

Urban Revitalization Scenarios: Ha Noi, Jakarta, and Manila

In 2007, the Asian Development Bank's (ADB) Southeast Asia Department studied three cases of historic inner-city areas considered suitable candidates for large-scale revitalization investments. These case studies are reproduced as Appendixes 1, 2, and 3, while a generic strategy for developing ADB-funded inner-city revitalization projects is presented as Appendix 4. While all three of these candidate areas lie studied within Southeast Asia, they differ greatly from one another.

While alive and thriving, Ha Noi's vast heritage area is threatened with destruction by modernization but remains a stunning opportunity for revitalization based on careful gentrification. Jakarta's Kota Tua (Old Town) is best described as a developmental backwater, with many types of commercial development having taken place within it. Some of this development has produced encouraging results, while the impacts of others have been distinctly negative. In short, Kota Tua awaits a comprehensive revitalization plan. Manila's Intramuros (Walled City) was almost



completely destroyed by Allied bombing campaigns toward the end of World War II. Now partly reconstructed, it remains in a timewarp awaiting revitalization.

HISTORICAL DIFFERENCES

While Ha Noi's French Quarter is obviously a product of French colonial expansion, the city's Ancient Quarter is instead a product of indigenous urban development that has evolved more or less continually since the 11th century. Kota Tua and Intramuros date back to the earliest years of Dutch and Spanish colonial activity in Asia. Jakarta and Ha Noi still possess a relatively large number of historic buildings representative of their respective urban histories, and both boast a central location in the heart of the capital. In contrast, Intramuros, which is located at a greater distance from Manila's financial district, contains only a few jewels of baroque architecture that miraculously survived Allied bombardment, as did its historic perimeter walls.

CITY DEVELOPMENT CONTEXT

Due to heritage laws, both Jakarta's Kota Tua and Manila's Intramuros have escaped numerous threats of destruction via urban renewal programs based on modernization. However, with modern developments growing up all around them, both seem to be living on borrowed time. In both cases, their respective neighboring Chinatowns have experienced vibrant development during the previous decade and continue to be important drivers of new construction in adjacent areas.

Ha Noi. Both the city's overall urban planning, and in particular the Master Plan for Ha Noi to the Year 2020 acknowledge the development potential of both the French Quarter and the Ancient Quarter as venues for international tourism-related services and international companies. Both enjoy the benefits of proximity to the city center. Various regulations and management plans for preservation of built heritage have drawn attention to the development potential of both quarters, and investors are now reasonably alert to existing building codes. Unfortunately, both the high population density of these historic areas as well as the mixed-use nature of development in the Ancient Quarter make it quite difficult for local authorities to ensure that all development is in accordance with existing building and heritage legislation. This situation creates ample scope for changes that may, over the medium term, become irreversible.

Jakarta. Kota Tua preserves not only its precious history and buildings, but has remained an urban development backwater. While Jakarta is expecting major residential waterfront development including expansion and modernization of its harbor, Kota Tua sits geographically in a middle ground between the city's current administrative center near the national monument (Monas) and the presidential palace. Kota Tua thus possesses a locational advantage important to its revitalization.

A Kota Tua revitalization program was recently inaugurated by the governor of Jakarta. This, together with the recent endorsement of a master plan for the whole of Jakarta raised Kota Tua's profile, both within greater Jakarta and the country. This is a welcome development, since Kota Tua's fate remained uncertain during previous decades. Building owners and investors are thus eagerly awaiting the details of the new government policies toward Kota Tua, which in and of itself acknowledges both the district's historical and cultural importance as well as its development potential.

Manila. Recent years have witnessed a growing appreciation of the development potential of Manila's waterfront, which runs along the inner reaches of Manila Bay. Since Intramuros is located adjacent to the waterfront development area of Malate, it increasingly shares the appreciation of Manila residents for the extensive development potential of this area. Further, Intramuros is located near the busy developments of Binondo, Manila's Chinatown. Unfortunately, there currently exists no master plan for Manila's development. The only planning initiatives of note relate to Malate, the development of the tracts of land recently reclaimed from Manila Bay, area housing near the vast Mall of Asia, and the harbor area. However, the plans for the latter seem to remain in a state of constant flux.

