the city government played a direct and overarching role, without a vicegerent.

The propaganda distributed asserts that the project is intended to improve the living and housing conditions of the residents, protect the historical quarter, and

revitalize the culture of south China. It also claims that 90% of the residents supported the redevelopment (Interview 7). However, a random survey of 100 households conducted by the author in July 2007 found that only 8% of the households supported the redevelopment without reservation. For many, redevelopment implied the disappearance of: their family homes, which hold memories; their neighborhood friendships; their culture, which has been cultivated for centuries; convenient access to jobs, facilities, and resources; and the traditional living environment in courtyard-style houses (Interview 8). A further investigation found that the motivation, process, and outcomes of the project differ from the claims made by the local state.

Although the local government denied these facts in the early stages, the Donghuali project closely followed the redevelopment model established in the (in)famous Xintiandi project in Shanghai, which represented a shift in inner-city development from a complete teardown approach to selective historical preservation (Yang & Chang, 2007). At Xintiandi, two blocks of houses built during the colonial period were converted into a high-class quarter with the support of the local government (Ren, 2008). The developer, the Hong Kong Shui On Group (SOG), claims that the project is a successful case of creating and promoting a consumption site (Wai, 2006) and uses the project to establish itself as a leading inner-city developer. The officials of Foshan were impressed by Xintiandi's success and considered the SOG the most suitable developer for Donghuali. Therefore, close contact was established between the local government and the developer as early as the mid-2000s (Interview 9).

The national policy requires auctions or bidding in leasing land for commercial use, and the local government is allowed to establish its own criteria for tenders. Thus, the legal framework is loose, and the government can easily choose the developer it prefers. Through a legally impeccable but controversial procedure for the land leasing of Donghuali, which was estimated to be worth more than 10 billion yuan (Interviews 10), a private-public co-operative was formed and strengthened under the direct management of the local government. Before the tendering, the local government set high entry requirements to deter all developers except the SOG. For example, a qualified bidder was required to have successfully implemented redevelopment projects in historic quarters of at least 100 million square meters, and to have had experience in transforming historic accommodations into multifunctional quarters with integrated offices, hotels, service apartments, shopping centers, restaurants, residential houses, recreation facilities, and open spaces. The SOG, which was in the process of implementing five inner-city redevelopment projects across China at that time, was clearly the only qualified bidder for the Donghuali project. Notably, the SOG's successful bid was only 10 million yuan (approximately 0.1%) higher than the base price of 7.5 billion yuan.

Normally, demolition commences after the land leasing fee is received from the developer. However, in this case, before the bidding was held (on 30 November 2007), the demolition had already begun in mid-2007 at the government's expense. The local government appeared to know in advance that the land would be successfully leased. Informants inside the local government admitted that the tender process lacked transparency, but refused to comment further on the rumored collusion before and during the bidding process. Simultaneously, the local government argued that the procedure was legal, and that the SOG had abundant experience in redeveloping inner cities, with which no other developers could compete (Interview 11).

Evidence of the local state serving public-private cooperatives' interests is illustrated by further examples. In the redevelopment projects of other cities, the administration and implementation of the demolition, reallocation, and compensation processes were normally outsourced to demolition companies. However, in the Donghuali project, the local government managed all of these factors by itself, with the direct involvement of more than 400 government officials, to "control the neighborhood fully to make the land ready for the SOG's redevelopment as soon as possible" (Interview 12). Initially, the redevelopment planning was conducted by the South China University of Technology's architecture school, which focused on historical preservation, rather than commercial redevelopment. This focus conflicted with the developer's aims of minimizing the protective areas and maximizing the commercial use of the land. As a result of the developer's objections, the local government agreed to replace the university's team with Skidmore, Owings, and Merrill LLP (a leading American architectural and engineering firm), which subsequently redesigned the master plan in accordance with the SOG's concepts.

Because most of the houses were legally owned by households with property deeds, residents had stronger bargaining power than did those in Fangzhicheng. Thus, the local government was pressured to hold several consultative meetings before the demolition commenced, although fewer than 25 representatives of the residents were allowed to attend (and only 22 actually attended). The original compensation standards, which ranged from 2800 to 4200 yuan per square meter, were declined by the representatives. The local government later extended the compensation standards with the option of in-kind or cash compensation (Appendix 2). For the former, the households would be provided with apartments equivalent to the size of their demolished houses (a 1:1 compensation ratio) in other locations. For the latter, the compensation standards ranged from 4500 to 5000 yuan per square meter. If the households signed the demolition agreement within three months of the project's commencement, a bonus of 1500 yuan per square meter would be awarded, making the total cash compensation between 6000 and 6500 yuan per square meter (close to the average price of a new apartment in the suburbs). These prices were, and still are, the highest compensation standards in Foshan. Nonetheless, because only 1.51 billion of the 7.51 billion yuan land leasing fees was spent on direct compensation to the residents, the redevelopment was a "rewarding project" for the local government, which happened to be in urgent need of income (Interview 13).

