Revitalization of Historic Inner-City Areas in Asia
The Potential for Urban Renewal in Ha Noi, Jakarta, and Manila
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The Potential for Urban Renewal in Ha Noi, Jakarta, and Manila

Florian Steinberg

Asian Development Bank
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Publication Stock No. BBK 175608
ISBN 978-971-561-762-8

Cataloging-In-Publication Data

Asian Development Bank.
Revitalization of historic inner-city areas in Asia: the potential for urban renewal in Ha Noi, Jakarta, and Manila.


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1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
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For orders, please contact:
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While cities in Asia and the Pacific have been concentrating on their conventional infrastructure requirements, many cities are still discovering how to deal with the challenge of urban renewal in a broader sense. Many cities in the region do own old or historic inner-city areas of considerable historic and cultural value. These city centers are not only valuable old assets but opportunities for revitalization of local economic development and national cultural identity. The cases of Ha Noi, Jakarta, and Manila, presented in this publication on *Revitalization of Historic Inner-City Areas in Asia*, demonstrate that inner-city areas and urban heritage assets can become important opportunities for public and private investments with a good potential for bankable and profitable public–private partnership projects. Urbanizing Asia in the 21st century requires a fresh look at urban renewal and historic inner cities, and the Asian Development Bank (ADB) has a role to play in this area.

To increase opportunities for urban revitalization and renewal in pursuing inclusive growth under ADB’s Long-Term Strategic Framework 2020, the Urban Community of Practice in ADB is of the opinion that urban development activities need to include more rigorous knowledge sharing with developing member countries on good practices, innovative development tools and approaches. In this regard, the Urban Community of Practice of ADB is happy to present another contribution under its *Urban Development Series* which will contribute to spearhead knowledge contribution toward the challenges of historic inner city areas in Asia and the Pacific.

We hope this series will encourage discussion on the sustainable development of Asian cities, and help develop forward-looking urban policies and practices to manage the challenges ahead.

Hun Kim
Chair, Urban Community of Practice
Asian Development Bank
Acknowledgments

The author of this publication gratefully acknowledges the research contributions of the three consultants who contributed case studies: Nguyen Vu Phuong, Ha Noi; Sugiantoro, Jakarta; and Cristina Turalba, Manila. Their commitment and enthusiasm for this assignment, a true “labor of love,” assured the richness of these contributions which are the backbone of this publication. Further the assistance of the following agencies is acknowledged: Hanoi People’s Committee; Ministry of Construction, Viet Nam; Town Planning Office, Special Capital Province of Jakarta; and Intramuros Administration, Manila. The author also thanks Arjun Thapan, David Green, and Shireen Lateef of the Asian Development Bank (ADB) for their encouragement, and Mike Lindfield for his peer review of the materials. Manuscript editing was done by Lynette Mallery. Ma. Priscila P. Del Rosario and Muriel Ordonez assisted with editorial matters. Vic Angeles assisted with production matters. Ms. Ma. Virginita A. Capulong provided overall coordination in production and publication.

Florian Steinberg
Senior Urban Development Specialist
Southeast Asia Department
Asian Development Bank
fsteinberg@adb.org

November 2008
### Abbreviations

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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>EA</td>
<td>executing agency</td>
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<td>HABITAT II</td>
<td>Second United Nations Habitat Conference on Human Settlements</td>
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<td>IA</td>
<td>implementing agency</td>
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<td>IADB</td>
<td>Inter-American Development Bank</td>
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<td>NGO</td>
<td>nongovernment organization</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>SMEs</td>
<td>small and medium-sized enterprises</td>
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<td>TA</td>
<td>technical assistance</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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### Note

In this publication, “$” refers to US dollars.
Summary

Many of Asia’s large cities served as centers of trade for centuries. As a result, they possess historic urban cores that initially functioned as these cities’ centers of commerce. While most of these cores still stand replete with buildings, artifacts, and other features of historical and cultural value, these living museums fell into neglect during the 20th century, often as an unintended by-product of rapid urbanization.

Rapid urban growth often leads to the collapse of large cities’ historic urban cores, since urbanization generally occurs at a more rapid pace at cities’ peripheries than centers. Examples of this phenomenon abound in Southeast Asia, such as in Jakarta, Malacca, Manila, Penang, Saigon, Semarang, and the historic centers of cities of similar size in the People’s Republic of China (PRC), India, Nepal, and Pakistan. From the point of view of economic efficiency, neglect of these historic urban centers represents a foregone opportunity for growth in national income. Their revitalization, which without exception includes upgrading of their infrastructure, increases not only the value of the real estate on which they stand, but likewise their attractiveness to commerce, tourism, and trade.

Further, these historic urban centers represent compelling opportunities for public–private partnership investment projects that often multiply many times over the development impact of each unit of government expenditure. Revitalizing Asia’s historic urban centers thus makes sense from numerous perspectives, including economic efficiency; promotion of commerce, trade, and tourism; employment creation; poverty reduction; and the strengthening of civic and national pride.
The Asian Development Bank (ADB) recognizes the multifaceted potential of the historic urban cores of Asia’s cities, and as a result, has included revitalization of historic urban centers as one of many facets of its urban development strategy.\(^1\) ADB likewise recognizes that rapid economic growth, which many of Asia’s larger cities have experienced in recent decades, has been sufficient in scope and impact to enable Asia’s urban centers to become clients of not only subsovereign lending instruments, but public–private partnership investments as well.

ADB’s Innovation and Efficiency Initiative thus includes subsovereign financing instruments well suited to revitalization of historic urban centers, since many of them support lending to the private sector.\(^2\) Examples include equity funding and guarantees, multitranche lending, and local currency loans. Such financing vehicles open the door not only to revitalization of the historic urban cores of Asia’s great cities, but as well to its concomitant economic benefits.

ADB has a wide mix of financing instruments to meet both public and private financing requirements of historic urban center revitalization. By design, ADB’s flexible financing arrangements strengthen the role of government as facilitator and that of the private sector as the main driver of physical and economic revitalization. They thus should be viewed as instruments of privatization and economic efficiency for Asia’s developing countries.

Both the World Bank and the Inter-American Development Bank (IADB) have successfully financed the revitalization of historic urban centers in Argentina, Brazil, PRC, Ecuador, Jordan, Morocco, and Russia. Characteristic of these projects is their orientation toward economic revitalization and development of specific sectors such as tourism, or particular economic features such as environmental sustainability.

In general, successful inner-city revitalization strategies bring together key public- and private-sector participants in a setting that emphasizes the benefits of revitalization projects likely to accrue to each participant. Further, the initial focus is on small interventions that serve as the foundation for a series of projects that ultimately result in broad coverage of the urban center in question. Such an incremental approach builds trust among participants and allows

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them to experience the benefits of urban revitalization in a non-disruptive way. Growing trust and acceptance among participants allows the scale of such interventions to increase until the revitalization initiative is complete. Such an incremental and process-based approach to revitalization of the historic urban core has been found to be the most efficient path to success. Thus, it would probably work best in the revitalization of, for example, the vast historic area comprising Ha Noi’s urban core, Kota Tua (Old Town) in Jakarta, and Intramuros (Walled City) in Manila.

In general, the overall goal of such a process is to formulate a consensus-based revitalization strategy that emphasizes a private–public approach to inner-city revitalization. External assistance can develop the basis for an urban revitalization fund, which is a financial facility that can be used by both private and public institutions associated with the revitalization of historic urban centers.

The components of such a typical urban revitalization strategy requiring financing include: (i) construction and/or rehabilitation of relevant infrastructure and measures for improvement of the physical environment; (ii) upgrading of slum tenements; (iii) adaptive rehabilitation of existing buildings and construction of new commercial and housing complexes where appropriate; (iv) a support facility for small and medium-sized enterprises (SMEs) including tourism-related businesses; and (v) the building of institutional capacity for management of the revitalization initiative that inevitably involves both public and private entities and, as a result, requires extensive consultation with, and participation by, relevant stakeholders.

Similarly, such a revitalization strategy must address the issues currently impeding urban revitalization. This includes factors constraining the financing of urban revitalization, whether these occur in the legal, institutional, or financial dimensions. For example, the recycling of historic properties from their current uses into a new set of economic activities raises land ownership and management issues that can only be successfully resolved through consensus. Often, establishment of a historic city corporation that undertakes information campaigns and functions as a focal point for consultation is an important part of a successful strategy for transforming historic urban centers to more productive and efficient uses.

Given success in project design, planning, and implementation, the expected outputs of urban revitalization initiatives will be as follows:

(i) construction or upgrading of essential infrastructure and improvement of the physical environment;
(ii) rehabilitation of dilapidated housing and elimination of slums;

(iii) adaptive reuse of existing buildings of historical value, and construction of new commercial facilities and housing in a manner appropriate to, and in harmony with, the historic aspects of the area being revitalized;

(iv) development of SMEs; and

(v) building of institutional capacity for management of the revitalization effort.

