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Governing urban redevelopment: A case study of Yongqingfang in Guangzhou, China

Manqi Wang

The Bartlett School of Planning, University College London, 14 Upper Woburn Place, London, WC1H 0NN

Email: manqi.wang.16@ucl.ac.uk

Fangzhu Zhang

The Bartlett School of Planning, University College London, 14 Upper Woburn Place, London, WC1H 0NN

Email: fangzhu.zhang@ucl.ac.uk

Fulong Wu

The Bartlett School of Planning, University College London, 14 Upper Woburn Place, London, WC1H 0NN

Email: fulong.wu@ucl.ac.uk

Governing urban redevelopment: A case study of Yongqingfang in Guangzhou, China

Abstract

Chinese cities have experienced large-scale urban demolition and renewal. An extensive body of literature describes urban demolition and displacement through the dynamics of property-led redevelopment and gentrification. Rising social contestation is recently noted in the literature. However, a pilot project in Guangzhou introduced an approach of 'micro-rehabilitation' or 'small-scale renovation' (*weigaizao*) in 2015. Since then, it has become an exemplar of the new urban redevelopment policy in China. In this pilot project, generating land profits is not a policy objective. Rather, employment creation and neighbourhood conservation are explicitly required. We find that although the project is operated by Vanke, the major property developer in China, the change of policy from demolition to minor refurbishment and rehabilitation reflects the role of the state. Despite preserving the traditional housing style, the neighbourhood has been transformed from residential uses to offices, shops, museums and hotels for tourists. This micro-rehabilitation, in fact, has generated significant impacts.

Keywords: urban redevelopment, historic district, *weigaizao*, urban governance, China

1 Introduction

Since the 1950s, the change of neighbourhood and the eviction of lower-income residents have occurred in many Western countries. The (re)development process takes the form of short-term reconstruction, revitalisation and renewal before the 1980s to more recent long-term regeneration efforts emphasising the building of society and strategic governance patterns. In contrast to urban reconstruction and renewal, which mainly focus on physical upgrading but not necessarily concern the social impacts on local communities (August and Walks, 2017), urban regeneration refers to "integrated and comprehensive vision and action which seeks to resolve urban problems and bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change or offers opportunities for improvement" (Roberts, 2017, p.18). Under entrepreneurial governance in Western market economies, property-led redevelopment has become a dominant approach since the 1980s (Bassett, 1996; Tallon, 2010; Turok, 1992), which has often led to mass displacement and gentrification (Atkinson, 2004; Butler, 2007; Cameron, 2003). In the global South, mega-scale redevelopment for the pursuit of a higher and better use of land that often benefits the more affluent segments of the society is usually realised at the expense of the displacement of the urban poor (Janoschka and Sequera, 2016). Its policy and the project implementation also reveal the violent roles of the state (Ghertner, 2014; Lees, Shin and López-Morales, 2016). China is not an exception. Large-scale urban

redevelopment has been massively undertaken in major cities since the early 2000s, including the renewal of old neighbourhoods (He and Wu, 2005; Ren, 2008; Shin, 2009) and urban villages (Guo et al., 2018; Jiang, Waley and Gonzalez, 2018; Lai and Tang, 2016; Lin, 2015; Sun, Lin and Chan, 2017; Wu, Zhang and Webster, 2013).

However, recently urban redevelopment policies have seen some features of bottom-up development (Zhang, Chen and Tochen, 2016), greater public participation (Li et al., 2020), and more attention to heritage value (Lee, 2016; Verdini, 2015; Zhong, 2016) and neighbourhood conservation (Chen, Wang and Waley, 2019; Zhang and Li, 2016). One important feature of recent urban redevelopment policy in China is the promotion of 'micro-rehabilitation' (*weigaizao*), which has received scant attention. One pilot project is Yongqingfang in Guangzhou. President Xi visited Yongqingfang on 24th October 2018 and praised the project. He emphasised that inner-city redevelopment should be cautiously implemented with consideration of local culture and heritage so that the history of the city would be remembered and inherited by the generations to come. In contrast to large-scale demolition, micro-rehabilitation may present different characteristics of governance. Who are the main actors? Does the case represent a reassertion of the state control over urban redevelopment or does it indicate that the private sector plays a prominent role? Besides, to what extent are local residents involved in the redevelopment?

This research aims to investigate the operation of micro-rehabilitation by adopting the pilot project of Yongqingfang, and to understand how this type of redevelopment is governed. The rest of the article is structured as follows. The next section reviews the literature on urban redevelopment from the perspective of governance. Methodology is presented in the third section. The fourth section introduces a broad history of Yongqingfang redevelopment and elaborates its recent implementation process. Following that, actors including the property developer, the local state and residents are investigated in the fifth section. Sixth, we discuss the governance features of micro-rehabilitation. The final section concludes with highlighted theoretical contributions.

2 Urban redevelopment: the perspective of governance

Urban redevelopment has been largely undertaken in a property-led approach in many Western countries over the past decades (Tallon, 2010). The concept of property-led redevelopment refers to "the assembly of finance, land and market materials and labour to produce or improve buildings for occupation and investment purposes" (Turok, 1992, p. 362). With the cutting back of local authority powers (Bassett, 1996) and increasing property-related interests (Harding, 1991), new business elites have been actively engaging in urban policy-making through public-private partnership since the 1980s (Taşan-Kok, 2010). The private sector is widely regarded to playing a dominant role in the redevelopment project in terms of financial investment, project implementation

and management. The approach was popular in the global North as a way of transforming dilapidated inner-city areas into vibrant urban spaces, which, in return, generate benefits for the pro-growth coalition (Turok, 1992). Though short-term benefits may be achieved through property-led redevelopment, it has long been criticised for lacking a concrete basis for long-term economic and social regeneration (Jones and Watkins, 1996). One of the core negative social outcomes of property-led redevelopment that has widely been documented is displacement (Turok, 1992; Harding, 1991), which later on has become a “global phenomenon” both in developed countries and in regions such as America (Wolf-Powers, 2005), Hong Kong (Ley and Teo, 2014) and South Korea (Lukens, 2020), as well as in developing countries such as Brazil (Gaffney, 2016) and India (Ghertner, 2014).

