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Value Capture and Non-Financial
Compensation in Urban Village
Redevelopment in China:
An Attempt for a More Balanced Value
Distribution in Redevelopment

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Declaration

I hereby declare that the thesis:

Value Capture and Non-Financial Compensation in Urban Village Redevelopment in China: an Attempt for a More Balanced Value Distribution

has not been submitted to any other academic institutes than the University of Amsterdam for any type of academic uses.

Acknowledgment

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Abstract

Urban village (UV) redevelopment is quite a controversial issue in today's China which produced a lot of 'slumdog millionaires' out of the indigenous peasants while on the other hand drove out many poor migrant workers to whom urban villages are the only affordable and accessible housing provision. This study views UV redevelopment as a process of value gain and distribution. Stakeholders are motivated by huge potential value hidden in UVs but always unsatisfied with one's own share in it. The author is interested in looking for a more balanced value distribution in redevelopment through value capture and non-financial compensation (NFC). The research tries to get to know perceptions of the interested parties on value capture and NFC. By reviewing literature, interviewing key representatives of interested parties and attending meetings, the research found that different interested parties have diverse views on the value changes, value capture mechanism and the possibility of using NFC. There also seems to be an urgent need for a platform on which all interested parties get together to discuss and exchange ideas about the value changes and the distribution process in redevelopment.

Table of Contents

Declaration	1
Acknowledgment	1
Abstract	2
Table of Contents	3
Abbreviations	4
I. INTRODUCTION	5
1.1 Background	5
1.2 Urban Villages And Their Redevelopment	6
1.2.1 Urban Villages in China	6
1.2.2 Redevelopment of Urban Villages	9
1.3 Problem Definition	13
1.4 Research Objective and Questions	15
II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK	17
2.1 Definitions and Purposes	17
2.1.1 Definitions of Value	17
2.1.2 Definitions of Value Capture	18
2.1.3 Purposes for Value Capture	21
2.1.4 Definition of Non-Financial Compensation	23
2.2 Why Value Capture and Why NFC?	25
2.2.1 Justification of Value Capture	25
2.2.1.1 Whose value?	25
2.2.1.2 What are the value changes?	27
2.2.2 Justification of NFC	31
III. RESEARCH METHODOLOGY	33
3.1 Train of Thought	33
3.2 Data Collection Methods	34
IV. STUDY AREA	40
4.1 City of Shenzhen	40
4.2 Urban Villages in Shenzhen	42
4.3 Baishizhou	46
V. RESEARCH FINDINGS AND ANALYSIS	50
5.1 The Government	50
5.1.1 The Government's Perception	51
5.1.2 Analysis of Government's Perception	54
5.2 The Villagers	58
5.2.1 The Villagers' Perception	59
5.2.2 Analysis of Villagers' Perception	61
5.3 The Developer	66
5.3.1 The Developer's Perception	66
5.3.2 Analysis of the Developer's Perception	69
5.4 Designers and Planners	73

5.4.1 Planners' and Designers' Perception-----	75
5.4.2 Analysis of Designers and Planners' Perceptions -----	78
5.5 Tenants and Social Activists -----	81
5.5.1 Tenants' and Social Activists' Perception -----	83
5.5.2 Analysis of Tenants' and Social Activists' Perception -----	86
VI. DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS-----	89
6.1 Discussion and Conclusion -----	89
6.1.1 Urban Village Redevelopment -- A Process of Value Gain and Distribution -----	89
6.1.2 Value Capture in Redevelopment -- Necessary but Difficult-----	92
6.1.3 NFC in Redevelopment -- Not Applicable for Now -----	95
6.2 Recommendations -----	98
6.3 Limitations -----	100
REFERENCES -----	101

Abbreviations

BSZ -- Baishizhou (including all five villages)
BCo -- Baishizhou Investment & Development Co. Ltd
CAUPD -- China Academy of Urban Planning & Design Shenzhen
CZC -- Chengzhongcun Special Force
FAR -- Floor Area Ratio
GF -- Guangming Farm
NFC -- Non-Financial Compensation
NPCSC -- Standing Committee of the National People's Congress
SCD -- Shenzhen Center for Design
SEZ -- Special Economic Zone
SMG -- Sheznhen Municipal Government
SMSB -- Shenzhen Municipal Statistic Bureau
SUD -- South Urban Daily
UPLRC -- Urban Planning, Land & Resources Commission
URO -- Urban Renewal Office
URB -- Urbanus Research Bureau
UV -- Urban Village
YEN -- Yangcheng Evening News

I. INTRODUCTION

1.1 Background

Urban village redevelopment is such a controversial issue in today's China. So many times urban village redevelopment is labeled unequal, corrupt, tainted by insider dealings or even violence while almost all stakeholders are still desperate for it to occur. But why are redevelopment projects so difficult and problematic in practice? To some extent, urban village redevelopment is a process of value gain and distribution. Stakeholders are motivated by huge potential value hidden in UVs but always unsatisfied with one's own share in it. Sometimes, developers and government gain a lot while villagers, by which I mean the landlords, are cheated and forced to move out. In other instances, it produces many "slumdog millionaires" out of the indigenous peasants whilst in the mean time driving out many poor migrant workers for whom urban villages are the only affordable and accessible housing provision. So the UV redevelopment is closely intertwined with value while distribution of value is largely done through compensation schemes. Therefore, the key problem is how to balance the value gained from redevelopment among different interested parties and more importantly, how to capture the value gains to compensate value losses. Very likely, the answer could be found through different ways of compensation. And these are the focus of this research.

In Shenzhen, the pioneer of Chinese reform, Baishizhou urban village has been chosen as the study case. The city has been developing at an extremely high speed in the last three decades from a small village to one of the biggest cities in China thanks to the open-up policy in late 70s. In the mean time, it cultivated hundreds of urban villages while Baishizhou is one of the biggest and most complex ones. So many interested parties are involved in this project including different

layers of government, a famous local developer, design agencies, government affiliated planning institute, NGOs, thousands of landlords and about 120, 000 residents. Ambiguously defined property ownership and diverse population composition have made it even more complicated but also interesting. Interviews and analysis have been conducted during the six-week field work in the city of Shenzhen to collect and investigate the perceptions and attitudes of different interested parties towards this the idea of value capture and explore possible ways to achieve value capture through NFC.

After providing more background information on UVs and their redevelopment, there is going to be explanation on the theoretical framework of the research. Then, methods based on which the research is conducted will be discussed, followed by an introduction of study area. Next, description and analysis of collected data from filed work will be showed. Finally conclusions will be drawn and recommendations will be given.

1.2 Urban Villages And Their Redevelopment

1.2.1 Urban Villages in China

Urban villages (or *chengzhongcun* in Chinese) in China, a special by-product of the rapid urban expansion after 1979's reform and China's dual land ownership system, are actually village-like enclaves within the new urban landscape (Pu, 2012). During the urban expansion process, farm land was transformed into urban fabric while peasants' own housing land was reserved due to complex compensation and land expropriation process for those *zhaijidi* (peasants' house land plot). Under Chinese law, these plots are owned by village collectives and could only be developed for own uses or sold to the government.

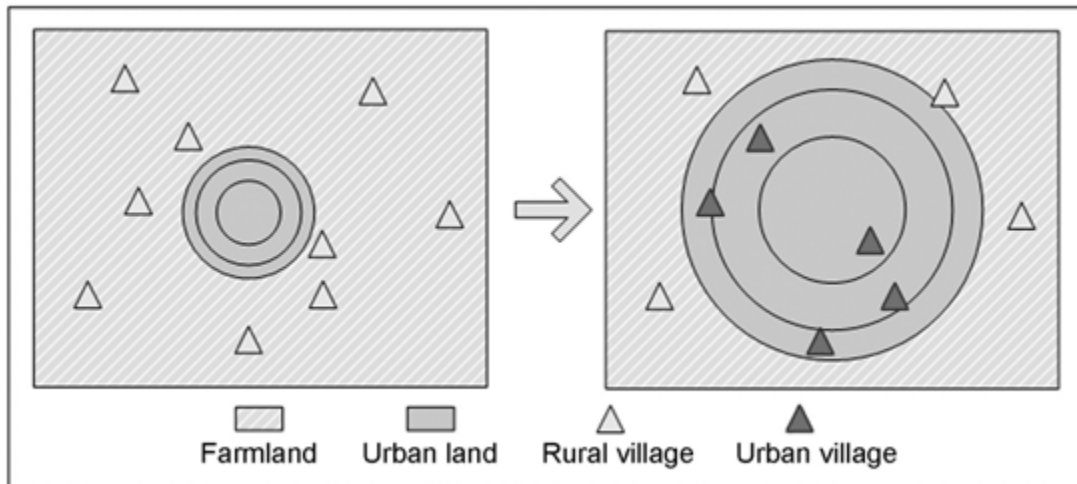


Fig. 1 The transformation of rural villages to urban villages. Source: Pu,

As urbanization furthered, numberless migrants from all over the country moved into cities for jobs in manufacturing and service sectors. Together with the migrants, there came the huge demand for affordable and accessible accommodation. With no urban *hukou* and being too poor to buy an apartment, migrant workers were forced to look for residences elsewhere (Zhang et al., 2003). Meanwhile, surrounded by urban infrastructure and being close to city centers, landless urban villagers started to rent out their houses to migrants. To make the most profit out of it, buildings in UVs became higher and higher, denser and denser. That led to the current situation of urban villages which is characterized by high density, chaos, poor infrastructure, etc.

Academic definitions of UVs vary from different perspectives, while could be summarized as following characteristics: (Tong and Feng, 2009; Zhao and Zhou, 2006; Li, 2010)

- Partly urbanized urban villages surrounded by fully urbanized landscape (low, shabby and highly dense buildings with good transport connection and proximity to city centers);
- Still a rural community with collective-owned economic entity (Village collective corporations act also like village committees. Most staff in the corporations are originally from or married into the villages. People know each others well. These villages still perform like tribes while with a name of corporation.);

- Dual administration system (Village collective corporation is not only a economic entity that do business and share the profit among villagers, but also responsible for daily management of indigenous villagers while residents committee is in charge of all the residents);
- Complex landowning and property right system (There are rural development land which is returned to the village collectively for industrial use to make profit all villagers, "private" land *zhaijidi* which is issued to villagers personally for their own houses, and rural compensation land which is the returned percentage of the original farmland in a village when the rest were expropriated for urban use.);
- Residents mainly consist of migrants who rent apartments while original population is of really low proportion (Most people who live there rent apartments or rooms while work or run small business nearby or in the villages. Many villagers that can afford house elsewhere moved out of the villages leave behind only older people who are more emotionally connected to land.).

However, if there is one word that could describe UVs best, one would say "informality". There is no formal building code but only a limitation on maximum floor area issued by the government to stop the crazy construction. Many buildings in UVs do not have official documents and many others are semi-illegal since they were built before that limitation had been issued and exceed the maximum. Thus the lease agreement between tenants and owners of such buildings are not legally effective and lots of small business are running informally without licenses. Informal interpersonal relationship weighs more than formal regulation and rules. In that way one can easily foresee how difficult would that be to redevelop these already problematic UVs.



Fig. 2 An Urban Village in Shenzhen Taken by the author April, 2013

1.2.2 Redevelopment of Urban Villages

As years went by, these plots with significantly suppressed land value and proximity to city centers and/or transportation nodes, have become the new target of urban expansion. In many cities in China, physical limit of city boundary already became a restriction of urbanization. Finding new land supply is therefore a primary task of local government and such underdeveloped area as UVs become their target (Li, 2010). Besides, concerned about safety and fire hazards, difficulties in management, and their "damage" to the image of cities, the government see UVs as "eyesores" and "backward places" (Wu, 2009). Moreover, local government rely largely on real estate revenue as a main source of income which also makes them fond of redevelopment. However, they do not want to get involved as far as possible since they know that their involvement will make the process even harder. So in many cities,

government hide themselves behind the scenes to act as a supervisor and let the market mechanism solve all the conflicts in negotiation¹.

Despite that some older indigenous peasants are afraid of changes, most villagers are in favor of redevelopment because of not only the huge potential profit hiding in UVs but also the wishes to make the village where they were born and raised a better place. Affected by the traditional Chinese land fetish, villagers are extremely unwilling to move out of their home village and therefore want to create a better living condition for their offspring. But they are also hesitant about redevelopment. They trust only tangible property rather than any other forms of contracts or promises and they always think developers will cheat on them, which is, to some extent, true. Thus, they are really careful and conservative in redevelopment.

Developers also hold mixed feeling towards UV redevelopment. Most UVs are adjacent to city centers where estate is quite valuable while within UVs, land value are institutionally suppressed. So, an UV redevelopment project can certainly make quite some profit and improve the developer's borrowing capacity significantly. Nevertheless, only big developers who are strong and powerful enough dare to step in such profitable but risky projects since the negotiation process will be so long and tough that sometimes the developer gets really frustrated and then quits the project. As a result, this powerful developer would fully exploit all its resources and push so hard to make the project proceed while for many times create even more conflicts.

Thus, UV redevelopment is quite popular while also controversial in every city in China although many different redevelopment patterns could be found. By the different extent of redevelopment, there are three approaches in the urban renewal regulation publicized by Shezhen Municipal Government (SMG) in 2012, including entire redevelopment, comprehensive improvement and functional change. Entire redevelopment, which is the most frequently used mode since it is the most profitable and easiest, means the whole village (except some heritage buildings) will be removed and new buildings will be built. Comprehensive

¹ Taken from the interview with Weiwen Huang

improvement aims to improve the quality of public infrastructure and beautify urban appearance while avoid adding total floor area as far as possible. Functional change manages to give new function and meaning to existing buildings instead of demolishing them and building new ones.

By different leading roles, there are mainly three modes, namely self initiated mode, government led mode and market led mode (Li, 2010). With the whole city in mind and from a larger view (Wei, 2007), the government sometimes takes the lead in redevelopment. In such a mode, the government is responsible for making plans, negotiating with villagers, demolishing old buildings, paying off compensation and relocating villagers. Then the vacant land will be sold to a developer through bidding for further development. This mode usually costs the government too much effort and money to compensate and relocate the villagers. Sometimes the villagers take advantage of government's determination and ask for too much compensation while some other times, they are forced to move out without properly compensated which created a lot of violence and riots.

In some cases (Tianxia village in Shenzhen², for example), the village collective corporation acts as a developer to lead the project. In this mode, villagers connect their own well being to the success of redevelopment which transfers the external tension against developers into internal tension and thus significantly reduces difficulties in negotiation process. However, not many villages are resourceful enough to act as a developer and not all villagers would dare to take the risk to let the unprofessional collective corporation develop their property. Moreover, since this is just like an owner developing his own land and pursue his own profit, it can hardly fully utilize the valuable land in UVs in both economic and social terms.

Finally, market led pattern, which is most commonly used and recommend by authorities, is a business deal made between developers and villagers under certain regulations and the supervision of government. In this mode, a developer has to approach a village first and talk about the wish of redevelopment. Once both side decide to continue cooperation, developer-hired designers, consultancies and most importantly a strategist who usually has good

² Personal contact with Pu Hao

connections in many government offices and is qualified to make the final plan, will get involved. (Quite often, this strategist will be a government affiliated planning institute.) Sticking, to different extent, with their own ideologies, the planners, designers and consultancies want to fulfill their professional dreams and their social responsibility but have to somehow follow instructions of the developers. They will be responsible for making several rounds of draft plans which need to fit in all kinds of building and planning codes. If after a few rounds of negotiations, the draft plan was supported by the collective corporation, who acts as a representative of villagers, it will be presented to the government as a proposal of the redevelopment project. Only from then on, the government is officially involved in the project. If the government approved it, which is often the case thanks to the strategist's connection with officials, the developer can then start to talk with villagers about details in compensation and relocation schemes. Only if all villagers signed the agreement of the plan and compensation can the final plan be handed in and finally approved by the government. But if some severe conflicts happened during the negotiation process, the government will intervene and work as a mediator to help the project proceed. In this process, the government do not have to go through the troublesome negotiation process but only need to say yes or no to the proposal and final plan according to some regulations and with consideration of the whole city. In this way, the government avoid a lot of trouble and saved much money and effort. Besides the developer and villagers can talk in a more even and freer context and the power relation between the two becomes more balanced. Nevertheless, the villagers constantly believe that there are some secret agreements made between the developer and government and sometimes refuse to cooperate³. Also, because of the blurry property right definition and with no legal base, negotiations between developers and villagers about compensation are still difficult.

In short, even though there are diverse patterns and approaches for redevelopment, the most common one, at least in the Pearl River Delta area, nowadays is still market led entire redevelopment mode. It is promoted by local authorities because of its profitability and simplicity (SMG, 2012). This is also a manifestation of the market-driven developing model and neoliberalism tendency in China, especially among local authorities in southern coastal

³ Taken from the interview with Tat Lam

cities like Shenzhen. However, each pattern creates some problems and has its own shortcomings. Relevant problems of this most loved mode will be further discussed next.

1.3 Problem Definition

The uneven value distribution in UV redevelopment projects brings with a lot of problems. It seems that there are two ends for the villagers in an UV redevelopment project. In some cases, the developers try to suppress the compensation as much as possible which leads to severe conflicts against villagers. There were so many reports and documentaries about how poorly treated villagers protest and fight against dark-minded developers and how often violence or even fatal incidents happened during the process (Huang, 2012; Cheng, 2012; Wu, 2012). It seems the villagers just simply share the same faith as the Great Commoner of Great Britain, who stated:

The poorest man may in his cottage bid defiance to all the forces of the Crown. It may be frail -- its roof may shake -- the wind may blow through it -- the storm may enter -- the rain may enter -- but the King of England cannot enter -- all his force dares not cross the threshold of the ruined tenement!

(William Pitt the Elder, Speech on the Excise Bill, March 1763)

But sadly, because of many reasons including the defects of legal and property owing system in UVs, this God-given right is not well protected in China. In this manner, the developers harvest most of the increased value. Government can also gain income while have to pay much attention to take care of the mess left behind. Luckily, such situation appears less and less as time goes by since people cared more and more about the villagers who used to be much more disadvantaged side comparing to the developers.

On the other hand, as power relation between developers and villagers became more balanced, researches and reports (InKunming, 2011; You, 2012; O'Donnell, 2011) found that in more and more cases, villagers became disproportionate rich after redevelopment and that is to be the other end for villagers. The villagers can receive huge amount of compensation for their property in UVs although most of these property are, to some extent, illegal since they usually do not pay enough taxes for their renting business. In this way, the villagers and developers shared together the increased value from redevelopment. Moreover, many of these nouveau riches, especially the younger generation, start to squander around so much that they get broke very soon. News (YEN, 2009) have even reported that since many such people are still relatively uneducated and unexperienced, some of them turned into gambling or drug abuse since they are so rich and idle that they have no better ways to enjoy their lives (Zeng and Tan, 2002). In the pearl river delta area, people even give these young rich UV landlords a nick name, *ershizu*, which originally means sons of the founders of ancient Chinese dynasties. While most people who live in UVs work nearby and contribute to the city's tax income with their salaries, would be kicked out with no compensation at all after redevelopment. Besides, in most cases, villagers only want newly-built apartments in the same area as compensation so that developers have to build more or push up the price to cover the compensation which will fueled up the already overheated Chinese real estate market. In order to motivate and under the pressure of the developer, the government usually have to loosen restrictions on floor area ratio, building height and the like, which will bring a lot of pressure on the city's infrastructure.

However, as one may already noticed, in none of these patterns has the benefit of residents been taken into account. In most, if not all, UV redevelopment projects, tenants are excluded and cheap "marginal" business (Fainstein, 2012) are displaced by large scale shopping malls. Low income groups are pushed out and have to find accommodation in other places with higher costs or less accessibility to jobs. Some of them even have to go back to their home towns. The general public are also affected. A family has to pay more for a babysitter who used to live in an UV nearby and has to move farther away from the city after redevelopment . A white collar worker can no longer have his shoes quickly and cheaply fixed or buy cheap breakfast in an UV along the way to work after redevelopment. In terms of social value, the emergence of a new gated high-rise community

on the location of a previous UV will bring inconvenience to the villagers who used to enjoy others company in a local teahouse which will probably be replaced by a five-star hotel.

There is one other problem shared among all kinds UV redevelopment, the difficulties in calculating the current value of buildings in UVs and negotiating about future compensation since there is no legal nor market base for doing such calculation. Even for some formal buildings, their legal documents and property certificate are not completed. Normally, the property and landowning system in UVs is very blurry and chaotic due to some historical problems. Many buildings, as introduced before, are semi illegal and many other buildings are not registered in order to avoid taxes. What is worse, since UVs largely solved the problem of providing livelihood for landless farmers and low-end housing for the urban poor, the government turned a blind eye to their existence for quite a long period of time. In addition, some collective landowners (such as military farms, state-owned corporations) do not exist anymore or were split up into several different legal entities, but their land ownership are still not clarified. As a result, the problem is left unsolved till now and most property in UVs, either legal or illegal only have limited property right which does not allow them to be sold on market. These problems together post an urgent call for new value distribution mechanisms and more flexible compensation schemes.

