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Urban Regeneration: The Need for Partnership in Rejuvenating Old Neighbourhoods

BY NICHOLAS BROOKE, FRICS

URBAN RENEWAL AND REGENERATION SCHEMES are sensitive in any city but in such a densely developed area such as Hong Kong, which is my home and from where I practise as a Chartered Surveyor, they attract particular attention. Recently town planners and community leaders have expressed fears that the older areas of Hong Kong will become a series of "air conditioned glass boxes", if the government continues to allow historic buildings to be replaced by high rise office developments.

Outside Hong Kong, the premise underlying the modern urban regeneration movement is to provide an integrated approach to the rehabilitation of sub-standard urban areas to improve social, economic and environmental conditions. There has been a widespread recognition that it is a range of issues that lead to the decline of major urban centres as desirable or acceptable places to live, including poor economic development, increasing crime, limited education and employment opportunities and a lack of recreational and leisure facilities whilst the availability and quality of work opportunities, accessibility to green space and the availability of affordable attractive housing have been found to be the key factors in attracting residents to rejuvenated urban areas.

In the 1990s there was a refocusing of urban policy in many developed markets with a shift away from emphasis on property-led regeneration towards a broader based agenda. Current thinking suggests a stronger focus should be placed on the social aspects of urban renewal and that consideration and respect should be given to the scale of the existing development, the preservation of local specialist employment options, and the wish of many residents to remain in an area with which they are familiar after the regeneration exercise is complete.

Urban regeneration projects are often perceived as being high risk/ low return locations, offering only weak investment opportunities and the attraction of private sector funding, usually in the form of equity, requires new and innovative measures—co-investment, market transparency, and clear exit strategies that allow for retention of investment management control.

The regeneration of areas of Hong Kong suffering urban decay and a lack of modern amenities has been a government policy objective for a number of years but progress has been slow. Whilst there has been some evaluation of initiatives and schemes, there has been no real attempt to benchmark urban regeneration activity. Weak and confused market signals in regeneration areas linked to an inappropriate regulatory framework have perpetuated misconceptions regarding potential investment returns and risk. This has led to regeneration (as against redevelopment) opportunities being ignored by many institutional investors.

About our Featured Columnist

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Research on regeneration areas in major UK cities published by the RICS foundation, however, indicates that investment property in regeneration areas can out-perform other forms of property development and that over the long term, regeneration areas provide significant investment opportunities, particularly in the retail sector—a finding that challenges conventional wisdom. A further significant finding is that in the early stages of a property downturn there is a less marked downward trend in investment performance within supported regeneration areas as they benefit from a cushioning effect and far from being riskier investments, the risk is, in fact, lower. This research is of great relevance when promoting the need for public sector support and partnering for regeneration as it confirms the effectiveness of regeneration policy mechanisms in creating sustainable urban environments capable of meeting private sector investment goals. As governments increasingly look for greater private sector participation, success in previous schemes and confidence in current policy mechanisms are fundamental.

Regeneration incentives, such as subsidised land prices or gap funding, and old risk reduction measures can act as a catalyst to offset adverse property market impacts or affordability concerns, but their effectiveness is highly localised. Furthermore, the time that is involved in site assembly, securing appropriate permissions and implementing urban regeneration is such that sustainable schemes require policy mechanisms that have a longer-term perspective, whilst also attracting investors who have the staying power and the vision to build on existing community drivers. The nature of the challenge also explains the interest of private investors and developers to retain management and maintenance control within regeneration areas for an extended period of time.

Whilst many cities have made significant progress, Hong Kong has a long way to go to devise a workable regeneration model that achieves the necessary balance between commercial and social priorities. Similarly there is the need to accept that the social elements in many cases have to be funded out of the public purse and cannot always be cross-subsidised by the more profitable parts of the project.■