Though similar property-led redevelopment has been adopted as an ideal approach to tackle issues such as inner-city decay since the 1990s (He and Wu, 2005; Ren, 2008; Yang and Chang, 2007), some scholars recognise decisive state intervention, rather than the private sector’s determination, in implementing large-scale redevelopment in China (He and Wu, 2005; Liu and Wong, 2018; Shin, 2009). He and Wu (2005) argue that though the private sector was involved in the coalition of Xintiandi redevelopment in Shanghai, it had little influence on governance as it was the local state that took charge of the redevelopment process in terms of policy intervention and financial leverage as well as land-leasing control. He and Wu (2009, p. 302) further observe that the local state has shifted its role from being the pursuer of social welfare to being ‘the most active and efficient agent’ of development. The entrepreneurial nature of local states, as *de facto* landlords, has been widely recognised as promoting the entire redevelopment process as they not only have the ownership of urban land but also control the land use rights (Shin, 2009).

This approach to redevelopment has increasingly been regarded as a “troublemaker”, generating social unrest over demolition (Ren, 2014; Shih, 2010), dispossession (Zhang, 2018), displacement (Jiang, Waley and Gonzalez, 2018; Liu et al., 2017; Yang and Ley, 2019) and gentrification (He, 2012; Shin, 2010; Tan and Altrock, 2016). For example, Shih (2010) elaborates how the local government utilises law to legitimise large-scale demolition and realise the expansion of the property market at the cost of residents. Similarly, Ren (2014) argues that the local government seized the Shanghai Expo event as an opportunity to justify large-scale demolition campaigns. With the powerful injection of private investment generated by the local state, a huge number of the diverse displaced suffer deprivation of rights (He, 2012). Undoubtedly, social contestation has been becoming fiercer amidst the massive implementation of property-led redevelopment.

Prior research has mainly addressed state–market dualism (see, for example, He and Wu, 2005). The actual redevelopment process in China beyond neoliberalism lacks nuanced investigation (Chen, Wang and Waley, 2019; He and Lin, 2015; Wu, 2018). Therefore, rather than focusing on

the relation between the state and the market, which may be too narrow to understand the urban governance of redevelopment, more and more scholars have attempted to evaluate and analyse the social impacts of urban redevelopment from the perspective of the state–society relation (Wang and Li, 2017; Xu and Lin, 2019), or a more holistic state–market–society interaction (He and Lin, 2015). For example, Zhang, Chen and Tochen (2016) discuss how previous studies lack an in-depth analysis of the fragmented state’s variegated roles and underestimate the power of the grassroots. By investigating the case of Jiuxianqiao redevelopment in Beijing, they find that residents resorted to the central government to counteract the coalition formed by the local government and private enterprise.

In recent years, some researchers have observed that non-state actors, such as cultural elites, art dealers, community planners, non-governmental organisations (NGOs), local mass media and netizens, have presented an emerging force to change the pace of inner-city redevelopment process in major cities (Chen, Wang and Waley, 2019; Lee, 2016; Verdini, 2015; Wang and Li, 2017; Zhang and Li, 2016). Zhang and Li (2016) present the case of the Enning Road redevelopment in Guangzhou to show how cross-pressuring, generated by informed residents, mass media and local experts, has changed the fate of the Enning Road neighbourhood from state-led demolition and displacement to heritage preservation. Chen, Wang and Waley (2019) elaborate how local cultural elites played a role in the Laochengnan redevelopment in Nanjing. The cultural elites proposed their own vision of the redevelopment, which focuses more on heritage conservation, against the state’s profit-seeking one. With their efforts towards cherishing the historic, cultural and artistic value of Laochengnan, the direction of urban redevelopment has been gradually transformed from being profit-oriented to being more collaborative and conservative. Li, Zhang, Hui and Lang (2020) analyse the role of community planners in another redevelopment case in Guangzhou, indicating that a new approach to community governance is taking shape through a collaborative workshop. Liu and Xu (2018) investigate how collaborative governance worked to avoid forced demolition in a recent redevelopment case in Caojiaxiang, Chengdu. However, they find that the possibility of successful collaboration relies heavily on the local government’s self-discipline to respect evictees’ interests. Zhong (2016) pays attention to the role of artists in Shanghai’s redevelopment, finding that elite artists, being part of the growth coalition with the local state and developers, are capable of receiving all the benefit. Non-elite artists, who have also made considerable contributions to the promotion of a cultural environment in inner-city areas, however, are largely excluded. Wang and Li (2017) even argue that the state seeks temporary alignments with different social groups at various redevelopment stages to enhance its power in the case of reimagining the Dafen oil painting village in Shenzhen.