1.4 Research Objective and Questions

The research questions of this study are: *how do different interested parties in the case of Baishizhou perceive the value changes happened in redevelopment and the mechanism of value capture and non-financial compensation?*

Sub questions include:

- 1) What are the characteristics of urban village redevelopment in China?
- 2) Who are involved and what are the value changes for them in the redevelopment process?
- 3) What is value capture and NFC. Why are they necessary and relevant to UV redevelopment?

- 4) What are the actual and perceived value changes involved in redevelopment?
- 5) How do interested parties perceive the mechanism of value capture and NFC?
- 6) What are the main constraints to achieve a more balanced value distribution in redevelopment and what possible scenarios to overcome these constraints?

This research could contribute to several aspects of researches on UV redevelopment. Firstly, discussion on the necessity and rationality of value capture in UV redevelopment processes in this research reflects on the urgent call for closing up the huge gap between rich and poor and the recently emerging awareness of the need for value capture in both research and practice in China. Tao (2012) and Wang (2011) were inspired by value capture mechanism in Taiwan and Japan and tried to explore new patterns of UV redevelopment. Zhang (2008) and Tao (2011) introduced sophisticated land value capture operation in USA and promoted such mechanism for urban development. SMG, for the first time, explicitly wrote down the minimum proportion of land that have to be donated freely for public use in each urban renewal project. However, not much attention have been paid to justify the idea of value capture in UV redevelopment, an unique phenomenon in China. This study searched for the degree of acceptance of value capture in UV redevelopment and the obstacles in implementation by collecting perceptions from different interested parties .

Exploration of possible alternatives for more flexible compensation ways could provide some indications for directions of future redevelopment. It also helps to reveal and explain the existing preferences for compensation and the chances for changes. Besides, it contributes to the understandings of the roles of different parties and their respective influence on the whole project through digging deeply into reasons of their attitudes towards value distribution through value capture and non-financial compensation.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This chapter will review previous studies on value capture and non financial compensation and then explain the logic and theoretical framework of this study. Firstly, it provides definitions and justifications for the two concepts based on previous studies. Then cases of actual implementation of these two mechanism in other parts of the world will be provided and what factors affect different interested parties will be discussed based on these cases, although they happened under different situation from UV redevelopment in China. The following sections will define what the value changes are in UV redevelopment projects.

2.1 Definitions and Purposes

2.1.1 Definitions of Value

But what are the values related to UVs and their redevelopment? Normally, people consider the value of UVs as the economic value that was buried in UVs and would be digged out after redevelopment. Although have personally lived in an UV for few months, I only found out how much more values are hidden in these shabby, chaotic and unimpressive UVs when I actually went there and talked to the interested parties. As many researchers pointed out, UVs provide cities with affordable housing with good accessibility and they consider this as a very, if not the most, important value or function of UVs (Wu, 2004a; Wong et al., 2005; Siu, 2007; Zhu, 2007; Bach, 2010; Pu, 2012). UVs are also an important identity of modern Chinese cities from which the unique historical route of urban development can be clearly seen. Besides, some traditional social interactions which already vanished in most gated communities are still happening in

UVs. Further, UVs act as a valuable place for culture integration. Most UVs have their own cultural lives while also incorporate and integrate with many different culture brought by migrants. But what is more important is that UVs not only provide cheap housing in cities but also keep people's urban dream affordable and accessible. Whatever these people end up to be, it is them who make the city a place full of liveliness, energy, opportunities and potential.

So the value of UVs and their redevelopment should include not only economic but also social aspects, and more importantly, the value of retaining the city's potential for prosperity.

2.1.2 Definitions of Value Capture

Value capture is not a new concept but can date back to the nineteenth century when Henry George asserted the landownership that is exclusive to some men is a "fundamental injustice" (George [1879] 1912, VII.I.20). It is also not a strange word to China. Greatly influenced by Henry, Dr. Sun Yat-sen, the founding father of the Republic of China held his ideology of "land equity" as one of the fundamental principles of the country (Lam and Tsui, 1998). Apart from its over a hundred-year history, it is broadly accepted by the modern world. As early as 1970s, United Nations declared that:

The unearned increment resulting from the rise in land values resulting from change in use of land, from public investment or decision, or due to the general growth of the community must be subject to appropriate recapture by public bodies (the community).

(Vancouver Action Plan, 1976)

Value capture generally indicates a mechanism or process that aims to return part or all of the value that added to land by actions of the whole society through a tax or fee or administrative means (Ingram and Hong, 2012; Zhang, 2008). There are two main starting point of practicing

value capture, namely efficiency and equity (Fainstein, 2012). It is efficient because it requires each beneficiary of public development to pay part of the investment costs, which pushed them to fully exploit benefits of public goods without undervaluing it. It enhances equity because it reaps the "unearned income" to compensate the "undeserved loss" (Ingram and Hong, 2012), or in other words, harvests "windfalls" to pay for "wipeouts" (Hagman and Mischynski, 1978). Many researches on value capture were targeted at providing new fiscal resources to finance public goods, particularly in the age of declining in which the permanently short public funds are even more lacking. Even though this study does not aim to find alternatives for public financing, the goal here, a more balanced value distribution, does follow the same logic as Lefebvre (1991) and Fainstein (2010, 2012) that the wealth of a city is collectively created with the general participation of all citizens and should not exclusively owned by some certain group of people.

There are diverse approaches to achieve value capture. But basically, they can be classified into financial means, including land taxation and fee, and non-financial, or regulatory means of value capture, which can be illustrated by the figure below.

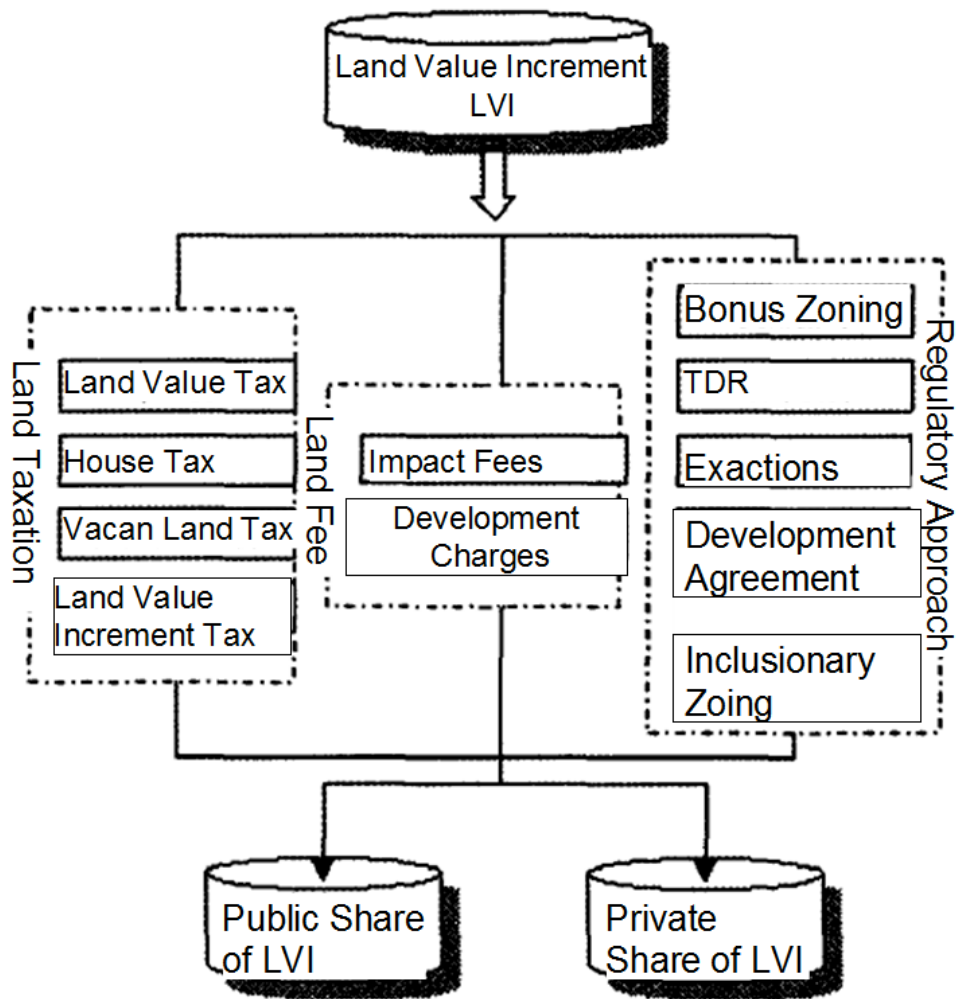


Fig. 3 Different Approaches of Value Capture. Source: Zhang,

The Netherlands has been practicing value capture mechanism for many years. Next, the case of redevelopment of Breda Rail Station area (van der Krabben and Needham, 2008) will be introduced very briefly, for the sake of conciseness.

As early as in 1998, the plan of upgrading Breda's rail station by connecting to the international high speed train network between Amsterdam and Brussels was initiated as one of the national key development projects of the Netherlands. Normally, the usual way for the government to conduct such projects was to acquire all the land first. Next it would demolish the existing buildings and reorganize the area, put in new facilities and infrastructure and then sell the land plots for cost recovery and income. This is actually pretty similar to the traditional way of redeveloping UVs in China (government led mode). While in the Breda case, the local government chose another path. In the planned area there were three landlords, namely NS

Vastgoed (owned by Dutch national railway company), the municipality, and a local private developer, among which NS Vastgoed held 90 percent of the total land area. To some extent, NS Vastgoed in this case is similar to villagers as a whole in redevelopment, who owns the vast majority of land in the planned area. Instead of buying the whole piece of land, the municipality collaborated with the other two landlords. NS Vastgoed and the other local developer sold their land temporarily to the municipality at a relatively lower price (than that through the usual way). The municipality was responsible for implementing the planned construction and then returning part of the developed land (less than their original share) to the two landlords. They have made an agreement on the sale price and the area and location of the returned land. Although this project is not seen as a successful case for implementing value capture, since it took eight years for negotiation, it gave a rough overview of how the government attempted to capture part of the value increment caused by public investment to recover the costs it paid in development⁴.

For this research, the focus will mainly be on non-financial, or regulatory means of value capture. Regulatory approaches is about capturing the value increment by creating rights or obligations instead of charging for fees or taxes directly. These rights or obligations are more flexible and efficient than uniformed taxation system. They can be particularly made for different projects according to their different nature and characteristics. These rights or obligations could be formulated particularly for compensating the loss of some specific types of value or for balancing the value increment distribution with some specific groups of people. But of course, the government will have to take more responsibilities as a supervisor to make sure that the developer will not try to achieve efficiency through jerry-building.

2.1.3 Purposes for Value Capture

Normally, the purpose of most governments to capture the value increment is to fund or recover the cost of public infrastructure improvement (Anderson, 2012). But for an UV redevelopment

⁴ The paragraph is summarized from van der Krabben and Needham, 2008

project, like mentioned earlier, although much infrastructure improvement are often included, it is more like a pure business deal rather than a public investment project. Much of the value increment come from changes of land and property attribute and previous public investment. So the value increment in an UV redevelopment project can be seen as two parts, namely, newly developed value, which is created by upgrading infrastructure and new constructions, and existing un-/underdeveloped value, which is the released from the restrictions of institutional settings. Nevertheless, quite some value losses (e.g exclusion of low-income people, "marginal" business, loss of low end housing provision) were usually ignored in UV redevelopment. Therefore, the main aim for introducing value capture in UV redevelopment projects, is to better balance the uneven value distribution by reaping part of the value increment caused by "hidden public effort" to compensate the loss of some other value. And because of this, value capture is tightly intertwined with compensation.

This different purpose makes UV redevelopment a unique case in terms of value capture. Firstly, the public's input for value increment in UV redevelopment is "hidden". Before redevelopment value increment caused by infrastructure in surrounding area, policy changes and general growth of the city was largely suppressed by institutional restrictions which do not allow property in UVs to be sold on market. (Even so, UVs still benefit a lot from such value increase resulted from public effort.) While after redevelopment, marketization of property in UVs is done and the potential value increase generated by previous public investment is completely released. Second, due to the lack of clear defined property ownership in UVs, calculation about the real value of property in UVs will be a difficult process. Most buildings in UVs are the so-called "limited property right" house (*xiaochanquanfang* in Chinese) whose value is different from normal houses in the area and there is no legal base for such calculations. People always try to quote the compensation ratio in previous UV redevelopment cases which often ends up with even higher compensation ratio. Besides, though UVs enjoyed the windfalls from general growth of the city, they did act as a strong pusher of a city's development. UVs helped to accommodate numberless migrant workers who are crucial to the prosperity of the city. Their value as an indispensable contributor of urban development is also hard to evaluate. Furthermore, just within a redevelopment project, the villagers has dual roles in the project.

They make deals with the developer and act also like a developer themselves since the final official developer has to be one single legal entity, which is usually formed by the developer and village collective jointly. So the role of landlords is quite unique comparing to other urban development projects. Last, since the government does not follow closely UV redevelopment projects, at least not officially, the legal base should be revised to enable value capture in this "government-free" redevelopment. Normally, government requires the developer to provide certain amount of infrastructure according to the population in the area and pays a little bit more than the cost of infrastructure, if needed.

2.1.4 Definition of Non-Financial Compensation

Originally, non-financial compensation (NFC) was defined as a governmental action to compensate someone for the loss of property right by creating a new property right for him that can either use or sell, or to provide incentives for developer to realize some certain planning goals without directly subsidize it but through creating a property right that can be sell or use once they have realized the goal (Jansen-Janssen et al, 2008; Spaans et al, 2010; Van der Veen, 2009). Distinctions have been made between the two definitions. The first definition is known as single-purpose NFC which is only passively used for compensating while the second as multi-purpose NFC which is employed as an incentive to actively achieve some planning goals other than just compensation (Spaans et al, 2010). Again, a case taken from the Netherlands, Rotterdam Walis housing complex (ibid) project will be discuss briefly as an example.

The city of Rotterdam has attempted to renovate a run-down area, Walis housing complex. This area suffered from crime related problems, boarded up houses and low quality housings despite its prime location near the city center, which made it somehow similar to UVs in China. While the biggest difference between Walis area and UVs in China is that the city government of Rotterdam owned the land and property. Instead of subsidizing the redevelopment project directly, the municipality offered an opportunity for people to buy houses there at an almost free

price on the condition that the buyer agree to join a buyers' coalition to renovate the area. Each buyer who joined the coalition had to invest no less than a certain amount of money to improve both their houses and the shared facilities. The buyers in return could expect that the price of property in the area would go up because of their effort to improve the living condition. The government issued the buyers the right to design their houses as an extra incentive. This case showed how NFC compensation could help urban renewal projects without costing too much⁵.

Talking about compensation in UV redevelopment, people will mostly think about the compensation that paid to the villagers for their relocation and loss of property by the developer, which is a narrow sense of compensation. Currently, this kind of compensation mostly happened in forms of cash or property units in the same area after redevelopment. It is this kind of compensation that is always very controversial and has created a lot of millionaires. But the term compensation here is not confined to this aspect. In a broader term, NFC in this research refers to the administrative or non-financial means of value capture, aiming to compensate decreased value with value increment. In this study, the one who compensate others is not necessarily the government and the right created is not limited to property right, while the core idea that instead of financial means, rights can be created as compensations, remains the same. So in an UV redevelopment case, NFC aim to distribute the value increment generated in redevelopment more evenly and balanced, by creating obligations for beneficiaries, or rights for victims. In a narrow sense, as compensation for villagers NFC could be education or employment opportunities that are provided as complementary to monetary and property compensation. For example, a villagers' family could be compensated by an apartment for their own living, an unit in a commercial building, an enterprise training course and priority or discount to use certain facilities such as a gym or public theater instead of three apartments and 10 thousand RMB. In this manner, the villagers are compensated for the loss of their livelihood and permanent land use and property right. More broadly speaking, to compensate the loss of social connection and diversity, the legal entity of developer (formed by the real estate developer together with the village collective) may be asked to provide a library free to the urban poor or to organize public events or activities in order to keep various classes of people

⁵ The paragraph is summarized from see Spaans et al, 2011.

connected to the area. Now, inquiring minds want to know: why does the value need to be captured and why is non-financial term of compensation necessary? This will be further discussed next.

2.2 Why Value Capture and Why NFC?

2.2.1 Justification of Value Capture

So far, we know that value capture in UV redevelopment is to balance the uneven value distribution. But what on earth are the value changes caused by an UV redevelopment project and who are the beneficiaries and victims of these changes? These questions will be answered in this section.

2.2.1.1 Whose value?

First, we have to make clear whose value are involved in redevelopment and what roles are they playing. Of course, the big three in the game are the village collective who is deemed as the representative villagers, the developer and the government who is supposed to represent the general public and take care of the benefits for the disadvantaged.

The villagers have dual roles in redevelopment. On one hand, they need to be compensated since they will lose their permanent use right on their land. Besides, physical development of UVs will significantly change villagers life style and some people, especially older ones will probably lose the mahjong house they used to get together with friends. From this point of view, they need to be compensated by the real estate developer. But on the other hand, they act as a developer themselves and will benefit a lot from the gentrification process. To complicate matters further, they have benefited from the windfalls of public effort for a long

time while at the mean time contributed to the prosperity of the city by keeping the cost for pursuing urban dreams cheap enough. In this manner, it seems they need to compensate others as well.

The developer plays a much clearer role comparing to the villagers. They just want to harvest the potential value hidden in UVs by investing in redevelopment. Even though sometimes UV redevelopment projects are not as profitable as pure real estate development, holding the property and a piece of land with such prime location as UVs is a huge asset to the developer. They deserve the share of value increment that is caused by their investment in improving physical habitability of the area, but part of the hidden value they reaped should be captured, although the calculation is difficult (Ingram and Hong, 2012).

As to the government, being aware of how the troublesome UV redevelopment projects are, they would like to "keep their hand clean" and leave the problems to the market⁶. However, they just cannot let go of the huge potential buried under the shabby buildings in UVs and they are still trying to push forward redevelopment as much as possible. Their view on the values is similar to their mixed feelings towards redevelopment. They clearly know that current patterns of UV redevelopment is actually a gentrification process in which the general public and urban poor do not benefit much, but they just cannot say no to the temptation of being an attractive city to the rich and large scale business. Hence, cheap accommodation and services in UVs are eliminated, while no substitute is organized and provided. In this way, the public and urban poor are also influenced by some value changes caused by UV redevelopment, even though they are not directly involved.

Another group of people, the designers and planners, who do not hold any "stakes" in UVs but can have quite some influence on redevelopment, will also experience some value changes. From a professional perspective, these people have their own goals to be realized in the redevelopment process, which may be to some degree contradictory to the developer's. Most of them try to be an agency that work independently with a sense of social

⁶ Taken from interviews with Weiwen Huang and Tat Lam

responsibility rather than a minion of the developer's. So if we consider the villagers are standing opposite to the developer in redevelopment, designers and planners are closer to the developer's side but attempt to move further towards the neutral position⁷.

Furthermore, the redevelopment of an UV will certainly have influence on the value of other UVs in the city. Rent will rise but the pressure of redevelopment might also increase. And some farther UVs will probably start to take the risk and build more in order to maximize the profit.

By far, however, the value changes mentioned above are mainly about tangible economic aspect while there are also some precious "invisible" social value in UVs that will vanish after redevelopment. Luckily, there are already some social activists including open-minded planners, architects, designers, photographers and artists who have realized the existence of such values. UVs are a place full of possibilities and indispensable to new dream chasers in town who keep the city young and energetic. UVs are also a carrier for different culture brought by different people and a forge where the processes of cultural convergence happen. These value of UVs in a city is for a even broader sense of public than just residents in that city. But no one, except few powerless social activists, is trying to preserve such value on the behalf of the broader sense of public.

Once the roles of involved parties are made clear, we can start to sort out the value gains and losses in an UV redevelopment project.

2.2.1.2 What are the value changes?

Both value gains and losses can be classified into two groups, direct and indirect changes while detailed mathematical calculation and analysis about the exact amount of value is

⁷ Taken from the interview with Hua Wang

beyond the scope of this research, however interesting it may be. These changes are illustrated in Table 1. The difference between direct and indirect changes is about the origin of value.