In virtually all urban revitalization initiatives, success in forming investment partnerships with the private sector is key, since it is private initiative that sustains urban revitalization over time. Further, forming such partnerships requires policies and projects that respond to the budget constraints of citizens and businesses currently active in the historic urban areas in question, while at the same time promoting a commercial orientation to the revitalization effort. Specifically, projects based on the private sector principles of build–operate–transfer; build–operate–own; and build, finance, and transfer are likely to constitute the most successful approach, provided that these can be modified to meet the requirements of the urban revitalization initiative in question.

Finally, success in such efforts cannot be expected without putting into place a legislative framework that both facilitates the overall revitalization effort and exposes participating entities to market forces. For example, abolishing rent controls is likely to be a precondition to success, since these have formed a major constraint to revitalization of Asia’s historic urban centers to date. Open-minded city management that supports urban revitalization is likewise essential. Examples of such open-mindedness include not only the inclusion of urban renewal guidelines, but even the provision of model documents and contracts as a means of providing information on the intent of city managers and facilitating the completion of agreements necessary for moving specific projects forward. Such acts signal to investors the intent of city managers to support profitable initiatives that lead to revitalization of the historic urban core. At a base level, this reduces uncertainty and replaces it with investor confidence, the latter being key to stimulating the type of private investment necessary for equipping Asia’s great cities to meet the globalization and environmental sustainability challenges of the 21st century.
Introduction

Many of Asia’s large cities have served as centers of international trade for centuries. As a result, most have urban cores replete with buildings, artifacts, and other features of historical and cultural value. However, many of these living museums fell into disrepair during the 20th century, often as an unintended by-product of rapid urbanization.

As exemplified throughout Asia, rapid urban growth leads to the collapse of historic urban cores in large cities when urbanization occurs at a more rapid pace at the urban periphery than in the city center. In the People’s Republic of China, a visit to the historic urban cores of Beijing and Shanghai reveals this pattern, as does Jaipur, Jaisalmer, Jodhpur, New Delhi, and Udaipur in India. The same is true of Jakarta and Semarang in Indonesia; Malacca and Penang in Malaysia; Yangon in Myanmar; Bahktapur, Kathmandu, and Patan in Nepal; Lahore in Pakistan; Cebu, Manila, and Vigan in the Philippines; and Ha Noi, Ho Chi Minh City, and Hoi An in Viet Nam.

From the perspective of economic efficiency, neglect of these historic urban centers represents a foregone opportunity for economic growth. Their revitalization, including upgrading of the infrastructure that serves them, increases not only the value of the real estate on which they stand, but likewise their attractiveness to commerce, tourism, and trade. Unlike agriculture, all are important factors in poverty reduction and are capable of creating employment that absorbs vast amounts of labor but uses little of a country’s land resource, which is fixed in supply.

Asia’s historic urban centers likewise represent compelling opportunities for public–private
partnership investment projects. From the point of view of the private sector, these investments are desirable because of their profitability. From the public sector perspective, such investments are efficient because they multiply many times over the development impact of each unit of government expenditure. Revitalizing Asia’s historic urban centers thus makes sense from numerous perspectives, including economic efficiency; promotion of commerce, tourism, and trade; employment creation; poverty reduction; and the strengthening of civic and national pride.

The Asian Development Bank (ADB) recognizes the potential of the historic urban cores of Asia’s cities to contribute to economic growth, and as a result, included their revitalization as one of many facets of its urban development strategy. ADB likewise recognizes that the rapid economic growth that many of Asia’s large cities have experienced in recent decades has been sufficient in scope and impact to enable Asia’s urban centers to become clients of not only public–private partnership investments, but subsovereign lending instruments as well.

ADB’s Innovation and Efficiency Initiative thus includes numerous subsovereign financing instruments well suited to the purpose of revitalization of historic urban centers, since many of them support lending to the private sector. Examples include equity funding and guarantees, multitranche lending, and local currency loans. Such financing vehicles help open the door not only to revitalization of the historic urban cores of Asia’s great cities, but also to the economic benefits that such revitalization bestows. Further, these vehicles help strengthen the role of government as facilitator rather than provider and emphasize the private sector as the main driver of investment in historic inner-city areas.

The chief purpose of this publication is to stimulate discussion with ADB’s developing member country governments regarding investment in the revitalization of the historic urban cores of Asia’s great cities. For the reasons cited previously, such urban renewal efforts are likely to pay generous dividends in terms of economic growth. Similarly, since such investments are best implemented through the motive force of private investment, they can rightly be considered a component of government policy that encourages expansion of private sector activity within the countries and economies concerned. Urban revitalization initiatives thus warrant serious consideration by developing member country policy makers.

In recent years, urban regeneration has emerged as an important issue in urban planning and design, mainly because of the economic, cultural, technological, and physical benefits it confers. In this context, “urban regeneration” refers to reinvestment in the social, economic, cultural, and physical infrastructure of urbanized areas.

Couch (1990) describes urban regeneration as seeking to bring back investment, employment, and consumption and to enhance the quality of life within urban areas. Holcomb and Beauregard (1981) agree with Couch, but they add “growth” and “progress” to the definition of what they refer to as “urban revitalization” and state that, as with earlier labels (e.g., “urban redevelopment”, “urban renewal”, and “urban regeneration”), urban revitalization implies growth, progress, and infusion of new economic activities into stagnant or declining cities that are no longer attractive to investors or middle-class households.
Ultimately, all cities are in a state of continuous transition. That is, they are continually in the process of becoming larger, smaller, better, or worse—in one way or another, different than they were in the past. This process of continual transition occurs partly in response to the political, industrial, economic, and social changes cited by Middleton (1991). Holcomb and Beauregard (1981) discuss the reasons for continual transition, pointing out that cities experience periods of growth and decline, both of which lead to transformation of urban space from one economic and social use to another.

Decay of inner urban space often occurs within the context of such transformation. According to Clark (1989), inner urban decay, crime, racial tension, riots, mass unemployment, and falling standards in the provision of urban services are some of the more obvious and disturbing indicators of a general and deep-seated deterioration in the social, economic, political, and financial fabric of a city. Middleton (1991) points out that such decline leads to out-migration of younger and more skilled members of urban populations as they seek employment elsewhere. The result is that, as Robson (1988) points out, the population trapped in inner-city areas tends to mainly comprise single parents, unskilled workers, and elderly persons.

In recent decades, urban revitalization initiatives have enjoyed increasing support in industrialized countries. However, in developing countries, interest in it—both intellectually and professionally—has rarely extended beyond heritage campaign groups, a relatively small number of foreign-trained local professionals, and external advisors who advocate adaptive reuse of heritage structures. This pattern is perhaps most apparent in the political dimension in developing countries.

For the most part, the legal and administrative framework for conservation of historic areas in developing countries—insofar as it exists at all—largely consists of a set of prohibitions against construction within historic areas, although effective enforcement of such prohibitions is rare. In developing countries, housing areas of earlier vintages are, for the most part, still seen as “problems” rather than as an aspect of urban life that can make an important contribution to growth in national income and cultural identity.

In some cases, “modernization” drives have been carried out to the extent that historic urban cores were decimated. Singapore provides an excellent example of this phenomenon, in that it has almost completely destroyed its stock of heritage buildings. Only because of a dramatic policy shift in the mid-1990s, through which conserva-
tion of remaining historic zones was initiated, can Singapore today boast a few newly renovated heritage areas such as its Chinatown, Little India, and the Arab Quarter. Without doubt, the impact of Singapore’s modified urban revitalization policy has been to boost new business initiatives in the city’s heritage areas. Both the country’s real estate and tourism-related shopping and hotel facilities have benefited from this policy shift, albeit at the expense of relocation of most of the original residents of the revitalized areas.

Over the past 50 years, the urban development focus of most governments in the developing world—as well as that of most international aid agencies—has been on new construction. This is particularly true of development policy as it relates to residential areas, including those built through authorized channels as well as those that have emerged through informal processes rather than government initiative. Typically, most of this housing stock was constructed in a hurried manner. As a result, its current state is characterized by overcrowding, infrastructure services of poor quality or incomplete coverage, low-quality construction, and poor site orientation. Generally, the response to rapid urban population expansion has simply been to replicate this same model. As a consequence, by the 1970s, the vast majority of the housing stock in most large cities in the developing world was less than 25 years old. The housing stock of earlier vintages is thus considered to be insignificant in size when compared to the scale of the problem of providing adequate housing to a rapidly expanding urban population.

Similarly, the desire for modernization by governments and decision makers in developing countries has often led to a view that only “modern” housing of new construction is a worthwhile investment. As a result, housing complexes of earlier vintage construction or those erected in the traditional style are often considered to be of little value. They are typically torn down or, at best, ignored. Older-style housing, which is typically concentrated in the urban core, is often left in a state of physical deterioration and overcrowding, and is usually poorly served by urban infrastructure. Therefore, it is easy to label such areas as “slums” and to slate them for demolition at the earliest opportunity.

Further, as a result of rapid population growth, many large cities in the developing world have undergone wholesale transformation of their urban economies, a phenomenon that has typically led to a dramatic shift in the composition of economic activity and the spatial pattern of land use in the urban core. The historic areas of such cities become transformed into tracts of land highly valued by
commercial users. This typically leads to continually increasing pressure to eliminate any remaining vintage housing stock.

