

From Redevelopment to In Situ Upgrading: Transforming Urban Village Governance in Shenzhen Through the Lens of Informality

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Abstract The study on informality has experienced a shift from describing the spatial characteristics toward exploring the connotation of urban governance in recent years. This paper takes urban villages in Shenzhen, a typical informal settlement in China, as cases to analyze the two urban village governance modes of redevelopment and in situ upgrading and reveals the dynamics of the governance mode transformation. Through the lens of informality, this study focuses on the interaction among the government, the market, and former property owners on tenure legalization. The study finds that first of all, informality is the core of the transformation of urban village governance in Shenzhen. By strategically making use of informality, the government adopted different modes of urban village governance to fulfill the demands of urban development at different phases. Second, in the process of formalizing informal settlements through redevelopment, although the institutional framework is relatively complete, the boundary between informality and formality still changes continuously in property titling. While in the new governance mode of in situ upgrading in recent years, the government creates “special areas” in informal settlements via approving their de facto tenure security, so as to attract market force to upgrade physical environment and social management. Through revealing the mechanism in the blurred area between informality and formality, this paper responds to the dualistic argument on the informality theory, deepens the idea of taking informality as a flexible urban governance strategy in developing countries, and provides new thoughts for governance of informal settlements in China and other developing countries.

Keywords informal settlement; informality; urban village; Shenzhen; governance

1. Introduction

During the rapid urbanization in developing countries, informal settlements^① widely exist in mega-cities and contain a large amount of population. By 2014, as much as 29.7% of the urban population of developing countries, which is about 880 million people, live in slums (UN-Habitat, 2016). As a product of the urban-rural dual land system in China, urban village has been the most typical informal settlements in Chinese mega-cities. In many mega-cities, urban villages contained around 45% to 70% of the permanent resident population (Ye, 2015). Shenzhen is one of the most typical immigrant metropolitans in China, and among its 15 million permanent resident population without local household registration, 71.2% live in urban villages (Ye, 2015).

According to a housing survey conducted in 2013, the area of self-constructed and co-constructed housing by collective-economy organization of former villagers in Shenzhen exceeded 260 million m², occupying half of the total housing area of the city (Shenzhen Municipal Housing and Construction Bureau, 2016). These large-scale illegal constructions become a “historical problem” in the urban development of Shenzhen. The challenges include the complicated property right relationship in urban villages, the hardness to housing and land titling, the distribution of profit gained from land value increase due to the redevelopment of urban villages among government-market-property owners, and the extensive dispute on whether to “redevelop” or to “reserve” urban villages. Shenzhen

has explored different governance modes in order to address these major difficulties in its urban development transformation, which is aiming at the rational allocation of the inventory spatial resources, upgrading the environmental quality, optimizing the social administration, and solving the housing problem of a large number of migrants.

By introducing the theory of informality, this paper proposes an analytical framework of interaction among the government, the market, and former property owners on the tenure legalization, and investigates two typical cases of urban village governance in Shenzhen from the aspects of institutional background, procedure mechanism, and implementation results. This paper seeks to answer two research questions: How did the differentiated urban village governance modes come into being? What is the internal mechanism of urban village governance under different governance patterns? This study hopes to respond to the dualistic argument on formality/informality in informality studies, and to discuss the transition to regard informality as a flexible governance strategy.

Due to the policy disparity on urban villages, urban villages in the following part refer to the urban villages in the “original Shenzhen Special Economic Zone”.^② From 2017 to 2019, the authors of the paper have conducted several fieldworks in urban villages in the original Shenzhen Special Economic Zones (including Luohu District, Futian District, and Nanshan District). Two urban villages

which are located in Luohu District and Futian District respectively are selected as the cases (see Figure 1). The surveys include participatory observation of different urban village renewal projects, interviews of stakeholders, and collection of related policy documents, news reports, and data, so as to obtain a comprehensive understanding of the governance of urban villages in Shenzhen. The name of the urban villages and related stakeholders are anonymized in the paper to protect privacy.

The paper starts with a review of informality study and proposes an analytical framework of interaction among multiple stakeholders. In the section of empirical study, it firstly introduces the concept of urban villages in Shenzhen as informal settlements, and then divides the modes of urban village governance into two categories: one is to realize tenure legalizations[®] and thus to eliminate informal settlements through land titling and the redevelopment of urban renewal unit; the other is in situ housing upgrading without changing the original property ownership, which is an alternative strategy due to the high cost caused by the tenure legalizations. Finally, the paper compares the two governance modes and concludes the paper by elaborating theoretical responses to informality study.

2. Debate of informality: from spatial entity to governance strategy

The concept of informality originated from the urban laborer movement during the 1950s and 1960s in Latin America and was at first used to refer to informal economy and employment (Lewis, 1954; ILO, 1973; Hart, 1973). In the early 1970s, the concept of informality was expanded from labor force market to urban development and housing fields and related studies on informal settlements started to emerge (Turner, 1969, 1978; Perlman, 1976; Moser, 1979). Previous studies mainly emphasized the dualistic



Figure 1 Location of two studied cases

characteristics of informality, that is, compared with “formality,” “informality” is negative and marginal, so formality is believed to be a more ideal mode than informality and the formalization of informality is recognized as a standardized method (Pratt, 2019). Among such kind of studies, De Soto is a representative researcher, who believes that due to the lack of property rights, informal settlements cannot be traded on the formal market, and therefore lead to the formation of dead capital; and through formalization of informal settlements, which means privatization and endowment of property rights, the operation of land and real estate market will be improved, so it should be taken as an essential means to improve residential environments (De Soto, 2003).