The demolition did not lack conflicts and controversies. Some of the households that selected in-kind compensation argued that they should be offered on-site resettlement. The local government refused their requests. Angry residents wrote slogans and petitions on walls to demonstrate their sentiments, and several residents sued related government agencies for depriving them of their right to on-site resettlement. Their claims were not supported by the courts. On article, the national regulations did not require on-site resettlement to be provided to the affected households. However, one interviewee revealed that the developer had strongly objected to the residents' requests to the local government because the new houses and apartments in the rebuilt quarter would be high-end properties targeting the rich. On-site resettlements of low-income households would therefore undermine the efforts to increase property and land values (Interview 14). Similar to the Fangzhicheng case, radical online petitions and media inquiries were also interdicted. In addition, some of the public servants who lived in the quarter and participated in the resistance were asked by their work units to sign the agreement or

face the prospect of having their salaries suspended; and the normal operations of some small businesses were frequently interrupted by taxation officers who arrived to audit their accounting records.

Eventually, most of the remaining households and businesses stopped resisting, although some still refused to move. From 2008 to 2011 the local government gradually and forcibly demolished all of these houses by applying the so-called administrative forced demolition (*xingzheng qiangchai*), which was supported by certain laws and regulations. This method revealed an evolving but ambiguous area in the legal system concerning property rights and the extent of local states' power over redevelopments. In 1999, Article 6 of the Constitution was amended to recognize diverse forms of ownership, including private ownership; in 2004, Article 13 was amended to say that "the state, in accordance with law, protects the rights of citizens to private property and to its inheritance," but at the same time, "the state may, in the public interest and in accordance with law, expropriate or requisition private property for its use and shall make compensation for the private property expropriated or requisitioned" (National People's Congress, 2004). However, the term "public interest" is not defined in the Constitution. Article 16 of the Regulations on Urban Housing Demolition and Relocation (RUHDR), which was enacted in 1991, gave the government or demolition contractor the right to demolish private property forcibly without seeking the court's approval if an agreement could not be made with the owners or tenants after several attempts (Central People's Government, 2001). Again, the number of attempts should be made before applying the administrative forced demolition was not defined. In sum, these regulations allow forced housing demolitions for the benefit and convenience of the developers and the local state in the name of an ambiguously defined public interest.

The master plan for Donghuali claims that the project "exemplifies how private development can be harnessed to preserve historic areas as well as help inspire the development of a city's unique identity" (Skidmore Owings & Merrill LLP, 2008). The first session of the Donghuali project, which covered the commercial and residential areas, was completed in 2011. However, the project does not adhere to the local government's and developer's promises to preserve the quarter in its historic form. All but a handful of buildings were completely demolished. Instead, traditional architectural elements were artificially manipulated, as seen in other redeveloped historic quarters in China (Chen, 2010). Since the opening, the quarter has become even more congested because of the increased flow of traffic onto old roads that were not upgraded.

Propagandized as a traditional, privileged residential quarter – a branding strategy widely used by developers in China (Shen & Wu, 2012) – the prices of apartments and townhouses start at 20,000 and 45,000 yuan per square meter, respectively. Few, if any, of the original householders can afford these prices. Meanwhile, the high rental prices in the commercial area have made it almost impossible for small and family businesses (such as handicraft shops, traditional herbal pharmacies, and lower-market restaurants) to return to the quarter (Interview 15). Instead, international brands (for example, Starbucks, Godiva, and Häagen-Dazs) that can afford the rent have taken their spots, even though they have no historic connections with the quarter. This example shows how the processes of gentrification and large-scale population replacement diminish the achievements of China's redevelopment (Song & Wu, 2010). The original Donghuali community,

along with its primary identity as a quarter for generations of households and their livelihoods, has completely disintegrated.