For all of the reasons cited above, most cities in the developing world have paid—and continue to pay—very little attention to revitalization of their historic urban cores and the housing stock that exists within them. As a result, these areas continue to decline, both in terms of their overall quality and their potential contribution to the city’s housing market and overall economy.

In fact, the potential contribution of these historic urban areas is vastly greater than is commonly realized. Nearly all of Asia’s cities, even the fastest-growing ones, contain a vintage housing area that has existed for centuries, the large cities of today having simply grown up around this urban core. For example, the vintage housing stock of Beijing, Mumbai, Ha Noi, Lahore, Old Delhi, Penang, and Shanghai is—in quantitative terms—still significant, since it constitutes a large portion of the centrally located housing stock. In other cities such as Jakarta, Malacca, and the Intramuros area of Manila, the number of residences or office buildings constructed for the colonial elite was smaller than in the previously named cities, which made the scale of the quarters built for the “native” civil service personnel smaller, which comprise today’s historic urban areas. As a result, the vintage housing stock that still remains in the three latter-named cities is more consolidated in nature.

WHY PROTECT?

If revitalization of the historic urban core of Asia’s great cities is to occur at all, or is to be sustained, its foundation must be that of economic efficiency rather than sentimentality. It is thus little wonder that the economic aspects of revitalization initiatives dominate discussions of urban revitalization. Bever (1983) argues that the most important benefits of preserving a city’s historic heritage are economic. These include employment creation, stimulating commerce, and the obvious truism that it costs less to rehabilitate a building than to construct a new one.

Stripe (1983) adds to this the psychological benefits of urban revitalization initiatives:

First, we seek to preserve because our historic resources are all that physically link us to our past. Second, we strive to save our historic and architectural heritage simply because
we have lived with in and it has become part of us. Third, we save our physical heritage partly because we live in an age of frightening communication and other technological abilities, as well as in an area of increasing cultural homogeneity. Fourth, we preserve historic sites and structures because of their relation to honor and understanding. Fifth, we seek to preserve the architecture and landscapes of the past simply because of their intrinsic value as art.

Fitch (1982) discusses still other benefits of urban revitalization. He argues that “organized society has already recognized the educational role of historic sites and monuments”. His reasoning is that architectural heritage has an important role to play in education. Today, when visual appreciation and first-hand experience play a decisive role in education, it is essential to keep alive the evidence of different periods and their achievements to provide a wealth of material for explaining and comparing forms, styles, and their applications (European Charter of the Architectural Heritage 1975).

HOW SHOULD HISTORIC CITY CENTERS BE REVITALIZED?

The previous views notwithstanding, historic urban areas are not necessarily worthy of revitalization simply because they are old. It is Tarn's (1985) view that while there are merits to including social value and factors when appraising cultural inheritance, these should not dictate all aspects of the future well-being of towns and cities. Tarn believes that conservation initiatives must be assessed critically and qualitatively and not merely in terms of the chronological age of the artifact or tradition in question. Economic efficiency dictates that governments develop transparent policies toward historic urban areas that take account of numerous factors in an objective manner if optimal or even predictable outcomes vis-à-vis revitalization of urban centers are to be expected. It is a simple economic fact that policy formulated by default rather than deliberate design rarely leads to optimal outcomes.

In part, the current policy of governments toward the existing housing stock is driven by uncertainty. In general, governments realize that it is counterproductive to remove large portions of this housing, given the rapidly expanding demand for housing and the inability of existing institutions to provide new housing units at the
pace required. By default, the focus shifts to providing new housing units as rapidly as possible. This often includes demolishing older housing areas or letting them deteriorate via a policy of neglect.

Even in developing countries where urban revitalization has been attempted, such efforts are usually conducted on a small scale and often focus on the most profitable projects, such as those portions of historic areas with tourist potential. This is, in part, an outgrowth of the widely held view that tourism is often the sector with the greatest potential for rapid growth in national income (Tarn 1985).

However, such approaches often forego the full benefits of revitalization. According to Smith (1983), recreation of feelings of community or neighborhood can be achieved within the urban context by reuse of the existing housing stock. Besides refurbishment or redevelopment on a case-by-case basis, one strategy is the “neighborhood approach” of Haberer et al (1980), which addresses urban renewal as a social, financial, and organizational issue.

Regardless of the policy stance in force, once the decision to revitalize a historic urban area has been taken, soliciting the participation of current residents is of utmost importance. Not only is such participation a precondition to the success of any revitalization program, it goes without saying that the impact of conservation of historic towns and urban areas is most acutely felt by residents; as a result, they must be consulted in advance of beginning any such initiative (International Council on Monuments and Sites 1987). Further, any negative impacts on residents that result from revitalization initiatives (such as mandatory relocation) must be addressed at the project design stage rather than during implementation if optimal results are to be expected.

According to Krüger (1993), urban regeneration necessitates active participation by individuals, groups, and communities, since any revitalization initiatives ultimately shape their environment and quality of life. Donnison (1993) emphasizes the importance of organizations in urban revitalization initiatives, claiming that

we must involve local people, giving them a voice in the action, but, involving local people means that we need a proxy client of an organized kind, representing the residents and the many active community groups to be found even in the most deprived and impoverished neighborhoods.

Regardless of the overall policy stance in force, urban revitalization initiatives involving historic areas typically employ or combine one or more of the following approaches.
Adaptive reuse and cost recovery. Ultimately, all revitalization initiatives must be financed. A key concern is raising the funds necessary for seeing initiatives through to completion. One approach to raising such funds is adaptive reuse. Under this approach, private entities and/or nongovernment institutions are allowed to lease historic facilities for commercially viable uses that respect their historical value and to earn a profit from the use to which the facilities are put. Examples of adaptive reuse include heritage investments in Cartagena, Fez, India’s Rajasthan region, Penang, Quito, Sana’a, Singapore, and Tunis. Adaptive reuse is generally appropriate to heritage structures and not necessarily those of a grandiose nature.

Heritage investments carry significant cultural prestige value and thus often stimulate private investment. In addition, they often improve the corporate image of the company sponsoring their revitalization via association in investment in social good. This often makes them particularly attractive to private investment. Further, adaptive reuse is often seen as being desirable because of its positive connotation toward the environment. In some countries including Australia, demolition of heritage structures is considered wasteful. Because heritage investments are widely considered to be good for the environment, the recycling of vintage buildings often forms an essential element in policy aimed at sustainable development.

However, adaptive reuse is not a universal solution to the problem of financing urban revitalization initiatives. Its usefulness is often limited when investing in monuments and heritage objects, since these usually generate only modest revenues. Investments in monuments and related heritage objects thus often require not only political backing, but financial incentives such as tax incentives or possibly even loans on concessional terms.

Integrated area development. There exist few examples of initiatives that address integrated revitalization of entire historic city centers. The reason for this is that such initiatives simultaneously require (i) modernization of economic activities within the entire urban core, which usually requires significant investment in infrastructure; (ii) restoration of monuments; and (iii) mass rehabilitation of entire housing areas, which requires a cooperative financing plan funded by individuals as well as commercial and public sector entities. This has been attempted to some extent in Bhaktapur as well as Tunis’s medina (old city). However, in the case of both initiatives, to date the contribution of the private sector remains below expectations. Similar projects have been proposed in Cairo, Penang, Quito, Sana’a, and in some medium-sized cities in the People’s Republic of China (PRC).
Full commercialization of historic city centers. Few cities have followed an entirely commercial model in revitalizing historic urban areas. Singapore provides the best example of this approach, since it allowed the local redevelopment authority to acquire all plots of land located within the designated conservation areas. These plots were then sold to commercial entities for rehabilitation-cum-redevelopment as shops, restaurants, tourist hotels, or offices.

Cartagena provides a second example of full commercialization. By delineating the conservation area, the authorities ensured that the historic properties it contained were not demolished and that investors would be required to rehabilitate the late medieval buildings in the historic area for private use. Almost without exception, the mansions in the historic area were rehabilitated as residences, offices, or retail shops. Key to Cartagena’s successful revitalization initiative was the local administration’s support to private investment in the city’s historic center. Flexibility with regard to floor space indexes made it possible for some backyards to be converted into modern structures that support increased occupancy densities. This greatly increased the attractiveness of the properties concerned to investors.

Transfer of development rights. Both Mumbai and Rio de Janeiro are experimenting with the North American method of transfer of development rights, which can be applied to privately held or owned premises listed as monuments and located in areas deemed ripe for development. Typically, land prices are rising rapidly in such areas due to the construction of nearby high-rise buildings. In order to encourage renovation rather than demolition of privately owned monuments, owners are offered alternative plots of land suitable for development. This intent is to compensate the owners for the income they forego by not developing the plots occupied by the monuments and to cover the cost of their renovation. A precondition to success in using this approach is availability of government-owned land that can be offered as compensation.