After 2000, along with international researchers’ concerns back to urbanization in developing countries and the emergence of studies on Global South (Xiao and Li, 2016; Qiu and Li, 2018), an epistemological transition appeared in studies on informality, which is highlighted by the policy perspective toward informality in urban governance process. First of all, some researchers pointed out that the expansion of metropolitans in developing countries has been facilitated by informality, and instead of being exceptive, informality is in fact normal (AISayyard, 2004; Roy, 2005). Second, Roy (2005) holds that informality is an essential epistemology for answering the question of how to practice planning in a non-western context, and it is an alternative method when rationality and systematic planning are unsuitable for urban development in developing countries (Yiftachel, 2009; Allmendinger, 2017). Specifically speaking, informality is used by a country with intention as a tool in urban governance, in order to produce differentiated spatial values and to form a control system that solves problems not based on law, but based on experience. Therefore, the boundary between formality and informality is not fixed, and constantly changes along with the dispute and negotiation among stakeholders (Roy, 2009, 2011). At this point, studies on informality begin to get rid of the restriction of dualism. In addition, under the context of urban governance in developing countries, informality is no longer used to refer to a particular economic department or space, but as a flexible governance strategy in different political, social, and economic environments (Huang, Xue, and Huang, 2017).

Is there a similar shift in studies on urban villages in China as those on informality in the world? Among existing studies on urban villages in China, informality is regarded as one of the study objects, which refers to informal settlements, that is, the space for renting or selling that is built up by farmers without getting approval from the government in managing the collective-owned

land use right and development right (Wu, 2016). Previous studies have analyzed the characteristics of urban villages as informal settlements, such as fragmented land ownership, loose land management, and the supply of infrastructure by village collectives (Wu, Zhang, and Webster, 2012). Urban villages have become the primary concentration area for various low-income groups in the city (He and Liu, 2008; Gu and Sheng, 2012), and at the same time, they also provide low-cost residential space and employment opportunities for the migrant population, which is a temporary solution to the deficiency of affordable housing supplied by the government (Liu et al., 2010; Wang, Wang, and Wu, 2009).

Nevertheless, studies mentioned above did not take informality as a study angle for analyzing the value of flexible urban governance strategies to the governance of informal settlements in developing countries. Among a few studies, Wu et al. carried out empirical studies on urban villages in Beijing, Shanghai, and Guangzhou (Wu, Zhang, and Webster, 2012; Wu, 2016). They explained some common rules on how informality can be used as an economic development means through altered or flexible implementation of the management and laws, or be limited or eliminated for urban development. Therefore, the management of informality endows developers a great free discretionary power in urban planning, which ultimately serves for urban development. Moreover, Schoon et al. (2014) further put forward the theory of “conceded informality” based on a study on the diversified strategies in urban village governance in Shenzhen and Guangzhou. They regarded “conceded informality” as a typical spatial governance mode in China’s urban development context, and held that local government usually adopts five different governance strategies, i.e., support, push, use, tolerate, and eliminate, for the governance of urban villages. Chen (2019) summarized three types of informality in informal settlements, i.e., informal construction, informal use, and informal management and explained the causes based on an analytic framework of “qualification-use-operation.” However, all the above studies only focus on revealing the general rules of informality

as a governance strategy in China’s urban development process, but neglect closely observing the changes of informality in urban village governance at different urban development stages through diachronic study on one city.

Through study on different governance modes of urban villages in Shenzhen, the paper hopes to further respond to the dualistic dispute on informality studies, to understand and to explain the transformation of modes of urban village governance in Shenzhen by regarding informality as a flexible governance strategy, and to enrich related empirical studies. In order to better understand the governance mode transformation, the paper puts forward an analytic framework on the governance of informal settlements, which is established based on the interaction among multiple stakeholders including the local government, the market, and former property owners of urban villages. The study focuses on the action goals (motives) of different stakeholders in each governance mode and the specific actions they applied to achieve their goals (strategies), and different governance modes are thus formed based on whether the property rights in informal settlements are legitimate or not.

3. Urban village in Shenzhen as “informal settlements”: definition and history

In Shenzhen, an urban village refers to “those lands in urban areas occupied and used by former rural collective economic organization and former villagers”[®] (Shenzhen Municipal Planning and Natural Resources Bureau, 2018). The land occupied and used by former villagers for residence include three types: old village land, land within the scope of the urban village’s red line, and the area outside the scope of the above two (see Figure 2). Among them, the old villages refer to the rural settlements formed before the establishment of the Shenzhen Economic Special Zone, and are also called old housing (*laowe*, *laocun*). The land within the red line of urban villages at first refers to the “new village” planned by the government in 1986. At that time, both the total land and the land



Figure 2 New village, old village, and other area where state-owned land is occupied by the former village collective

and construction area for each household were planned, with the aim to provide clean and beautiful new villages (settlements) that were convenient for either work or living through unified planning (see Figure 2, No. [1982] 185 of Shenzhen Government, and No. [1986] 411 of Shenzhen Government).