Table 1 Value Changes in UV Redevelopment Projects			
Value Gains		Value Losses	
Direct Gains	Indirect Gains	Direct Losses	Indirect Losses
Tax increase (to Gov)	Land lever (to Dev)	Livelihood (to Ent)	Cultural diversity (to Pub)
Sales income (to Dev)	More administrative power (to Gov)	Cheap service (to Pub)	Higher living costs (to Pub)
Compensation gains and better living condition (to villagers)	More appealing to big business and the rich (to Gov)	Affordable and accessible accommodation (to tenants)	More expensive starting points (to Pub)
	More higher-end job opportunities (to Gov)	Permanent land use right (to villagers)	Less low-end job opportunities (to Gov)
	Better infrastructure (to Pub and Dev)		Loss of vibrant urban life (to Pub)
	Higher rent (to other UVs)		Higher rent (to other tenants)
	Higher accommodation capacity (to Gov)		Loss of traditional social connection (to villagers)
	Reputation Gain and design fee (to Des)		More pressure on cities' infrastructure (to Gov)

Note:

1. *Gov = the government, Dev = the developer, Des = Designers and planners, Ent = small entrepreneurs*
2. *The government here refers to the municipal government. And it is considered as a representative of its citizens;*
3. *Since the government does not care enough about the migrants living in UVs, who normally do not have local hukou, this group is sorted out independently from the "government-represented public" as "tenants" in the table;*
4. *Because of 2 and 3, there is a distinction between the represented public and ignored public, but the term "Pub" in the table suggests the general public*

The developer, government and villagers are the only three parties who directly involved in redevelopment and the only beneficiaries of direct value gains. As indicated in the first column, the developer make its profit by selling offices, apartments and commercial units while the government can gain some tax income since hardly anything is properly taxed before redevelopment. What needs some elaboration is the value gain of villagers and this can be done by comparing what they have before and after redevelopment. In a pre redevelopment UV, villagers own buildings with limited property right and thus limited value, permanent land right that is only for self use. Normally, the most common demolishing / compensation ratio is around 1, which means the total property area that compensated to villagers should roughly be equal to their original building area that would be demolished in redevelopment. However, as introduced before, a lot of buildings are semi-legal which exceed the stipulated maximum building area. Hence, the villagers usually get the same amount of property area for the legal part of their buildings that equals the stipulated maximum building area while receive a certain amount of cash as compensation for the illegal part. The monetary compensation is normally calculated based on the current housing price in the same area (SMG, 2012). In this way, the villagers can get paid for a part of their buildings with a proper price plus the same area of property as the other part. Therefore, it is reasonable to consider villagers as a direct beneficiary from redevelopment.

As to indirect gains, many more parties get involved. To the government, terms like better infrastructure, being more attractive to big business, rich people and higher-end jobs are obvious to be seen while things like accommodation capacity and administrative power gain need some explanations. Administrative power comes when the government are able to tax or exempt. Since the demolishing / compensation ratio is usually around 1, the government has to allow higher floor area ratio (FAR) after redevelopment in order to motivate the developer. Therefore, the overall accommodation capacity of the city rises, even though not many people are rich enough to afford living there. The reason why these two are considered as value is that both of them could be easily utilized to realize future plans and generate values. To the developer, an UV redevelopment project, as mentioned before, may not as profitable

as a pure real estate development project. So, they are actually using it as a lever to increase to their borrowing capacity in future projects. As the developers of UVs, they can have a 70-year lease on the valuable UV land which is a big plus when they negotiate with bankers in the future. Redevelopment of a UV will significantly reduce the city's low-end housing supply, of which UVs are the main role in charge. As UVs' supply of low-end housing submits to market mechanism, reduction in supply will certainly drive up the price in other UVs.

In terms of value losses, the most evident and direct loss happens to the tenants and small entrepreneurs in UVs. They will just be kicked out without receiving any compensation. Without urban *hukou*, they have to either move farther away from city center to find another affordable accommodation or just go back home since the costs for living or doing business become too high.

Regarding indirect value losses, since gentrification of UVs drove up the living costs of every citizen, particularly of low-income people, they need more salaries to sustain their lives. In this manner, the price of regular labor force will increase and those who cannot afford have to bear with the lack of services such as babysitting or food delivery. Such social exclusion might post threats on the city's future. Besides, UVs have been seen by some scholars (You, 2012) as a very vibrant place in a city. UVs are the only place without gated compounds in modern the city since, however ironic it may sound, they are too dense to have compounds. As a result, all kinds of social interaction and grassroot activities and business happen there. Carpenters, blacksmiths, tinkers, bricklayers and many other kinds traditional craftsman wait there for business and bargain with potential guests. This view will not be seen in a redeveloped UV anymore. Moreover, as FAR and accommodation capacity in the area increases, more pressure will also be imposed on the city's infrastructure and that might be an encouragement to speculation in real estate market.

While the biggest problem of UV redevelopment might be the damage on its attractiveness to young graduates, entrepreneurs or other energetic people who come to pursue their dreams

and bring positive, vibrant, struggling and enduring life style with them. Even though not many people actually like UVs, one can easily find many people who have lived there telling their stories with the same smile on the faces that UVs are the starting place of their journey to pursue their dreams (SUD, 2011). However proud or frustrated they feel, one can tell the gratefulness they have towards UVs for offering them affordable opportunities to struggle and fight for their dreams, happiness and well beings. It is not rare at all to see young people dressed in suits and ties rushing through the dark, dirty aisles in between the hand-shaking buildings with a 5-yuan breakfast in their hands. UVs are indeed the incubator of grassroots millionaires which not only refers to the *ershizus* but also numberless successful entrepreneurs who used to live in UVs. A famous Chinese internet media Tencent launched an online exhibition named glory days in urban villages with photos and stories of how young dream seekers came and paid their way to success with diligence, endurance and hard work⁸. So this function of UVs is not only important to the migrants, but also about to the potential and sustainable development of the city.

However, I am not arguing that it is better to preserve rather than to redevelop UVs. The point here is that many kinds of values are generally ignored in the decision making process of redevelopment and these losses need to be taken care of and compensated. The values of UVs are far broader than merely in economic aspect. Instead, they could be either direct or indirect, economic or social, current or potential. Thus, value capture is necessary.

2.2.2 Justification of NFC

Spaans et al (2010) identified four motives to adopt NFC including compensation for lost opportunities, lack of public resources, ineffectiveness in urban management and improvement of overall space quality. They also asserted that the first two usually applies to single-purpose NFC while the latter two are mostly used for multiple purposes. For this research, the latter two

⁸ Taken from <http://gd.qq.com/zt2012/naxienian/>

are also applicable. As described earlier, since the land owning and administration systems in UVs are pretty blurry and informal, the government does not have much control over them, which can be interpreted as ineffectiveness of management. On the other hand, ineffectiveness of management lies in the fact that UVs vary from each other so much that no individual planning and administration system could apply to all the cases. So instead of the setting up rigid taxation standard for universal cases, negotiated development and more flexible approaches such as NFC can work more effectively. As to improvement of overall space quality, NFC takes less time and effort than imposing tax in providing "extra" infrastructure. (Providing basic infrastructure such as sewer system, road network and the like is normally the appointed to the developers as their responsibility and should be done together with real estate development. So the term "extra" infrastructure here refers to those which are beyond the minimum requirement such as a folk center or a square bigger than required.) Compensation in non-financial terms also do not seem so sensitive to the payers and that will probably make the implementation easier. Besides the increasing preference to NFC reflects on the trend of neoliberalism and negotiated development. NFC is more flexible and works better since the reality is always more diverse and complicated than abstract legal settings. It allows governments to define the specific goals and rules for a specific development project but let market seek for ways to achieve them. Theoretically, it overcomes the uneven tendency of the capital biased market and the inefficiencies in rigid government rules (ibid).

Besides, what needs to be compensated are not merely current values but also potential ones or, to be more direct, opportunities. These opportunities are difficult to discount to present value while creating new ones could be a more direct and feasible way to address the problem.

In short, this chapter found the values involved in UV redevelopment projects are broader than what is commonly considered from an economic perspective. Previous studies on value capture and NFC in universal urban development projects were reviewed and new definitions specifically for UV redevelopment were provided. Then, explanations on why non-financial ways of capturing these value are more preferable than classic financial ones was introduced. In the next chapter the research methods employed in this research will be discussed.

III. RESEARCH METHODOLOGY

In order to find out different parties' perceptions on value capture and explore the possibilities for NFC, a six-week field work was organized in Shenzhen from the end of March to the beginning of May in 2013. The research was conducted as a single case study and follows the instructions indicated by Yin (2003). This chapter will mainly introduce the methods employed in doing this research. Firstly, the train of thought and how conceptual framework was built in this research will be discussed. Then, there will be an introduction of data collection methods. Multiple sources of information and data were employed to increase the external validity of this research (Yin, 2003).

3.1 Train of Thought

First, to make connections between value capture, NFC and UV redevelopment, literature review was done regarding these three aspects. For value capture, the classic work of Lam and Tsui (1998) gave out the history and classification of value capture and introduced its implementation in Taiwan, where the context is more or less similar to mainland China. More recently, land policy conference in 2011, Lincoln Institute invited many scholars and researchers to discuss and provide their findings on this topic in the book *Value Capture and Land Policy* (Ingram and Hong, 2012). The book offered comprehensive understandings regarding the rationale of value capture and many cases of implementation in real world. Zhang (2008) introduced different approaches of value capture and its possible use under China's legal system.

In his article, Spaans (2010) explained what is NFC and why it could be more efficient than financial ones. In another article, Spaans et al (2011) provided more detailed studies on actual implementation of value capture mechanism and NFC in Amsterdam and Rotterdam. The book by

Jansen-Janssen et al (2008), studied several cases of implementing NFC in development projects all over the world. Van der Krabben and Needham (2008) also provided few cases of using NFC to recover the cost of upgrading the train station in the Netherlands, including the redevelopment of Nijmegen rail station.

As to UVs, although situations are different from one UV to another, there are many researches that provided wealthy background information. Li (2010) in his PhD dissertation, analyzed the partnership between public and private sectors in UV redevelopment in Shenzhen. Another PhD researcher Pu Hao (2012) studied the spatial evolution of UVs also in Shenzhen. Besides, Huang Weiwen, the former deputy chief planner of Shenzhen Planning Bureau (the current UPLRC) and Dr. Mary Ann O'Donnell have written quite some articles about the history, development and current situation about UVs from planning and anthropological perspective.

However, although all these three relevant area were, more or less, thoroughly studied, there seems to be a gap between studies on the two concepts and their possible implementation under the unique situation of UV redevelopment in China. To bridge this gap, exploration of different parties' perception is needed. This is firstly done by collecting different interested parties' statements on relevant issues. Affecting factors of their statements are then explained and classified. Eventually, by analyzing, the mechanisms with which these factors exert their impacts will be revealed and possible ways to changes will be identified. However, next section will mainly focus on how data collection was done in field.

3.2 Data Collection Methods

As a case study research, this study followed several rules of conducting data collection in case studies. According to Yin (2003) six sources including documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts are most commonly used for data collections. To clearly understand the institutional and historical context,

documentation and archival records were used and to explore the unspoken words of the interviewees and to gain knowledge about how an UV redevelopment project were actually done in practice, semi - structured interviews and participant observation were employed as data collection methods in this research. Firstly, the new urban renewal policy published in 2012 was reviewed. Second, we also went through documentary and records about UVs in Shenzhen and particularly about BSZ. Third, information and data on the records, documents and meeting minutes gathered from Urbanus, CAUPD, LvGem, BCo and government entities are also used with permission or quotation in this research. Forth, interviews were organized to directly collect parties' statements. As a result, for every party studied, information were collected from more than one source. And by comparing data collected through different ways and from different sources, the validity of this research is greatly improved.

As to the main body of information collection in this research, semi-structured interviews complemented by observations have been conducted in two rounds with officials, villagers representatives, the developer, designers and planners hired by the developer, the tenants in BSZ and the social activists who are interested in the case. Efforts have been made to approach Shahe corporation and the vice president of the developer company, but got no reply. Five friends who live in BSZ were interviewed together as tenants. With permission, general information of the interviewees are provided and summarized in Table 2.

Table 2 Information of Interviewees			
Name	Title/Job	Organization	Date of interview
Weiyun Zeng	Director	BCo	24 th Apr
Yunqing Chi	Account	BCo	24 th Apr
Chenglu Zhang	Officer	URO Shenzhen	18 th Apr
Chuan Xiao	Officer	URO Shenzhen	16 th Apr
Tat Lam	Director	URB	12 th Apr
Weiwen Huang	Director	SCD	12 th Apr
Ruilong Niu	Deputy Chief Planner	LvGem	20 th Apr

Mary Ann O'donnell	Anthropologist		26 th Apr
Michael Patte	Founder	Riptide	27 th Apr
Hua Wang	Principal Planner	CAUPD	29 th Apr

Note:

Tenants interviewed were not willing to give out their names and titles.

All the interviews were selected as representatives of different interested parties. Two officials from URO Shenzhen, the main government entity that is in charge of urban renewal, particularly UV redevelopment projects, were interviewed. URO is responsible for coordinating with other government agencies to realize UV redevelopment projects, supervising the implementation process, and making UV redevelopment policies. Surprisingly, there are only 5 civil servants, complemented by few employees from private consultancies, working in this office and being responsible for making redevelopment policies for a city with 10 million people (UPLRC, 2012). Both my interviewees, however, belong to the "5-people urban renewal senate". Besides, Weiwen Huang, who used to be the deputy chief planner of the former Planning Bureau (UPLRC) and the current director of SCD, was also invited to speak on the behalf of the government as complement.

Most villagers speak only Cantonese and are very cautious to talk about compensation and redevelopment related issues with outsiders. Actually, the director of BCo originally promised to introduce us to some villagers but his boss canceled it since he did not want to get the villagers in discussions about these problems at such an early stage of redevelopment. Instead, two employees from BCo, who were born and raised in BSZ, were interviewed as representatives of villagers.

LvGem, a famous local real estate developer founded in 1995 by a former construction worker with diligence and wisdom, was officially recognized as the developer of BSZ's redevelopment only few months ago, although they had been preparing for quite some time (LvGem, undated). We tried to approach the developer firstly through Urbanus, the design agency at this stage of redevelopment. But Urbanus felt this topic was a bit too sensitive for their client so they could not help. Then, we tried to get in touch with LvGem through BCo while got the same answer. Effort has also been made through Weibo, the Chinese Twitter, aiming to get in contact with the senior

executives of LvGem, but no reply were given. So finally, we went directly to the LvGem's BSZ office and asked for an interview. After several days of waiting, we were finally able to interview the deputy chief planner of LvGem's BSZ.

Urbanus is a famous architecture design agency based in Hong Kong, Beijing and Shenzhen (Urbanus, undated). It was recommended to the developer by the strategist for its good reputation in the government departments and Shenzhen architecture society. Urbanus therefore took over the job to make another plan, after an unofficial denying of the previous plan on BSZ made by SOM, an American agency. Director of Urbanus Research Bureau, Tat Lam, who knows Shenzhen and its planning rationale really well, was interviewed.

CAUPD Shenzhen is the mysterious strategist of the developer in this case and has been following the redevelopment project from the very beginning. CAUPD is a government affiliated academic planning institution directed by the Ministry of Housing and Urban-Rural Development and has branches in several major cities all over the country (CAUPD, undated). The major figure that is in charge of this case, Hua Wang, a principal planner in CAUPA Shenzhen, was selected as an interviewee. And Weiwen Huang, was also recognized as a government affiliated planner and invited to speak from a planner's perspective as well.

Social activists in this research are a group of people who are interested in urban related problems in BSZ, calling themselves CZC special force while without a formal organization. This special force includes students, designers, artists, anthropologists, planners and so on. Their aim is to show UVs' neglected beauty and value by creating more public creative space in UVs. These people have a different perspective from the main actors. They concern more about the social value of UVs and the function of keeping potentials for the city, although they may be too powerless to make their voices heard,. Two leading people in CZC, namely Mary Ann O'Donnell and Micheal Patte, were interviewed.

Five tenants were interviewed together. Three of them live in the dormitories offered by their employers in BSZ while the other two are sisters and living by themselves. All these five tenants

know each other and hang out together from time to time. Besides, they all work in architecture design agencies.

In interviews, respondents were firstly asked about their knowledge on BSZ regarding landownership, citizenship and whether they are aware of BSZ's historical problems and current situations. Then questions will turn to their attitudes towards the polarization phenomenon in redevelopment and the perceptions on the necessity of value capture for equalization. To give the interviewees a better understanding of value capture and NFC, the case of Rotterdam Walis were given as an example while further explanation of the two concepts were not provided in order to keep their perceptions unaffected by my opinions. Finally, their ideas about possible new means of redevelopment and compensations will be collected. Most interviews took approximately half an hour to 45 minutes. Some were done in English while some others in Chinese. Most interviews were done together with the other two fellow students, Catherine Verbeelen and Maurice Veeken, who also work on the same case of BSZ about different topics.

Besides, the author has personally attended or gotten the recordings of several relevant meetings, including few meetings organized by the designer, Urbanus, to report their progress to LvGem and CAUPD, several designing workshops organized by SCD and a meeting of involved social activists. In these meetings, many interesting ideas and statements were aroused thanks to the interactions and debates among participants. These ideas and statements provide more insights in their unspoken words and thus will increase the validity of collected data.

Firstly, there was a semi formal meeting organized by Urbanus to report their progress to and collect feedbacks from the developer LvGem and the strategist, CAUPD. With the presence of one of the three founders of Urbanus, deputy director of CAUPD Shenzhen, and several executive managers of LvGem, they discussed about opinions regarding design issues and prepared for the final report to the big boss of LvGem. We were not able to attend the final report personally, but we got a copy of recording for that meeting. Second, SCD organized their regular workshop, *Kucha*, to discuss reuse of industrial heritage with designers, planners, journalists, officials, students and many who were concerned about urban issues. During a meeting, Weiwen, as the

organizer and host, kindly introduced our (several colleague students' and mine) topics to and conducted an interesting discussion with all the participants. Through this inspiring discussion, different parties with different ideas argued on their own behalf, which provided many useful insights into their perceptions. A month later, another *Kucha* was held to discuss about affordable housing. UVs have been frequently mentioned during the meeting and some interesting arguments were made. This minute of this meeting is also available online (SCD, 2013). Third, we attended a meeting held among CZC members discussing about whether they wanted to form and register as a formal NGO. This meeting is not particularly interesting for this research. But what this group people wanted to do in UVs and why are they doing it have been made clear in this meeting.

All in all, various approaches of data collection underpin the findings of the study. Documentation and archival records gave profound understanding of the background of UV redevelopment and particularly of BSZ. Interviews and meetings provided pretty much content for analysis. And the observation during meetings and interviews revealed some other insights about the unspoken words. Moreover, I stayed in touch with some interviewees and followed up the news and information update regarding related issues on media, relevant blogs and websites of interested parties. The train of thought and methods used in this research can be illustrated as the figure below.

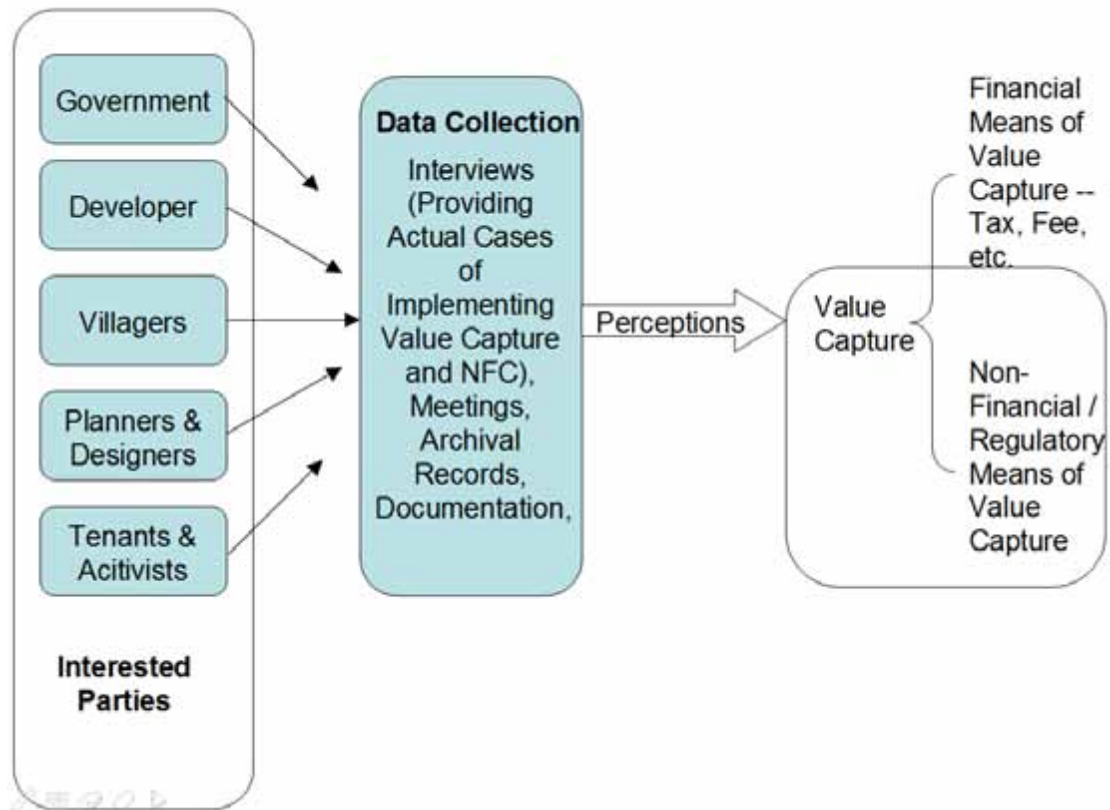


Fig 4. Research Methods and Train of Thoughts. Source: Edited by the Author,

IV. STUDY AREA

In this chapter, information of the city of Shenzhen, Baishizhou (BSZ) village including historic background, institutional settings, administrative system et cetera, will be introduced. First physical, administrative and historical features of Shenzhen will be discussed and then UVs and their development in Shenzhen. Lastly, the specific case of BSZ and why it is interesting to this research will be explained.