From socialism to real estate development. Historic city centers in the PRC offer numerous opportunities for urban revitalization, mainly because of the current trend toward privatization, commercialization, and the opening of housing and real estate to private investors. However, taking advantage of these opportunities will require that appropriate financing mechanisms be put into place if
the historic centers of these cities are to be revitalized rather than demolished.

In the case of Cuba, the country remains in tune with socialist patterns of economic organization that include state control of land and investment. This has caused the vintage housing stock in Havana—itself a world heritage city—to be on a course that will ultimately lead to collapse. This notwithstanding, as of this writing, large-scale heritage investments in hotels, restaurants, upmarket shopping facilities, and luxury housing appear to have begun, signaling that significant development potential remains for intensive real estate development in the city’s historic center.

**Modernization of commercial activity.** An emerging concern within the context of modernization of historic urban centers is the likely disappearance of traditional forms of land use and the economic activities associated with them. Revitalization of the historic urban cores of cities such as Cairo, Fez, Old Delhi, Lahore, Sana’a, and Tunis will almost certainly lead to the disappearance of economic activities that are nearly medieval in nature. This is particularly true in cases in which revitalization of historic urban centers occurs via a process of gentrification (Smith and Williams 1986). This issue exemplifies the fact that policy toward revitalization of historic urban centers inevitably involves tradeoffs that must be decided upon by deliberately transparent policy to prevent traditions that form an integral part of the cultural heritage of the urban area in question from being lost without consideration being given to the long-term cost of their disappearance.

**Feedback between increased land values and public revenue.** In addition to increasing land values, revitalization of historic urban areas also increases local tax revenues, which in turn provides additional stimulus for rehabilitation of the infrastructure serving the revitalized area. Conversely, revitalization of historic city centers contributes to modernization of the commercial sector, thereby increasing revenues. Singapore’s experience is that urban revitalization leads to a significant increase in property values. Rehabilitation of the shop houses in Singapore’s heritage areas have caused property values to increase to nearly eight times their pre-rehabilitation levels. In Cartagena and Quito, a substantial increase in property values in the historic centers of these cities is expected to result from their respective urban revitalization initiatives.
Tourism. Development of tourism often encourages conservation of monuments and revitalization of historic urban centers. However, the degree to which the economic benefits of tourism are distributed across the population of the entire city in question depends on the manner in which the revitalization initiative is implemented. Given that tourism-related economic activities (e.g., hotels) directly benefit from revitalization initiatives, it may be appropriate to levy a “heritage tax” on tourism-related activities to ensure that some of the increased revenues that these activities enjoy as a result of revitalization will be devoted to further revitalization efforts. This approach, which has been used in Havana, is one means of financing urban revitalization efforts over the long term, particularly in the case of archaeological sites and similar heritage-related artifacts that generate only modest revenue streams, but that produce a significant and direct benefit to tourism-related economic activities.

Conservation of historic monuments. Numerous local and national governments and religious organizations that administer monuments simply do not have the financial resource to rehabilitate them—even the most precious ones. Examples include Beijing, Cairo, Delhi, Fez, Galle, Kathmandu, Lahore, Sana’a, and Tunis. Likewise, efforts to improve the financial capacity of the organizations responsible for the care of these monuments by means of augmenting the size of their investment portfolios have for the most part been unsuccessful. Further, most governments are hesitant to augment budgets for preserving and rehabilitating monuments, and many even lack adequate procedures for collecting appropriate entrance fees. As a result, many monuments remain inaccessible to both the public-at-large and tourists. In cases in which monuments are accessible, the entrance fee—if it exists at all—is often inadequate to cover operating and maintenance expenses. However, a few cities have adopted a more progressive policy toward entrance fees. Examples include the city of Bhaktapur, which charges tourists an entrance fee for entering the historic conservation zone. In the case of Bangkok, foreign tourists are charged an entrance fee to the Grand Palace complex, while Thai nationals are exempted. Sri Lanka uses a similar approach in its “cultural triangle”, which includes the historic cities of Anuradhapura, Kandy, and Polonnaruwa, as well as some enclosed sites; however, Sri Lanka has yet to charge an entrance fee in the historic city of Galle.
PARTNERSHIPS FOR IMPLEMENTATION OF URBAN REVITALIZATION PROJECTS

The goals of urban revitalization initiatives are to (i) release the constraints that have thus far prevented revitalization of the historic inner city areas of Asian developing countries; (ii) detail relevant approaches, instruments, and procedures for urban revitalization and adaptive reuse of historic properties, including conservation of cultural heritage and rehabilitation of assets with historic value; (iii) seek viable partnership arrangements for revitalization initiatives appropriate for external financing; and (iv) develop land-use policies that encourage efficient use of underutilized or idle land.

Successful implementation of urban revitalization initiatives ultimately depends on development of partnerships between government (at the national or local level) and private investors (Steinberg 1996 and 1998). Within this partnership, the government’s role is to establish the regulatory framework under which the substantial private investments necessary for implementing the urban revitalization initiative are to be undertaken. Transparency is key in the formulation of this regulatory framework, since its purpose is to define the rules that govern private investments under the revitalization initiative. Table 1 summarizes the respective roles of the public and private sectors in urban revitalization schemes.

Because private investors abhor uncertainty, a transparent regulatory framework implemented in an objective and predictable manner is often a government’s most powerful tool in encouraging investment in adaptive reuse of historical heritage structures and the surrounding neighborhoods. Of nearly equal importance to private investors is a regulatory framework that ensures availability of lines of credit through either domestic or international financial institutions and a well-functioning infrastructure, the latter being critical to ensuring profitability for commercial ventures. These activities, on the part of government, are key to making investment in urban revitalization projects attractive to private investors, regardless of whether the aim of the initiative is gentrification of inner-city areas that lay idle or underutilized from a commercial perspective or more efficient use of urban real estate (Rojas 1999 and 2001). Other factors relevant to the prospects for establishing public–private partnerships are discussed in Chapter IV.
Much of what has been stated previously in the context of commercial private investors also applies to homeowners and absentee landlords, who generally will not invest in upgrading dilapidated properties unless some type of economic incentive for doing so is offered to them. Further, rewarding participation by residents of historic neighborhoods draws them into the revitalization process in a way that takes account of the potentials, needs, and limitations of the resident community, and is sensitive to preexisting cultural, economic, and social patterns. In addition, the resident community often serves as a useful barometer of the adequacy and feasibility of specific interventions.

Equally, the role of heritage campaigners and nongovernment organizations (NGOs) can be useful in providing guidance, helping assess the impacts of particular initiatives, and giving constructive criticism during implementation. Their concerns often relate to costs of housing and essential services, property values, and the social and

### Table 1: Public–Private Partnerships in the Revitalization of Historic Urban Assets

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<tr>
<th>Sector</th>
<th>Aspects of Preservation and Revitalization</th>
<th>Public Sector Role</th>
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<td>Traditional private sector functions</td>
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<td>Improvements to public spaces</td>
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<td>Regulations for preservation</td>
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Note: Darker shading indicates a more dominant role, while lighter shading indicates lesser involvement.

Source: The format of this table was borrowed from Rojas (1999), pp. 35.
economic impacts on those negatively affected by conservation, as well as those benefiting from it (Lichfield 1989, Martin 1978, and Hutter and Rizzo 1997).

**IMPLEMENTATION OF URBAN REVITALIZATION PROJECTS**

Many historic urban centers have successfully implemented urban revitalization projects using approaches similar to that outlined in Box 1.

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**Box 1: Implementation of Conservation Projects and Heritage Interventions**

The process is initiated by establishing a conservation task force that plans and implements the urban heritage projects in question. It comprises the following members:

- relevant municipal corporations and/or urban local bodies;
- urban development authorities;
- agencies responsible for financing the initiative, including infrastructure and housing; and
- private sector investors and developers.

An urban heritage committee is then established for the purpose of monitoring the implementation process and providing advice to the conservation task force. It comprises the following:

- relevant NGOs;
- municipal corporations and/or urban local bodies;
- urban development authorities; and
- individuals and specialists with an interest and stake in the initiative.

Proposals for specific development projects within the heritage zone are routed through the urban heritage committee prior to reaching the conservation task force. This ensures that such proposals have the concurrence of the urban heritage committee members, as well as those they represent prior to reaching the conservation task force. However, care must be taken to avoid procedures based on subjective, bureaucratic control; instead, procedures should emphasize transparent, objective criteria for approving or supporting specific interventions.
Any special limitations on development within the heritage zone must be routed through the urban heritage committee prior to being put into place. As well, the urban heritage committee may wish to organize public hearings on specific development proposals likely to impact the urban heritage zone resident community.

The purpose of the above structure is to separate planning and implementation functions from monitoring and technical advice. To ensure that these functions remain separate, guidelines are then established for both the conservation task force and the urban heritage committee that delineate how planning, implementation, monitoring, management of the information database, and advocacy are to be carried out.

An information campaign targeting all members of the community that stresses the need for conservation is then formulated and implemented to ensure participation by all members.