In 1992, according to the policies from Shenzhen government, “unified land acquisition (tongzheng)” was carried out in the original Shenzhen Special Economic Zone, which in one go acquired all the collective-owned land within the zone and transferred them to state-owned, while the villagers were transformed into urban citizens in the meantime. However, after the land acquisition, though the land became legislatively state-owned, the land acquisition is not really realized, for the land is still under the control of former villagers[®] who can gain profit from the land, transfer the land, and build up private housing on the land. Besides, the former village collectives and villagers occupied some other state-owned land outside the land scope mentioned above. Take the urban villages in Futian District as example, in the 15 urban villages in the district, the construction area of housing on state-owned land reaches 1,077 thousand m², making up 20% of the total construction area of urban villages in Futian District (Research Group on Urban Villages in Futian District, 2006). In related policies issued in 2001, various housing constructed on the three types of land mentioned above were all called “illegal private housing left over from history”[®] (No. 33 Document by Standing Committee of the Municipal People’s Congress of Shenzhen, 2001), and the total volume of such kind of housing reached 53.94 million m² at the year, which formed the informal settlements in the original Shenzhen Special Economic Zone (see Figure 3).

4. Realizing formality of informal settlements through redevelopment

4.1 Policy background

Around the year 2000, along with the establishment of the goal to

construct Shenzhen into a modernized and international city, on the one hand, the Shenzhen government started reconstructing urban villages that were bad to its city image; and on the other hand, it released policies concerning property titling for dealing with the “illegal private housing left over from history” and clarified the property rights of urban villages in the original Shenzhen Special Economic Zone, but this produced only a little effect. First of all, since the policy expanded the recognition upper limit for legal construction area (from 240 m² to 480 m²), a climax of rushed construction appeared after the release of the policy. Secondly, as the building still could not enter the market for free trade after its property titling and as whether the property was titled or not did not affect the house renting, plus villagers’ anxiety of losing their land if the land was officially transformed into state-owned, the first-time property titling ended up with nothing definite. According to the data of a general survey on constructions in Shenzhen conducted in 2009, the total construction area of private housing that finished property rights confirmation in urban villages in the original Shenzhen Special Economic Zone was about 360.7 thousand m², occupying only 1.8% of the total construction area of such urban villages (Research Center on Real Estate Assessment and Development of Shenzhen, 2019).

Early in 2005, Shenzhen has encountered severe challenges, named the “four unsustainables” regarding population, land, resources, and environment. After entering into 2010, the difficulty caused by the shortage of spatial resources in Shenzhen is more intense, and there is almost no land for supply and no land for use (Zou, 2013). It has been an inevitable choice for Shenzhen to explore inventory spatial benefit through urban renewal (Yin, Wang, and Lü, 2011). In face of the huge benefit from land added value, the renewal of 79 urban villages that occupy about 7.2 km² in the original Shenzhen Special Economic Zone became an important breakthrough point for the release of land resources. After 2009, with the establishment of the urban renewal unit planning system, to realize property right clarification and the management of illegal construction through the method of redevelopment has been key in

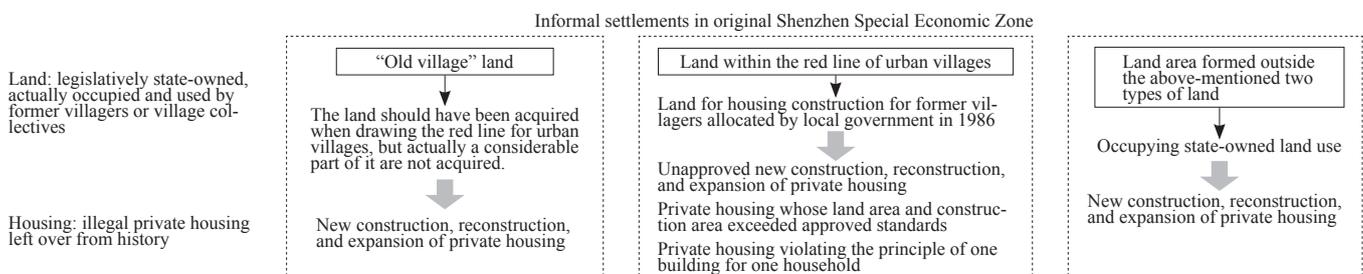


Figure 3 Three types of land and private housing construction in informal settlements in original Shenzhen Special Economic Zone

the formalization of informal settlements at that time (Liu, 2010).

4.2 The case of Village A in Luohu District: exploration on urban renewal unit planning

Luohu District is the earliest urbanized area in Shenzhen, and in recent years, it has been facing several urban development difficulties such as intensified regional competition, hardness in finding a new growth point, and low economic development levels compared with other districts. Early in 2010, the Luohu District has put forward an urban transformation path centering on “accelerating transforming economic development mode, and expanding industrial space through urban renewal” (Shenzhen Special Economic Zone Report, 2010). Luohu District is the district with the largest area for “redevelopment” in the original Special Economic Zone, and Village A and its surrounding area can be regarded as a typical case in the Luohu District that “drives great development with large-scale areas and big projects” through land redevelopment and the introduction of a large amount of capital.