Although recent discussion addresses the ‘participatory’ effort based on evidence of the increasing involvement of local residents and other non-state actors, urban redevelopment in China is still

very much dominated by the state (Wu, 2016). The 'economic achievement is only one of many considerations in career advancement' (Wu, 2018, p.1385) as local politics also shows significant concern for maintaining state power. This transformation of state–market–society interaction in urban redevelopment is argued to be a policy concession made by the state to mitigate social conflicts (Hu et al., 2020). Public participation is encouraged to legitimate redevelopment and help the implementation of redevelopment project. But their involvement is rather tokenistic, as they could not influence policymaking. Therefore, building on recent studies on the governance of urban redevelopment in China (Chen, Wang and Waley, 2019; He and Wu, 2005; Guo et al., 2018; Li et al., 2020; Xu and Lin, 2019; Zhang and Li, 2016), it would be very useful to re-examine the main actor(s) in the new phase of redevelopment. In this article, we investigate urban governance in micro-rehabilitation from the perspective of the state–market–society triad interaction (He and Lin, 2015), to see whether it features a reassertion of the state in the redevelopment process or the private sector indeed becomes more prominent, and whether residents play a role.

3 Methodology

This research mainly adopts a qualitative case approach (Yin, 2015), which allows the development of an in-depth understanding of the redevelopment process and examination of the roles of the main actors. The materials used in the analysis include fieldwork data and secondary sources. From May to August 2017 and from July to September 2019, two instances of fieldwork were conducted in Guangzhou, including non-participant observation and semi-structured interviews. In total, 26 in-depth interviews were conducted with officials from Liwan District Government and Guangzhou Urban Renewal Bureau, developers from Vanke, journalists from local media and university professionals. These groups of people are widely recognised as important actors who have significant influence on urban regeneration (Chen, Wang and Waley, 2019; He and Wu, 2005; Lee, 2016; Zhang and Li, 2016). The interviews lasted between thirty minutes and two and a half hours. During the fieldwork, we frequently visited Yongqingfang and attended some promotional events, to observe how the place was used by residents, tourists and shopkeepers.

We also conducted seven interviews with residents who live on-site or in Yongqingfang's nearby neighbourhoods. Most of them are low-income residents. Contrary to our expectation that urban redevelopment might be a sensitive topic for them to discuss, they were keen on sharing their thoughts about the project. The first interview with one resident took place in an alley in the Yongqingfang quarter. Afterwards, three other residents stopped by and shared their opinions when they were fully aware of the reasons why we were conducting the interviews. In the end, the session lasted for around two and a half hours. Other interviews with local residents were conducted in their houses between July 2017 and August 2019. Two of them live in the

Yongqingfang neighbourhood, while the other lives on the opposite side of the Yongqingfang neighbourhood. Each interview lasted for around fifty minutes. In combination with the fieldwork data, we also collected reports, documents and statistics about the urban redevelopment published on local governments' official websites and through local mass media. Three additional online interviews with a government official of Liwan district and two residents of Yongqingfang, ranging from twenty to forty-five minutes, were carried out in June 2020 to provide further details.

This research considers the Yongqingfang quarter in inner-city Guangzhou as the study area because the policy of *weigaizao* was initiated in the city. The pilot project of Yongqingfang was implemented under the new policy. The study area is within the boundary of the Enning Road redevelopment area. Enning Road used to be a vibrant neighbourhood situated in the Liwan district of inner-city Guangzhou (Figure 1). This was the core commercial district in Southern China in the Qing dynasty, occupying numerous traditional *Qilou* (literally, arcade houses) and is well known for its *Xiguan* (literally, the western gate of the ancient city wall) culture. Many business tycoons and middle class people lived in the neighbourhood since the 1930s. Although they commenced moving out in the 1950s, this area was still an ideal place for local people, in terms of its central location and low rental price. Most of them built up small businesses, such as creating copper crafts or Cantonese porcelain, or selling Cantonese street food. However, the deterioration of inner-city neighbourhoods sped up in the early 2000s due to place stigmatisation stimulated by the local state. To improve the urban image for the 2010 Asian Games, most local businesses were forced to shut down. Without proper maintenance, historic dwellings have eventually become dilapidated.

<Insert Figure 1 about here>

4 Creating a pilot project of Yongqingfang

In December 2015, Guangzhou Municipal Government issued the *Guangzhou Urban Renewal Policy*, which introduced 'micro-rehabilitation' as a new approach to redeveloping its inner-city neighbourhoods by minor refurbishment and rehabilitation. The policy defines those neighbourhoods built before 2000 as 'old neighbourhoods' (*laojiu xiaoqu*). Some of the neighbourhoods have been facing incomplete and ageing public infrastructure, low construction standards, and poor living environments for many years. In 2016, a total number of 24 *weigaizao* projects, including ten in Liwan District, were selected by Guangzhou Municipal Government in the name of improving residents' living quality (Guangzhou Municipal Government, 2016). All these neighbourhoods are either situated near the traditional central axis of Guangzhou or close to the city's famous tourist sites such as the Baiyun Mountain and the Pearl River. An amount of 91 million Yuan were invested to most of the projects by both municipal and district governments,

while a few had to be self-funded, including the Yongqingfang one. Later on, the government lists 779 old neighbourhoods in the category and aims to complete all these projects by 2021, affecting 2.6 million residents (around 31% of the city's population). This is the first policy in China that the redevelopment of old neighbourhoods should be implemented using an incremental approach without demolition.

The central government strongly supported the approach of micro-rehabilitation in late 2017 and chose Guangzhou as one of the experimental cities in China to undertake pilot projects in its inner-city areas. Apart from Guangzhou, three other provincial capitals (Changsha, Shenyang and Hohhot) and 11 second- or third-tier cities such as Xiamen, Ningbo, Zibo and Panzhihua are also selected as experimental cities to conduct *weigaizao* projects¹. Later on in April 2020, the Chinese Premier of the State Council Li Keqiang announced that around 39,000 old neighbourhoods in cities across the country, including Beijing and Shanghai, are going to be redeveloped under the new approach, involving nearly seven million residents. The number of targeted communities is double that of last year, and a total budget of 54.3 billion Yuan from the central government has been allocated to local governments². In July 2020, the approach became a national redevelopment policy issued by the Office of the State Council (2020), aiming at completing a total of 170,000 *weigaizao* redevelopments in old neighbourhoods by the end of 2025.