A list of buildings, precincts, or heritage zones that merit conservation is also drawn up. This list is then used to establish urban heritage zone status for the area concerned in accordance with relevant urban planning statutes.

The second stage of the information and awareness campaign is then implemented. The purpose of this second stage is to encourage owners and occupants of heritage buildings to collaborate with the conservation task force and urban heritage committee in the formulation and preparation of specific interventions. These interventions are then implemented.

Throughout the initiative, the conservation task force and urban heritage committee remain the primary actors in formulating specific interventions, including:

- adaptive reuse projects for rehabilitating landmark buildings of historical significance to the heritage zone;
- revenue-generating development projects that raise sufficient revenue that then can be used to subsidize rehabilitation of heritage buildings or monuments for which the revenue-generating potential is weak or entirely lacking;
- provision of affordable home improvement loans for homeowners or renters;
- mitigation of the negative impacts of removing rent control (e.g., through the formation of renters’ cooperatives as in the case of Bombay’s shawls [mass housing complexes for workers] redevelopment projects); and
- provision of infrastructure appropriate to the renovated heritage zone in question, as well as financing for its construction or upgrading.
The following often facilitate implementation of specific interventions such as those referred to above:

- tax incentives that support private investment;
- ensuring availability of sufficient financing from urban financial institutions for specific interventions;
- procuring as much technical assistance as is practicable from urban financial institutions, urban heritage campaign organizations, NGOs, and state governments;
- obtaining written commitments from all persons with an interest in particular revitalization projects; and
- generating public interest in schemes that facilitate replication of successful demonstration projects.

Processes similar to that outlined above have been successful in moving from small-scale demonstration projects to a full-blown development master plan and an integrated conservation policy for specific heritage zones.

Source: Steinberg 1998.

While, at the time of this writing, there exist few examples of private sector involvement in urban conservation projects in Asian and Pacific developing countries, those that do exist deserve mention since they illustrate recent trends in urban revitalization as well as an interesting array of issues that emerge in financing, commercialization, and land use and management.

In Bhaktapur, the revitalization project supported by Government of Germany led to a wide array of private investments. The same is true for United Nations Educational, Scientific and Cultural Organization’s (UNESCO) projects in Fez and Tunisia, and the projects funded by the Government of Spain in Havana and Panama City. Government-sponsored investment programs cofinanced by the World Bank and Inter-American Development Bank—such as those in Mostar (Bosnia–Herzegovina), Bahia de Salvador (Brazil), Lijiang (People’s Republic of China [PRC]), Quito (Ecuador), St. Petersburg (Russia), and Iran—have likewise produced a substantial amount of private investment.

5 In the case of Havana, these investments are managed by commercial investment companies of the city’s heritage administration (Historiador de la Ciudad).
MANAGEMENT PLANS FOR HISTORIC CITY CENTERS

The experience of many cities implementing urban revitalization programs underscores the importance of appropriate management, not only of individual projects, but also management of all aspects of urban revitalization. UNESCO has heavily promoted urban heritage conservation in part through its listing of World Heritage Sites, which includes not only specific monuments but entire historic city centers, and in part by management plans for historic urban areas (UNESCO 1982). These management plans are based on analysis of existing management systems with the addition of appropriate improvements, including strengthening of the management capacity of institutions in charge of administering historic areas, development of asset information management systems, formulation of local economic development plans, and revenue mobilization measures. All stress participation by all persons affected by plans for urban revitalization.

Given competing demands for public funds, particularly in jurisdictions that administer urban zones with a rich cultural heritage but that have limited revenue-raising potential, private investment funds must be used to the maximum extent possible. This requires interventions that stimulate private investment, including (i) tax incentives for heritage investments, (ii) providing advisory services to property owners and potential investors for the purpose of generating interest in investing in revitalization, and (iii) establishment of a historic center real estate company owned by a public–private partnership that coordinates or directly operates revitalization projects. Innovation in management of historic urban areas is key in formulating similar mechanisms for raising private funds for revitalization and conservation projects.

Public sector aspects of management plans for the revitalization of historic urban areas also cannot be ignored, such as (i) institutional strengthening, (ii) regulatory intervention, and (iii) direct investments by the public sector.

**Institutional strengthening.** The most important aspect of institutional arrangements for managing revitalization of historic urban areas is transparency. As mentioned previously, what attracts private investors to specific investments is certainty and predictability, since these make the planning of investments with reasonably certain out-
comes possible. Transparent management of revitalization initiatives thus encourages private investors by raising the level of predictability of investment outcomes.

**Regulatory intervention.** Passing municipal bylaws that transparently define regulatory features of urban revitalization schemes such as land use, permissible floor space indexes, and development guidelines do much to reduce uncertainty on the part of private investors. They likewise provide guidance to both public and private actors regarding the intent of the body managing an urban revitalization scheme.

**Direct interventions by the public sector.** Ensuring adequate investment in infrastructure, public open and recreational spaces, and public cultural institutions are important aspects of any urban revitalization initiative. Such investments are rightfully the province of the public sector. The same is true of ensuring adequate financing for such investments, which is often accomplished by putting into place a multiyear plan for raising the revenues necessary for such investments.

**IMPACT OF GENTRIFICATION**

Gentrification is an aspect of urban revitalization that has received considerable attention in both popular and professional literature. Williams (1983) finds that gentrification indicates whether an urban rehabilitation program has been successful in that the principal purpose of urban revitalization is to produce a profitable real estate market. By increasing demand for houses in the revitalized area, property values increase, which in turn increases tax revenues. Ley (1986) points out that heritage designation is commonly sought as an instrument for enhancing the socioeconomic status of neighborhoods undergoing gentrification, which he defines as a change in household social status, independent of the housing stock involved, which might occur by renovating housing units.

Holcomb and Beauregard (1981) see gentrification in terms of migration back to the city by the middle and upper classes that constitutes a vote of confidence for urban renewal. However, Smith (1979) views gentrification as a back-to-the-city movement of capital rather than people, since the people taking the advantage of this returning capital are from the city.
WHEN DOES GENTRIFICATION OCCUR?

There has been a significant amount of discussion in literature regarding the conditions that must be fulfilled for gentrification to occur. For Holcomb and Beauregard (1981), it is replacement of a neighborhood’s residents with newcomers of higher income, who, having acquired homes cheaply, renovate them and upgrade the neighborhood. On the other hand, Carpenter and Lees (1995) see a turnaround from disinvestment to reinvestment as being the necessary prerequisite. Smith (1979) sees a rent gap wide enough for gentrification to be initiated by various actors in the land and housing market as being the condition that triggers gentrification. Ley (1986) claims that it is downtown employment opportunities drawing population to the inner city that triggers gentrification.

CONSEQUENCES OF GENTRIFICATION

According to Fainstein (1994), redevelopment has been supported by elite and middle-class consumers seeking improvements in downtown areas and attractive, centrally located housing. Although lower-income groups have in some cases benefited from redevelopment, the urban poor, ethnic minorities, and small businesses have in general suffered economic and locational marginalization as a consequence of gentrification (Nyden and Wiewel 1991).

Holcomb and Beauregard (1981) look at gentrification from a psychological point of view, seeing that the costs of displacement are not only financial (e.g., moving expenses, security deposits, increased rent, new utilities), but social in nature (e.g., loss of community ties and reduced proximity to friends, relatives, and medical and other social services), as well as emotional (e.g., trauma resulting from displacement from familiar locations).

THE GLOBAL HABITAT AGENDA: CONSERVATION AND REHABILITATION OF HISTORIC AND CULTURAL HERITAGE

The Second United Nations Habitat Conference on Human Settlements of 1996 (HABITAT II) strongly supported conservation and rehabilitation of historic and cultural heritage, since historic places and objects of cultural, scientific, symbolic, spiritual, and
religious value are important manifestations of the culture, identity, and religious beliefs of particular societies. Historic places and objects play an important role in producing a sense of cultural identity and continuity in a rapidly changing world. As well, buildings, spaces, places, and landscapes associated with spiritual value provide stability in human social life and engender a sense of community pride. Conservation, rehabilitation, and culturally sensitive adaptive reuse of urban, rural, and architectural heritage are also consonant with sustainable use of resources. In the view of HABITAT II, access to culture and the cultural dimension of development are of utmost importance, and all people should be able to benefit from such access. Box 2 lists the specific actions outlined by the United Nations Habitat Agenda.