Different from the renewal of other urban villages in Shenzhen that is driven from the bottom to the top after village collectives reached a cooperation agreement with real estate developers, the basic renewal pattern of Village A and its surrounding area is “guided by the government and operated through the market” under the preposition that all stakeholders including the government, the market, and former villagers are strongly willing to renew the urban village, which is a key renewal unit because of its location at the center of Luohu and the available total redevelopment area of as large as over 300 thousand m². In 2011, Company S, a large real estate development corporation, reached cooperation agreements with the government at different levels, according to which Company S would redevelop Village A area as a major project of the Luohu CBD development, and the redevelopment of Village A was thus initiated. Following the relatively completed system framework of urban renewal unit planning, the renewal project of Village A started to be implemented in early 2019 after the procedure of being approved by the general meeting of stakeholders of Village A, being listed into the Urban Renewal Unit Plan of Shenzhen, making the special plan of the renewal unit, land survey, two rounds of publicity of planning schemes, international consultation on urban design of the project, and finally being approved by the Urban Planning Committee of Shenzhen (see Figures 4 & 5).

4.2.1 Operation method: property titling through urban renewal unit planning

Carried out together with the special planning of the urban renewal

unit, the Land titling is a key link affecting the benefits that can be gained from land value growth by either the real estate developer or the government in urban renewal. It involves two central benefits, which are the land price and the land contribution rate. According to the related urban renewal policy, the related land ownership should first of all be titled before redevelopment. For the different land ownership categories after titling, certain land prices will be paid to the government according to related land price policies; in addition, required by urban renewal policies, certain land should also be transferred freely to the government as public land for public benefits and land reservation based on the related land contribution^⑦ index. After that, the other lands of the redevelopment area are allowed to be transferred by agreement and the final land development index of them can be identified. Among them, lands within the scope of the urban village red line can enjoy a favorable land price as they are legitimate land for urban renewal, and the “historical lands,”^⑧ the areas outside the legitimate land boundary, must pay a comparatively higher land price and contribute more free land to the government following the related “punitive policies” before their urban renewal (see Figure 6).

In Village A, the land titling involves more than 70 plots and over 300 thousand m². Among them, the land ownership of the old village land of about 100 thousand m², cannot be titled according to existing policies, so its land titling has to be conducted through repeated negotiation between the real estate developer and the Shenzhen Municipal Planning and Land Commission and the Shenzhen Municipal Urban Renewal Bureau. However, from 2014 to 2018, both

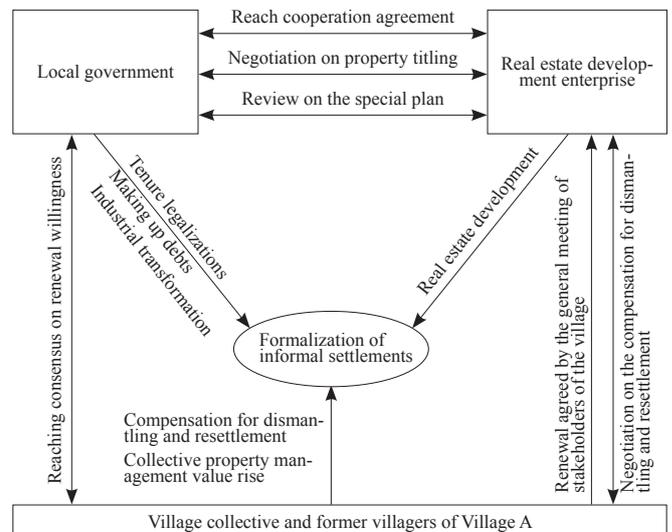


Figure 4 Analytic framework for urban renewal unit planning of Village A

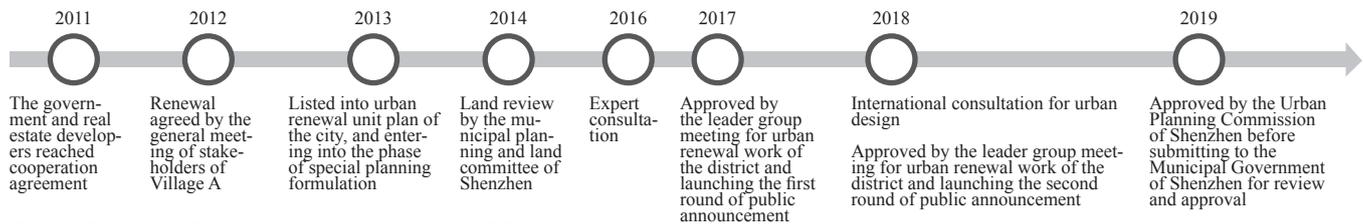


Figure 5 Procedure of the urban renewal unit planning of Village A

sides failed to reach a consensus on the property titling of the old village land of Village A. Driven by the developer's desire for more economic benefits and the government's pursuit for more contribution to public benefits and the equity respectively, the real estate developer and the government gamed with each other on whether confirming the land should be considered as land within the urban village red line or as historical land. In March 2018, the Shenzhen Municipal Planning and Land Commission released a related policy on property titling in old villages of the original Shenzhen Special Economic Zone (No. [2018] 1 of Shenzhen Municipal Planning and Land Commission), which filled up the policy blank on such kind of property titling. It proposed a compromise for the property titling of areas between historical land and land within the urban village red line, which both surrenders a part of benefits to the real estate developer and provides policy foundation for such property titling.