4.1 The first stage (2006-2010)

The initial idea of the Enning Road redevelopment was proposed by Liu Ping, the former head of the Liwan District Government in 2006. This was the pilot project in inner-city Guangzhou for wholesale redevelopment. The plan defined a red line for demolition, which contained around 150,000 m², involving 2,100 households in the area. The majority of existing historic dwellings would be pulled down to make room for a property development project under the policy of *Enning Road Inner-city Renewal Plan* (Guangzhou Municipal Government, 2006). This was a totally top-down redevelopment. The local government was responsible for providing monetary or in-kind compensation to relocate residents. Because the old dwellings in the neighbourhoods were often small and compact, monetary compensation could hardly help the residents purchase any new-build residential flats in Liwan. Therefore, most of them chose in-kind compensation while the others stayed in the neighbourhood.

However, this ambitious project involving eight demolition companies stagnated in late 2009 for three main reasons. Firstly, around 70% of dwellings in the renewal area were privately owned (Guangzhou Municipal Government, 2006). Much of the housing ownership was fragmented and

¹ *Xinhuanet*, 2 Dec 2017. Retrieved from http://www.xinhuanet.com//fortune/2017-12/02/c_1122045773.htm. Accessed 4 May, 2021

² *China News*, 21 July 2020. Retrieved from <https://www.chinanews.com/cj/2020/07-21/9244206.shtml>. Accessed 29 November, 2020

complicated for the local government to negotiate. Secondly, there was no plan to relocate residents on-site, which resulted in strong resistance from the community. Thirdly, many identified that historic dwellings that had been once promised to be preserved were to be ruthlessly demolished during the redevelopment. This renewal plan aroused massive attention and criticism from the general public in Guangzhou (Zhang and Li, 2016). In January 2010, over 180 local residents jointly signed a statement of disagreement with the project and requested to discuss the issue with the head of the district government. This move drew attention from the central government. As a consequence, the district government reluctantly paused the project under massive pressure from the central state, whose priority was to maintain social stability.

4.2 The second stage (2010-2014)

To find a way out of the stagnation, the district government revised the policy. It adopted a new principle of 'prior concerns for cultural and heritage preservation' to generate public consensus over inner-city redevelopment issues while promoting the urban image of Guangzhou. In practice, it redefined Enning Road as a historic preservation area and indicated that the project would be undertaken concerning local history. The revised plan involved 1,352 houses, including 831 private residences, 297 public houses and 224 dwellings with unclear property ownership (Liwán District Government, 2011). In addition, a project to open up the Liwán Canal in Enning Road's surrounding area was also approved by the district government.

Although the policy was amended, some famous historic buildings (e.g. the Grand Theatre) in the neighbourhood have been demolished. Many old houses were also destroyed or taken down while opening up the 'lost' waterway, which caused direct displacement in the area. In the meanwhile, many small businesses have been forced to shut down for its inconsistency with the new urban image. The once-thriving neighbourhood had turned into an inner-city 'slum' occupied by the urban poor. Cross-pressuring from civic groups and social media (Zhang and Li, 2016) as well as insufficient financial budget from the local government led to another round of stagnation.

4.3 The third stage (2015-present)

The Yongqingfang project was initiated in January 2016 when a new policy of micro-rehabilitation was introduced by the Guangzhou Municipal Government (2015). The policy was set by the local state to get rid of the heavy financial burden after hosting the Asian Games. Meanwhile, the local government was seeking potential investors to finance redevelopment projects in inner-city areas. In practice, the government divided the former large-scale renewal area into several small plots to attract investment from the market separately. This policy indicated a transformation in inner-city areas from large-scale demolition to housing conservation and incremental redevelopment.

Yongqingfang quarter in the Enning Road area was ideal to be selected as the pilot project in Guangzhou as probably fewer social conflicts would occur during the new round of redevelopment. Firstly, compared to the rest of the Enning Road redevelopment area where privately owned dwellings were concentrated, the majority of the houses in this small plot were public housing estates owned by the district government. Secondly, the dilapidated neighbourhood was located next to the Cantonese Opera Art Museum, which opened to the public in June 2016 (Figure 2). The neighbourhood was inconsistent with the local state's vision of branding the place as a modern commercial hub of Cantonese culture and heritage. Lastly, over 65% of the residents (41 households) who lived in the neighbourhood had accepted the in-kind compensation scheme and moved out during the previous stages of demolition. The district government offered those who agreed to move out a brand new home in the city's suburban area, usually 10-15 m² larger than their houses in the Yongqingfang quarter.

<Insert Figure 2 about here>

The project was operated through a Build–Operate–Transfer (BOT) model, which is regarded as a form of Public–Private–Partnership (PPP) in the context of Asia Pacific (Zhang et al., 2015). The model was initially introduced in China for attracting foreign investment and cooperation on infrastructure projects such as toll roads, port projects and power stations since the 1980s. In operation, direct investment by foreign investors may take the form of equity or cooperative joint venture with a Chinese partner. The contract usually lasts for 20 to 30 years, depending on the type of infrastructure and the readjustment of Chinese policies. It is worth mentioning that the foreign equity interest is usually not exceed 30% so that Chinese parties can maintain a controlling stake in the project (Wang and Tiong, 2000).