4.1 City of Shenzhen

Shenzhen is situated next to Hong Kong in Guangdong Province in the southern part of China. It is a part of Pearl River Delta, one of the most developed area in China. Overall, it is a pretty hilly city, especially in the eastern part while the city has been growing along the east-west Shennan Road. The 1, 953 square kilometer city of Shenzhen as one of the four biggest first-tier cities in China, is actually not that big regarding area. It is less than one-third of the area of Shanghai (6, 340 km²) and Guangzhou (7, 434 km²), and only one-eighth of Beijing (16, 801 km²), the capital city of China. While with its 10.54 million population, it becomes the densest city in mainland China (SMSB, 2012). As one of the most affluent cities of the country, annual GDP of Shenzhen was 1, 295 billion yuan and 123, 247 yuan per capita in 2012, with the growth rate of 10% and 9% respectively.

In the Chinese administration system, Shenzhen is on sub-provincial level and has six administrative districts under its control, namely, Nanshan, Futian, Longgang, Bao'an, Luohu and Yantian. It is also defined by the State Council as a regional hub in south China (2010) and enjoys the independent planning status which makes it answer to the central government directly on economic issues (NPCSC, 1980). Besides, as the first Special Economic Zone (SEZ) settled in May 1980 by NPCSC and the experimental place of the Open Up policy in late 1970s, Shenzhen has always be a symbol of China's rapid urbanization and known as the pioneer of Chinese reform. A lot of pilot policies, phenomena as well as new problems emerged in Shenzhen first and then spread to other cities in the country (Pu, 2012). And as one of the most liberal cities in China, it becomes a perfect case to explore for new development patterns.

Along its thirtysomething history, Shenzhen has gone through some significant changes. The population grew from 310, 000 in 1979 to more than 10 million and built up area expanded from 20 km² to 841 km² in 2011 (Ministry of Housing and Urban-Rural Development, 2011). Originally, the SEZ only consisted of three districts including Nanshan, Luohu and Futian while the whole city was officially incorporated in 2010, which enlarged the total area of SEZ from 395 km² to 1948 km². There is no doubt that with the strong push and many preferential policies from the state government, Shenzhen will continue to develop rapidly in the future.

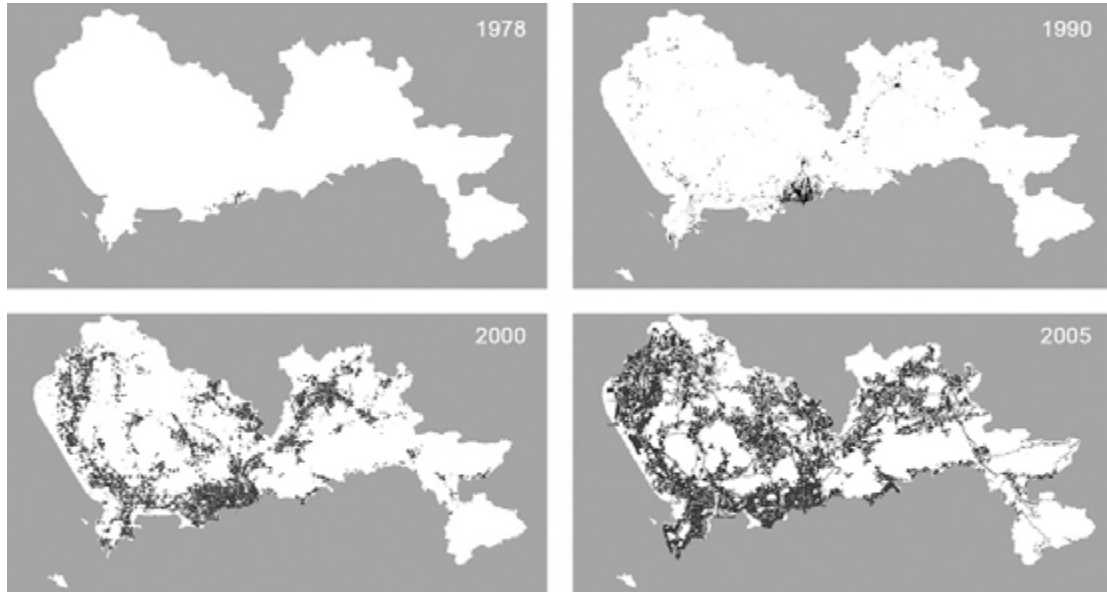


Fig 5. Growth of urban built-up area in Shenzhen 1978 - 2005 Source: Pu, 2011

So why is Shenzhen so interesting for this research? There are several reasons. First, Shenzhen as the pioneer of Chinese reform, is more flexible and open to new patterns of development. Second, Shenzhen is a city with much more migrants than indigenous population and has the most UVs (320, in 2005) in China, spreading all over the city (Chen, 2011). Third, Shenzhen is pretty advanced in planning and law-making regarding UV redevelopment (Pu, 2012). Forth, Shenzhen will continue to redevelop its UVs although there are not many left.

4.2 Urban Villages in Shenzhen

UVs in Shenzhen are tightly intertwined with the growth history of the city itself. But their current status does have much difference from UVs in the rest of the country. In the year of 1979, when Shenzhen miracle started, most UVs or, more precisely, pure rural villages by that time were just composed of cottages, farms, ponds and livestock houses and most residents lived on agriculture. Earlier than other cities but followed the same scenario, fast urban expansion consumed a huge amount of land. While in 1982's amendment to the Constitution, the state government declared its ownership of all urban lands, which also meant any kinds of urbanization have to happen on urban lands. So facing the limitation of land for development, local governments turned their eyes on

expropriating the collectively owned rural land in nearby villages. Because of different compensation standard on different kinds of land (cultivated land, residential land, etc.) only the farmland were expropriated at a relatively low price while the village settlements were remained as residential plots (Pu, 2011). Meanwhile, landless farmers who have lost their livelihood started to replace their original 1 to 2 stories ranch houses with 4 to 5 stories buildings with more rooms on each floor to make a living from room renting.

As the demand for cheap housing of migrants, who were attracted by the booming manufacturing industry in the city, increased, buildings in UVs became higher and bigger, which was against the legal definition of residential plots on rural land as "only for self use". In response, first in 1982, SMG issued a restriction on self construction in UVs, stipulated that the maximum residential area for each family should be no more than 150 m² (SMG, 1982) and then 1986, the total built area was limited to under 240m² and no more than three stories (SMG, 1986). However, by the time it was issued, most building already exceeded this maximum. Besides, since the population in Shenzhen has always been growing faster than predicted (for instance, the 1996's predicted population of 2010 was 4.3 million while the real number was more than 10 million), housing provision, especially housing for low income citizens fell significantly behind the growth of the demand. The booming economy in Hong Kong attracted even more industries and people to move to Shenzhen. By that time there even were some "specialized" UVs called "mistresses village" full of young beautiful girls who came from inner land and became mistresses of rich Hong Kongers. In order to accommodate such crazy population explosion, the government had to turn a blind eye on the everlasting illegal construction in UVs and the former limitation was actually ignored. Then on the 5th of May 1999, the government raised the allowed maximum built area up to 480m², and acquiesced in whatever were built before the 5th as legal buildings. Nevertheless, rumors came out earlier than the law itself. As a result, in the few months before May 1999, every individual UVs started massive new constructions, which in turn drove the government crazy and took them much effort to get things back in control. Since then, every round of institutional change or climax of urbanization was accompanied by large scale illegal construction in UVs, because villagers found that the government always compromised when they all started constructing together and they can

always rent the rooms out however much they built (SUD, 2004). Only until recently, the government became serious and very determined to enforce the rules regarding UVs.

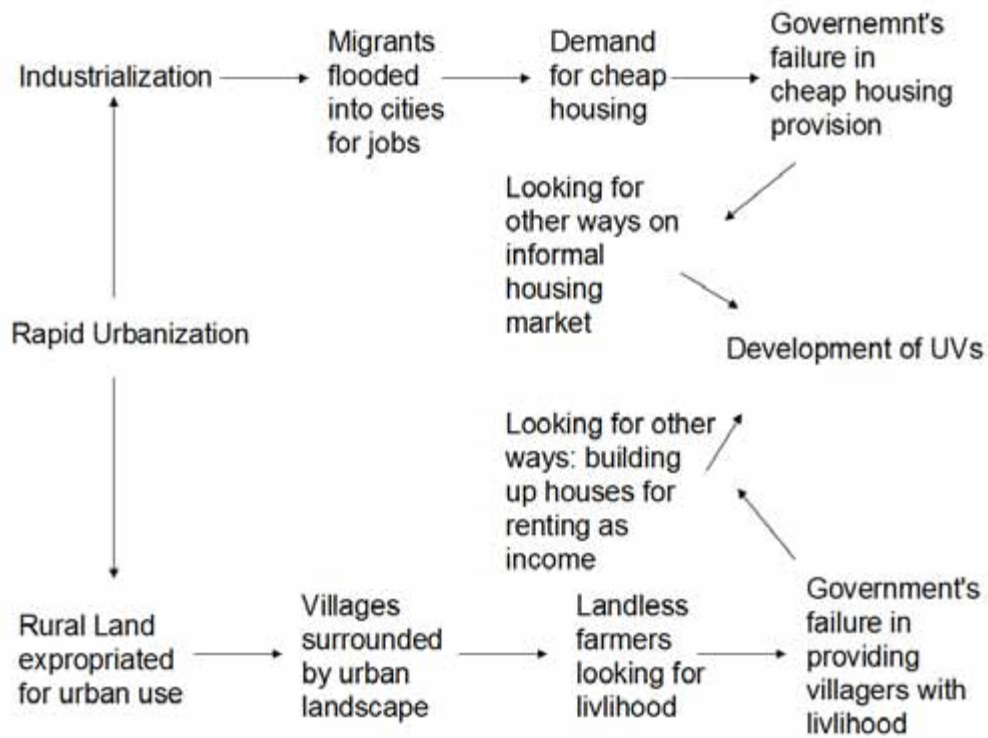


Fig 6. Developing Path of UVs, Source: edited by the author

As to villagers' citizenship, administrative system, and the nature of land, UVs in Shenzhen are completely different from those in the rest of the country. The first big change happened in 1992 when the corporations were still village committees (SMG, 1992). In that year, all village committees within the SEZ started to transform to joint-stock companies owned by all villagers collectively according to their land proportions. At the mean time, all collective owned rural land in all SEZ UVs began to turn into state owned urban land and all villagers in SEZ UVs were issued urban *hukou*. Officially there is no rural land nor rural population within the SEZ any more and there will be no more rural land expropriation. Villagers from then on can have two main income resources, namely income from private room renting and from stock dividends. Called a corporation and acting as an independent economy, a collective corporation does actually not completely operate following market rules. The leader of a corporation usually has quite some individual influence and personal charisma. And in most cases, the leader happens to be also the former leader of the village committee. The corporations are normally organized based on kinship

or interpersonal relationship. It is pretty often that you can find most staff in a corporation share a same family name (Li, 2010; Wei and Lai, 2006).

The second big year regarding the development of UVs in Shenzhen is between 2003 and 2004. In 2003, having witnessed the more and more uneven development between the SEZ and non-SEZ area, the government published a series of policies aiming to speed up the urbanization pace in Longgang and Bao'an. Following the same pattern, all UVs' land were transformed to urban land; all villagers were issued citizenship and all village committees were turned into collective corporations. As a result, by the year of 2004, Shenzhen finished all its rural-urban transformation and thus became the only city in China that does not have rural administrative system, rural organizations, registered rural population and thus achieved 100% urbanization rate (Southern Urban Daily, 2012). Next city level big event of UVs happened one year later, in 2005. The city launched a 5-year redevelopment plan, aiming to finish the redevelopment of all its UVs, including both the SEZ and non-SEZ area, which, of course, triggered another round of new construction in UVs (UPLRC, 2005).

Eventually, contrary to the Maoism strategy of "surrounding the cities from the countryside", the former countryside villages are now surrounded or incorporated by cities. UVs now in Shenzhen, accommodate 13 million people on around 13% of city's built up land (about 93 m²) with the density of 70, 000 people per square kilometer (Huang, 2012). However, this is not the end of the story but exactly the start of a new story, a story of interests struggle and producing millionaires.

In 2008 and 2012, after realizing the unreality of its 5-year ambition, UV redevelopment were generally incorporated in urban renewal projects, and a long term law regarding the implementation of different types of urban renewal projects were set up (SMG, 2008, 2012). During these years, Gangsha, Caiwuwei, Dachong, Yunong and many other UVs were demolished and rebuilt. Villagers got their compensation with satisfaction; developers acquired new core assets in downtown area; officials were happy to see brand new skyscrapers being added to the

city's skyline, but the value losses to the tenants and to the potential of city are still ignored (see Fig 7⁹).



Fig 7. Urban Village V.S Skyscrapers Source: Sina, 2009

4.3 Baishizhou

⁹ Sina, 2009, "My City, My Home" photography exhibition, <http://citylife.house.sina.com.cn/detail.php?gid=43575###>

BSZ, located in Nanshan district with prime location, is one the biggest existing UV. BSZ is actually the official name of that area consisting of five natural villages, namely Tangtou, Upper Baishi, Lower Baishi, Xintang and finally Baishizhou village. Since these five villages are historically, administratively and physically connected to each other, people use BSZ to indicate all of them. It covers 59.8 hectare, sitting next to the famous theme park in Shenzhen, Window of the World and between one of China's biggest comprehensive real estate development project Overseas Chinese Town and Shenzhen High-Tech park. The main development axis Shennan Boulevard goes through the area and divides it into north and south parcels (Urbanus, 2012). And it is one last big piece of land that could be developed along Shennan Boulevard (SOM, 2012). BSZ, with its existing gross floor area of 2, 348, 900 m², accommodates about 120, 000 people of which only around 2, 100 people are indigenous villagers. The average FAR in BSZ now is about 4.2, which is already pretty high, comparing to the national recommended 1.5 to 2.0, for buildings between 6 to 11 stories. The organization that is in charge of managing daily routines in BSZ is the Baishizhou Investment & Development Co. Ltd (BCo). Like mentioned earlier, most staff members in BCo share several major family names, including Wu (from Baishizhou village), Zeng (Upper and Lower Baishi village), Chi (Tangtou village). Besides, Each of the five villages has its own village corporation as well which answers to its villagers and is controlled by BCo.

To explain the reason why BSZ was described as one of the most complex UV redevelopment projects in a previous section, the history of BSZ must be reviewed. The origin Baishizhou's history can be traced back to 200 years ago in the Qing Dynasty, when the first four villages (Baishizhou, Xintang, Upper and Lower Baishi) moved there from nearby places. It started as several fishing villages east to the estuary of Dasha river running into Shenzhen Bay where people engaged in fishing, oyster farming, and agriculture. The name "Baishizhou" in Chinese means "white stone island" which is derived from the large white rock at the top of the hill facing the village. Before 1949, BSZ already earned its reputation as an old communism revolutionary base during World War II fighting against the Japanese and the civil war against the Republic of China. Stories about several old party members, including the current president of BCo, Tong Zeng, during the wars are still popular among indigenous villagers.



Fig. 8 Baishizhou Area in Shenzhen, Source: SOM

After the party took over the country, in 1959, due to the construction of Tiegang reservoir, Shenzhen's biggest reservoir, Tangtou village moved from Bao'an district to BSZ (Shenzhen Media Group, 2012). And in the same year, stated Shahe Farm was formed, but was handed to the army few years later. All villagers automatically became state hired farm workers and "bought" shares with their lands, instruments, livestock, fruit trees and so on. Another few years later, the farm was handed to municipal government and was transformed from a small collective owned farm to a large Guangming farm (GF) which is owned by the whole Chinese population. This GF, set to accommodate overseas Chinese people who went abroad because of the wars and came back during the 60s, was the predecessor of the OCT Group, who grew to a 40-billion-RMB stated own company from scratch. After the introduction of open up policy in the early 80s, part of the land of GF was expropriated to set up the OCT business corporation, who engaged in real estate and tourism development. Then in 1991, Shahe Farm was split from GF and handed to OCT. In order to attract more investment, Shahe corporation was formed with same group of staff members as the farm. Then in the next year, Shahe corporation together with OCT group were assigned to the

municipality and the first round of massive urbanization of UVs started. Villagers in BSZ were also issued citizenship, but other urbanization policies, especially the definition of land right, were not implemented. That was because the city was too busy in developing to wait for the exhausting process of land right definition. All BSZers brought their land to join the first collective farm while the owner of the collective entity had changed for so many times in such a short period of time that the original land right became very blurry. In this way, this problem was left unsolved and BSZ seemed to be forgotten by the rapidly growing city. Then, after several steps of marketization, most workers in Shahe corporation, who were villagers before, were laid off. Excited by the successful urbanization in their neighboring area OCT while disappointed by the situation of no land, no jobs and no collective property, villagers in BSZ were finally pissed off and went to Beijing together to complain directly to the central government. As a result, BCo was formed in 2006 as the collective representative of villagers and more than 500, 000 square meters' land were returned to the five villages with the help of district government. However, the distribution of land among more than 2, 000 villagers are still not completed yet. Besides, the Shahe corporation, and many other parties such as the army and OCT group, still hold some land or have some influence in BSZ.

Beside these, BSZ has diverse cultural value as well. There is a four-hundred-year holy tree which all villagers worship. Weiyun Zeng, the office director told us that every bride who marries a BSZ guy will come here to ask the tree for blessings for their marriage and all villagers would really like to preserve this old tree, although it is centrally located in the area. But it is not only thing that is of cultural value. In each village, there is an old well from which the villagers used to get their daily water supply and at least two of them are more than one hundred years old. Although tap water has long been implemented in BSZ, women go there to wash clothes by hand and people get together there for socializing. There are some old tile-roofed houses standing in Tangtou village since 1950s, the age of the collective farm. They might not be old enough but many artists, designers and social activists find them very beautiful and interesting since they are only few still existing symbols for the commune's period of China. Some artists and designers tries to protect them from demolition.

So, all the features that made BSZ really complex regarding redevelopment could be summarized as follow. First, it is big in its physical size and accommodates a large amount of population. Second, land and property ownership are blurry and chaotic in BSZ. Third, many parties have influence in BSZ, including the army, central state-run enterprises (e.g OCT group), municipal state-run enterprises (e.g Shahe corporation), etc. Forth, BSZ is an area with relatively long history and strong traditions, and these historical factors have to be taken into account. Just like Mary Ann O'Donnell said, the reason why it is interesting, why it is so big and why it is what it is, is just historical accidents.

To sum up, Shenzhen, as the pioneer of reform and BSZ, as one of the biggest and most complicated UV in Shenzhen, are ideal place to collect many interested parties' perceptions and to explore possible alternative compensation schemes.

V. RESEARCH FINDINGS AND ANALYSIS

In this chapter, interviews with different interested parties and observations made during interviews and meetings will be described and analyzed respectively.

5.1 The Government

"It is a business deal" -- Chun Xiao

As indicated before, the government will experience some value changes during a redevelopment project and it, to some extent and in some aspects, has actually failed to represent a broader sense

of public. In fact the government has dual roles in UV redevelopment projects. On one hand, it operates independently as an interested party who sets rules and norms for redevelopment. On the other hand, it is the representative of the public and takes a share in the project on the behalf of its people. As an interested party itself, the government gains more than its losses in UV redevelopment while to the general public it is supposed to represent, there are more value losses. So to find out how the government perceive the necessity and importance of value capture and NFC, data was collected through interviews with two officials from URO Shenzhen and a former official from the Planning Bureau (UPLRC), workshops, government documents, institutions and news reports.