4.2.2 Implementation result

According to current planning, the actual redevelopment area of the renewal unit of Village A is 34 ha after property titling, of which half is development and construction and the other half is transferred to the government. The land for development and construction is used as housing for resettlement, new commercial and office buildings, cultural facilities, and indemnificatory housing; and the land transferred to government is used for the construction of public service facilities, infrastructures and innovative industrial buildings, as well as the government reservation land. Through the urban renewal unit planning of Village A, the area of dismantled construction is about 740 thousand m², the total reconstructed construction

area is 2,058 thousand m², and the predicted industrial space is 1,210 thousand m². To the government, it is predicted that through the project, the newly increased local taxation will reach 6.4 billion yuan, and 62 thousand m² of indemnificatory housing and 51 thousand employment positions will be provided; moreover, by using the land transferred to government, the debt on public service facilities in the area such as the transformer substation, roads, land for the green and squares, and the land for schools will be paid back. Meanwhile, through the compensation for dismantling, the former villagers of Village A realized the legalization of all 250 thousand m² of illegal private housing left over from history, along with gaining a total of 300 thousand m² in resettlement space in the commercial housing. To the village collectives of Village A, through the compensation for dismantling the restaurants and wholesale market owned by the collectives, they predicted to obtain an A-Grade office building that is as large as 40,000 m² and a commercial resettlement property of 20,000 m², which is a drastic value growth of the collective properties. The total investment on the project from Company S is predicted to exceed 30 billion yuan, and a continuous project profit is expected through residential housing selling, commercial office renting, and the running of multiple types of industry in the future.

5. In situ upgrading based on admitting the de facto tenure security®

5.1 Policy background

In recent years, the urban village renewal mode of large-scale demolishing and reconstruction through urban renewal unit planning

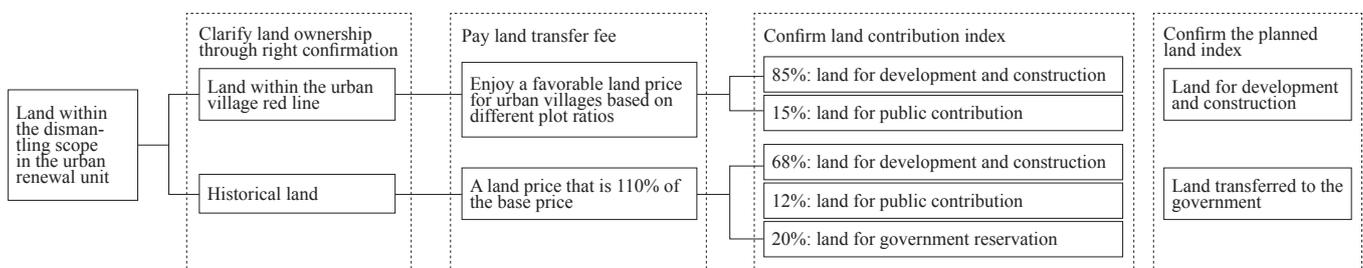


Figure 6 Illustration on the influence of property titling on following renewal benefits in urban renewal unit planning

has been questioned, to which the center is on the rising of living and labor force cost after the reduction of a large amount of low-cost housing (see Figure 7). After two landmark events in which the intellectual elite deeply participated, i.e., the “Hubei Ancient Village 120 Urban Public Plan” and the 2017 Bi-City Biennale of Urbanism/Architecture with urban village as the theme, the voice against dismantling urban villages in Shenzhen and the pursuit for a new urban renewal mode were pushed to climax. “The renewal of urban villages now is in a sticky situation. It is in fact connected with the change of value orientation of urban renewal. In the past, we pursued for intensive redevelopment, but now the government realizes the different social demands, for the needs of different groups can be fulfilled in diversified forms in urban village for the comparatively lower cost” (Interview record to expert of Shenzhen Municipal Urban Planning Committee, 2017).

Meanwhile, seeing from the 30 urban renewal unit plans approved from 2010 to 2019 that require a partial or full dismantling and reconstruction, only 9 of them have been implemented and the dismantled land area makes up 23.3% of the total planned dismantled land area. Considering a series of problems caused by dismantling and reconstruction such as the excessively high cost and long project cycle, the government has started to reconsider the positive role of urban villages in addressing the issue of providing low-cost housing. It is trying to explore a new governance mode to reach goals of improving the security and fire control management and upgrading the housing quality in urban villages in a short period of time.

From the end of 2017 till now, the Shenzhen Government issued policies to declare that from 2018 to 2025, 75% of the urban villages in the original Special Zone should not be demolished, and that the community share-holding cooperation company and the villagers are supported to provide houses in accordance with various requirements for renting through comprehensive regeneration and renovation of urban villages (General Office of Shenzhen Municipal People’s Government, 2017 & 2018; Shenzhen Municipal Planning and Natural Resources Bureau, 2018). Under this background, to admit and stress de facto tenure security through the governance and the encouragement on in situ upgrading become an important exploration on the new governance mode.

5.2 The case of Village B in Futian District: exploration on scaled house renting in urban village

Different from the urban renewal unit planning that facilitates the urban village renewal through a series of institutional design and



Figure 7 Undergoing dismantling and reconstruction of the urban village (2017) and its finished status (2018)

related review and approval procedure, the in situ upgrading of urban village is based on practical conditions and there is no related standards or operation procedures to follow, so the related governance mode is under experiment. As early as in 2016, the Futian District Government has started exploring a “Shuiwei Pattern” in Shuiwei Village, in which a state-owned enterprise carried out an urban village regeneration for the scaled house renting and the government provided a certain subsidy to it so as to upgrade the urban village into talents apartments. After the release of a series of policies on the comprehensive renovation and construction of a house renting system in urban villages by Shenzhen Government at the end of 2017, some private real estate enterprises began participating in the housing upgrading in urban villages instead of dismantling them. Among them, Company W is a professional real estate company focusing on projects of urban village renovation and operation, and Village B of Futian District was the first village that Company W chose to conduct long-term rental apartment renovation in the original Special Economic Zone.