Though the model has been popular in urban infrastructure and power plant projects for decades, it has seldom been applied in urban redevelopment projects in China. The Yongqingfang case is the pilot project under the operation of BOT model. In detail, the district government was responsible for formulating policies and supervising projects, while the selected developers operated certain projects in terms of investing, renovating and managing the dwellings owned by the district government. Land use rights in the Yongqingfang quarter could not be transferred unless authorised by the district government through public tender. The developers of the Yongqingfang project were selected through public tenders. The first tender was initiated on 17th February 2016. After a few rounds of tendering, the developer Vanke became the bid winner. It is worth mentioning that the Yongqingfang project was the first case to allow market investment in redevelopment as the private sector had been forbidden to be involved in any inner-city redevelopment projects in Guangzhou since 1999.

In April 2016, Vanke and the district government of Liwan signed a cooperative agreement on the micro-rehabilitation project of Yongqingfang. The agreement highlighted that the implementation should follow the principle of being 'guided and supervised by the district government, invested and operated by the developers with public participation', which indicated that local residents should be involved in the redevelopment process and the distribution amongst various actors would be quite fair. It granted Vanke a 20-year use right of public properties in Yongqingfang. The agreement required Vanke to complete the construction work before 30th November 2016.

The redevelopment project of Yongqingfang has an area of around 8,000 m² (with a 7,200 m² construction area) and includes 63 dwellings. Among them, 51 are publicly owned by the district government and only 12 houses remain privately owned (Liwan District Government, 2016). The project was tasked to transform the traditional residential neighbourhood into a mixed-use commercial hub which would combine four core functions: 2,500 m² co-working offices, 28 condominiums, education and training services, and 1,000 m² commercial space (Figures 3, 4 and 5).

<Insert Figures 3, 4, and 5 about here>

The functions of old dwellings were encouraged to be transferred to commercial usage. For dwellings with private housing ownership, their physical appearance was refurbished or repaired (*zhengzhi xiushan*) based on the willingness of their owners. For public housing estates, the function was transformed from residential usage to restaurants, shops and museums (*baohuxing zhengzhi*) to facilitate new commercial space. A few ancestral homes, including Bruce Lee's parents' residence, were transformed into compact museums for hosting exhibitions and events. Some small public squares were created to provide tourists and consumers with leisure space. As for the privately owned houses, they remain as accommodation for residents and tenants. The project opened to the public on 30th September 2016, two months ahead of time.

Undoubtedly, Yongqingfang has improved the image of Guangzhou's inner city by transforming the urban function dramatically. Since its opening, Yongqingfang has become one of the most popular hotspots in the inner city for tourists, investors and start-up entrepreneurs. While 23 other *weigaizao* projects were undertaken in Guangzhou at the same time, none of them has received the same amount of media attention as Yongqingfang. Firstly, the function of other projects do not change significantly and most of local residents still live in the neighbourhoods. Secondly, most of the projects are solely financially supported by the district government who values the stability prior to profits. However, during our site visits and interviews in 2019, we found that part of the co-working offices, including some of Vanke's own working space, has been replaced by retail stores.

The promised condominiums, which might have helped reduce the shortage in the inner-city rental market for young people, never turned into a reality (Figure 6).

<Insert Figures 6 about here>

5 Actors in micro-rehabilitation

The initial plan of Yongqingfang was drawn by the district government of Liwan, including the scale of the project and the main functions of the dwellings. The district government was the landlord and supervisor, with Vanke being the principal investor and operator which took responsibility for the project's implementation and management. The function of most public housing estates has been transformed from residential uses to shops, restaurants and cafés. Architecture and urban design firms were all invited by Vanke. In detail, the architecture companies Atelier cnS and NODE took charge of the master planning and housing renovation. The firm Lab D+H was responsible for the landscape design, and the Guangzhou Construction and Design Consulting Company completed the interior design. The roles of the main actors and the involvement of local residents are elaborated respectively in the following sections.

5.1 The developer

Vanke Group is the second largest real estate company in China. It has actively engaged in developing and managing properties across more than 60 cities nationwide. In recent years, the company has gradually transformed its role from being a property developer to being a 'service provider', aimed at expanding its property-related business. The pilot case of Yongqingfang is a good example of this transformation. It was undertaken by one of Vanke Group's members, Guangzhou Wan'en Investment and Management Co., Ltd. (hereafter Guangzhou Vanke) from 2016 through public tender. An officer of Guangzhou Vanke (interview, 17th July 2017) explained their motivation to invest the project:

'It was the district government officials found us directly to negotiate the project. The stagnation of the Enning Road redevelopment project resulted in the concentration of low-income tenants, drug addicts and criminals in this neighbourhood. Because of insufficient financial budget to tackle such issues, the government expected us to invest in the project, which may have little profit. In return, they signed an additional agreement with us to guarantee long-term cooperation, including the investment in Yongqingfang's surrounding area, which is ten times larger than the quarter itself.'

This pilot project has helped Guangzhou Vanke build up a good relationship with the local government and obtain more opportunities for investing future inner-city redevelopment. A new phase of redevelopment led by the coalition has been taking place in the surrounding area of Yongqingfang since August 2018, aimed at transforming the area into a national demonstration

zone for heritage preservation and utilisation by the end of 2021. In addition, the district government offers Guangzhou Vanke three large plots in Fangcun, which used to be a suburban district that merged into Liwan district in 2005, for property development to balance the financial return of this *weigaizao* project (a worker of Vanke, interview, 15th September 2019). Another Guangzhou Vanke officer (interview, 4th August 2017) also shared opinions on why taking charge of the project:

'Using the time we devoted to this project, we could have completed three other large-scale real estate projects elsewhere. The redevelopment plan drawn up by the government has already detailed the land use and housing functions of Yongqingfang area, so we cannot expect a quick financial return from the project. However, we saw the potential of this pilot project. It can be a good demonstration for our company that we have considerable capabilities to implement weigaizao projects. Besides, we need more experience in dealing with this new type of redevelopment as large-scale demolition may no longer be acceptable for inner-city transformation.'