5.1.1 The Government's Perception

Firstly, during the interviews, officials stressed that UV redevelopment projects in Shenzhen now are just business deals so the value changes follow market rules. Since redevelopment follows market rules, the villagers can get as much as the developer is willing to pay. It seems that as long as redevelopment can be realized, the government does not care much about how much or less value other parties can gain. That reflects on the neoliberalism trend among local authorities in China. However, officials do admit that the value distribution process and power relation in UV redevelopment is not completely fair and just. But the officials agreed that value capture is necessary and they have already put that in urban renewal policies asking each urban renewal project to contribute 15% of its land for public use, although they do not conceptualize it as value capture. Officer Xiao further explained, "sometimes the developer is only required to hand in vacant land while some other times the government pay a bit more than the cost to the same developer to hand in together the donated land and structures on it, but we always encourage the facilities to be constructed first or simultaneously as real estate development". But the definition of the "public use" of land donation include every type of usage except being sold or leased by the developer. "15% is not enough actually, especially when there is a need for affordable housing" said Ms Wu, who is in charge of CADRE on a *Kucha* workshop; "road

network is always a main part of land donation and sometimes only roads will take more than 15% of land area". They know that disadvantaged groups like the tenants in UVs are largely ignored, the working poor will be excluded and opportunities for low end jobs and services will decrease, but they do not have a perfect solution to compensate the value losses of these people yet. And they believe migrants can eventually find their new residence in some other UVs. Welfare like affordable housing and social insurance are not even enough for people with Shenzhen *hukou*, not to mention those who are without. In a *Kucha* workshop, some officers believed that UVs are functioning as a provider of affordable housing, which is supposed to a role of the government, while after redevelopment, this function will be largely diminished. Even in those redevelopment projects which incorporate affordable housing, people without Shenzhen *hukou* are still excluded. They expressed their need for more institutional support from higher level of government. "Fairness and justice cannot be realized through some certain cases, but have to be considered on the city or even state level" said officer Zhang.

Beside that, officer Xiao stated that even put aside the disadvantaged groups, relationship between the developer and the village is also not fair. The developer can only passively accept villagers' offer of compensation price. There is no legal constraints on this specific kind of business. Once asked about why it is like that, they shared a common answer that historical factors are those to be blamed for. Because of historical reasons, villagers had already built their buildings by the time land in UVs were transformed into state owned urban land. So it became a dilemma for the government. If the government give them legal land right, it is not fair to the rest of the society. People will be unsatisfied with the fact that despite the villagers' illegal occupancy of the land, the government still wants to legalize their property right. But if the government completely deny villagers' right and demolish their buildings, the villagers will not accept this situation. Thus, the government also manage to overcome this historical dilemma through redevelopment, which will cancel villagers' partial legalized permanent land use right and incorporate the land under the regular land administration system.

As to the cultural and social value of UVs, government officials think that they firstly need to be responsible for the overall prosperity of the city, which is more important than the

preservation of some certain cultural heritage which only makes sense to a small group of people. Furthermore, even to the owners of those cultural value, the villagers, economic gains overweigh the culture buried in some old trees or wells. In terms of UVs' function of keeping potential for young graduates and entrepreneurs, officials believe that as long as the city keeps growing, dream seekers will come, however difficult it is to find accommodation. They are not concerned about the new pressure on infrastructure and facilities brought by the higher density after redevelopment. Any kind of development will pose more pressure on infrastructure, so respond by just building more to meet the new demand created by development.

Once talked about compensation schemes for villagers, the government seemed to be frustrated. As mentioned before, some local authorities used to suppress the compensation for villagers and resulted in some really severe conflictions which caused great damage to the people's trust on their government. So nowadays, the government do not want to touch this sensitive issue any more. They just leave it to developers to negotiate with villagers and they dare not to take the risk of promoting new forms, especially non-financial ones, of compensation. Villagers have already lost their faith in the government and always think that the developer together with its secret ally, the government, want to cheat on them about compensation schemes. Besides, they think that the villagers will never accept non-financial forms of compensation and the two officers from URO Shenzhen, used a same term "farmers" to refer to villagers, which sounds a bit insulting in Chinese.

In short, the government, as noted earlier, has mixed feelings on UV redevelopment as well as on value capture and NFC. It wants redevelopment but does not want to take the leading role. Many officials have realized there are some unfairness in the allocation of value in UV redevelopment projects. They are aware of the fact that low income citizens, low end service, young graduates and entrepreneurs will be excluded. They know clearly that economic, spatial, social and cultural diversity will decrease. However, for the sake of the whole city, they decide that some value losses (for instance loss of permanent land use right) must be compensated, some do not need special attention (like loss of low-end housing or more pressure on

infrastructure) and some others (such as social exclusion) can only be ignored. Value capture seems to be quite difficult to them.

So, what leads the government officials to come up with such statements and do they really mean what they said? This will be analyzed in next section.

5.1.2 Analysis of Government's Perception

Above all, we have to make clear what is the government's ultimate objective in redevelopment and what they will do to ensure the accomplishment of their objective. The government's primary goal in UV redevelopment is to get it done, whatever it takes. To get a redevelopment done, the government sometimes tries to provide the developer with some incentives, at the expense of some "ignorable" value. Some other times, once the resistance from villagers, or even social activists become strong enough, they will tend to stand with villagers and activists to pose pressure on the developer. To find out why their feelings as well as their roles are so mixed, following few aspects need to be elaborated.

To begin with, why they have mixed feelings on UV redevelopment? Like many other interested parties said, the government's role in UV redevelopment becomes under-the-table. The government is aware that it is not able or does not want to fully represent the general public and the public does not trust them as well. So they would better keep themselves away from such controversial projects as UV redevelopment. No political leader wants to get involved in such scandals. However, local government in China rely largely on real estate industry as a main source of income. They cannot keep the suppressed land value in UVs for long (Li, 2010; McGregor, 2010). Probably more importantly, redevelopment seems to be the only way to gain actual control in UVs and solve the "historical accidents" once for all. As the monopolistic land owner in cities, local authorities possess key resources to developers. So local government and developers are tied together as a de facto growth coalition, though not formally formed (Su and

Tao, 2011). Then it seems people's suspicion on the secret agreements between local government and developers is not groundless nor baseless. In Shenzhen, the city is running out of land for future development and BSZ is so big, well located and precious that it is described as the water squeezed out of sponge (SUD, 2012). Besides, redevelopment seems to be the only way that could make clear the chaotic landownership problem once for all. In this way, they need to perform as a neutral supervisor in redevelopment, but at the mean time take some under-the-table actions pushing redevelopment to proceed. Under-the table here does not necessarily mean illegal or corruption. In China, some certain political leaders, for instance party secretary of the city, have much more influence on planning decision than institutions. A mayor or a chief director can unofficially exert pressure, with his/her personal influence, on the village corporation or the developer to ensure the project's realization.

Next, why the government feels value capture is necessary while also difficult in implementation? The first sub problem stand in way is how much value should be captured? The government does have the intention to capture more value increment for public use. But through whatever means the value increment is captured, profit seeking developers will try to regain it from the consumers if they profit is less than expected. Normally, developers will ask the government's permission on higher FAR, or just sell or rent their real estate products for higher price. However, Chinese government noticed that real estate market in the country is overheated and in order to cool it down, especially after the bubble blasted in America in 2008, actions have been taken including imposing requiring more down payment, forbidding banks from lending loans to house buyers who already have a property under his name, and forcing up to 78 large state owned companies to quit real estate industry etc (Su and Tao, 2011). In no way would the government wants higher prices in the real estate market. So to mitigate the suppression on housing price, sometimes authorities have to agree on higher density or FAR in order to keep developers interested. While higher density will pose much pressure on facilities which in turn will create more value losses that need to be compensated through value capture. Then it becomes a problem for the government that to what extent the value increment should be captured in order not to arouse more speculative actions of developers. That seems to be the reason why only 15% of land was set as the minimum value to be captured which leaves much

flexibility to negotiate, while in most actual cases the actual percentage of land donation is more than 15.

The second problem which occurs is even if the amount of value increment was properly captured, what kinds of other value need and will be compensated. Recognizing social diversity as a kind of value, the government also attempted to keep diverse classes of people in the city by providing affordable housing, although only for those with Shenzhen *hukou*. Officials have realized that low end housing is indispensable to the city's middle/low income citizens, who contribute a lot to its prosperity and they are not doing enough to provide enough accommodation and take good care of this group of people. Normally, government-built affordable housing or low rent housing are cheap enough (for example Jinshazhou, a low rent housing in Guangzhou, charges only one yuan per square meter), but they are always too far away from city centers. But what if they impose affordable housing downtown development projects, like BSZ redevelopment, it always end up with the marginalization of affordable housing buildings in segregated area from the main residential area. It seems to me that the government failed to realize the actual essence of UVs. UVs are in fact an imperfect solution to the negligence of low end housing market while the government takes them as an urban problem and their starting point is to solve this problem with redevelopment. However, it actually is removing an imperfect solution without providing another one. And that is probably the reason why the value of accommodating middle/low income migrants is actively neglected. As to cultural value, the government has no intention to actively protect it, but when villagers or some social activists with certain social influence do urge it to preserve some certain architectures or landscape, like the holy tree, it will help to persuade the developers. For BSZ, since it is in still the preliminary phase of redevelopment, how much the villagers are willing to sacrifice for their tree and wells is still to be seen. If the villagers are very determined to preserve their cultural symbol, the government may join their side to persuade the developer, otherwise it will become the "ignorable" value as well. It seems the government understands the logic of collective action and public goods (Olson, 1965). Officials know that either the holy tree to villagers or affordable housing to the poor can be seen as public goods to the group and no one is likely to going to strive hard for public goods since there is no incentive for

individuals. Everyone will just complain to each other and wait for others to make an effort while expect to benefit from others' efforts. So to the government, if there is no strong leading role in the group to represent a certain type of value, whatever they complain about could be neglected. In this way, the government is more a cake sharer than an organizer, which it is supposed to be, in UV redevelopment.

All in all, the government's perception were pretty much under influence of:

- 1) Objective: The government has multiple objectives in redevelopment. It depends largely on real estate development as a main source of income. It also aims to gain more control and solve the institutional and ownership struggles caused by historical reasons. The government's priority in the project is just to get things done. That is why it still pushes the project so hard, even being aware of all its difficulties.
- 2) View from a bigger picture: Bearing in mind the good for the whole city, the government finds another reason to push hard on redevelopment projects. The city is running out of land for development and the increasing population in UVs do pose a huge risk of fire hazard.
- 3) External pressure: The government acts in a pretty tricky way. It is supposed to be the representative and caretaker of public goods. But it chooses to stand for the public goods, which are some kinds of values, only when they are under considerable pressures from the society or other parties.
- 4) Self-identity: Government officials are aware that the public does not trust them very much and their appearance in redevelopment projects will make things more complex. That is why they choose to act under table.
- 5) Institutional constraints: Due to historical reasons, institutions and property ownership are not clear in UVs. The government does not have much actual control over them. This is one of the objectives of the government and another reason why it works informally, since there is no formal ways by using institutions.
- 6) Financial constraints: Because of the financial system within different layers of government, local authorities have to rely much on real estate development, which is a reason why they work closely with real estate developers.

- 7) Path dependent: The institutions and redevelopment patterns are largely path dependent on previous cases. Some institutions are even based on successful parts of previous cases. The government is not willing to switch to another path full of risks, since there are not enough pressure on current patterns and institutions.

5.2 The Villagers

"It is their (governments) job to accommodate the poor, not ours. So go find the land themselves but not in our village" -- Yunqing Chi

The villagers may be the most important as well as the most complex interested party in redevelopment. Not only because they have multiple aims, feelings and roles in a project, but also because there are always much internal tension and conflicts going on within the villagers' community itself. As landowners who were born and raised on that piece of land, they want to provide their descendants with better living conditions through redevelopment. While as developers, they invest their buildings and livelihood in redevelopment expecting to get maximum returns in their investment. Although the villagers have lived in the same area and known each other well for decades, in the pursuit for maximum personal interests, these old neighbors and friends often get in conflicts with each other. Some may demand more compensation since their property are in better locations. Some may blame others for being so demanding that the whole village have to wait longer for completion of the project. Some may feel jealous of those who get more compensation and started to ask for more as well. However, although not everyone thinks in a same way, the villagers as a whole tend to have a roughly consistent perceptions on redevelopment issues. Villagers' perception was collected by interviews with two employers in BCo, archival documents, blogs and descriptions from informants who know the situation well.

5.2.1 The Villagers' Perception

Originally, the office director of BCo, Weiyun Zeng, told us that he could arrange a meeting with some villagers and tour in all five villages, during which we can talk to some other villagers who still live there. Because his boss did not feel comfortable about our topic in such a preliminary phase of redevelopment, he could only lead us to a tour but cancel the meeting. Instead, we interviewed Mr Zeng himself and another colleague of his, Ms Chi. However, there seems to be some slight difference in the two interviews, and clearly we can find Mr Zeng answered the question in a more sophisticated and official way while Ms Chi was more frank and straight forward.

About value changes and distribution, the villagers are firstly concerned about the value of a good living condition in the area, where their sons, daughters and themselves will be living. Both our interviewees stated that they felt very sorry about the current unpleasant living condition in their hometown and improving the village for their offspring is a main wish they want to achieve through redevelopment. Villagers are also concerned about their old tradition and culture that rooted in the village. During several tours in BSZ, we can see that people, even tenants who only lived there for few years, always get together around several symbolic spots, like the holy tree and old wells. There is a simple niche containing a statue of the tree god and the memorial tablet of their ancestors. The tree is full of red silk ribbon which people write down their wishes on and tie on the holy tree for blessing. Both interviewees expressed their willingness to preserve the tree and several old wells, although it is not clear how determined they are and how much they would like to sacrifice for the tree and wells. Both Zeng and Chi felt that thanks to the smart choice of their forefathers, they completely deserve what they gained and would gain after redevelopment and these are the two main value gains they expect from redevelopment. Nevertheless, they are relatively indifferent about value changes to the tenants, who live in their buildings, even though some of the tenants have already lived there for more than 10 years and made good friends with themselves. The villagers think people who rent apartments and live here do not treat the village as their home. "They just see our village as a

temporary lodging and they will move out as soon as they have enough money", said Ms Chi and Mr Zeng, "as to those who have lived for decades, they are mostly families and they run small business or work in the village, so they choose to stay. But still, they do not think it is their home and we do not take them as our clansman." It seems between the villagers and tenants there is only a really simple relationship in which the tenants pay for what they expect (accommodation) and the villagers offer their buildings for what they want (money). Since the tenants do not treat this place as home, the villagers see no reason to care about value changes to the tenants.

In terms of value capture, Mr Zeng, the official voice, sounded moderately different from his colleague Ms Chi. Zeng showed strong support for the 2012 policy which stipulated the minimum 15% land donation in each redevelopment project. He confirmed the government's statement that similar mechanism had already been utilized in previous cases, just without clear stipulation in institutions nor conceptualizing it as value capture. He thinks it is more than necessary and important to have such regulations for value capture and the better a project is located, the more land it should contribute to the city. Admitting that he is not an altruist himself, Mr Zeng said to motivate developers and villagers, land surface should be traded for space in the air, or in other words, FAR bonus. However, Ms Chi held a different perspective. She did not have many problems with the part of land donation for infrastructure and facilities use while she was not satisfied with the part for affordable housing, although she acknowledged that they could not do much about it but accept. She could not understand why affordable housing should have been incorporated into UV redevelopment since those who will move into those affordable housing had nothing to do with the village. "Yes, they probably contribute to the city's prosperity, but not particularly to our village, so it is city government's job to accommodate them, not ours", she said, "go find the land themselves, but not in our village." She expressed clearly that she could not agree with the logic that whoever benefits more has to contribute more and many other people, especially locals, would agree with herself, if they ever got to know about such regulations.

Talking about compensation, the two fellow employers from the same company told two slightly different stories. Both of them did not see much possibility in introducing new ways of compensation to villagers in BSZ currently since this generation of property owners (their fathers) who were born in 1940s hardly had any education and thus cannot understand how compensation could be done non financially. Used to earn their living out of soil, they believe land is all that matters but not several pieces of A4 paper (contracts, stocks, etc). The interviewees, and other villagers on news reports, expressed, explicitly or implicitly, their distrust in the growth coalition. "We have seen and heard of so many scandals that government officials work secretly with developers to cheat on the poor educated innocent villagers", Ms Chi said, "they know we do not have profound understanding in laws and rule so they may take advantages of that and create some complex compensation system that we cannot understand to cheat on us." An aspect that they had different ideas was the possibility of NFC in the future. Once asked about whether the new generation of landlords (their children and themselves) would consider other types of compensation than only property and cash, Mr Zeng answered "absolutely yes" while Ms Chi seemed to be doubtful. Zeng argued that as the legal system evolved and people's wish for self improvement became stronger and stronger, villagers would be willing to accept opportunities instead of just money and property. But Ms Chi disagreed by saying that most villagers, and so did some of their children, already got used to staying up until late night and get up after midday doing nothing but having fun in clubs, tea houses, etc. "Everyone prefers to enjoy life rather than breaking stones, especially when you have enough money to do so", she said.

5.2.2 Analysis of Villagers' Perception

Similar to the government, the villagers have multiple objectives and play multiple roles in redevelopment. They are landlords as well as developers. They think and act as a bunch of individualistic people as well as an homogeneous social group. When confronted with outsiders, they see themselves as one closely tied group or family but once dealing with problems

regarding personal interests, they are not that close to each other anymore. As a matter of fact, the village is a quite closed in which most people share the same few family names so it is difficult for strangers like the tenants to truly integrate themselves into the villagers' community and vice versa.

In regards to value changes for different parties and value capture mechanism, the villagers are united to struggle for group interests with other parties, particularly with the developer, who shares a big part of value gains in redevelopment. Villagers know each other well and can have great influence on each others decision making. On macroscopic scale, they are concerned about the value changes to all villagers as a whole including the overall compensation standard, improvement of living condition, preservation of their cultural heritage and the distribution of value gain to the village community among other parties. While they do not care much about people that do not belong to their community, for example, the tenants. In their eyes, tenants are strangers in their village and have different last names, cultures, backgrounds, customs and views. Some of them even blame the tenants for being uncivilized and impolite in their home town which resulted in the unpleasant living condition in BSZ, despite that they receive the tenants as guests. BCo has organized villagers working on a semi voluntary base with relatively low payment to keep order and improve livability in BSZ, such as public security patrolling squads, sanitation supervision teams, etc. "We are the one who cares about the village and tries to make it a better place", said the general manager of BCo Mr Zhong, on a documentary¹⁰, "the tenants have no intention in making our village a better place". In this manner, BCo operates as a representative of villagers organizing the provision of public good and the villagers act and think as homogeneous and exclusive social group aiming to provide better welfare for the whole community. As a result, they see no point to incorporate affordable housing and accommodate some irrelevant people in their village but they hold no objections against value capture for infrastructure and facilities since the whole community can also benefit from it. Even to the "tenant-friendly" Mr Zeng, he supported value capture for any kind of use because he believed

¹⁰ "The Three Decades History Of Villages in Shenzhen", by Shenzhen Media Group, 2012, <http://www.szyuanzhumin.com/a/economic/rebuild/2013/0226/23209.html>

however much and for whatever use the donated land was, it would be traded for space in the air.

Nevertheless, on microcosmic scale, especially when asked about compensation, the main route they can benefit, villagers tend to think and act as individualists or sometimes sub groups. Their actions, again fit into the theory of collective action and public good pretty well. Olson (1965) stated that a group of rational, self-interested individuals (the villagers) will not automatically strive for their common interests (more and faster compensation for the whole group). Some villages think their buildings have better location, and require more for compensation which the developer is not willing to pay. Some want to move back to their original location which is planned as commercial or office area. If these villagers insist on their requirements and refuse to move if the developer would not compromise, they will probably end up to be the "stubborn nails" (Schoon, 2012) or the so called "dingzihui" (see Fig 8¹¹). As a result, the interests of the community as a whole will be compromised since those who already signed the agreement and whose buildings are already demolished have to wait longer. And if the whole project finally got abolished because of these non-cooperation movement, the demolished buildings will not be fully compensated. Other villagers will be unsatisfied and start to pose pressures on the nails. While if they succeed, some other villages will start to follow the examples and come up with reasonable or unreasonable statements to ask for more compensation. Then a new round of negotiation and internal conflicts started and the project can never begin. According to BCo, currently in BSZ, three out of five villages have already showed their supportance for redevelopment, while Baishizhou village and Lower Baishizhou village have not. The former one, on the southern side of the main axis Shennan road, which is planned to be commercial area by LvGem, do not want to move to the other side and the latter one, standing next to Shennan road, consider themselves as the best located. Moreover, internal confliction is another reason for Mr Zeng to support value capture, besides being the official voice. During a tour in the village, Mr Zeng mentioned that there were a lot of conflicts going on when the villagers built those hand-shaking buildings which brought much damage on the harmonious relationship

¹¹ Tencent, 2007, <http://news.qq.com/a/20070930/000926.htm>

between villagers. The reason why roads in BSZ are so narrow, buildings so close to each other, infrastructure and facilities so insufficient is that everyone was expanding their own buildings while no one cared about the community's interests. Value capture mechanism could not only provide the village with better living condition but also regulate individualistic behavior which will largely reduce the conflicts between villagers. In addition, there seems to be internal struggles between different generations and within individual families. Some older people were so status quo biased that they did not dare to take the risk to change and they would never accept some intangible compensation. The younger generation could let go of the large potential value gains in redevelopment while they also prefer instant income gains such as property or cash. Sometimes, even with a family, members end up in fight against each other for distribution of gained value. So the villagers are afraid that more flexible and diverse compensation schemes may actually cause more such controversies. In this way, villagers are like individualists pursuing personal interests, sometimes at the expense of group interests of their family and/or community.