### **Wenchong, Guangzhou: facilitated bottom-up redevelopment**

The institutional background and legal environment for this case differs from those of Fangzhicheng and Foshan. Facing the pressing issues of urban land shortages and conflicts in urban development projects, the Guangdong province issued a policy (Ordinance No. 78) in 2009 as a guideline for the redevelopment of the “three olds” (old urban areas, factories, and villages) across the province (Guangdong People’s Government, 2009). Aiming to promote a new redevelopment pattern, the provincial government received special approval from the Ministry of Land and Resources to administer the land and manage the redevelopment process through new approaches. Ordinance No. 78 allows not only private developers, but also current users and owners of land (such as collectives, communities, enterprises, and organizations) to participate in, invest in, or even lead their own projects, while the local government assumes an administrative and conducting role. More importantly, the ordinance aims to facilitate open, fair, and equitable urban redevelopment by implementing a more rigorous and transparent project application and approval process and by providing the affected residents with better compensation and reallocation options (Ye, 2011). This goal was supplemented by the development of a national policy in 2011 that abolished the RUHDR, which supports the much-criticized administrative option of forced demolitions. The RUHDR was replaced by the Regulations on the Acquisition of and Compensation for Housing on State-owned Land (RACHSL), which forbids the forced demolition of houses without the court’s approval, and requires compensation to be determined by the market value of the property. A redevelopment project requires the approval of at least 80% of the residents of a neighborhood, and public hearings must be held to collect residents’ opinions (Central People’s Government, 2011).

Against this background, Guangzhou has been working to redevelop 138 urban villages by 2020. In the last two cases, the urban land was owned by the state. That means that local governments requisitioned the land after paying compensation, and did not need to obtain consent from the households. However, the land in urban villages is collectively owned by all of the villagers, so the traditional public–private co-operative is less effective, and the local state is less dominant and powerful.

Before 2007 the urban village redevelopment process in Guangzhou was deadlocked because private developers were excluded (Tian, 2008). For the first time, in 2007, the Liede urban village redevelopment project, which aimed to improve the area near the site for the 2010 Asian Games, allowed private capital in the urban village redevelopment process. The Liede model of redevelopment has some distinctive features that contrast with those of Fangzhicheng and Foshan, and also differ from projects in other cities. The local government recognized the role of the village collective as its representative and acted mainly as a facilitator, rather than a direct administrator. In addition, the local government permitted a higher plot ratio of 5.3 (normally, a ratio of around two to three is allowed in Guangzhou) and a direct coalition between the collective and developers. In the Liede project the local government not only gave up the land leasing fees, but also allowed a vast amount of commercial space to flow into the supply (Interview 16). The study by Wu, Zhang, & Webster (2011) suggests that the case of Liede was exceptional, and

was only possible because it was inside the new CBD. However, subsequent redevelopment projects in Guangzhou have also applied the Liede model, in which village collectives are responsible for the various phases of the redevelopment process, including planning, financing, demolition, renewal, and resettlement. In that sense, the role played by the village collectives is similar to the roles played by the IDO in Fangzhicheng and the local government in Donghuali. The model is flexible because the local state does not impose a citywide uniform policy. Individual villages negotiate policies with the local government under the principle of “one village, one policy.” The following case, which is based on Wenchong, features one of the ongoing redevelopment projects founded on the Liede model. However, this project has its own variations, which have been adapted to the villagers’ requests.

Wenchong has a history of more than 800 years. With an area of 4.73 million square meters and more than 5000 villagers in 1916 households and 2315 buildings, it is one of the largest redevelopment projects in Guangzhou after the Liede project. Similar to other urban villages, Wenchong provides low-rent housing affordable for migrants, but it has many social, economic, and environmental problems (Tian, 2008; Zhang, Zhao, & Tian, 2003). Because urban villages are usually managed internally by collectives, the local authorities have limited influence in the neighborhoods, and villagers often show open defiance to the authorities (Li & Li, 2011). In other cities in Guangdong, the redevelopment of urban villages was predominately led by local governments and developers, but this was fiercely resisted by the villagers, who believed that their interests were being undermined (Chung, 2009; Hao, Sliuzasa, & Geertmanb, 2011). Therefore, the local state retreated in the Wenchong project – in part to avoid direct confrontation with the villagers in administrative and financial matters, which might lead to negative consequences similar to those in other cities (Interview 17). Instead, the local state empowered the collective, which operated through the Wenchong Shareholding Economic Cooperative (SRC) and the affiliated Wenchong Redevelopment Investment Company (RIC), by giving it full administrative and partial approval powers. Of the estimated total redevelopment cost (2.54 billion yuan), the local government only paid approximately 600,000 yuan as a start-up grant (Interview 18). All other costs were intended to be covered by the profits generated from the project.