In the implementation process, Guangzhou Vanke only carries out actual work as the redevelopment plan was set by the district government. The developer is more like an 'operator' of the project according to the government defined parameters. The actual cost of the investment from Guangzhou Vanke reached 80 million Yuan (15 million Yuan over its initial budget) due to the complexity of the functional transformation of the old dwellings and the maintenance of the public infrastructure. However, the developer was satisfied with the result as the improvement of the neighbourhood's environment continually attracted business investment and commercial collaboration. The rental price of the majority of the houses increased rapidly after the transformation. A Guangzhou Vanke worker (interview, 6th May 2017) detailed the price change:

'Benefits can be seen from the rental price of the upgraded dwellings. The price used to be 30-40 Yuan/m² monthly. Now, the average residential rental price reaches 70-80 Yuan/month/m². The price for retail stores is even higher, skyrocketing to 150 Yuan/m² per month.'

The rental price for retail stores has continued to grow, especially since President Xi's visit, reaching 170-200 Yuan/m² a month when we visited the quarter in 2019. An officer of Guangzhou Vanke (interview, 22nd August 2019) told us that the occupancy rate of co-working offices and shops in Yongqingfang had increased to around 95%, which is 14% higher than in 2017. The increasing rental price has certainly helped Guangzhou Vanke shorten the financial returns of this project. We were told that the estimated time to reach financial gain in this project would be less than six years (an officer of Guangzhou Vanke, interview, 14th September 2019), which is six years shorter than they had previously expected (an officer of Guangzhou Vanke, interview, 12th May 2017).

As the principal investor and operator, Guangzhou Vanke has effectively transformed the residential neighbourhood into a commercial hub. Though the developer did not have any previous

experience in conducting this type of redevelopment, it completed the project successfully within five months. The developer used Yongqingfang as a showcase to build up its reputation as a service-oriented provider rather than a property developer. It appears that the developer has played a more significant role in the micro-rehabilitation in terms of financial investment, project implementation and rental management. However, we should not ignore the strong intervention by the local state. The selection of the project investors was actually done through under the table negotiation rather than public tender. Only top-ranking real estate developers would be considered as ideal investors and co-operators for the state because of their huge financial capacity in guaranteeing the smoothness of the project's implementation.

5.2 The district government

The pilot case of Yongqingfang was initially selected by Liwan District Government (LDG) for implementing *weigaizao* redevelopment. Because the Yongqingfang quarter is relatively small, the project could be completed in a short period and set as a pilot case, which would enhance the reputation of the district government. More importantly, most residents had already been compensated and relocated out of this neighbourhood before implementing the Yongqingfang redevelopment; therefore, most dwellings' housing ownership had been transformed from private to public and was owned by the district government (an officer of the Guangzhou Urban Renewal Bureau, interview, 21st May 2017).

The policy transformation from large-scale demolition to 'small-scale' renovation, refurbishment and conservation of the built environment is mainly due to the insufficient financial budgets of local governments. To cope with the Asian Games, LDG spent 1.8 billion Yuan from 2007 to 2012 for Enning Road's demolition and compensation as well as 3.7 billion Yuan for opening up the Liwan Canal. Combined with the cost of the Cantonese Opera Art Museum's construction (0.4 billion Yuan), a total of 5.9 billion Yuan had been invested in the redevelopment of Enning Road and its surrounding area before the implementation of the Yongqingfang project (an officer of LDG, interview, 16th August 2019). In order to reduce fiscal expenditure, the government introduced an operational model of BOT to attract the market investment. An officer of the Guangzhou Urban Renewal Bureau (interview, 5th September 2019) explained why BOT may work for the new round of inner-city redevelopment:

'Urban redevelopment in the old city centre is a challenging task because we have high pressure from the general public and social media. We may also notice some not-so-successful redevelopment projects in the past that were entirely operated by the government. Perhaps not all decisions should be made by us. In this regard, we invite developers for cooperation and let the market make its own decisions. This approach may be a good way of implementing inner-city redevelopment.'

In practice, the government granted the rights for implementation and operation to the developer for completing the project in a certain period. It required Guangzhou Vanke to pay into a dedicated fund annually for the maintenance of properties in the redeveloped area (an officer of LDG, interview, 3rd June 2020). In the meantime, the local state remained in charge of the redevelopment in terms of holding the property rights and land ownership (an officer of LDG, interview, 23rd June 2017).

In the pilot project of Yongqingfang redevelopment, the private enterprise and the local state formed a coalition in micro-rehabilitation. The district government initiated the project while the developer provided the financial investment and management of the rental market. The approach of *weigaizao* offers a win-win solution through BOT for both stakeholders. The local state achieves its political goal of improving old neighbourhoods' urban image, preserving local culture and heritage and generating jobs. The developer gains increasing profits through its rental business and obtains more opportunities for taking part in inner-city redevelopment. Though the private sector actively participates in the project's implementation and management, it is largely excluded from the decision-making process. The district government is the *de facto* landlord of Yongqingfang by holding core resources. Compared to former large-scale demolition, in which the district government sold the property rights and land ownership, the Yongqingfang case features 'state entrepreneurialism' (Wu, 2018) as the developer only has the use rights of the state-owned properties. In other words, the market operates as an instrument for the local state to facilitate and implement a new round of urban transformation while enhancing its power of urban governance.