Fig. 9 "The Stubborn Nail" in Caiwuwei, Shenzhen, Source: Tencent News, 2007

Further more, villagers generally do not trust the developer as well as government. And sometimes, villagers do not even believe their own leaders and the collective corporation. Being exposed to so many reports on how "conscienceless" real estate developers are, many of them believe that their relationship with the developer is mutual hatred rather than collaboration. From previous experience, they feel that the government may work secretly with the developer but will always compromise with no bottom line if they posed enough pressure. Sometimes, they are afraid that their own leaders would be corrupt and sacrifice the village's interests for his own. As a result, they always prefer the safest way of redevelopment.

Last but not least, as to their perceived safest way, how previous cases operated has great influence on them. The villagers felt much better when they got to know that value capture had been done before in other cases just without clear legalization. Both the interviewees admitted that if there were already cases with use of NFC, they will consider it more seriously. In this way, the villagers perceptions, to some extent, tend to be path dependent (Mahoney, 2000; Pierson, 2000), although not on their own experience.

In short, the villagers perception are largely affected by:

- 1) Objective: They want maximum personal profit as well as betterment of living environment, which made them focus mostly on their own value gains and losses
- 2) Expectation: Due to distrust on other parties, they expected many risks in redevelopment, which made them quite conservative about new ways of compensation;
- 3) Self-identity: On macroscopic scale, they are an exclusive social group while on microcosmic scale they are individualists which made them careless about value changes to others
- 4) Internal struggles: There are diverse ideas, preferences, and attitudes within the village community, to reduce the risks caused by this diversity, they prefer more conservative ways. Their actions follow the theory of collective action.
- 5) Path dependence: What happened in previous cases have much influence on them.

5.3 The Developer

"What is controversial (in UV redevelopment) is how to realize some abstract values and to choose from conflicting values" -- Ruiling Niu

The developer's role and objective are much easier to understand comparing to the previous two. It does not hold any value in UVs before redevelopment. It simply invests money in an UV redevelopment project and wants to make the most profit out of it. But even if this simple character has its "hidden objectives" in redevelopment. Data on the developer's perception comes not only from the interview but also some published or unpublished materials about BSZ redevelopment made by the developer.

5.3.1 The Developer's Perception

After so much effort, we finally got the chance to meet the deputy chief planner of the BSZ project team of LvGem. She came to meet us right after a meeting in the morning. It seems she got so annoyed in the meeting that she was pretty aggressive in the first part of the interview. And she apparently did not have much interest as other parties in our research. During the interview, she constantly suggested us to take some other UV redevelopment cases that were already finished or in implementing stage. She mentioned several times that publishing any research on a case in such a preliminary phase would bring more difficulties for the project to proceed.

About the value changes and distribution, she seemed to be very considerate of the villagers all through the interview. She told us that in nationalization process of collectively owned rural land, villagers in BSZ are actually victims rather than beneficiaries. Ever since the foundation of the first collective farm in BSZ, the land was never owned by the village collective, whatever

title it was under, first directly by the state, then the army and then the state owned corporation. Thus, in 1992 when Shenzhen institutionally urbanized all its rural land and rural population, villagers in BSZ only got urban *hukou*, but not even one cent of compensation since they do not officially own the land. She has no problem with the fact that villagers get rich out of redevelopment, since their historical value losses were not properly taken care of. As to the value of UVs now, "the most appreciated value of UVs are their diversity and vibrant life style on the streets", she said, "but not dirty water on the ground, chaotic wires in the air and high risk of fire hazard". She believed that the value, in both social and cultural terms, of UVs are not hiding in those thirtysomething shabby hand-shaking buildings nor any other physical forms. While asked about whether and how she would try to preserve these values, she told us as a developer, they cannot completely ignore these values in a project and they will try to keep the values by preserving the "deep urban fabric", a term she was not willing, or probably not able, to give an explicit explanation. However, eventually how these value would be preserved or compensated depends on many other factors and is not the developer's choice alone. She asserted that they will try to achieve high spatial diversity since there is no way for such a large scale redevelopment project to have only few certain sizes or types of units. They do not intend to build a so called "lofty community" which contains only big units or villas aiming to accommodate only rich people who are "lofty". As to the holy tree and old wells, she promised to think about these things during the plan making process. But again, "all these depend on many factors and none of them can be realized only with our decision alone", she said.

About value capture, the developer is aware of the fact that no development project can happen without contributing to the public and it is a responsibility of developers to benefit the society. And they concern very much about value gains to the villagers, which is "coincidentally" consistent with the thoughtfulness Ms Niu showed to the villagers. They asserted in an advertising video that BSZ redevelopment will be a mutual beneficial project to the villagers and themselves, while the city will have a new land mark and better living environment. And the final slogan in this advertising video claimed "LvGem will lead villagers in BSZ into a new chapter of their life". For the contribution to the whole city, "We will upgrade infrastructure in the area and provide whatever is required in institutions", said Ms Niu; "it is necessary and

reasonable to us that a redevelopment project has to contribute at least 15% of its land for public use". In the first draft plan they published, the proportion of land that is for public use will be 34.47% including land for road network, utilities, education facilities and green space (LvGem, 2012). LvGem will also participate in the construction of a new light rail line which will pass through BSZ area. The whole project is supposed to be done with three phases, and they announced that they will complete most infrastructure and facilities construction including, a school, a kindergarten and a converting station in phase 1 by the end of 2017 so that the city can benefit from them as early as possible. According to Ms Niu's knowledge, they cannot hand in vacant land to the government for construction but have to complete all construction of facilities on it, with hardly any profit but only the cost covered. The advertising video also emphasized that there will be new land mark in the city, which will improve the overall competitiveness of Shenzhen. They also manage to integrate creative industry, entertainment industry, small entrepreneurs with big shopping malls, in order to attract more kinds of activities and keep prosperous urban life for the city as a whole.

Talking about compensation, a sensitive topic to the developer, Ms Niu stressed several times during the interview that the villagers must be properly compensated and there would not be any secret agreements nor under-table actions in negotiating about compensation. Although there is still a long way to get to negotiation about compensation details, the developer seems to be satisfied with the general principles of compensation on which will the final compensation package be based. The demolition / compensation ratio of the legal part of buildings (floorage under 480 m²) will be no less than 1:1. They estimated that current value of buildings in BSZ is around 7, 000 to 8, 000 RMB per square meter, since the owners only have limited property right, while the compensation price for the illegal part of buildings (the part that exceed 480m²) will be calculated according to the current price of complete right houses in the same area, which is about 40, 000 to 50, 000 per square meter. Besides, some commercial units and offices will be compensated to BCo to make profit for all villagers. The developer thinks this is a really good deal for the villagers, which is actually true, and there would not be many objections. Once asked about NFC ideas, Ms Niu expressed her doubt on the possibilities for them. She offered several statements that underpin her doubt. First, same as the government

officials said, villagers just want tangible property or cash as compensation. She was skeptical about whether "these 'farmers' have a pursuit of self-improvement" and thought they only trust money and property. Second, compensation in UV redevelopment is also path dependent. "What they (villagers) want is simple", Ms Niu said, "they just want the same or relatively more than previous cases". Even some regulations are made in accordance to some successful experience in the first round of massive UV redevelopment. So, compensation schemes cannot be too different from former cases. Third, Ms Niu asserted that villagers became more powerful regarding redevelopment and the developers must accept whatever the villagers want and could only negotiate about details such as whether a villager can get one 300 m² apartment or five 60 m² apartments. Forth, as planning in China is pretty much a top-down process, BSZ or any other individual cases can make much difference, as long as the legal system remains the same, although current institution is not against other means of compensation. Only if the government encourages NFC and changes institutional settings, will there be more people willing to try new compensation schemes.

Last but not least, Ms Niu showed her helplessness in dealing with the villagers. She described them with the words "naive, simple mind and innocent". She complained that the villagers know nothing about how redevelopment works, what the redevelopment rules mean and they constantly hold suspiciousness and hostility against any move of other parties.

5.3.2 Analysis of the Developer's Perception

The developer's statement in the interview and all other archival documents match its goal really well. What the developer wants is partly the same as but one step further than the government's. It seeks the maximum profit out of the project while its profit can only be maximized when the project is completed. That is also why they are in the *de facto* growth coalition with the government. But the difference is that once the developer feel the potential profit does not worth the effort, it will quit.

First, with the awareness of public interest increasing, the developer, being aware of no projects can be realized without making contribution to the whole city, tries to make itself sounds more considerate towards the public. Another motivation for the developer to complete facilities and infrastructure in phase one is to sell their products, apartments and offices with completed facilities, for higher prices. The developer emphasized several times that the redevelopment project will provide the city and its people with a new distinguished landmark and more high end shopping malls, while it has never done any researches on whether the city and its people actually need them. Further, when talking about fairness and justice of value distribution among the society in redevelopment, Ms Niu strategically narrowed them down to the fairness and justice among villagers. And by this narrow sense of fairness and justice, she argued for their preference for simple compensation schemes. Therefore, by describing results of project selectively, the developer wisely bypassed the fact that cheap service and housing will be eliminated.

Second, as the protection of property right in China becomes stronger and stronger, the developers, one of the two most involved parties, is not in a dominant position anymore and the villagers, who used to be the disadvantaged one, moved to a more and more balanced position now. Therefore, there is a clear attempt of the developer to please or show its kindness to the villagers, since the villagers seem to be the main obstacle it has to overcome in order to make the maximum profit and the main party that it has to share its profit with. The villagers occupied the land from which the value increment comes from and they need to be compensated which takes quite a big share of the total value increment. Sometimes, one single family's objection or change of idea could have a redevelopment project postponed for years, which put the developer in financial burden and risks. So to let villagers sign the agreement of redevelopment and settle them down as early as possible in redevelopment will largely reduce the developer's risks. From the advertising video to the interview, the developer was constantly stressing that the profit of villagers will be ensured and taken as priority in the plan. It is also declared that the compensation property will be completed in phase one, which will allow villagers to move back to their hometown and to enjoy the value increment as soon as possible. While another reason

for this is the sooner the villagers settled down, the less risk would there be for the developer. In previous cases, it is not rare that some villagers realized how significantly the property price can increase after first few phases and started to regret and ask for more compensation. To avoid this, most developers now choose to build the relocating or compensating apartments in the early phases of redevelopment. Besides, the developer does not want to have more diverse and flexible combinations of financial and non financial compensation scheme. The developer supposes that if the villagers are provide with diverse compensation packages, a lot of internal conflictions will be generated among themselves. According to Ms Niu, villagers follow the so called "herd effect" which means the probability of any individual adopting a choice increases with the proportion of people who have already chosen so (Colman, 2003). The sheep in this herd not only tend to follow a popular choice but also want to create one themselves. They will try to persuade as many other sheep as they can so that they feel like they have made a safe choice. Most times this kind of internal debates will cost ages, which goes against the developer's intention for a quick completion.

Besides, once asked about the future actions they will take to preserve some value or compensate some losses, the answers given in documents or by the officer from LvGem tend to be as ambiguous as possible, such as "we will try to do it", "we will consider that" and so on. And another thing Ms Niu and the advertising video mentioned a lot is that nothing depends solely on how the developer decides while decisions and actions of other parties weigh equally or even more important in achieving a more balanced value distribution. In other words, if someone or a party that is influential enough pushes the developer really hard to preserve or compensate some forms of value, they will "try to do it", otherwise they will probably just "consider". For example, the redevelopment of Hubei, another UV in Shenzhen which already signed the agreement, many old villagers as well as social activists found the ancestral hall extremely valuable and are so determined to preserve and renovate it. As a result, the developer China Resources Land Limited, though powerful as a state owned corporation, had to compromise. It seems the hidden words are that people cannot blame them for not taking care of some value losses if there are not enough people to represent such forms of value. However likely it seems to be buck-passing, this statement does make some sense. There is no reason for

a profit seeking real estate developer to take care of other people's value changes, if the beneficiaries or victims themselves do not care much. Nevertheless, inquiring minds want to know, why not many people want, or dare, to stand for those common values. There can be two reasons, namely, indifference and distrust. These two reasons will be further explained later.

So what the developer feels about value capture and NFC is in consistency with their ultimate goal in redevelopment, to gain maximum profit out of the project. This "maximum profit" includes the maximum monetary income, shortest operating time, minimum risks and biggest potential borrowing capacity. As to the rationale of value capture, acknowledging that there is no way to avoid it, the developer tries to benefit also from their contribution to the society by capturing the value they created with such contribution. (As a main or the only investor in the project, it is reasonable for developers to capture the value increment caused by their effort. But this should count as a form of value increment for the developers as well and therefore it is also reasonable that they only get paid for the costs.) With proper advertising and branding strategies, the developer can actually harvest more profit. For NFC, the developer does not have much desire for it. Not only because they are in a relatively passive position in negotiation about compensation, but also because NFC may cause some uncertainty or risks and possibly a longer duration of the whole project. Moreover, any other types compensation besides the one-shot ones will impose some obligation for the developer in the future, which may have bad effects on their future borrowing capacity.

In short, the developer's perception largely depends on:

- 1) Objective: The developer's objective is quite straight forward, making maximum profit out of redevelopment. This goal can only be achieved when the project gets done, which makes them partly share a same goal with the government. But the difference is that if the developer does not foresee enough profit after the completion of redevelopment, it will quit the growth coalition. But this is not the only meaning of maximum profit, the developer also intend to gain more borrowing capacity for their future projects. This leads to their unwillingness regarding long term compensation.

- 2) Risk management: New ways of compensation will pose a lot of uncertainties for the developer. In order to reduce the risks, they choose to follow the same or similar patterns as previous cases.
- 3) External pressure: By external, I mean the pressure from the outside of the growth coalition, or more precisely, from the villagers or the society. They have to answer to the villagers, media, and the public. So they are trying to be nice to these parties in this preliminary stage in order not to create much resistance.
- 4) Governmental connection: There will also be internal pressure coming from its partner within the coalition, the government. Different government agencies may have different focuses and demands on different aspects of redevelopment. The developer has to deal with all these departments and face the pressure of addressing their demands. That is the reason why they tried to avoid making certain statements and be as ambiguous as possible.

5.4 Designers and Planners

"We also think this process (UV redevelopment) is problematic, it is curt and rude. What we want to do is, through design, to improve the unpleasant part and meanwhile preserve the valuable part of UVs as much as possible" -- Tat Lam

These two interested parties which I name as indirect influencers, will be discussed and analyzed together in this section. First, let me explain why I made a difference between designers and planners and why I choose to put them together here. By planners I refer to the developer's strategist who follows the project closely from beginning to end, responsible for making the final plan, which is CAUPD in the case of BSZ. Designers here indicate the design agencies the developer hired at different stages to fulfill different staged goals, which include SOM and Urbanus in BSZ project by far. There could be many more design agencies than the normally only one strategist agency involved in the whole redevelopment process and designers are only

responsible for some certain goals at the certain stages where they are hired. Moreover, the degree of closeness they are with other interested parties in the project are different. The planners usually have good connection with governments and are responsible for communicating with villagers, government officials, designers, and many other parties during the whole plan making process. The designers just need to report to the developer and its strategist agency, the planners and sometimes the developer does not want, or allow, the designers to approach other parties, especially the villagers and social activists.

However, these two roles do share some key similarities which made it reasonable to put them together when discussing about the perceptions on value related issues. First, they both have indirect influence on the project. Their decisions cannot affect the project directly but can have great influence on decision making process of the developer, who has greater direct impact on the whole project. Second, these two roles are both played by professionals and experts in architecture, urban planning, urban design and related field. These people, whichever agency they work for, share a same objective of providing better urban life with their pens, computers or advices. Further, since they receive fixed payment from the developer, however good or bad the project eventually ends up to be, they are more concerned about social and cultural value and not so obsessed by economic value as profit seeking developers. In addition, they both, although to different extent, have to follow the developer's thoughts and address their needs. After all, they are hired by the developer and of course have to work for who pays their designing fee. Last but not least, their views towards value capture related issues are quite similar, though their following actions are different.

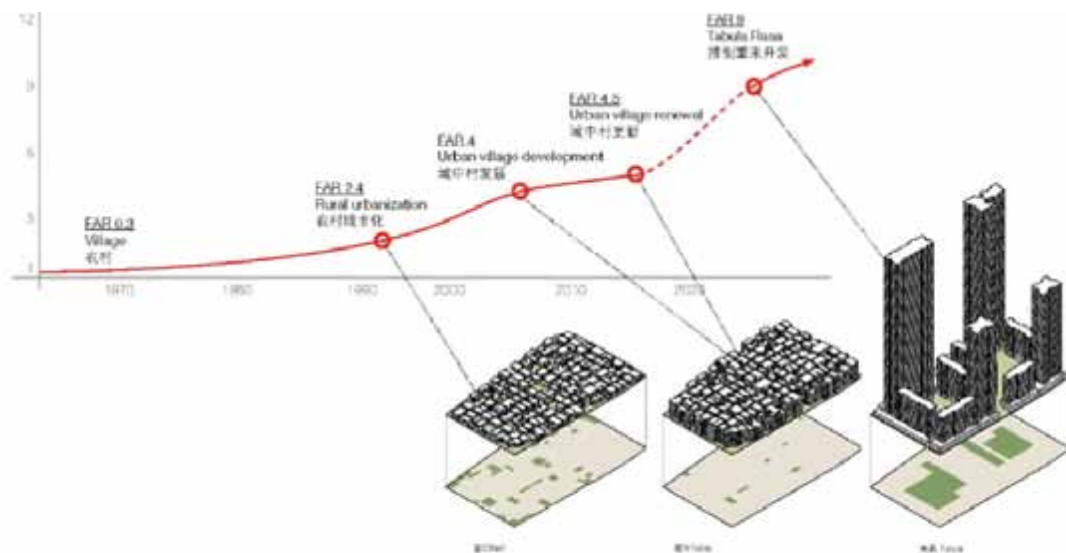
So, hereby the two will discussed together in the following section while significant difference between the two will still be elaborate. Their perceptions were collected from interviews with several senior staff in UBANUS and CAUPD, documents and reports the provide, minutes of some of their meetings and the actual plans or drafts they handed to LvGem.

5.4.1 Planners' and Designers' Perception

Due to limited time and resources, we cannot reach SOM, the previous design agency hired by LvGem, which is not located in Shenzhen. But Tat Lam, director of URB, Hua Wang, principal planner in CAUPD and Weiwen Huang, director of SCD all showed their interest in this research and were willing to share their opinions.

For value changes, it is them who helped me to realize that there are many more aspects of value hidden in UVs and to build the table for value changes. Earlier than most people, these professionals have already realized that UVs are more valuable than what they were perceived. Even now, quite some people still believe that UVs are just chaotic, dangerous, dirty places and nothing else. Professionals and experts were first amazed by the high spacial diversity and the vibrant life styles. On one hand, lack of regulation produced chaos and mess in UVs while on the other, created much more diversity in spacial forms, layouts and life styles, which professionals perceived as values. They found these characteristics are missing in the new CBDs and gated communities that are built upon the ruins of UVs. However, there is no doubt that these gated communities look safer and cleaner than UVs and are of more value from an economic point of view. But gradually, designers and planners started to try to integrate the spatial pattern of UVs into new CBDs. Designers and planners also perceive the ability of UVs to keep affordable and accessible accommodation as well as the opportunity to pursue dreams for new comers as a precious value. Unlike what people used to know, UVs now accommodate not only blue collar migrant workers but also young university graduates and entrepreneurs. Professionals see this as a crucial factor to keep the city young, energetic and creative. Actually, many staffs of Urbanus, CAUPD and SCD who have recently graduated and came to Shenzhen for their career goals choose to live in BSZ and some other UVs. So, designers and planners are the pioneer in the attempt to define new values in UVs and they pose a serious question to the whole society that whether UVs are so valueless that only the complete demolishment and rebuilding model should be adopted. Another interesting thing is that the designers and planners seem have to different view on whose value should be captured, though they agree that it is for

the public especially the poor that the value capture is needed. Both Weiwen and Hua, the two planners said they did not see much unfairness that the villagers got rich from their semi illegal buildings while the designers thought something must be wrong that some people become able to afford ten Ferrari sport cars over night. Planners, though being government affiliated institutes, believe it is the government's failure that in many development projects most value gains flowed to a really small group of elites and state owned monopolistic corporations, while the villagers used to be victims. The designers thought villagers may not deserve what they can gain from redevelopment but they also admit that there are much people or organizations on the top who certainly do not deserve whatever they gained.