Due to the old construction and lack of management, huge fire and security risks existed in Village B, so both the village collective share-holding company and the district government faced tremendous stress for being the main responsible bodies of fire control and security. At the end of 2017, under the arrangement of the village collective share-holding company of Village B, the village reached a cooperation agreement with Company W, who will conduct house upgrading to self-built housing constructed by former villagers of Village B. However, how to upgrade a building without legitimate property right has been the biggest problem for the process. As what is said by a designer who participated in the urban village upgrading in Shenzhen, “you’ll find that after entering the urban village, there are no tools available for you to start working with, and all your existing tools are for standard procedures, which are not operable in the urban village” (Interview

record, 2019).

5.2.1 Operation method: upgrading the building without legitimate property right through government assurance

In Village B, Company W firstly rented self-built buildings from local villagers, then conducted design, decoration and renovation to the buildings, and managed all risks in security, fire control, and construction structure, as well as employing staff for property management, before renting the building out as long-term rental apartments. In term of fire control, the company added interior fire control facilities and elevators to the buildings, and increased platforms for fire fight evacuation by linking up several roofs. Before renovating the buildings, Company W signed a 12-year long contract on house entrusted operation with the villagers; however, since the self-built housing of villagers in the urban village do not have legitimate property rights and the urban village constructions themselves are not in line with the related construction and fire control standards of the city, the contract is not legitimate from the perspective of related law. Therefore, Company W guaranteed the validity of the contract through government assurance, so as to avoid risks that might brought about in scaled renting of housing without legitimate property right. Without legitimate property rights and not meeting the standards for fire control, the projects of such kind of housing renovation could not be submitted for construction approval, so Company W went to the sub-district office and registered the renovation projects as “small and scattered projects.”¹⁰ After the renovation was finished, since the renovated building still could not meet the requirements of construction structure and fire control standards, the related departments would not review and accept such kind of projects, and all the fire control and security issues afterwards would be managed by Company W (see Figure 8). From the end of 2017 to the early 2019, Company W has rented and renovated 26 of the 55 self-built private buildings from local villagers, in which 44 sets of apartments have finished renovation and put into use.

5.2.2 Implementation result

After the renovation of long-term rental apartments in Village B was finished, the former villagers changed from entrusting their houses to head lessee for renting or renting the houses out by themselves, to rent their houses to Company W as a whole. Company W pays a rent of 75 – 85 yuan per m² per month to villagers, which will increase by a certain percentage each year, so the villagers are able to get stable rent profits thereafter. The renting price of the renovated houses is around 105 – 125 per m², and the area of each apartment is about 20 – 50 m², which are mainly one-roomed flats

or one-bedroom flats. Through government assurance, Company W avoided the risks of against related policies and laws in renovating a building without legitimate property right, while at the same time taking a huge risk as the main body of responsibility on safety in the urban village. Compared with the mode of redevelopment, introducing market power to reform the village buildings into long-term rental apartments successfully gets around the high cost of legitimation of the properties; what’s more, it addressed the management problems of security and fire control in urban villages in a short period of time and in a considerable scale; and the informal house renting in the urban village has been gradually included into the formal house renting market (see Figure 9).

6. From redevelopment to in situ upgrading: comparison on the two governance modes

This paper further compares the two typical modes for urban village governance in Shenzhen since 2009, which are the mode of redevelopment and the mode of in situ upgrading, from aspects

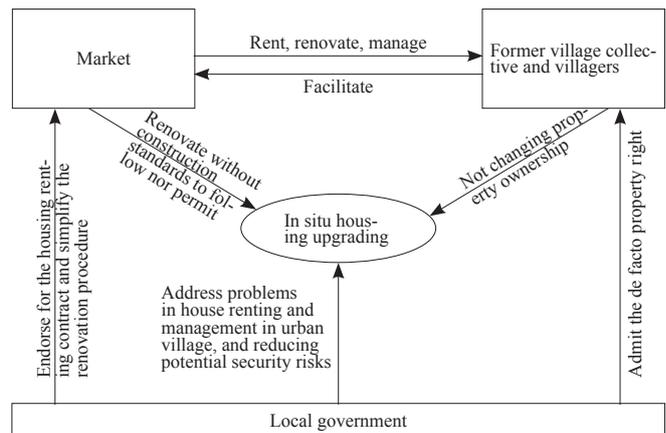


Figure 8 In situ upgrading mechanism in Village B



Figure 9 Long-term rental apartments after renovation

of the motives and strategies of the government, the market, and former property owners in the process, as well as the renovation circle and changes in spatial environment after the renovation (see Table 1).