**Box 2: The Global Habitat Agenda: Conservation and Rehabilitation of Historic and Cultural Heritage**

To promote historic and cultural continuity and to encourage broad civic participation in all kinds of cultural activities, governments at the appropriate levels, including local authorities, should:

(i) Identify and document, whenever possible, the historic and cultural importance of areas, sites, landscapes, ecosystems, buildings, other objects, and manifestations and establish conservation goals relevant to the cultural and spiritual development of society;

(ii) Promote the awareness of such heritage in order to highlight the value and the need for its conservation and the financial viability of rehabilitation;

(iii) Encourage and support local heritage and cultural institutions, associations, and communities in their conservation and rehabilitation efforts and inculcate in children and youth an adequate sense of their heritage;

(iv) Promote adequate financial and legal support for the effective protection of cultural heritage;

(v) Promote education and training in traditional skills in all disciplines appropriate to the conservation and promotion of heritage; and

(vi) Promote the active role of older persons as custodians of cultural heritage, knowledge, trades, and skills.
To integrate development with conservation and rehabilitation goals, governments at the appropriate levels, including local authorities, should

(i) Recognize that the historic and cultural heritage is an important asset and strive to maintain the social, cultural, and economic viability of historically and culturally important sites and communities;

(ii) Preserve the inherited historic settlement and landscape forms, while protecting the integrity of the historic urban fabric and guiding new construction in historic areas;

(iii) Provide adequate legal and financial support for implementation of conservation and rehabilitation activities, in particular through adequate training of specialized human resources;

(iv) Promote incentives for such conservation and rehabilitation to public, private, and nonprofit developers;

(v) Promote community-based action for the conservation, rehabilitation, regeneration, and maintenance of neighborhoods;

(vi) Support public- and private-sector and community partnerships for the rehabilitation of inner cities and neighborhoods;

(vii) Ensure the incorporation of environmental concerns in conservation and rehabilitation projects;

(viii) Take measures to reduce acid rain and other types of environmental pollution that damage buildings and other items of cultural and historic value;

(ix) Adopt human settlements planning policies, including transport and infrastructure policies that avoid environmental degradation of historic and cultural areas;

(x) Ensure that the accessibility concerns of people with disabilities are incorporated into conservation and rehabilitation projects.”

Salvador do Bahia, Brazil: Revitalization program of cultural heritage district, cofinanced by Inter-American Development Bank.

Cartagena, Colombia: Public and private efforts in restoration of colonial centre.

Havana, Cuba: Public sector investments for rehabilitation of historic ocean front area.

Jakarta, Indonesia: Private efforts of restoration and reuse of historic properties.

Intramuros, Manila, Philippines: Private investments in adaptive heritage revitalization.

Mexico City, Mexico: Public and private efforts to conserve and revitalize historic centre.
Fez, Morocco: Private initiatives contributing to adaptive reuse of historic heritage properties.

Old Delhi, India: Private and public initiatives of heritage conservation.

Quito, Ecuador: Public and private revitalization initiatives, cofinanced by Inter-American Development Bank.

Zanzibar, Tanzania: Corporate reuse of historic properties.
Semarang, Indonesia: Corporate investment for heritage preservation.

Singapore: Public and private collaboration in revitalization of historic China Town at Boat Quay area, amidst modern financial and commercial centre.

Tunis, Tunisia: Renovated covered public market area, cofinanced by World Bank.

Wuxi, China: Private conservation efforts of old housing stock.

Yogyakarta, Indonesia: Historic Malioboro district, private efforts of adaptive reuse of heritage properties.
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

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

<table>
<thead>
<tr>
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<th>Public Investments</th>
<th>Private Investments</th>
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<tbody>
<tr>
<td><strong>Kota Tua</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure, environment</td>
<td>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</td>
<td></td>
<td>The recent alerts concerning more frequent severe flooding in Kota Tua must be addressed through comprehensive measures to encourage private investment</td>
</tr>
<tr>
<td>Residential improvements</td>
<td>Slum improvement</td>
<td>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</td>
<td>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</td>
</tr>
<tr>
<td>Heritage properties</td>
<td>Private-sector-friendly regulations, fast-track procedures, and efficient supervision and monitoring of Kota Tua’s revitalization program</td>
<td>Adaptive and modern reuse of urban heritage buildings</td>
<td>The Government has taken some lead, but resources are limited so many heritage properties are privately owned.</td>
</tr>
<tr>
<td>Aspects of Revitalization</td>
<td>Public Investments</td>
<td>Private Investments</td>
<td>Remarks</td>
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<tr>
<td>Business promotion</td>
<td>Strengthening of existing economic activities and incentives for new investment through improved infrastructure, tax incentives, and business development assistance</td>
<td>Encouragement of public–private partnership projects involving local stakeholders</td>
<td>The business community awaits clarity regarding the city administration’s sectoral policies.</td>
</tr>
<tr>
<td>Other</td>
<td>Improved multiethnic relations and revival of harmonious sociocultural life through attractive outdoor and meeting spaces, community facilities, and community advocacy.</td>
<td>Professional management with opportunities for participation by all stakeholders</td>
<td></td>
</tr>
</tbody>
</table>

### 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 | |


<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Residential improvements</td>
<td>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</td>
<td>Sale of Government-owned homes to private parties</td>
<td></td>
</tr>
<tr>
<td>Heritage properties</td>
<td>Gentrification of historic French villas and reconstruction of monuments and buildings</td>
<td>Investment in handicrafts, commerce, and tourism-related services; construction of heritage and boutique hotels and related facilities</td>
<td></td>
</tr>
<tr>
<td>Business promotion</td>
<td>Encouragement of mixed-use, high-density complexes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Limiting indiscriminate signage and obstructive advertisements.</td>
<td>Promotion of cultural and culinary festivals by the Government</td>
<td></td>
</tr>
</tbody>
</table>
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 Hoan Kiem 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 (Bapeda) 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.
Prospects for Partnerships in Urban Revitalization

Perhaps the most important issue facing the governments of Asia’s large cities is how they can make the most efficient use of their built heritage. In this regard, many see Singapore’s success as a model to be replicated in attracting commercial investment to Asia’s historic urban areas.

While a growing number of cities have already begun revitalization of their historic urban areas at one level or another, most face formidable constraints to success, the most important of which are lack of political will and sufficient investment on the part of both the public and private sectors. Often, these constraints stem from two sources. First, in many cases, only the most financially profitable investments have been pursued, such as revitalization of historic areas with tourist potential. Second, lower-income residents have been seen as having no significant role to play in urban revitalization, and have thus been excluded from such initiatives.

Experience in urban revitalization initiatives thus far indicates that the probability of success is greater if a more adaptive approach than the above is undertaken. Such an approach focuses on maintaining the qualities of each historic urban area that make it unique, such as the traditional resident community, while at the same time adapting both the existing physical structures and the
economic activities undertaken within the historic area to a modern economy (Richards 1952). This approach to urban revitalization supports adaptive reuse of built heritage and reinforces the heritage-related economic base of the inner city, thereby strengthening the capacity of the city to respond to the social and economic needs of its inhabitants. In addition, it supports institutional reform of local government and heritage-related authorities, as well as efficient cultural asset management.

Major challenges to be faced in urban revitalization initiatives include developing working relationships with stakeholders who have already initiated regulatory and institutional reforms, and forming partnerships between private entities and international agencies that participate in urban revitalization projects. The financial and technical constraints of city governments and national agencies form further challenges to implementing such initiatives.

In light of the above, achieving successful urban revitalization partnerships in cases such as Ha Noi, Jakarta, and Manila will require changing the current perspective of entire classes of professionals participating in urban revitalization, including economists, architects, planners, developers, and administrators. The key to such change in perspective is the manner in which historic urban centers are valued. Current policies and practices toward historic urban centers on the part of municipal governments reflect a limited view that recognizes only a small portion of the contribution that these historic centers can make to economic growth and society-at-large. Gearing these institutions to the entire range of opportunities that revitalization of historic urban centers offers requires expanding their understanding of the potential contribution these centers can make to income growth, employment creation, poverty reduction, privatization of services formerly provided by government, and overall economic advance. Such a change in perspective often increases the willingness of these institutions to promote urban revitalization initiatives.

A further key to success in urban revitalization initiatives is forming investment partnerships with the private sector. It goes without saying that appropriate economic incentives such as property tax exemptions and transfers of floor space indexes that promote efficient reuse of historic buildings are necessary conditions for successfully recruiting private sector participation. Less obvious is the fact that the policies put into place and the specific projects undertaken must respond to the budget constraints of citizens and businesses currently active in the historic
urban areas in question, while at the same time promoting a commercial orientation to the conservation and revitalization effort. Specifically, projects based on the private-sector paradigms of build–operate–transfer; build–operate–own; and build, finance, and transfer are likely to constitute the most successful approach, provided that these can be modified to meet the specific requirements of the urban revitalization initiative in question.

Finally, success in such efforts cannot be expected without putting into place a legislative framework that both facilitates the overall revitalization effort and exposes participating entities to market forces. For example, the removal of rent controls is likely to be key, since in many cases these have formed a major constraint to revitalization of Asia’s historic urban centers. Open-minded city management that facilitates urban revitalization is likewise essential. Examples of such open-mindedness include not only the putting into place of urban renewal guidelines, but even the provision of model documents and contracts as a means of both providing information as to the intent of city managers, and facilitating the completion of agreements necessary for moving specific projects forward. Such acts signal to investors the intent of city managers to support profitable initiatives that lead to revitalization of the historic urban core. At a base level, this reduces uncertainty and replaces it with investor confidence, the latter being key to stimulating the type of private investment necessary for equipping Asia great cities to meet the globalization and environmental sustainability challenges of the 21st century.

