

The Role of Public for Improving Public Interest in Residential Neighborhood Regeneration

Cho, Sang-Kyu
Kwon, Young-Sang

Recently, large-scale urban redevelopment projects around Seoul Metropolitan Area are causing social problems as these projects have become stagnant for the nation-wide real estate market recession. The government and municipalities are engaging the problem with diverse of policy measures, but the effectiveness of the measures taken is unclear because of the structural deficiencies within current redevelopment system. In this context, this research aims to seek for the new policy directions through the analysis of the current status, economic rationale and mechanisms, and foreign policies. The research findings can be summarized as follows:

It seems almost certain that the realestate market recession combined with the low birth-rate in Korea will have continuing effect on the housing market, which means there is significant chance for the housing market to change from asset market into property market. Considering the outlook for the market transition, the pre-existing residential redevelopment system which aims to transform large amount of rental housing units into apartments for sale would become less feasible. Also, the result of the field survey of this research suggests that the major cause of civilian resentment against the new-town project is the existing home owners' fear of losing rent, and this supports the hypothesis of the market transition.

In short, all these findings implies the necessity of redirecting current redevelopment policy. In particular, the large-scale redevelopment projects on existing urban housing subdivision need to be redirected toward gradual incumbent upgrading considering socio-economic status of residents. Also, the physical outcome of neighborhood regeneration needs to be diversified in terms of uses and re-distribution of properties in order to preserve the income basis of

pre-existing residents.

The Korean government have utilized two policy measures on the residential redevelopment market: Density regulation and compulsory infrastructure provision rules. However, in spite of the location-specific nature of these measures, they have been applied almost equally in every redevelopment project disturbing real estate market balances. In terms of the development density, it is obvious that higher development density is desirable when the location rent is high enough. In contrast, density easement in an area with lower location rent would not help improving economic feasibility of a redevelopment project. Considering that the optimal development density is independent from density regulation, the effect of density easement in general is at best limited.

Moreover, the presence of windfall profit in redevelopment market can offset the effectiveness of density easement because the market value of land reflects its future value to the extent that the actual profit from a development project become zero. Considering this market mechanism, the effort of the government for boosting residential redevelopment through unconditional deregulation has clear limitation in terms of effectiveness. Therefore, it is recommended that density easement should be location-specific and the presence of speculative activities in a prospective redevelopment site should be major criteria when planning decision is made.

Also, the feasibility of government subsidy for infrastructure improvement cost of redevelopment projects is questionable. In particular, considering the economic mechanism that the benefit of on-site infrastructure provision is almost exclusively absorbed by land owners, the government should take conservative attitude toward this kind of direct subsidy. However, the current system which imposes the cost of off-site infrastructure provision upon land owners need modification because it is neither justified by economic theory nor theory of justice.

The choice of policy measures for the regeneration of urban housing subdivision is even more complicated issue. Basically, housing subdivision has the risk of overcrowding development through individual economic decision-making process, and the Korean government has taken advantages from this mechanism: As a result, the housing subdivision has become a

major supplier of affordable housing stock in Korea. However, considering the physical condition of average housing subdivision, no more density easement upon housing subdivision seems to be justifiable, and this is the very reason which limits the government choice.

Alternatively, the central government and some municipalities are considering introduction of conservative neighborhood regeneration method. However, in fiscal point of view, this method does not differ from the existing incumbent upgrading projects which pose significant financial burden upon the government. Eventually, the government should figure out financing measure through which the beneficiaries can pay off the public investment in the long run.

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