In the urban renewal unit planning, the government is responsible for a series of institutional design for urban renewal to standardize and stimulate market participation in the renewal, but it will not be involved in the dismantling, compensation, and resettlement, which are all left for negotiation between the market and the former property owners. Under these circumstances, in order to push forward project implementation as quickly as possible, even though the property right of the housing is illegitimate, the former property owners are able to get the same compensation to all their constructions as houses with legitimate property right, and be resettled to their former residence location. As the actual controllers of the land in the urban village, the village collective share-holding corporation company and the local villagers need to obtain consent from the general meeting of stakeholders before they apply for the urban renewal unit planning; therefore, the village collective holds a strong bargaining power in the whole development process. After the renewal is completed, both the government, the real estate developer and the former village collective can obtain benefits from land value increase, and at the same time, the government is able to improve public facility construction and complete the construction of public housing using contribution land. Although realizing “triple wins,” this mode leads to the moving out of a great number of lessees from urban village after its dismantling, so it is questioned for focusing on the economic value of space while neglecting its social value and thus resulting in the deprivation of people’s urban rights. Besides, in this mode, though the government issued a series of unprecedented policies in order to accelerate the urban renewal process and to encourage the participation of former property owners and the market (such as the approved selling of land, the favorable land price, “the power delegation to capable districts (*qiang qu fang quan*)”^⑩ and allowing the historical land to participate in renewal), there is still a high cost in the process of negotiation for dismantling compensation, project investigation, and property titling, which lead to the delay of solution for hidden safety risks in many urban villages.

As for the mode of in situ housing upgrading, there is no guidance by related policy, implementation codes or norms. Except the “Shuiwei Pattern,” the renovation of long-term rental apartments in most urban villages is accomplished through a multi-factor governance mode that gets approval from the government, the

Table 1 Summary of two modes of urban village governance

Governance mode	Redevelopment	In situ upgrading
Management of property right	Tenure legalization	Recognition to de facto tenure security
Government	Responsible for institutional design of urban renewal; need to both guard the bottom line and encourage market participation	Under the condition of not going through formal procedure for project approval, providing guarantee for enterprises in renovation through various administrative permissions
Market	Responsible for the whole process from dismantling, compensation, resettlement, to planning, construction, and operation	New “head lessee” of the urban village, conducting scaled and standardized renovation, renting, and operation to houses in urban village
Former property owner	Resettle to their former residence location, share benefits gained from land value increase, and with relatively strong negotiation power	With absolute right of speech from introducing renovation enterprises to negotiation for house renting
Renovation circle	Comparatively long, usually several years	Comparatively short, usually show effect within 1 year
Spatial environment after the renovation	Disappearance of the former urban village, and appearance of modern neighborhood	Reserving the form of urban village, and improving the living environment

facilitation from the village collective share-holding cooperation company, market operation, and from-bottom-to-top renewal. Considering that urban villages provide the largest scale of inventory housing in the market in Shenzhen, the government has to address the problem of house renting management in the urban villages in the original Special Economic Zone, so the informal means like “replacing license with notice,” “small and scattered projects,” and “interior decoration” are adopted to provide support for the renovation of long-term rental apartments, so as to reduce the risks in reforming construction without legitimate property rights for the enterprises. But at the same time, since the renovation cannot go through the procedure of project approval and construction, the enterprise needs to take the responsibility of fire control and security of the renovated building. However, due to the pure market operation pattern, the rent of the renovated houses rises, which also drives the rising of rent of surrounding houses without renovation, leading to the appearance of a gentrification crisis. According to the survey conducted by the author in 2017 in Xiasha Village of Futian District, which is at a similar location to Village B of Futian District, the rent for one-roomed flat in the village was around 800 – 1,400 yuan, the rent for a one-bedroom apartment was about 1,500 – 2,000 yuan, and that for a two-bedroom apartment was around 2,300 – 3,300 yuan. In comparison, after the renovation of Village B was finished, the rent for a one-roomed flat in 2019 rose to about 2,000 – 4,100 yuan, that for one-bedroom apartment to 3,000 – 4,300 yuan, and that for two-bedroom apartment to 5,100 – 6,000 yuan. In view of the situation, Shenzhen Municipal Housing

and Construction Bureau released the *Opinions on Standardizing House Renting Market and Stabilizing House Rent Price* in July 2019 to control the rent price for scaled renting in urban villages in Shenzhen.

7. Conclusions

Through a retrospection on the definition and history of urban villages in Shenzhen as informal settlements, this paper clarifies the transformation of the governance modes of urban villages in Shenzhen since 2000, and analyzes typical cases of two governance modes and further compares the two modes of redevelopment and in situ upgrading. The paper holds that in the urban village governance in Shenzhen, informality represents a non-binary governance boundary. It is a flexible governance strategy that can be adjusted at any time, which is the center of transformation of urban village governance modes in Shenzhen. The study's conclusions respond to related study progress in the field of informality research.

First, the paper provides unique empirical cases to understand the dualism in the field of informality research. In the case of formalization of informal settlements, the land without clear property right can be categorized as land within the red line of the urban village, historical land, or land of other types of property right, through negotiation on property titling. It shows that even within the formal institutional framework, the governance of informal settlement still indicates the characteristics of informality, which responds to the opinion of Roy that the boundary between formality and informality constantly changes along with the argument and negotiation among different stakeholders (Roy, 2009, 2011). And from the case of in situ upgrading, we found that once the government can admit the de facto tenure security of the urban village through policy documents, the market and capital are willing to enter the informal field. Therefore, the government can outline a "special area" in the informal area to dim the boundary between formality and informality, so as to introduce the market and capitals and to explore a high-efficiency and low-cost governance path for the improvement of informal settlements. The conclusion refutes the opinion of De Soto that the informal settlement is a "dead loan," which must be put into market after formalization (De Soto, 2003). The conclusion supports the idea that instead of being a field independent from formality, informality is a trading process connecting a series of economic and spatial elements (Alsayyad, 2004).