**只有翻倍重建、简单置换模式？
Only a Simple Doubling FAR model for Redevelopment?**

Fig 10. Designers question about the "tabula rasa" model, Source: Urbanus, 2013

Then as to value captures, designers and planners feel there is a strong need for such a mechanism to capture the value increment in order to compensate the value losses especially under the complete demolition and rebuilding model, which they call the *tabula rasa* model (see Fig 10). But they manage to achieve the same aim of value capture, a more balanced value distribution, through urban design. The designers, who seems to be more creative and open minded than the planners, gave a new future to UVs in their presentation to LvGem, called urban incubators. They see UVs as an unpleasant urban incubator and redevelopment is to eliminate the unpleasant part while preserve and improve the role of incubator. Their route to

balance the value distribution is to avoid creating so much need for value capture and compensation, or in other words to delete some items in the value losses part of Table 1 by preservation. In their eyes, UV redevelopment does not have to be so controversial and contradictory while can be a process only, or mostly, with value gains. What the designers want to do is to incorporate more spatial diversity, especially small residential, office and commercial units, which could hopefully be cheap enough in terms of total price for small entrepreneurs and middle-low income citizens. They would also like to preserve some ground floor level structure as creative area, just like the nationally known Tianzifang in Shanghai. They think more diverse spatial forms could retain the vibrant urban life styles and attract more classes of people to live, work and visit the area. The planners, though agree with the rationale of value capture, are not actively engaged in solving this uneven distribution by architecture design. CAUPD, being aware of the government's interest in modern and fancy transportation system, really wants to introduce a three-layer public transportation system in this project. However, both of them agree that only through a good design aiming to incorporate more diversity and preserve more values cannot solve the problem, redevelopment will certainly cause some value losses so there is still a need for value capture and compensation.

As to NFC, professionals think such non financial means of compensation are good ideas and will be a trend in the future, though they doubted about its applicability under current situations. First, like other parties, they think for most, if not all, villagers, the tradition, knowledge and experience would not allow them to choose other kinds of compensation than money and property. Villagers are quite conservative once talking about new things, especially about the compensation they and their offspring will rely on. Second, according to the planners, the nation wide madness in real estate market greatly reduced the possibility of using other kinds of compensation, since many people believe real estate is the most profitable and least risky way of making money. The designers come one step further in explaining. They argue that there is a lack of mature investment tools in China and that is the reason why people prefer the "most traditional and safest" way in their eyes, buying land and property. Moreover, villages do not trust any one else other than themselves. Furthermore, designers and planners assert that there are not enough legislative support for such compensation instruments, which furthered villages

distrust on new ways of compensation. In addition the designers have pointed out that the developers would not be interested in such ways of compensation as well. "The developer uses UV redevelopment as a 'land bank' in which they store lands and benefit from gains in borrowing capacity", said Tat Lam, "long term compensation may affect the assessment of the developer's repayment ability when they lend money from commercial banks". However, the designers are actually trying to incorporate more flexibility and diversity in their design of relocation buildings, with which will the villagers be compensated (see Fig 11).

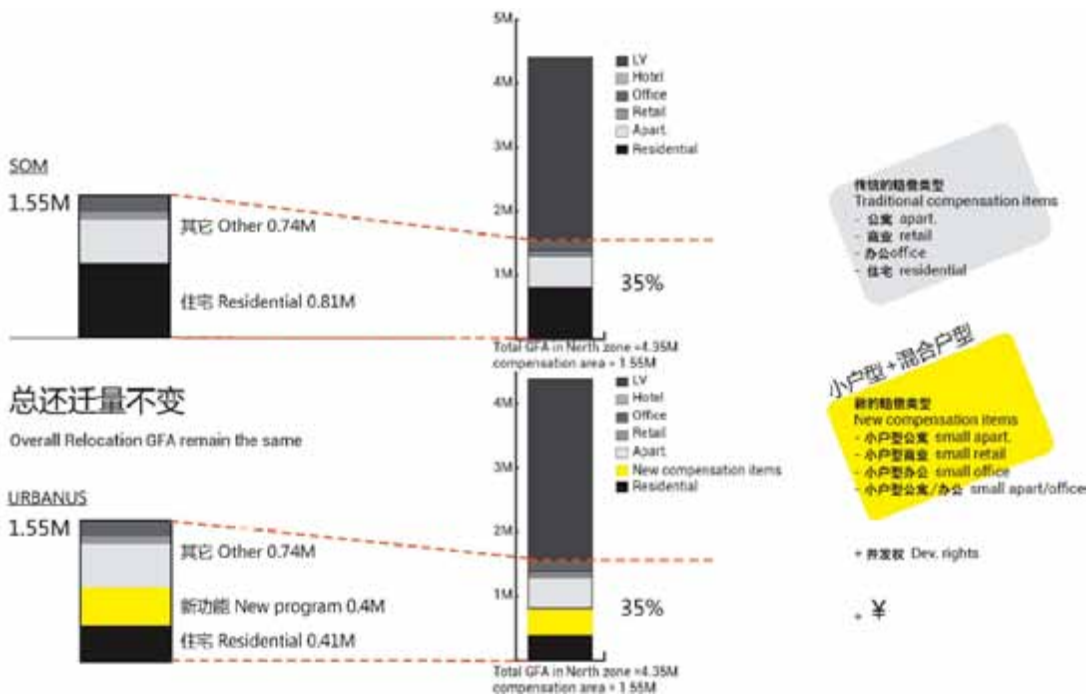


Fig 11. Designers' attempt for alternative compensation schemes, Source:Urbanus

5.4.2 Analysis of Designers and Planners' Perceptions

The perceptions of designers and planners are similar in some aspects while different on some other sides. This phenomenon coincides with their partly similar while partly different roles in the project and the planning society in China.

Most designers, like Urbanus in this case who is hired only to fulfill the goal for this stage, are actually architecture design agencies and they do not have the qualification for making master

plans for the area. Although there are some private companies who have the qualification, most qualified agencies are the government affiliated planning institutes, which would be hired as the strategist and planner following the whole process of the project, just like CAUPD. Normally, designers are, at least they think themselves are, more creative, liberal, and market oriented. Many of the chief executives in such design agencies are famous architects themselves and have western education background and life experience. The final plan that the government will eventually receive for approval will be based on the plans made by these designers in different stages but not exactly the same. That is the reason behind the designers' perceptions and actions. First, as architects, they focus more on the "microcosmic" aspect of planning, architectures. They manage to achieve a more balanced value distribution through architecture design by incorporating more diversity in buildings sizes, units and forms. Second, from a market point of view, they see the a lack of investment tools and experience as a big obstacle for the villagers which forces them to trust only property and cash. Last, but not least, the designers, at least in this case, want to be more neutral while not completely obedient to the developers and they think and see things from a more market and social oriented viewpoint. They are aware that there would be some, if not many, compromises of neutrality and creativity with bias towards the developer in the final plan comparing to what were proposed in their plan. Thus, they are striving for more buffering space for neutrality and creativity so that the final plan would not be completely "developer oriented". "We are not going to get our hand 'dirty' like the planners, the CAUPD", said Tat Lam, "we work independently and neutrally."

While the planners, or the strategist would normally be a government affiliated agency. They are more tightly tied with the developer as well as the government. Their priority is to get the plan approved and the actual construction started. Not only are they responsible of making the plan but also taking care of different voices from public press, villagers, the government and different departments within the government, which were criticized as a "dirty" job by the designers. By getting "dirty", the designers mean that the planners do not have their own self identity but only works for the developer. In order to get the plan approved, planners will solve problems, negotiate with other parties and mediate among different opinions on the behalf of the developer. However, the planners also have their own professional goals and hold their

integrity in the project. As a matter of fact, the strategist has great impact on the developer's decision making and in this case, it is CAUPD who recommended Urbanus to the developer. Ms Wang, the principal planner of CAUPD told me they also want the final plan to be neutral and beneficial to the whole society rather than only to the developer. But the developer is not paying them for being neutral and responsible for the public, so they recommended to approach Urbanus, who is famous for being neutral and independent, to get closer to their own goal of being "clean". Their goals and struggles greatly affected their perceptions and opinions. Like the developers, they see no injustice or unfairness in the fact the villagers get super rich overnight through compensation on their semi illegal buildings. Although Weiwen, who I see as a planner, took a slightly different opinion that the villagers do deserve a share in urban development while it is the amount of this share that should be the problem. But they all stressed that the government and monopolistic state owned corporation were to be blame, not the villagers. This is coincident with the increasing backlash against monopolistic state owned business among scholars and local government officials (DW, 2012). Planners also agree with the designers that there need to be more spatial diversity, although they think that is not enough and more institutional support are needed to balance the value distribution. And the planners are not only aiming to have more diversity in architecture design but also in urban forms, though this aim is not out of the consideration of balancing value distribution. Besides, like the government, they are worried about the national wide madness in real estate, and see it as a major obstacle for people to accept new terms of compensation other than property and money. In addition, since the planners have mediate among different departments and layers of the government, they have to make adjustments to address the sometimes contradictory requirements. They always bear that in mind when they think about value capture and compensation schemes.

All in all, designers and planners have realized there are more value changes going on in UV redevelopment and they try to preserve of compensate those value changes by providing more spatial diversity. Towards NFC, they are in favor of it but also doubtful about its applicability under current economic and institutional context. Their perceptions are generally affected by:

- 1) Objective: the designers are just paid for their design, so they need to make the plan according to the developer's requirements while they also want to have more spatial diversity in their design. Planners, however, are paid to get the plan approved while also have their own objectives in the project. And as government affiliated agencies, planners seem like a hybrid of the government and the developer.
- 2) Roles: designers are responsible for making plans for a certain stage, while planners are responsible for making the final plan based on previous stages and communicating with other parties on the behalf of the developer. As a result, designers have a more neutral viewpoint with professional consideration while planners seem more like a hybrid of governments and the developer.
- 3) Influence: both are indirect influencers. The designers can have influence through architectural and urban design, while the planners can have influence in many more aspects, for instance, the developer's choice on the design agencies. Moreover, how they mediate among governments and to what extent they compromise have huge impact on the result of redevelopment
- 4) Own nature: designers are mostly relatively smaller private agencies who are more flexible, liberal and daring to be more creative and always carry a market-oriented view. The planners are normally of close connection and under great influence of government, or sometimes just government affiliated institutes themselves. So inevitably, they will consider things, at least partly, from the government's perspective.
- 5) Profession: designers are mostly architects who aims more on providing diversity and creativity in architecture sizes, units and forms. When making the final plan, the planners do not need to think much about architecture design which has already been taken care of by designers in previous stages. So they are more interested in urban forms on larger scales, with attempt to cater to the government's intention.

5.5 Tenants and Social Activists

"I do not intend to stop UV redevelopment, which I know I cannot. I just want to show that there are something more beautiful and valuable in UVs than we normally think and hopefully, some people can understand my intention" -- Micheal Patte

Similar to last section, the two interested parties here are deemed as potential influencers of redevelopment and will be analyzed in comparison to each other. Tenants refer to those who rent apartments in UVs but do not own anything there while social activists indicate a group, normally from 10 to 50, of artists, designers, performers and scholars who are concerned about UV redevelopment and work actively organizing or participating in events and activities. Same as the last section, let me explain why I put these to together. In the beginning of the research, I did not consider the tenants as an interested party not only because they are generally ignored but also because they cannot affect on the project. And I was not even aware of the existence of social activists in UV redevelopment projects. The similarities of the two lie mostly in their roles in redevelopment. First, both of these two groups are greatly neglected and concerned about the ignored values. Second, they are not satisfied with their status and the value distribution process in redevelopment but there is not institutional support for them to participate in redevelopment process. Third, they do not actually have influence on redevelopment projects, unless they have gathered enough support and influence to pose pressure on governments or developers.

However, their positions and opinions are not exactly the same. First, most social activist do not actually live on UVs and are normally well educated and have relatively well paid jobs in art, design, performance or research. Although quite some young university graduates live in UVs, most of the tenants are still not that well educated and relatively poorly paid, even the young graduates since they are only at the beginning stage of their career. And to the tenants, UVs are the only options for them. Second, tenants are mainly not satisfied with value changes to themselves while the activists consider themselves as representative of the values that make sense to the whole society. Third, even though both of them are not satisfied their status in redevelopment, most tenants tend to be indifferent, while the activists, are really active in changing the situation.

The perception of tenants and social activists were collected through interviews with two leaders from CZC special force, and five tenants, news reports, workshops organized by SCD and a meeting of CZC. Both the two social activists are foreigners (a French and an American) while the five tenants, being friends to each other, were interviewed together.

5.5.1 Tenants' and Social Activists' Perception

The two interviews with social activists took longer time than the one with five tenants since the two activists were really willing to show their opinions and they hoped us, as students majored in urban related studies, can understand their intentions. All the five friends are college graduates and they were also pretty open to our questions.

In terms of value changes, both groups of interviewees identified the social exclusion effect of redevelopment as a kind of value loss. The tenants are angry about the fact that in UV redevelopment, they as taxpayers will be kicked out without any compensation while the landlords who do not pay enough tax for their income from house renting business will benefit much. Besides that, one of the interviewees told us that because the landlords did not want to register the buildings with the government, which means taxes would be charged for the buildings, they as tenants were not able to apply for the residential subsidy from the municipality. Moreover, the landlords can raise the rent as they wish and the tenants can do nothing but accept. Besides, tenants thought the villagers did not have a sense of being a part of the city while only considered themselves belong to the village community. The two ladies who are sisters in our five interviewees, thought the slogan that was posted all over the city saying "You're a Shenzhener once you come" (O'Donnell, 2012) was bullshit. The activists also feel sorry about the experience that tenants will go through while they do not see the villagers getting rich as an injustice. As quoted earlier, Mary Ann, the anthropologist from America, thinks that if the small elite group and state owned business can get rich by taking advantage of their exclusive resources, there is nothing wrong with the villagers being rich. It cannot count as

unfair if bigger unfairness exist without questioning. Somehow surprisingly, tenants also recognize cultural value of UVs as an important identity of the city, especially for such a young city as Shenzhen. Some tenants also pray to holy tree for blessing in the village even if they have only lived there for few years. "People always say that Shenzhen is a city with no history and characteristics, but UVs with their own cultural identity can be a distinct characteristic" said the older sister, "complete demolition and rebuilding model is not necessary for every UV, some parts of UVs could be preserved, some upgraded, some repaired, although it does not seem to be possible under the current situation". The activists, however, recognized a broader sense of value and are making active effort to try to preserve or improve these values, although they did not believe that they can change the redevelopment model. Some artists found there were so many beautiful and meaningful things in UVs including not only the ancestral temples, old trees but also the dormitories and factories built in the 50s and 60s with the memory of the era of planned economy. They consider UVs as a special and interesting identity, where the most active and vibrant urban life happens, of modern urban China and an important witness of the communism history of the country. They see UVs' inclusivity and diversity as precious values and some even though the unplanned and irregular development model of UVs brought a lot of creativity.

About value capture, the tenants thought it was really necessary and important but more importantly how their value losses can be addressed as well. The tenants know that governments will incorporate some affordable housing in most redevelopment projects but they are also aware that as out comers, they are not qualified to apply for these affordable housing. They complained that whatever values would be captured or compensated, they are still ignored. The tenants were also concerned about how value capture can be realized. They noted that the legal system in UVs have too many defects to even clearly define the ownership of values, not to mention capturing them. One of them mentioned that they did not even have leasing contracts with landlords. And even if they signed some kinds of leasing contracts, there will not be legal protection for them since the apartments they rent are not completely legal. Agreed with the necessity and importance of value capture, the activists, however, took a different perspective. The social activists, however, do not see any unfairness for the villagers to get rich. "If you live

in a system in which the point is to get as rich as you possibly can, and the way you get as rich as you possibly can is by taking advantage of resources that no one else has access to, then why not?", said Mary Ann in the interview. Like designers, the activists were aware that the root of uneven value distribution lay in institutional settings, where they could not make any difference. As a result, they choose to focus only on the field where they could better utilize their professional skills and possibly make a difference on people's perception of UVs and their values. By organizing exhibitions, shows, games, performance and researches, the CZC special force intended to provide more public space and create more activities in these space. Both our interviewees stated that they did not intend to stop the redevelopment and preserve UVs, since they knew such intentions made no good to any interested parties. "We are not that ambitious to change people's perception on UVs and the values hidden there" said Mary Ann, "we just want more public space and more interesting activities in UVs and hopefully people can have better experience in UVs and gradually adjust their view on UVs".

In terms of NFC, the two groups offered two different opinions. All our five tenants interviewees currently or used to work in architecture industry which gave them insight in how redevelopment works. They suggested that the best option to deal with UV problems is to avoid developers from participating in redevelopment. Governments could just pay to upgrade the living conditions in UVs while keep them still as low rent housing area, which they are certainly able to afford. And villagers could be compensated with the right to collect rents, which are suppressed to a relatively low price to accommodate middle-low income citizens. In this way, villagers will not get super rich overnight while they can still keep a longterm income. The only thing needed is for the government to forget about building more fancy high speed railways, airports and new towns, which actually used by much fewer people than expected, and invest the money in such UV upgrading projects. While once developers get involved, they will put compensation in the most straight forward and simplest way to minimize the risks and thus there will not be much room for other types compensation than one shot one. Nevertheless, the activists are not so interested in NFC. They believe that with compensated money and property, villagers can buy almost anything that could be provided by NFC, like education, skill training or opportunities to start their own business,

though they admit that not many villagers will actually choose to do so. Consistent with their perception on value changes, they thought the villagers completely deserve what they are compensated and should be fully responsible for their own lives. So there is no urgent need to introduce a way of compensation which is difficult for them to accept, while it is the government's responsibility to protect the right and benefit of the middle-low income citizens and the whole society, but not the villagers'.

5.5.2 Analysis of Tenants' and Social Activists' Perception

As to value changes the tenants are the most vulnerable and disadvantaged group of people in redevelopment. UVs are the only option for these middle-low income citizens or new comers to live or set up their small business. On the other hand, the villagers, who used to be the disadvantaged party as well, benefit a lot from redevelopment while the tenants are still ignored. Thus it seems reasonable why the tenants get angry about their experience in redevelopment. Although understand that bigger unfairness and injustice root deeply in the mechanism based on which Chinese society works, they did not complain much about it. Instead, people feel more unsatisfied to witness those who used to be as disadvantaged as themselves benefit while their status still remains the same. However, the tenants are not united and have hardly made any effort to try to change the situation. In contrast, most activists being foreigners themselves or having been through foreign experience, know even better about the problems in Chinese society comparing to other democratic countries while they do not see villagers' getting rich overnight as unfair. To them, since solving the problem of unfairness from its root is far beyond their ability as well as their concern, they choose to not worry about it. As a result, they tend to be more active in the fields where they are more interested in and more able to make a difference, such as public space, social activities, historical heritage and the like. These two groups' behavior can also be explained with the theory of collective action and public good. The tenants share common interests or value, the affordable and accessible accommodation and service, in redevelopment. Although they acknowledge that they will be worse off as a group

after redevelopment, no one is actually trying hard to make a difference. Olson (1965) explained the reason why people are indifference to strive for their common interests is that they are unsatisfied with their power to change. Indeed, whatever effort one or few tenants make, it does not seem likely that the situation will change. There will be hundreds of thousands migrants living in other part of the city flooded to the government to ask for the same treatment, if the situation does change. The city government is not able to deal with such a huge population, so it does not dare to start this madness. On the other hand, the activists also, to some extent, share common interests or goals in UVs. For example, a successful activity could help many of them to achieve their goals. This phenomenon also applies to the theory of collective action stating that small groups work more effectively in providing public good. Besides, the fact that both parties recognize UVs' cultural value indicates that the cultural symbols (like the holy tree), manners and customs in UVs make sense to not only the villagers themselves but also to people who live in and concern about UVs.