In sum, the ultimate objectives of urban revitalization projects are an expanded potential for economic development, improved quality of life for residents of historic urban centers, and conservation of built and cultural heritage in a manner that promotes income growth. While individual urban revitalization programs must necessarily be tailored to each city’s particular circumstance, in order to be successful they are likely include the following components:

(i) heritage-sensitive zoning and building regulations that stimulate urban renewal and growth in local income and that promote adaptive reuse of built heritage;

(ii) funding mechanisms for financing the upgrading of public infrastructure and supporting rehabilitation of private housing; and

(iii) funding mechanisms for supporting overall economic development of the heritage area in question.
Opposition to conservation and rehabilitation of historic urban centers no doubt remains. Landowners, speculators, construction companies, public agencies, and even individual government administrators often have a vested interest in demolition and redevelopment instead of conservation and revitalization, and as a result see “modernization” as more desirable than adaptive reuse of built heritage. Nevertheless, a countermovement to these forces is growing that acknowledges the long-term benefits to society of tradition and historical continuity taking their rightful place within an overall context of modernization.

Finally, as the Ha Noi, Jakarta, and Manila case studies demonstrate, public–private partnerships for rehabilitation and conservation of built urban heritage are key to successful revitalization of Asia’s historic urban centers. This is so because only through the emergence of such partnerships can the public sector increasingly assume its rightful role as facilitator. Conversely, inclusive management of urban heritage on the part of the public sector is an essential prerequisite to the emergence of such partnerships and the increased level of investment to which they lead.
References


Appendixes
Appendix 1: Ha Noi Case Study

Nguyen Vu Phuong,
Ha Noi Architectural University

HISTORICAL BACKGROUND

Ha Noi, the capital of Viet Nam, is located in the Red River delta and has, for nearly a thousand years, been the sociocultural, economic, and political center of the country. Occupying the stretch of land between West Lake and Hoan Kiem Lake, Ha Noi’s old citadel was built in the 11th century and was demolished and reconstructed many times (Figure A1.1). Its most recent destruction occurred when the French Army launched its offensive against the capital at the end of the 19th century. Established in the year 1010, Ha Noi is an ancient city with a long cultural heritage. Today, it is a city in transition—the capital of a country moving from a centralized command economy to a more decentralized market economy. As a result, the city is experiencing rapid economic growth and is actively seeking further development.

Ha Noi’s historic center has passed through four historical periods: (i) feudal, (ii) French colonial occupation, (iii) independence, and (iv) economic liberalization (doi moi) (Figure A1.2).

1 This text was edited by Florian Steinberg.
Figure A1.1: The Evolution of Old Hanoi

Source: SPACE.
Appendix 1: Ha Noi Case Study

The Feudal Period (1010–1873). Ha Noi became Viet Nam’s capital in 1010 under Ly Thai To, the first emperor of the Ly Dynasty. Originally named Thang Long, the city has undergone numerous changes during its long history. It served as the country’s capital and as an important military base under the Le (1428–1527), Mac (1527–1592), Trinh (1596–1787), and Tay Son (1788–1802) Dynasties. But when the Nguyen Dynasty moved its capital to Phu Xuan (today called Hue) around the 19th century, Thang Long was regarded simply as a northern provincial capital.

French Colonial Occupation (1873–1954). The French invaded the city in 1873, mainly because of its strategic importance in expanding overland trade to China. Three distinct stages in Ha Noi’s development then followed during the colonial period. During the first period (1873–1888), the military and administrative system was established. The French Concession District was developed on 18.5 hectares of

Figure A1.2: Urban Development of Ha Noi

- Area: 920.97 km²
- Population: 3.05 million
- Population density: 3.317 per/km²
- 9 urban districts
- 5 rural districts
- Ranking in terms of economic prosperity: 2nd

km² = square kilometer.


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land granted by the Nguyen Dynasty in 1874 in accordance with the Philastry Agreement. In 1883, the 18-meter-wide Avenue Paul Bert (currently named Trang Tui Thi, Trang Tien, and Hang Khay Streets) was built to connect the French Concession District with the Royal Citadel and Trang Thi military base.

The second period (1888–1920) saw consolidation of colonial urbanization. During this period, the French attempted to develop Ha Noi not only as the political and administrative center of the north, but also as the capital of the Indochinese Union. They destroyed the citadel, moving the administrative and political center to an area south of the Ancient Quarter and established a network of wide avenues and boulevards supported by Western-style technical infrastructure that led to the new French Colonial Quarter. This residential area was later expanded to the south as the road network expanded. Large villas with gardens were constructed on small plots in accordance with the French architectural fashion of the day. Another residential quarter with the same urban and architectural features, but of higher standard, was developed in the old citadel area.

The third period (1920–1945) coincided with the second colonial Indochina exploration program. During this period, the French Colonial Quarter south of Hoan Kiem Lake was consolidated as a new city center with modern urban facilities consistent with beaux arts principles. At least two competing master plans for Ha Noi were developed during this period. The Hébrard Plan (1923–1925) divided Ha Noi into five land use categories: (i) an administrative center, (ii) residential districts, (iii) recreational space, (iv) commercial districts, and (v) industrial districts. The Cerutti Plan (1940) focused on upgrading and modernizing the urban core and rationalizing the road network.

The Independence Period (1954–1986). Following the departure of the French, Ha Noi underwent limited structural change, owing to lack of knowledge in city planning. It was thus not until 1975 that the city’s first master plan was formulated with the assistance of Soviet planners. The conflict with the Americans (1965–1975) brought Ha Noi’s planned development to a halt. Large residential areas of the city were destroyed during the conflict, though the city center (Hoan Kiem and Ba Dinh Districts) were less affected by American bombing. Following the war, a new master plan was developed during 1980–1984 with assistance of planners from Leningrad State University. The key features of this master plan included addressing population growth and transforming the numerous public buildings built during the French Colonial Occupation.
Doi Moi (since 1986). Since economic liberalization, Ha Noi has undergone a dramatic transformation as a result of increased foreign investment and rapid growth in the income of local residents. The city center is the locus of this transformation, mainly because the former colonial villas are adaptable to commercial requirements, and the plots of land there are larger and thus better suited to redevelopment than the other areas of the city. Numerous high-rise buildings and private houses have changed the inner city’s urban form, some impacting the city in a manner now perceived as negative.

Ha Noi’s historic inner city includes the Ancient Quarter, Hoan Kiem Lake, the French Colonial Quarter (which is part of Hoan Kiem District), the old citadel, and the Ba Dinh Government Quarter (part of Ba Dinh District). While the inner city provides a sense of continuity and stability (Figures A1.3 and A1.4), rapid economic change and uncontrolled building construction are swiftly changing its face. Old streets, buildings, and cultural relics are being destroyed or falling into disrepair because they no longer serve the

Figure A1.3: Ha Noi Master Plan 2020

Source: Ministry of Construction.
original purpose for which they were built. Likewise, buildings of dubious architectural value showing little or no sensitivity to their surroundings are being hastily erected.

**PLANNING INITIATIVES**

The Ha Noi Master Plan to the Year 2020, which was approved by the prime minister on 20 June 1998 (Figure A1.5), envisages the his-
Appendix 1: Ha Noi Case Study

The historic inner city as being dominated by small-scale commercial and trading activities and high-density residential areas. In addition to the area’s architectural heritage, its natural environment and historical and cultural traditions are to be preserved. The plan introduces zoning controls as well as limits on the height of new buildings and includes upgrading and construction of social facilities. The most prominent public buildings addressed by the plan are the existing Municipal Center in Ba Dinh District, which is part of the national institutional and political center; Hoan Kiem, the municipal center of administrative politics; and the new cultural, commercial, financial, and services center located at West Lake.

**REVITALIZATION INITIATIVES**

Established in 1992, the Office of the Architect-in-Chief reports directly to the Ha Noi People’s Committee. The office is responsible for the control of all building activities within the city’s boundaries, as well as enforcing planning regulations in the preservation areas. The guidelines drafted by the office concerning the Ancient Quarter’s preservation, which have been approved by the Ha Noi People’s Committee, state that all buildings classified as monuments must be preserved, and if necessary, restored. Further, buildings fronting streets or within residential blocks are limited to a maximum height of three or four storeys.

Several studies concerning the preservation and restoration of the old city of Ha Noi were conducted during the 1990s by local and expatriate specialists. One of the earliest was a study by Phe and Yukio Nishimura (1990) that concerned housing and environmental conservation in the Ancient Quarter. In 1994, the National Institute for Urban and Rural Planning, and the Architectural Research Center studied mixed-use redevelopment and conservation of the Ancient Quarter. But, so far the most comprehensive and operational plans developed thus far is *Ha Noi: Planning and Development Control*. Funded by the Australian Agency for International Development (AusAID), this plan includes a comprehensive strategy and an operational framework for managing conservation and development in Ha Noi (AusAID 1995; AusAID 1996).