In 2008, after several rounds of planning and negotiation between the SRC and a developer, it was announced that the redevelopment project would build 1.45 million square meter of property, with the plot ratio increasing from 1.27 to 3.07. Of this area, 409,000 square meters (28%) would be used for resettlements, 194,400 square meters (14%) would be owned and managed by the collective on behalf of the villagers, and 848,000 square meters (58%) would be sold by the developer to cover the redevelopment cost of 2.54 million yuan. In the Liede project, all of the properties in the redeveloped neighborhood remained collective assets under “small property rights,” which could not be sold directly in the market. In the Wenchong project, the local government not only waived the land leasing fees, but also allowed the villagers to receive property deeds. Consequently, the villagers could sell their properties on the market. If they did not sell their properties, the property deeds would be valid perpetually. In comparison, normal property deeds on state-owned land are valid for only 70 years.

Acting as the primary administrator, as well as an intermediary agency between the local government, the villagers and the developer, the SRC was under scrutiny and pressure from all sides. From 2006 to 2010 several preparation and consultation

meetings were held between the villagers' representatives, the government officials, and the supervisory and advisory committees to draw up the compensation scheme. The final compensation standards (described below) were increased dramatically because of the villagers' strong and organized objections to the draft. In May 2010 the compensation scheme was finally approved by the shareholders of SRC and the villagers' representatives. In June 2010 the officials began to discuss signing the demolition agreements with individual households to reach the 80% agreement rate needed to kick-start the project.

The scheme provided higher compensation standards and more options than the redevelopment schemes in other urban villages and compared to Fangzhicheng and Donghuali. The households could choose from cash and/or in-kind compensation (Appendix 2). The standard of cash compensation was 5800 yuan per square meter for four times the floor area of the ground floor (no matter how many floors the house actually had) and, if applicable, 1000 yuan per square meter for the actual floor area that exceeded four floors. Alternatively, the villagers could choose an apartment (1:1 compensation ratio), a commercial space (3:1 compensation ratio), or a combination of these two for four times the floor area of the ground floor (again, no matter how many floors the house actually had). In addition, a 20,000 yuan bonus was awarded to the households that signed the agreement by July 2010. Regardless of which option was chosen, a cash allowance was granted for relocation (3000 yuan as the base plus 10 yuan per square meter), temporary housing (20 yuan per square meter for two years), and, if applicable, building material compensation for the floor area exceeding four floors (1000 yuan per square meter). The administrative levies for the apartments would also be waived, because the collective would use the rental income from the proposed collective-owned properties to pay for them. In the consultation meetings, the officials presented real examples to persuade the residents to sign the agreement. Based on the above standards, for instance, a typical six-floor house of 1306 square meters (including 830 for the first four floor and 476 for the remaining floors) could receive a cash allowance of approximately 910,000 yuan, and 830 square meter of in-kind compensation consisting of several apartments and/or shops.

Although the compensation scheme was passed, the process was contentious, and was accompanied by sporadic resistance from the villagers. However, it cannot be denied that the SRC responded effectively to the villagers' requests. For example, many villagers distrusted the capacity of the initially selected developer to finish the project, and asked the SRC to find a large developer. The SRC negotiated with the Vanke Group, one of China's largest developers, which agreed to invest 1.4 billion yuan and purchased shares of the RIC as insurance. The SRC utilized the high profits to persuade developers to form a coalition. For example, in the Liede project, the land cost of the newly built properties was approximately 8000 yuan per square meter, but they were sold for 45,000–50,000 yuan per square meter (Interview 19). Taking one of the sub-projects in Wenchong as an example, the land cost was approximately 3800 yuan per square meter and was expected to sell at 15,000–30,000 yuan per square meter (Interview 20).

By the end of 2011 a vast majority (86%) of the households had signed the agreement. However, the collective's officials found it difficult to deal with the remaining households that hoped for higher compensation (Interview 21). The author observed a meeting between the members of one remaining household and several village officials. The household argued that according to the RACHSL, their

house could not be forcibly demolished without an agreement. Conversely, the official explained that according to the RACHSL, forced demolition would be permitted after the court's approval. The household members said that they were not afraid of this outcome and would fight for higher compensation because their livelihood, which relied on rental income, would be destroyed.