Because Intramuros has become an attractive location for educational institutions in the urban core, several small cafes and convenience stores have sprung up in the area. Nevertheless, the scale of development there pales in comparison with Manila's Chinatown and the adjacent harbor area.

PRICE APPRECIATION

The fact that all three historic urban areas are potentially excellent locations for commercial activity has caused the land on which they sit to enjoy relatively rapid price appreciation. Of the three, prices are appreciating most rapidly in Ha Noi, followed by Jakarta and then Manila.

Ha Noi. The Land Law of 2003 attempted to fix land prices at levels consistent with free market values. The land prices fixed by the Government, which ultimately become the basis for land taxes, land use fees, and leases, are announced on an annual basis. These prices likewise serve as a benchmark value for compensation for site clearance and relocation. There are four categories of land leases, each with its own land price. These prices currently range from \$0.06 to \$12.00 per square meter per year, and remain in effect for 5 years. At the end of each 5-year period, leases are revised, subject to the condition that increases do not exceed 15% of current rates. However, in practice, three factors determine land prices: (i) the land prices dictated by the Government, i.e., the people's committees of provinces or central cities; (ii) auctions or tenders of land use rights; and (iii) agreements between land users concerning the transfer, leasing, and subleasing of land.

Today, Ha Noi's limited supply of centrally located urban land has caused the city's land market to overheat, with land prices in Ha Noi rising by a factor of 10 between 1990 and 2004. While this rate of increase appears to have had no adverse impact on economic growth rates, recent years have witnessed such steep price increases that they place Ha Noi's land prices among the highest in the world. This is all the more surprising because the average income of Vietnamese remains at a relatively low level compared to other developing countries. In 2007, land prices increased so steeply that at select auctions, dwelling space located on Hangbong, Hangdao, and Hangngang streets sold at levels ranging from VND100 million to VND180 million (\$6,250–\$12,000) per square meter.

Without doubt, the real estate subsector that experienced the most rapid price increases in Ha Noi was residential accommodation, and in particular, high-end apartments. For the most part, buyers of these units are investors seeking to lease the apartments to expatriates. Currently, selling prices of apartments are in the range \$1,600–\$3,500 per square meter, which contrasts sharply with construction costs of only about \$400 per square meter. Rental prices for these high-end apartments are relatively stable, ranging from \$30 to \$45 per square meter per month, which is equivalent to levels in comparable markets. In contrast, rates for leasing office space continue to rise rapidly. The price for a square meter of A-level office space now exceeds \$50 per month at central locations, while the price per square meter for B-level office space is about \$40 per month. Annual price increases are at about 6.31% for A-level office space and 4.55% for B-level offices.

The government-fixed land prices for 2008 show an increase of 20% on average compared to their previous levels, which is widely believed by analysts in and of itself to trigger further price increases. Of late, the Prime Minister has requested the Ministry of Construction to dampen land speculation by adjusting land-use tax rates, and by applying progressive taxation to persons who own a large number of properties, those who own vacant housing and unused land, and those who buy property with the intent to resell within a short period.

Ha Noi authorities plan to increase the supply of land in the city center by relocating approximately 1,000 older factories and similar facilities from high-value inner-city locations to the suburbs. In addition to using prime land for purposes inconsistent with market values, these factories are a major source of pollution. This is reflected in a document released in 2003 by the Ha Noi People's Committee stating that removal of the factories would release prime land to higher-valued uses such as public works, schools, parks, and commercial centers. Facilities relocated will receive compensation of up to VND5 billion (\$312,500). However, Ha Noi's mayor, Nguyen The Thao, observed that the value of the land on which the facilities currently sit greatly exceeds the VND5 billion (\$312,500) in compensation.

Jakarta Kota Tua's floor space index, which is regulated by the city's Spatial Master Plan, is currently about 50% lower than in other areas of Jakarta with comparable land values. This is in accordance with the Plan, which stipulates that Kota Tua subdistricts maintain building floor ratios of 2:4. Interestingly, subdistricts with comparable building floor ratios also have higher land values. There thus exists no land tax incentives for stimulating investment in Kota Tua, and no mechanisms have been put into place to compensate for its mandated lower building floor ratios. This is a major disincentive to new investment in Kota Tua.