Second, the paper reveals the significant flexibility of local gov-

ernments in China in the process of urban village governance through a diachronic study, and adds a new angle of understanding informality as a flexible governance strategy in the context of urban governance in developing countries. On the basis of the concept of "concessive informality" (Schoon and Altrock, 2014), we further point out that in China, the local government is able to use their strong policy intervention capacity to rapidly mobilize the market and society, and strategically make use of informality to adapt to the phased demands of urban development. At the early stage of urban village development, since a great amount of labor force is needed but there is no sufficient houses provided for laborers at the time, the government adopted an attitude of "eyes half shut" (*zheng yi zhi yan bi yi zhi yan*) to the development of urban villages. When the urban land was almost used up, the government applied a formal renewal mode of redevelopment to address the "historical problem" of urban villages, and at the same time released land resources and created new growth points for urban development. In face of the high cost of redevelopment and questioning from the society on the losing of urban rights, the government applied the method of in situ upgrading through means including policy guidance, project endorsement, and administrative permission, which is a temporary alternative strategy to redevelopment. Such an experimental urban governance strategy responds to the theory that the government can use the uncertainty of informality as a favorable condition for future urban development, and realize the goal of planning through irregular planning laws and planning process (Roy, 2009). In this sense, informality, as a flexible and adjustable governance strategy, can be considered as the center of transformation of urban village governance mode.

Our findings have several policy implications for informal settlements governance in China and other developing countries. First, when choosing the mode of urban village governance, the government should find a balance between the social value of urban village as the source for low-cost housing and the economic benefits gained from future renovation. Second, in formulating specific policies, multiple factors including the development stage of a city, the house-job relationship of a region and the geographic location of an urban village should be considered comprehensively. Third, as for urban villages that cannot be renovated in the near future, policy should emphasis improving the safety condition, promoting the management on fire control, and upgrading the residential environment quality. □

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Notes:

- ① There are different terms for informal settlement in different countries and regions, including slum, ghetto, shanty, favela, squatter settlements, informal housing, and urban villages. UN-Habitat uses the word “slum” to refer to all types of informal settlements in different areas of the world (UN-Habitat, 2003).
- ② Original Shenzhen Special Economic Zone: on Jul. 1, 2010, Shenzhen Economic Special Zone was officially expanded from the four districts of Luohu, Futian, Nanshan, and Yantian, to the whole city. Therefore, the original Special Economic Zone refers to the area of the four districts.
- ③ “Property titling” means to make clear the property right relationship of all land and houses, to solve the property problems left behind by the history, and to include all urban spatial resources into the unified legislative framework (Xu, 2016).
- ④ Old village: According to related policies in 2016, the old villages in the original Special Zone refer to the areas with concentrated distribution of old (ancestral) rural houses before the implementation of *Provisional Regulations on Urbanization of Rural Area in Shenzhen Economic Special Zone* issued by Shenzhen Government on Jun. 18, 1992 (No. [2016] 38 by Shenzhen Government).
- ⑤ Former villagers refer to the members of the rural collective economic organization who registered in related public security department and participated in labor dividends of their village by Jan. 1, 1993 (No. 33 by Standing Committee of People's Congress of Shenzhen City, 2001).
- ⑥ Illegal private housing left behind by history: according to the *Several Regulations on Management of Illegal Private Houses Left Behind by History in Shenzhen Economic Special Zone* issued in 2001, it refers to private houses that were newly built, reformed, or expanded on the three land types without permission or those solely or cooperatively constructed by non-former villagers without permission, before Mar. 5, 1999.
- ⑦ Contribution land: it refers to the independent land inside the urban renewal unit that will be transferred free to the government for the construction of infrastructures, public facilities, or urban public welfare projects (No. [2012] 1 by Shenzhen Government).
- ⑧ Historical land: it refers to the built-up area that was approved to be included into the urban renewal scope of the urban renewal plan, to which either the land expropriation (transference) agreement was not signed, or the agreement had been signed but the land or constructions were not compensated. For such kind of area, the act of land using should happened before Jun. 30, 2007, and the necessary land use procedure was not completed (No. [2016] 38).
- ⑨ De facto tenure security refers to the actual control of property, no matter it is supported by formal legal documents or not (Gulyani, Bassett, 2010).
- ⑩ Small and scattered projects: according to the *Provisional Method for Management of Safe Production of Small and Scattered Projects and Works in Shenzhen*, the small and scattered projects refer to small-scale construction projects that can be proceeded without applying for implementation license.
- ⑪ Power delegation to capable districts (*qiang qu fang quan*): before 2016, the urban renewal unit plan needs to ask for opinions of the urban renewal bureau at district level, then ask for opinions of the district government,

and then be reported to the urban renewal bureau at city level for planning review and approval after it is agreed by the district government. In 2016, Luohu District of Shenzhen started the pilot reform of “power delegation to capable districts” in urban renewal. A reform on the spatial planning system was initiated and the power of review and approval to urban renewal unit plan was delegated to government at district level in order to promote the review and approval efficiency (No. 288 of Shenzhen Government).

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