5.3 Local residents

According to our interviews in 2017, only 22 households were living in the neighbourhood during the transformation. Fourteen of the families had private housing ownership, while the rest lived in public rental estates. They did not move out during previous rounds of redevelopment for several reasons. Some of them were not satisfied with the compensation offered by the district government as it was insufficient for them to purchase any commercial property nearby (resident, interview, 15th May 2017). Others had issues with complicated property ownership (resident, interview, 12th July 2017). Some privately owned properties had been built a long time ago, and more than 20 individuals' names appeared on the certificates of property ownership (resident, interview, 6th September 2019). It was hard to find and contact all the relevant housing owners as some lived abroad or had passed away.

Ironically, though the 'involvement of local residents' (*jumin canyu*) is stated in the new policy of micro-rehabilitation, encouraging residents to participate in the implementation process, little detailed information supports local residents' involvement in the project (Guangzhou Municipal

Government, 2015). The aim of micro-rehabilitation is to generate jobs, change the urban image, and promote the local business of this dilapidated neighbourhood rather than improve the living quality of local residents. Many historic dwellings have had one or two floors added. Besides, only the façades of houses facing the main alleys were well preserved. As for residents whose privately owned dwellings were invisible from the main alley, Guangzhou Vanke never negotiated with them for housing renovation. The functions and interiors of these houses remain unchanged (resident, interview, 14th July 2019). Those who disagreed with the repair scheme also suffered greatly. A resident (interview, 7th September 2019) complained that:

'There used to be four windows on the first floor of my house, but now only one can open because my neighbours' new-built walls blocked the others. I have reported the issue to Guangzhou Vanke several times. However, they told me that they fully followed the weigaizao guideline. I requested them for the approved implementation plan, but they never showed it to me.'

In fact, the implementation was completed before the guideline was issued by LDG (Liwang District Government, 2016). What is more, activities in the Yongqingfang quarter disturbed local residents' daily life. More than 60 events were held in a year, attracting over 5,000 tourists every weekend³. Guangzhou Vanke has ambitiously held a variety of cultural and musical events to attract tourists and investors to commercialise the quarter. These noisy and long-lasting activities, however, often lacked concern for the life of the residents. A resident (interview, 7th August 2019) who lives near the Yongqingfang Square complained that:

'Last weekend, Guangzhou Vanke held another two-night musical event at the Square, which was very noisy. I suppose the volume was over 100 dB. It would be more considerate to have these activities during the daytime. I tried to report this issue to Guangzhou Vanke, but apparently, they did not make any adjustments.'

A similar issue was reported by a resident (interview, 17th September 2019):

'Some shopkeepers dump wastewater directly on the pedestrian alley that has been upgraded, which often becomes very slippery. Considering the elderly are still living in this area, who will take responsibility for them if they fall to the ground? Will it be the government, Guangzhou Vanke or the shopkeepers? I wanted to tackle the issue but was confused about whom I should report to.'

Though the developer operated this micro-rehabilitation, the relationship between Guangzhou Vanke and LDG is still tangled for local residents in terms of project management and community negotiation. Residents often do not know with whom to negotiate. It was revealed by a local newspaper that residents reported their concerns and needs, such as noise distraction and delivery inconvenience, to Guangzhou Vanke and the district government but neither of them responded⁴. As a result, the number of households that live on the redevelopment site continues to

³ *Remin News*, 15 June 2020. Retrieved from <https://baijiahao.baidu.com/s?id=1669511387443094817&wfr=spider&for=pc>. Accessed 23 December 2020

⁴ *News Express*, 15 February 2017. Retrieved from <https://epaper.xkb.com.cn/view/1065834>. Accessed 20 December 2020

decrease. Some families received compensation from Guangzhou Vanke and moved out shortly after the transformation of Yongqingfang (resident, interview, 25th August 2019). When we revisited the place in 2019, only six households were still living on-site.

The tokenistic nature of public participation has been revealed from the project. Firstly, detailed guideline for residents' involvement has never been formulated. Though there were a few sentences regarding public involvement in the guideline for the *weigaizao* project, the definition of public participation is rather vague (Liwan District Government, 2016). Secondly, the local government took advantage of the vaguely defined 'public participatory' to achieve its political objectives. Even if the residents disagreed with construction works in their surrounding areas, they did not know to whom or where to report the issues. Without particular guidelines for public participation and effective channels for community communication, residents lack a proper platform to solve their problems with the influential stakeholders. The implementation of micro-rehabilitation in Guangzhou is more like a governance strategy to re-initiate the inner-city redevelopment project with less social contestation. The involvement of residents in this redevelopment remains tokenistic as in many well-documented inner-city redevelopment cases in China (Chen, Wang and Waley, 2019; Xu and Lin, 2019; Zhong, 2016). Despite the growing complaints and increasing political awareness of the local residents, an effective mechanism for residents' involvement has yet to take shape in a society in which the local state retains direct control. Residents remain the most vulnerable group and are mostly absent from the decision-making process that affects their property rights and living conditions.

6 Governance of micro-rehabilitation

The increasing number of micro-rehabilitation that continually replace so-called property-led redevelopment (He and Wu, 2005; Yang and Chang, 2007) in China's inner cities provides us with a new perspective to rethink the governance of urban redevelopment (Turok, 1992). By investigating the pilot project of Yongqingfang in Guangzhou, the operation of micro-rehabilitation and the relation of state, market and society are revealed. In practice, it is the local state draws up the plan and initiates *weigaizao* projects in the name of culture and heritage preservation to justify the physical and functional transformation of inner-city neighbourhoods. Though the density of these old neighbourhoods remains low, the function of these dwellings is dramatically transformed from residential to co-working and retail space. Only a few historic dwellings are preserved. These redevelopment efforts are made to nurture a new commercial environment for potential investors, tourists and consumers over local residents. Through such transformation, new businesses can be established and new jobs can be generated to sustain long-term tax revenue for the local government. The main actors and the involvement of residents are discussed below.