Nevertheless, Kota Tua's land prices are surprisingly high compared with free-market levels. Land prices quoted for Kota Tua generally do not represent the market value of the tract of land in question, as average land values are about IDR 3.6 million (\$400) per square meter, whereas actual selling prices are about IDR 6.8 million (\$755) per square meter. This difference is even more surprising in light of the fact that the entire heritage area is deteriorating. Investors typically encounter high maintenance costs, and implicit in any investment in Kota Tua is the need to remove squatters from the tract of land in question. These circumstances greatly reduce return

on investment, as do tight building controls and restricted floor space indexes, since these limit the degree to which any particular space may be put to optimum use. In light of all of the above, quick and easy development schemes are unfeasible. Thus, new investments in Kota Tua must be motivated by long-term profitability rather than short-term gain. Kota Tua's relatively high land prices can only be explained by speculators expecting substantial increases in land values driven by an upcoming revitalization program.

Manila. The Intramuros case study revealed that land prices there are about P25,000–P40,000 per square meter (roughly \$625 per 100 square meters). This price level is to some extent similar to, but in some cases 40% or 50% lower than, adjoining Malate and the Dagatdagatan commercial area located directly adjacent to Manila Hotel.

From 1979 to 1985, the price of land in Intramuros continuously increased as the Intramuros Administration restored walls and fortifications, reconstructed Spanish colonial period structures in Plaza San Luis, and introduced regular cultural activities such as concerts and performances in the Puerta Real gardens and Casa Manila. During this period the informal market *tiangge* that sits within the redeveloped area was gentrified. Illegally parked container vans were removed from the redevelopment area, and illegal settlers relocated. As a result, private landowners once again began building on their abandoned properties.

Unfortunately, this all came to an abrupt end during the People Power Revolution of 1986, a period during which the Intramuros Administration was beset with many problems. These ranged from public calls to return the Intramuros Administration's mandate to the original agencies to threats of abolishing it outright as other agencies, including the city of Manila, made bids to acquire control over Intramuros. All the while, illegal settlers who had previously been relocated returned in droves, this time in the company of their extended families. Predictably, real estate prices in Intramuros dropped. These problems notwithstanding, the Intramuros Administration survived and retained its mandate, preparation of the Intramuros Urban Development Plan continued, and the regulatory regime was refined. Since completion of the Plan in 1992, the Intramuros Administration has continued to guide Intramuros' revitalization.

A surprising finding of this case study is that land prices in the districts surrounding Intramuros are on the average 100% higher than within the historic core. However, the local government's zonal valuation of real estate within Intramuros produces much lower

values than those obtained via a survey undertaken by the Intramuros Administration's Urban Planning and Community Development Division. Equally remarkable is the fact that there exists within Intramuros about 11 hectares of empty or underutilized land that currently houses parking lots, storage spaces, and squatters.

THE ROLE OF THE PRIVATE SECTOR

Ha Noi. Both Ha Noi's French Quarter and Ancient Quarter have enjoyed buoyant private investment in tourism, handicraft production, and commerce in recent years as a result of increasing internationalization of Viet Nam's economy. Optimism in the city center has increased competition for prime locations for investment, which has resulted in skyrocketing prices for land. New real estate development, which as mentioned previously is mostly in the high-end market for private homes, as well as refurbishment of existing high-density residential neighborhoods that will likely lead to gentrification has begun. As the Ha Noi case study shows, proposals for combining architectural conservation principles with high-density residential development are emerging and are likely to further increase real estate prices. These developments will no doubt be aided by the city's policy of relocating polluting industries to the suburbs.

Jakarta. The city government's recent declaration of the Kota Tua restoration project has raised private sector optimism regarding investment opportunities in Kota Tua. Tourism and entertainment as well as culture-related investments have already begun. Restaurants, bars, art galleries, and hotels are emerging in many Kota Tua locations, all no doubt encouraged by the decision to pedestrianize Kota Tua's core area.

However, investors are still cautious. The private sector seems to be awaiting clarity regarding permissible land use, the Government's transport plan, and the likely impact of megaprojects in adjacent areas such as the waterfront and expansion of the harbor. Another obstacle to private investment is absence of effective flood control. Deforestation in Java's interior has made flash floods a recurring phenomenon in Jakarta, as have rising sea levels and salt water intrusion caused by depletion of ground water.