Although the villagers of Wenchong received significantly higher compensation than did the residents of Fangzhicheng and Donghuali, the redevelopment has had worrisome effects on the villagers' financial prospects. The migrants in Wenchong, similar to those in most other urban villages under redevelopment, did not receive any compensation, and almost all of them were forced to move to farther locations (Song, Zenou, & Ding, 2008). Therefore, the prospects for the villagers' future livelihoods are less optimistic if their new properties cannot be leased to migrants. Although the officials criticized these remaining households for "taking the redevelopment as the last chance to get rich", it is unlikely that the officials will apply to the court to implement forced demolitions because social stability is a priority for governments at all levels in Guangdong, especially because 2012 is the year that government officials seek to be reemployed in a five-year cycle (Interview 22).

### **Discussion and conclusion**

By examining three cases of inner-city redevelopment projects in three types of neighborhoods, this study illustrates the political processes and different patterns of inner-city redevelopment in the context of evolving relationships between the state, the market, and the community. Although all of these redevelopment projects were property led, the changes they made to previously developed inner-city neighborhoods involved different spatial, economic, social, and political issues. Therefore, the contextual backgrounds of individual redevelopment projects are important. Different redevelopment patterns depend on the institutional arrangements and resources available to the local states and the power relations among the stakeholders in the neighborhoods. Actually the loose legal frameworks have allowed coercion and roughshod tactics to prevail even when (slightly) illegal or at the best, unethical.

The first two cases, Fangzhicheng and Donghuali, involved projects in a work unit compound and a historic quarter, and demonstrated a feature of the entrepreneurial city: the political prioritization of local economic development over social redistribution and an associated institutional shift toward public-private co-operatives. The Fangzhicheng case shows that, despite the decline of the state sector, the local state and its agents (the IDO and danwei) retained their authoritarian power in dealing with the laid-off workers who did not hold property deeds for their houses and who had to rely on the local state to provide re-employment opportunities to resolve their financial difficulties. These two disadvantages for such households were used effectively by the local state to constrain resistance. Consequently, the households found it difficult to break through the public-private co-operative that attempted to advance the redevelopment in their own way. Similarly, in the Donghuali case, the local state made a series of institutional arrangements to support the preferred developer and to advance the project in an authoritarian and aggressive manner. Although the residents in Donghuali received better compensation than those in Fangzhicheng, most of the residents were displaced to suburban districts, and most of the historic buildings

were completely demolished to make room for the commercial use of the land at the discretion of the sole developer. Consequently, the redeveloped quarter lost most of its physical, economic, and social historic value, which can never be recovered. Under the local state's authority, these two projects were implemented directly and indirectly through the lower levels of the hierarchy, which attempted to comply with the higher-level administration, rather than listen to and act on the wishes of the affected residents.

Wenchong villagers were compensated significantly better than those of Fangzhicheng and Donghuali for several reasons. The collective rural land ownership and the village's traditional self-governance structure meant that the local state could not easily expropriate the land without the villagers' approval, as in Fangzhicheng and Donghuali. The new redevelopment model that was based on the new national and provincial policies also caused the local state to retreat from directly managing the redevelopment project and to relinquish the land leasing fees that would have been generated by the project. These changes altered the growth coalition, as shown in Fangzhicheng and Donghuali, in which the local state played a controversial dual role as both an administrator and a direct beneficiary of the land revenue and redevelopment projects conducted by the partnered developers. Under the management of the collective, the Wenchong villagers benefited more from the redevelopment process because it was relatively more transparent and consultative, although this process was not without controversies and conflicts.

An earlier study on Beijing argues that a shift in redevelopment policy does not indicate that the local state has become less entrepreneurial and more socially inclusive because the land use rights system effectively makes local governments *de facto* landlords (Shin, 2009). However, another study on Xiamen in the Fujian province argues that the local state has made a series of concessions, including compensation and a share of the urban land value uplift (Zhao & Webster, 2011). In both the Liede and Wenchong cases, the local government gave up a substantial amount of land revenue to accelerate the redevelopment process by facilitating cooperation between the collectives and the developers. This study supports the latter argument. Nonetheless, as the urban village disappears, so do the tenants of the villagers' properties. The economic prospects of Wenchong depend significantly on whether the local economy can be restored. A bottom-up approach facilitated by the local state was applied in the village to unite the level of expertise, the organizational structure, and the motivating experiences of the villagers who were responsible for the project.

Since the processes of rapid urbanization and inner-city redevelopment began, many neighborhood residents have expressed a strong desire to renegotiate the power relations to gain more control over their benefits, compensation, and their lives. However, most local governments and property developers have shown little interest in community participation and empowerment, which have essentially been viewed as obstacles for urban governance and corporate operations. Additionally, the coalition of the local state and developers in China frequently employs propaganda, media censorship, monetary incentives, legal actions, and other measures to disintegrate communities, alienate residents, and suppress their resistance and grassroots attempts to claim their rights.