The private sector is the principal operator which not only operates and manages the project but is also responsible for compensating and relocating residents during and after the transformation. In this regard, top real estate corporations are more likely to be selected to form a coalition with the local state to guarantee the smoothness of the redevelopment. Architecture and design companies are all invited by the developer with the aim of modernising the urban image of the old neighbourhood. Seemingly, the developer plays a larger role in the coalition in having more responsibilities for project investment and operation as well as rental-market management. It is worth noting that the redevelopment is undertaken through the model of BOT, which means that the private sector only has a very limited period of time to operate the project and manage the assets. Besides, the primary purpose for them in investing such a project with lower profits than in former property-led redevelopment is to use it as a pilot project to demonstrate their capacity for conducting micro-rehabilitation in inner-city areas. It helps to build up a good relationship with local governments (He and Wu, 2005) so that more property-related projects as well as other redevelopment opportunities can be negotiable. But without involvement in the decision-making process, the developer still has little influence on local governance.

The principle of micro-rehabilitation is 'operated by private sectors' (*qiye chengban*), but its prerequisite is 'led and guided by the government' (*zhengfu zhudao*). Some characteristics of state-led redevelopment can be observed in the new type of urban redevelopment. The district government is the representative of the local state, which is directly involved in redevelopment projects. Its responsibilities include drawing up the redevelopment plan, deciding the housing functions, selecting demonstration projects, formulating developer-friendly regulation and guidelines, seeking financial investment and supervising the overall operational process undertaken by the developer. More importantly, the local state still owns the property rights and land ownership. It is distinct from former property-led redevelopment in which property rights were sold to real estate corporations (He and Wu, 2005). In this regard, the BOT model is a useful model for the local state. On one hand, it guarantees the smoothness of the project as it allows a full operation and investment by the private sector in a certain period of time. On the other hand, it helps the local state to maintain its power in terms of controlling key resources of the project. The state temporarily seeks alignment (Wang and Li, 2017) with the property developer through the BOT model. In this regard, the private sector is mainly a market instrument for the local state to achieve its political (preserving the historical neighbourhood in inner-city Guangzhou) and economic (obtaining tax revenue through leasing public housing to the developer) goals. Therefore, unlike the urban process in advanced capitalist countries where the market plays a more significant role (Bassett, 1996; Harding, 1991), the state in China is still very much visible in the new approach to redevelopment in terms of holding core resources. In other words, micro-rehabilitation features 'state entrepreneurialism' (Wu, 2018) where the market is an instrument for the local state to realise more strategic and developmental objectives. All these empirical elements

feature a reassertion of the state control rather than representing a more prominent role of the private sector at the new stage of urban redevelopment in Guangzhou.

Though 'public participation' is mentioned in the policy of *weigaizao*, interaction between local residents and the state–market coalition is limited. Residents lack information on planning and construction, as planning permission is granted by local states which do not need agreement from local communities. In addition, without detailed guideline to define community rights and build up communication channels, the operation in reality still lacks the voice of local residents. Therefore, the practice of micro-rehabilitation reveals that residents' involvement remains tokenistic as they are largely excluded from the decision-making process.

The policy of *weigaizao* is a tactic created by the local state to maintain its power while taking advantage of the market. The local state invites the private sector to invest in and manage the project in a very limited period of time through BOT while still holding the land and property rights. Though real estate corporations are actively engaged in the project's implementation and rental market management, they have little influence on urban governance. The involvement of residents is also limited as 'public participation' is rhetorically adopted in this political-centric policy to mitigate social contradictions while facilitating a new round of urban (re)development. The redevelopment process is a rehabilitation of the built environment and upgrading the architecture according to the traditional style but in fact it removes the original community. It is not an entirely cultural regeneration as it is not a neighbourhood that occupied by artists, art dealers or culture elites (Wang and Li, 2017; Zhong, 2016). More importantly, the traditional *Xiguan* culture does not restore in the project. In this regard, 'small-scale' renovation is not small because it dramatically transforms the urban function of old neighbourhoods, which significantly affects the everyday life of local residents. As a result, social conflicts among local residents over preservation, distribution and commercialisation are continually intensified amidst the acceleration of micro-rehabilitation.

7 Conclusion

This paper examines a pilot project of micro-rehabilitation in Guangzhou. We focus on the governance of this project in order to understand the underlying motivation of the policy change from large-scale demolition to partial rehabilitation. The paper makes two original contributions. First, we provide an in-depth understanding of a recent policy change in China which has been under-studied. Second, we revisit the literature of property-led redevelopment under the growth machine and highlight the governance structure. The change may well be due to wide social resistance from local residents and rising professional recognition of heritage value and neighbourhood conservation (Chen, Wang and Waley, 2019; Zhang and Li, 2016). The state wishes to find a solution for the impasse of large-scale demolition through the experiment of micro-rehabilitation.

The project of Yongqingfang was largely a local state initiative which was recognised later as an exemplar by the central government. The local state found Vanke, a property developer, to implement the pilot project, which is based on a BOT model. In this redevelopment project, local residents are passive and cannot have a substantial influence over decision-making. Our theoretical contribution is to interrogate the validity of property-led redevelopment in the policy context in China. Although property-led redevelopment and consequential displacement exist widely in the world (Atkinson, 2004; Ghertner, 2014; He and Wu, 2005; Turok, 1992), in current *weigaizao* redevelopment in China, land value generation is not a policy objective. The redevelopment policy is compounded with multiple objectives such as employment generation and heritage conservation, depending on the timing of project initiatives. Although developers are asked to carry out the redevelopment work and still manage the project post redevelopment, they do not lead the governance of the project. They are more or less used as a market instrument to achieve state-centred regeneration (Wu, 2018).

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