Manila. The city's central areas (Binondo [Chinatown], Malate, Manila city center, Manila harbor, and the areas fronting Manila Bay)

are being rapidly transformed by private investors constructing high-rise buildings. This development is particularly welcome in Malate and Binondo, since these areas were afflicted with urban decay in the years following the People Power Revolution of 1986. Since then, Manila has begun presenting a new modern face to the world. This is apparent from the current optimism in the city's real estate market, as well as the ongoing sea change in Manila lifestyles that are increasingly drawn to high-density, high-rise living in the city center.

Interestingly, many of the residential high-rise projects are aimed toward the middle class rather than high-end consumers. This development appears to be supported by the country's steady inflow of overseas remittances, as well as an urban middle class that has experienced urban life abroad. This is complemented by shopping malls, both in Malate and the areas fronting Manila Bay. The Philippine Reclamation Authority has aided these processes by reclaiming land from Manila Bay for high-end commercial development. Similarly, Manila's harbor area further north is expanding, with more dry-harbor areas being opened for container handling and harbor-related storage. Likewise, Manila's drive to rid the city center of organized crime and illicit drug-related activities have made its inner-city areas increasingly attractive to private investors.

While these are welcome developments, the private sector maintains a wait-and-see approach to Intramuros, which has seen only cautious investments in recent years. These have mainly comprised boarding houses for students or seamen; branch offices of Manila-based companies; shops serving students from nearby educational institutions; and enterprises of a less permanent nature such as open-air restaurants, parking lots, and storage facilities. Current bylaws, floor space restrictions, substandard infrastructure (e.g., absence of proper sewerage and flood control facilities), and a sizable squatter population all combine to make the area unattractive to large-scale private investment. It appears that only a concerted effort by public and private stakeholders, combined with a more aggressive stance by the Intramuros Administration, will result in large-scale investment in Intramuros.

ONGOING AND REQUIRED INVESTMENTS

Ongoing or required public and private infrastructure investments for encouraging private development in Ha Noi, Kota Tua, and Intramuros are summarized in Table 2.

Table 2: Infrastructure Investments for Encouraging Private Development

Aspects of Revitalization	Public Investments	Private Investments	Remarks
Intramuros			
Infrastructure, environment	Rehabilitation of roads, sidewalks	Water supply, sewerage, electrical connections (surface and underground cabling), parking	In Manila, water supply and electricity have been privatized.
Residential improvements	Relocation of informal settlers to alternative sites nearby	Relocation of informal settlers to alternative sites nearby	The Government has spearheaded relocation of Intramuros squatters to the nearby Baseco area near the harbor.
Heritage properties	Rehabilitation and reconstruction of residential, commercial, and culturally valued buildings	Rehabilitation and reconstruction of residential, commercial, and culturally valued buildings	The Intramuros Administration is rehabilitating heritage buildings such as the old customs building.
Business promotion	Formation of small and medium-sized enterprises	Boutique hotels, handicraft and art centers, hostels and dormitories for students	The Government's promotion of arts, fairs, and handicraft markets has had mixed success
Other		Business formation	

Aspects of Revitalization	Public Investments	Private Investments	Remarks
Kota Tua			
Infrastructure, environment	Upgrading of infrastructure: water supply, waste management, sewerage and waste treatment works, transport, pedestrianized zones, abating river pollution, air pollution, and improved solid waste management		The recent alerts concerning more frequent severe flooding in Kota Tua must be addressed through comprehensive measures to encourage private investment
Residential improvements	Slum improvement	Refurbishment of properties occupied by squatters, relocation of squatters to alternative sites, and construction of new residential facilities on empty or subutilized plots and sites within or adjacent to the historic district	Kota Tua is surrounded by residential high-rise developments that may benefit from the attractive central location of the upcoming investment district in Kota Tua
Heritage properties	Private-sector-friendly regulations, fast-track procedures, and efficient supervision and monitoring of Kota Tua's revitalization program	Adaptive and modern reuse of urban heritage buildings	The Government has taken some lead, but resources are limited so many heritage properties are privately owned.