As to value capture, the tenants can feel the need for value capture while from their own experience of renting apartments with no valid contracts and living there under informal institutions, they are doubtful about its applicability. They believe the defects of the legal system regarding UV related issues would be a major obstacle to capture the appropriate amount of value from appropriate targets for appropriate use. Considering themselves as contributors to the city and having hardly enjoyed any welfare offered by the government, the tenants criticize the government for squandering money in redundant facilities as political achievements instead of taking enough care of migrants who came and built up the city. Despite being more than 80% of the population, the tenants are from all over the country and not familiar with people other than their few friends and colleagues. There are also quite some internal conflicts, inconsistency and mutual segregation among the tenants, just like the villagers. These tenants, especially the young and better educated ones, are not happy with the fact that no one stands out for their collective wellbeing. The activists' perception on value capture is similar to the designers', which may because some activists work as graphic, architecture, fashion or product designers themselves. They believe that UV redevelopment does not necessarily have to create so many values that need to be compensated and

preservation works better than compensation. They know that in such a economic growth driven country, it is difficult to make people interested in values other than economic profit and to change people's perception on non economic values. As a result, they tend to focus on providing a platform (public space and activities) for people to share, exchange and integrate each others' views and opinions. Due to this reason, I called them realistic dreamers.

In terms of NFC, the tenants support it also because of their perceived injustice in redevelopment. Quite some tenants in UVs now have a bachelor diploma and are relatively better educated than the villagers. They feel it is unfair that the poorly educated villagers live a better life than the hard working university graduates as themselves. As a result, they think it is better to compensate the villagers with chances to become successful through education and diligence instead of just giving them money. The activists are not so interested since NFC does not better serve their aims in redevelopment, which is to provide more opportunities for more meaningful social interactions and to arouse more thinkings and reflections on UV redevelopment. Besides, they do not see the point to intervene people's choices on life styles and in a society where money can buy almost everything, financial means of compensation actually provides the villagers with more options.

In summary, although both the two parties are classified as potential influencer, who can only have influence when gained enough support, they view and act in redevelopment quite differently. Their perceptions are affected by:

- 1) Objective: the villagers strive for their own benefit in redevelopment while they are aware that this goal can be hardly achieved. That is why they are unsatisfied but they are not making much effort to improve their status. The activists in general see the advantages of UVs (non-gated community, high social diversity) and want to utilize the advantages to create opportunities for people to interact, communicate and exchange ideas.
- 2) Roles: both of them are only potential influencers, but the tenants are more disadvantaged since their interests are directly affected in redevelopment process

- 3) Own experience: the tenants actually live in UVs. Having experienced the lack of institutional support, they know it will be difficult to strive for their own benefit in redevelopment. Besides, the benefit they can gain is for the whole social class as UV tenants but not exclusively for any of themselves, so the incentive for individuals is not as strong as that for individual activists.
- 4) Internal diversity: the activists are fully motivated by their own interested points and act as individuals, which avoid internal inconsistency and conflicts. The tenants, however, are one group in terms of value changes in redevelopment but everyone within the tenants group wants more benefit but is unwilling to making more effort than others. There is also a lack of trust within the tenants group.

VI. DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, findings of this research will be reviewed, summarized and discussed. Conclusion will be drawn on these findings. Recommendations for the future exploration for more balanced UV redevelopment mechanisms will be provided based on the analysis. At last, limitation of this study will be discussed.

6.1 Discussion and Conclusion

6.1.1 Urban Village Redevelopment -- A Process of Value Gain and Distribution

UV redevelopment in this article was confined to currently most common "market leading" and "complete demolition and rebuilding" model of redeveloping the village-like enclaves in urban landscape. Interested parties in UV redevelopment include the government (including different layers and departments), developers, villagers, designers, planners, tenants and social activists who are interested and have influence on redevelopment projects. These parties are the objects of this research and were categorized into five groups according to difference of their influence on redevelopment.

This research carried a "value perspective" to view UV redevelopment and found that UV redevelopment is a process of value gain and distribution. Due to historical (underdeveloped area in city centers) and institutional (limited ownership right of existing buildings) reasons, there are huge potential (economic) values hidden in UVs. However, because of the same historical and institutional reasons, there are many kinds of non-economic values existing or hiding in UVs as well. As a result, under current pattern, redeveloping UVs into modern and formal urban landscape will certainly bring considerable economic value gains, while at the same time, undermine other kinds of value. Value changes identified in UV redevelopment were summarized in Table 1. The parties are aware that the whole city will be affected by redevelopment in economic, social and cultural aspects of values. However, during redevelopment processes some values are taken care of (preserved or compensated) while some others are ignored. The reasons of this phenomenon seem to be highly related to following problems.

- 1) Who cares about this value? The study found that although all the parties have realized there are more kinds of value involved in redevelopment than only economic value, they have different interpretation of the values and to whom these values make sense. For instance, the developer does not agree with some activists saying that buildings in UVs could also be of historical value. The developer believes that the built area in UVs is valueless and has to be completely demolished while the activists think some of the buildings could be upgraded and preserved as a witness of the city's life course. The research also found that there seems to be some misunderstanding of each others

perception of values. For example, in the case of BSZ, the villagers think that the tenants take the village just as a temporary accommodation while the fact is the tenants also see UVs as a distinct cultural identity of the city. Besides, even within one party, there are different voices on values. An example could be that the younger generation of villagers do not see the holy tree as a symbol as their fathers and grandfathers do. Thus as Weiwen, the director of SCD, said on a *Kucha* workshop, there is a lack of platforms on which all parties express and exchange their ideas and opinions about value changes and other relevant issues.

- 2) How much does this value matter? Another factor affecting whether a value is taken or ignored is how much it matters. An example could also be taken from the holy tree in BSZ. Whether this tree will be eventually protected depends largely on how much the villagers are willing to sacrifice for it. In Hubei village, as mentioned before, the ancestral temple does mean a lot to the whole village which eventually resulted in its preservation. This factor has much to do with the characteristic of the society (not only in China). As the activists said, in a society where money can buy almost everything, not many other types of value can outweigh the economic value.
- 3) Who is the representative of the value? The third problem fits in the theory of groups and public good pretty well. For instance, as to the loss of cheap service after redevelopment, which is a public good, the public as a large group sharing this common interests, no representative stands out and strives for this public good since there is no individual incentive for people to do so (Olson, 1965). Besides, for some values, the government is supposed to be the representative. But it seems, the government only becomes an active representative when there are enough incentives or external pressures. It represents the public for the value gain of the betterment of facilities since it will be count as a political achievement. It will represent the tenants for their loss of affordable accommodation or small business if the tenants can pose enough pressure on it through collective actions. And this leads to the next problem.
- 4) How much pressure can the representative of this value pose on and how persuasive can it be to the main actors in redevelopment? The three main actors, the government, the developer and the villagers, have the most direct and significant impact on

redevelopment. Their decisions depend largely on how much pressure they can give to each other or are given by other parties. The above mentioned "tenants v.s government" example could also help with explaining this problem. The decisions on redevelopment also depends on a party's negotiation skills and how persuasive it can be to others. If the designers are persuasive enough, the developer may accept their attempt for more spatial diversity.

6.1.2 Value Capture in Redevelopment -- Necessary but Difficult

Value capture, although not being a new concept, has not been practiced in UV redevelopment often. In this research, value capture aims to balance the value distribution process in UV redevelopment. From the value changes identified above, it can be seen that there are some value losses being ignored, which leads to a need for value capture.

Once talked about value capture, all the parties agreed, explicitly or implicitly, with the purpose of value capture, a more balanced value distribution. The designers, some planners and activists believe UV redevelopment does not necessarily create so many value losses. Instead of capturing the value gains to compensate losses, they try to achieve a more balanced value distribution by preservation of some values with their designs, strategies or activities. Although they agreed that their effort solely cannot solve the problem, it does give further researches some inspirations and pose another serious question, what designs and social activities can do for more balanced UV redevelopment. The designers' logic is to preserve the social diversity and vibrant urban life styles in UVs through incorporating more sizes and types of building units while the activists intend to inspire people to see UVs differently and think about more balanced ways of redeveloping UVs through providing them with more public space and social activities to enhance social interactions. There is no doubt that if they succeed in their attempts, the redevelopment project could be fairer and value capture for a further balanced outcome could be much easier. A better way for a more balanced value distribution could be the

combination of value preservation by design and value capture with institutions. However, this alternative will not be fully discussed here but could be the focus of further researches.

Back to value capture, the main controversy is about whose value gains should be captured to compensated whom. About whose value to be captured, some people (for example the planners) say villagers deserve what they get for compensation since the city owes them a lot in the history. Some people (like the tenants) think villagers have hardly made any contribution to the city since they occupy the stated owned land and normally do not pay enough taxes and fees. While some other people (like the activists) feel that severer injustice and unfairness lie deeply in the way the society operates and comparing to that, the unfairness of villagers getting super rich is no big deal at all. All these statements make sense and it is difficult to say whether any of them is right or wrong. However, whatever the parties feel and say about it, it seems there is no other way through which redevelopment could happen.

I would like to justify my objectivity as well. From the phrasing in this research, it may seem that I am against villagers' being rich from redevelopment projects. It is not true however. My intention is not to answer the question whether villagers deserve what they gain in redevelopment or not but to show that the problem can be viewed from different perspectives and is really difficult to answer. As the planners and developers said, the villagers were not properly compensated when their land were expropriated. But afterwards, the government's connivance and compromise on the villagers' illegal construction and semi illegal buildings, could also be seen as a kind of compensation. As to the new redevelopment projects, they do not cost any public fundings themselves and can thus be seen as business deals. While even if they are business deals, they happened on and benefit from public goods (the land) of the city and will still cause some value losses (e.g. social exclusion). So, whether it is fair for the villagers to get rich overnight is hard to say, unless the historical value struggles can first be clearly liquidated. Besides, some may point out that I chose to use the term "semi illegal" which may sound tendentious, since it could also be "semi legal" as mentioned earlier in the article. The reason why I use illegal instead of legal is that for many buildings in UVs, even the part under 480m² (the limitation on the maximum area) has not been legally registered and taxed,

which prevents that part to be completely legal. Thus, I actually did not carry any bias or discrimination in my wording and phrasing. I do believe Weiwen's statement that everyone has the right to share the profit of UV redevelopment while it is the amount of this share that should be the problem.

Last but not least, there seems to be much concern about the to whose losses the captured value will be used as compensation. Currently, the most obvious usage of captured values is the betterment of infrastructure and facilities in UVs. Sometimes, certain percentage of social housing is also included, although the villagers are not fond of it. However, the tenants who work in the city and live or provide all kinds of service with cheap price there are not taken into account. While it is the high density and diversity of population as well as the affordability and variety of service that makes life in UVs vibrant. Exclusion of these people means a big damage to the vibrant and energetic life styles. The tenants are of course unsatisfied with their status in redevelopment, while their attitudes and reactions also follow the theory of public good and groups (Olson, 1965). Benefit in redevelopment to them could only be taken as a public good and no one will benefit more than the others. As a result, in accordance with Olson's theory, although each individual acknowledges that they share a common interest as a group in redevelopment, no one is making much effort to strive for the public good. The city government cannot afford to take care of all the migrants without local *hukou*, unless the central government requires and supports them financially and institutionally .

Therefore, conclusion on value capture related issues could be drawn as:

- 1) There is a need for value capture to achieve a more balanced value distribution process in redevelopment.
- 2) Whose value should be captured is not clear. Whether villagers deserve the huge amount compensation remains controversial. But there should be no doubt that each citizen, including tenants and villagers, who probably do not consider themselves to be so, deserves a share in UV redevelopment.

- 3) Value capture could partly be done with the help of design. A good design with consideration of different kinds of values could be very helpful to achieve the more balanced value distribution.
- 4) Under current institutional system, it is very difficult, if possible, for the tenants' value losses to be covered, especially for those without urban *hukou*.

6.1.3 NFC in Redevelopment -- Not Applicable for Now

NFC here in UV redevelopment means compensating value losses by creating rights or obligations instead of money or property. In a broader sense, compensation in redevelopment refers to all kinds of attempts to make up for the value losses happened during the process. In a narrow sense, it refers only to the compensation that the developer pays to the villagers for their loss of properties and their permanent land use right. The research intended to discuss the possibility of NFC with a view on the broad sense of compensation. However, the research found that there are not much, if any, difference between the narrow and broad sense of compensation in the reality of UV redevelopment, since compensation to the villagers seems to be the only compensation happened in redevelopment. The government's intention of capturing the value increment to provide better infrastructure and facilities for the city does not aim to compensate any specific value loss. Therefore, the exploration of NFC also focuses on the narrow sense of compensation and the possibility of make up for other value losses through a more flexible, diverse and longer term compensation to the villagers.

In terms of the perceptions on NFC, most parties see it as a better alternative while none of them think it is applicable currently. As the receivers of compensation, the villagers are not willing to accept other types of compensation than property and money. The first reason of this may be their distrust on other parties, especially on the developer and government. They are afraid that the developer will take advantage of their lack of experience and knowledge and play some tricks to cheat on them by using more complex terms of compensation. Promises and

contracts do not mean much to the villagers while only tangible things such as property and money do. The second reason was revealed by Ms Chi when she said many villagers have already gotten used to the life style of doing nothing else but collecting rent at the end of every month and relax for the rest of time. Another reason is that, many villagers are still not that well educated so they do not understand much about rights nor institutions. Besides, in Chinese tradition, land and property means much more than rights, money, official rank or power, especially for the villagers who depended on land for living for many years. One other group who does not feel the need for NFC is the activists. They see no unfairness in the huge amount of compensation villagers get, so there is no point to intervene the villagers' choices of life style, even though they acknowledge that quite some villagers just choose to idle. As a matter of fact, for the sake of their goals of promoting more active and meaningful social interactions within UVs, they are just trying to be nice and kind to every interested parties and respect their interests in redevelopment. In order not to raise any hostility, they pin all the problems, injustice, unfairness and conflicts on something they are not able to change, the elite group on the top and the mechanism based on which the society operates.

The other parties generally agreed that NFC could be a better alternative for compensation while identified different constraints for actual implementation. First, all the parties state that the villagers are the main factor that affecting what kind of compensation will be employed. Most parties believe that the as farmers, the villagers just want moderately affluent life without being too busy or stressed and they trust only property and money. As a result, there are no strong incentives for the villagers to choose NFC. This is rooted deeply in the their traditional ways of living and thinking. Second, officials and planners find there is a trend of path dependency of villagers' choices of compensation. The compensation strategies used in previous cases have great impact on the villagers, who simply want the same as or more than what other villagers got from earlier redevelopment projects. Besides, some parties also think that there is a lack platform for all the parties to discuss about possible alternatives of compensation. The parties tend to judge and perceive other parties' opinions depending merely on their own knowledge gained from experience or external resources such as public media. There is no place for the parties actually to get together to express and exchange their opinions

and ideas face to face. Sometimes, there are some misunderstandings just caused by the lack of a platform for communication.

Therefore, conclusions on interested parties perceptions on NFC could be drawn as:

- 1) Some parties do not see the necessity of introducing NFC as an alternative way compensation. The activists believe that there is nothing wrong with current compensation schemes while the villagers feel safer with the common financial ways of compensation.
- 2) There is a lack of mutual trust between parties, especially between the government, developer and villagers. The villagers always think, with the more complex NFC, the developer, working secretly with the government, want to cheat on them by playing tricks and taking advantage of their lack of knowledge and experience. The developer and government on the other hand are afraid that villagers will ask for some unreasonable compensation in non-financial terms that they cannot afford.
- 3) The long history of agricultural society of China creates a obsession with land and property, especially for those who relied their living on farm lands for ages. In addition, real estate market in China has been heated for quite a long time. These factors contribute to the villagers preference to property compensation as well.
- 4) There is no platforms on which parties could express their opinions to and exchange ideas with each others. The lack of effective communications result in the fact that no one is exploring the possibilities for alternatives of compensation.
- 5) There is a lack of institutional and legislative support for NFC. Interested parties perceive a lot of risks involved in NFC.

All in all, it is clear that however unsatisfied each party is in redevelopment, the attempt to achieve a more balanced value distribution process in redevelopment through value capture and NFC does not seem to be of high applicability, at least under current situation. The main constraints include the lack of mutual trust, insufficient representatives for public good, no effective communication platforms, path dependent on previous cases and inadequate institutional and legislative support. Although most of these constraints are not likely to be changed within a

short period of time, the research does have some recommendation for increasing the possibilities for a more balanced value distribution in UV redevelopment in Shenzhen.

6.2 Recommendations

The constraints we found are not simply problems of legislation and institution settings but the problems of motivations or incentives. There are many cases, experiences, policies and mechanisms can be found in other countries aiming to achieve more balanced value distribution outcomes in urban development projects. The Chinese government spends billions of RMB to send officials to foreign countries or invite experts from developed world to visit China. Of course, at least some, if not all, political leaders are aware of the existence of policy instruments to achieve a more balanced outcome for each UV redevelopment case. So the real problem is not the lack of suitable alternative institutions to learn from but lies in the fact that the dominant parties, including the government, do not have the incentive or motivation to search for alternative policies and promote such institutional changes. The villagers and developers are to some extent satisfied with the current situation and do not dare to take the risks to change while as the institution constitutor, the government, who is supposed to be the representative of the whole society, does not have enough motivation to put effort in researching and considering new alternatives as long as the current modes still work out. Previous studies on institutional change in planning system told us, in order to push forward institutional changes and break this path dependence, a "critical moment" is firstly need (Buitelaar et al, 2007; Burch et al, 2003). According to Burch et al (2003), when there is sufficient pressure, from either external or internal source, a "critical moment" for institutional change will appear. In this manner, it this sufficient pressure, being either internal or external, that provides enough motivation for the government to make a change. Therefore, at this moment, our recommendation should focus on how to acquire this enough pressure, by enhancing communication and arousing awareness.

First, Weiwen have made a good attempt to enhance communication by setting up the *Kucha* workshop, although one of the activists criticize Weiwen for stealing his idea. This workshop calls together designers, planners, scholars, students, media and activists who are interested in urban problems to discuss some certain selected topics. But even Weiwen himself admitted that there is a lack of a larger scale, more inclusive, more formal, more case-specific and more frequent platform for all interested parties to present their own opinions to each others. By expressing their needs and expectations, interested parties can negotiate in a more transparent and open context, which helps to build mutual trust as well, and work together to find better alternatives to address all the parties demands. Therefore, such workshops should be established as the platform for each UV redevelopment project with the participation of all interested parties and some external experts, discussing the specific case they share interests in. Although for the government, or other parties, to set up this platform also needs motivation, establishing a platform is considered as an applicable recommendation since the establishment will not cost much effort.

Second, what the activists are doing is actually aiming to arouse people's awareness of more pleasant aspects of UVs as well as unpleasant aspects of UV redevelopment. Or if put in a way that is more relevant to this research, they aim to arouse more awareness among people, especially the residents living there about UVs' value and the value losses caused by redevelopment. It is recommended in this research that there should be more such attempts to give rise to a more thorough cognition of UVs and their redevelopment. Although through a different path, some designers and planners are also trying to preserve some of UVs' values and minimize value losses caused by redevelopment. However, these two groups of people, despite sharing a similar or same goal, are not working synergistically to achieve a better outcome. Designers and planners, who intend to be more neutral and open in planning redevelopment, should help promote these activities (for instance, by providing graphic design for propaganda) and the activists should also utilize their social influence to help increase the negotiation capacity of the designers and planners.

In short, to realize institutional change on UV redevelopment, there is still a long way to go. But hopefully these recommendations could help with the first step, the critical moment.

6.3 Limitations

The findings of this research could be applicable to UV redevelopment cases in the whole country. First, the whole country is under a same administrative and political system and the mechanism based on which governments and the society operate. Second, BSZ case, as mentioned before is one of the biggest and most complex UVs in Shenzhen. It contains various of interested parties and has an even more complicated history than average UVs. These make the research covered most situations that could happen in UV redevelopment projects in China. Third, the whole country, to a large extent, share the same traditions and culture. However, limitations do exist.

First, Shenzhen is still a special city in China in terms of culture and openness. Being exposed to the rest of the world and the westernized city of Hong Kong, it is more open to new ideas and has more courage and support to try new things. More precisely, it may be easier for Shenzhen to reach its "critical moment" than other cities in China. Living in a city full of young talents, Shenzheners might find more activists who are active in representing the public.

Second, due to the limit of time and resources, only one officer from the developer were interviewed. And since the project is in the very preliminary stage of redevelopment, the developer officer dared not to say much but tried to be flexible and ambiguous. Other parties also tried to avoid explicitly express their stands especially when asked about some sensitive questions.

Third, further researches need to be done on the quantitative side of value gain and distributions process. Precise calculation on the exact amount of value gains and losses could prove the necessity of value capture and significantly help to reach the "critical moment". Eventually, a more balanced value distribution should also be based on quantitative research on what actions contributes to what value gain or loss.

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