To amend this situation, Chinese cities should learn from the recent histories of some developed countries, where governments and corporations have played generally positive roles in empowering and assisting affected communities and

individuals in inner-city redevelopment (Ball, 2004). In addition, the socio-culturally sustainable redevelopment of urban environments must accommodate local people (Lin & de Meulder, 2012; Lin & Meulder, 2012), rather than preserve certain traditional forms as cultural symbols.

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**Appendix 1. Interviews.**

- Interview 1: (Various days in 2008) Three officials, Xi'an People's Government
- Interview 2: (Various days in 2008) Five business owners and two representatives of developers, Xi'an
- Interview 3: (Various days in 2010) Fifteen residents of *Zijiancun*, City of Textiles, Xi'an
- Interview 4: (22 October 2011) Two officials, Xi'an People's Government
- Interview 5: (18, 20, 23 October 2011) Two officials, IDO, City of Textiles, Xi'an
- Interview 6: (21 October 2011) Five residents of *Zijiancun*, City of Textiles, Xi'an
- Interview 7: (Various days in 2007) Five officials, Foshan People's Government
- Interview 8: (Various days in 2007 and 2008) Thirteen residents of Donghuali, Foshan
- Interview 9: (Various days in 2007 and 2008) Two officials, Foshan People's Government
- Interview 10: (10 July 2007) One real estate agent and one land surveyor, Foshan
- Interview 11: (Various days in 2007 and 2008) Three officials, Foshan People's Government
- Interview 12: (10 January 2008) Official, Foshan People's Government
- Interview 13: (20 January 2008) Official, Foshan People's Government
- Interview 14: (15 June 2010) Developer representative, Donghuali, Foshan
- Interview 15: (Various days in January and February 2012) Four business owners, Foshan
- Interview 16: (12 February 2012) Official, Liede, Guangzhou
- Interview 17: (11 February 2012) Two officials, Guangzhou People's Government
- Interview 18: (13 February 2012) Official, Hungbu People's Government, Guangzhou
- Interview 19: (20 February 2012) Representative of developer, Wenchong, Guangzhou
- Interview 20: (23 February 2012) Representative of developer, Wenchong, Guangzhou
- Interview 21: (23 February 2012) Two officials, Wenchong, Guangzhou
- Interview 22: (25 February 2012) Two officials, Wenchong, Guangzhou

Appendix 2. A comparison of compensation schemes.

Case	Type of neighborhood	Compensation ratio	Compensation options	Allowance/bonus
Fangzhicheng, Xi'an, Shaanxi Province	Industrial compound	1:1 for the first 20 square meter only (as of December 2011)	Option 1: Cash compensation (approximately 270 <i>yuan</i> per sq m) plus discounted off-the-plan apartment (at the price of 2300 <i>yuan</i> per square meter); Option 2: Cash compensation (approximately 1400 to 1800 <i>yuan</i> per square meter); Option 3: Low-rent public housing (for households that selected option 2 and in extreme poverty only).	None (as of December 2011)
Donghuali, Foshan, Guangdong Province	Historical quarter	1:1 for officially certified floor space in property deed	Option 1: Off-site apartments (priority in selecting an apartment if the agreement was signed early); Option 2: Cash compensation (4500 to 5500 <i>yuan</i> per square meter plus 1500 <i>yuan</i> per square meter as a bonus if an agreement was signed within three months); Option 3: Combination of options 1 and 2.	1. For all options: Removal fee (600 to 800 <i>yuan</i> per household); 2. For option 1: Temporary housing fee (18 <i>yuan</i> per square meter per month until two months after moving into new apartment) and waiver of the administrative fee for a new apartment.
Wenchong, Guangzhou, Guangdong Province	Urban village	1:1 (residential space) or 3:1 (commercial space) for four times the ground floor's floor space (regardless of the actual number of floors)	Option 1: On-site residential and/or commercial property; Option 2: Cash compensation; Option 3: Combination of options 1 and 2.	1. For all options: Removal fee (3000 <i>yuan</i> as base plus 10 <i>yuan</i> per square meter) and agreement signing bonus (20,000 <i>yuan</i> per house); 2. For Option 1: Temporary housing fee (20 <i>yuan</i> per square meter for two years), building material compensation for the floor space above four floors (1000 <i>yuan</i> per square meter), and waiver of the administrative fee for a new property.