Aspects of Revitalization	Public Investments	Private Investments	Remarks
Business promotion	Strengthening of existing economic activities and incentives for new investment through improved infrastructure, tax incentives, and business development assistance	Encouragement of public–private partnership projects involving local stakeholders	The business community awaits clarity regarding the city administration’s sectoral policies.
Other	Improved multiethnic relations and revival of harmonious sociocultural life through attractive outdoor and meeting spaces, community facilities, and community advocacy.	Professional management with opportunities for participation by all stakeholders	
Ha Noi			
Infrastructure, environment	Roads, sidewalks, water supply, sewerage systems, and storm water drainage; improved electricity distribution system; solid waste management; traffic management; and improved public transport	Public–private partnerships for public transport; agreements with private investors regarding sidewalks, sewerage, storm water drainage, and traffic management; and construction of parking facilities	

Aspects of Revitalization	Public Investments	Private Investments	Remarks
Residential improvements	Regulations governing buildings and construction; encouragement of private initiative through higher floor-space indexes; Government-supported relocation of families affected by modernization projects to new apartment buildings within the area	Sale of Government-owned homes to private parties	
Heritage properties	Gentrification of historic French villas and reconstruction of monuments and buildings		
Business promotion	Encouragement of mixed-use, high-density complexes	Investment in handicrafts, commerce, and tourism-related services; construction of heritage and boutique hotels and related facilities	
Other	Limiting indiscriminate signage and obstructive advertisements.		Promotion of cultural and culinary festivals by the Government

SUGGESTED IMPLEMENTATION STRATEGIES FOR HA NOI, JAKARTA, AND MANILA

Wide differences exist in the institutional arrangements for implementing revitalization programs Ha Noi, Jakarta, and Manila. While the current institutional arrangements are not necessarily ideal, the respective city governments are aware of the need for improving them.

Ha Noi. The government decision regarding the renovation and development of Ha Noi's Old Quarter released in 1995 stresses sustainable urban development through partnerships involving both the public and private sector. As early as 1993, the Government began endorsing regulations and development plans relating to the Ancient Quarter, as well as Hoankiem Lake and adjacent areas. Then in 1998, a Department of Conservation Management for the Ancient Quarter was formed, as was an office for an architect-in-chief directly responsible for development, the latter reporting to the Ha Noi People's Committee, which is Ha Noi's most powerful local authority. These favorable administrative arrangements notwithstanding, the responsibilities of the Department of Conservation Management are limited to looking after historic monuments. Effective management of public-private partnerships would require that this agency interact more frequently with the Ancient Quarter's local government, residents, and business community. This could be achieved through development of a steering committee, or better yet by giving the Department greater authority to interact with investors and project developers.

Jakarta. Political support for revitalization of Kota Tua is apparent, particularly in light of the urban planning initiatives that have accompanied the governor of Jakarta's announcement of a revitalization program for Kota Tua. In addition, the Provincial Planning Board (Bappeda) is currently assessing whether or not to form an autonomous management body for Kota Tua. In late 2007, a technical implementation unit within the tourism office was established to look after Kota Tua's revitalization. However, due to limitations on this unit's activities, that body will be unable to carry out the type of dialogue with the business community required for Kota Tua's revitalization. Hopefully, Jakarta's city administration will realize

this, and will form a more powerful, autonomous body capable of properly marketing Kota Tua's revitalization to the private sector, and managing public-private partnerships. Such an entity could be either fully integrated into the government administration or function as a semi- or fully autonomous body.

Manila. The Intramuros Administration exemplifies operation of a dedicated administrative body. Organizationally, it reports to the Department of Tourism rather than the city of Manila. Nevertheless, the Intramuros Administration operates as a quasi-municipality, which makes it rather unique. In terms of innovation, it is constrained by budgetary limitations, as well as a perception that it should be a conservative body focusing on preservation rather than development. This notwithstanding, the Department of Tourism has spearheaded some initiatives, such as the relocation of hundreds of squatter families to reclaimed land in Manila's harbor area under a grant from the Government of Japan. However, the Intramuros Administration seems less prepared to promote private investment, say, by providing assistance in deal-making and in promoting Intramuros as a commercial venue. As the statutes governing the Intramuros Administration permit commercially oriented activity such as build-own-transfer operations, it could easily expand its role to that of project broker or even project developer. While political support for Intramuros's revitalization is apparent, existing institutional arrangements seem to not yet take full advantage of this.