In 1995, the Ministry of Construction determined that conservation and restoration should be the guiding principles for development of the Ancient Quarter in order to preserve its cultural and architectural heritage. Then on 5 April 2004, the Ancient Quarter
Figure A1.5: Ha Noi’s Spatial Development

Source: Nguyen Vu Phuong.
was classified as a national historic heritage site by the Ministry of Culture and Information.

REAL ESTATE

Prior to economic liberalization, centralized economic planning determined where people worked and lived, as well as where they received food subsidies and social services. As a result, household tenancy was well documented. However, the 1993 Land Law introduced major changes to property rights. While the state retains ownership of all land, private individuals and entities can now possess, transfer, and mortgage use rights to land parcels for specific periods of time. To procure these rights legally, urban households must obtain a building ownership and land use certificate, a single legal document conferring both homeownership and land use rights (LURs) on the bearer (AusAID 2000). Also known as the “pink certificate”, this certificate is the equivalent of a freehold title to residential property.

There are four types of land ownership in Ha Noi’s inner city: (i) government-owned houses, (ii) mixed government–private ownership, (iii) private ownership, and (iv) company-owned units. Nearly 20% of all buildings in the Ancient Quarter are state-owned. Government-owned buildings are managed by the City Land and Housing Department, which is also responsible for repair and maintenance of these buildings at no cost to lessees. Rental payments for residential accommodation are extremely low at about 3–4% of a lessee’s nominal salary, which in relation to market rates is practically nothing. The heavy subsidies implicit in this arrangement are part of the overall compensation package of state employees. The minimal payments they make for housing are thus not rent at all, but are instead indicative of the significant housing subsidies they receive as part of their pay (Kim 2006).

While private ownership is now officially accepted, it pertains only to houses and not the land on which they stand since the law stipulates that all land remains in the control of the state. The government has consistently affirmed that “land, forests, mountains, rivers, lakes, water sources, and subsoil resources all belong to the state and come under all-people’s ownership” (Article 17, 1992 Constitution). As a result, in cases in which a house must be demolished, the City Land and Housing Department confers on the private owner in question the right to housing of corresponding quality and size,
which makes demolition a costly affair. Further, acquisition of privately-owned urban land by the authorities is problematic because of lack of effective planning control, and the fact that in general, disputes are resolved through careful negotiation.

While housing conditions in the French Colonial Quarter are superior to those in the Ancient Quarter, overcrowding, structural decay, destruction of architectural heritage, and social constraints are also common in the French Colonial Quarter. Thus far, government policy has had little positive impact in encouraging improvement of residential quarters. This is because residents simply prefer to continue leasing government-owned housing at the heavily subsidized rates offered to them. This is problematic for the Government, since although it still manages a large share of the housing stock, the heavily subsidized rental rates produce too little revenue to provide for maintenance and improvement of residential units.

Company (i.e., work-unit) ownership of housing is widespread in Ha Noi, although this is mainly concentrated in districts where businesses such as department stores and rented offices are located (Table A1.1).

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>Residents</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government-owned</td>
<td>State employees, retirees</td>
<td>• Lack of financial resources for improvement of residential units</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rental fees too low to provide for maintenance and improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Residents do not want to pay for improvement and maintenance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>since they do not own these units outright.</td>
</tr>
<tr>
<td>Mixed ownership by</td>
<td>One or several households,</td>
<td>• Misunderstandings often occur when one household improves</td>
</tr>
<tr>
<td>Government and individuals</td>
<td>state employees, retirees</td>
<td>a home and this impacts other households.</td>
</tr>
<tr>
<td>Privately-owned</td>
<td>One or several households</td>
<td>• Multigenerational households that do not share a familial</td>
</tr>
<tr>
<td></td>
<td>Company personnel</td>
<td>relationship must share the same toilet, bathroom, and other public</td>
</tr>
<tr>
<td></td>
<td></td>
<td>service facilities, which usually causes conflicts.</td>
</tr>
</tbody>
</table>

Table A1.2: Features of Residential Units in the Inner City by Ownership Type

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Number</th>
<th>%</th>
<th>Average Area (m²)</th>
<th>Average Age of Unit (years)</th>
<th>Years of Tenancy (years)</th>
<th>Rental Fee (000 VND/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privately-owned</td>
<td>519</td>
<td>77.2</td>
<td>56.0</td>
<td>52.1</td>
<td>48.9</td>
<td>–</td>
</tr>
<tr>
<td>State-owned houses for rent</td>
<td>133</td>
<td>19.8</td>
<td>30.1</td>
<td>83.6</td>
<td>64.3</td>
<td>59.0</td>
</tr>
<tr>
<td>Group-owned or religious houses</td>
<td>15</td>
<td>2.2</td>
<td>30.4</td>
<td>Over 100</td>
<td>41.7</td>
<td>150.0</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>0.6</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>672</td>
<td>100.0</td>
<td>44.0</td>
<td>54.2</td>
<td>54.7</td>
<td>69.1</td>
</tr>
</tbody>
</table>

Source: HAIDEP 2005.

Article 106 of the Land Law of 2003 pertains to land transactions including exchanges, transfers, allocations to other users, leases, subleases, bequeathals or donations, mortgages, guarantees, and contributions of capital by way of transfers of LURs. All of these transactions are permitted on the condition that (i) the current owner has a valid LUR certificate; (ii) the land is not the subject of a dispute; and (iii) the LUR has not been attached to any other mortgage instrument. Real estate is, in general, governed by various laws pertaining to land, housing, construction, and the real estate business itself (Table A1.2).²

The Government realizes that while inner city revitalization can generate a significant amount of profit, this may require relocation of current residents. In October 1995, the Ha Noi People’s Committee designated the Ha Noi Land and Housing Department as the agency responsible for implementing the renewal of the French Colonial Quarter. The major objective of this plan is to expropriate, restore, and renovate 150 villas for high-end accommodation, as well as for rent to foreign businesses (Japan Bank for International Cooperation 1999). However, this plan has not yet been implemented due to problems relating to resettlement and financing. As per existing law, current renters are to receive compensation sufficient to enable them to buy new housing units of comparable quality and size. Despite the potential negative social impacts resulting from relocation of these villas’ current residents, the Government plans to move ahead with this plan for transformation of the French Colonial Quarter. However, its implementation will require authorities to provide land sites where apartments can be built for the relocation of entire families. To the degree that private companies perform more efficiently than government agencies, the private sector should be allowed a major role in revitalization, with the Government’s role being restricted to that of sorting out relevant normative issues, updating the legal framework, and upgrading the infrastructure necessary for urban transformation.

Since 1994, the Government has authorized land ownership by foreigners permanently residing in Viet Nam. While this authorization extends first and foremost to residential housing, it may also include commercial enterprises and industry. These legal provisions for expatriate ownership and LURs further augment the already significant real estate business opportunities being driven by Viet Nam’s rapid rate of economic growth. Viewed from the appropriate perspective, this high level of economic activity in Ha Noi’s real estate market constitutes an opportunity for revitalization of the city’s historic areas. However, taking advantage of this opportunity in an efficient manner will require increased accountability on the part of real estate professionals.

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3 Government Decree No. 60/CP of 5 July 1994 grants to expatriates the right to own dwelling houses and the right to use residential land in urban areas. Article 19 of Decree No. 61/CP of 5 July 1994 on purchase, sale, and trading of dwelling houses contains similar provisions.
Of the approximately 3,000 real estate firms currently operating in Ha Noi, few have obtained official business permits. As a result, regulation and accountability are minimal. Given this, establishing a real estate trading center operated by municipal authorities would facilitate yet even more rapid growth in real estate transactions by improving accountability and creditability among all members of the real estate industry. Such a center has been planned for Ha Noi since 2006.

**LAND VALUES**

While the Land Law of 2003 attempted to fix land prices in a manner consistent with free-market levels, it did not provide for regulation of activities pertaining to LUR transactions. As per the law’s Article 4.23, land prices are formally announced to the public on the first day of January of each year, with the currently applicable price levels serving as the basis for taxation, land use fees, and leases. The prices announced also serve as a benchmark for compensation when sites are cleared and residents relocated. Land leases are of four types, with prices ranging from $0.06 to $12.00 per square meter (m²) per year. Since these prices remain unchanged for 5 years, at the expiration of each 5-year period, leases are revised and prices readjusted, provided that price increases do not exceed 15% of current rates.

The above notwithstanding, in practice three mechanisms determine land prices: (i) announcement of land prices by the Government, i.e., the people’s committees of provinces or central cities; (ii) auctions or tenders of LURs; and (iii) agreements between land users concerning transfers, leases, and subleases.

Today, scarcity of well-located urban land has resulted in an overheated market. After many years of stagnation, land prices in Ha Noi have increased so steeply in recent years that they are now among the highest in the world. During 1990–2004, land prices in Ha Noi increased by a factor of 10. Then in 2007, the real estate market rose so steeply that at select auction sales, inner city dwelling spaces on Hang Bong, Hang Ngang and Hang Dao Streets sold at prices in the range of VND100–180 million ($6,250–$12,000) per m². This is surprising, given the low income levels of Viet Nam compared to countries at comparable levels of per capita gross domestic product. Surprisingly, such high land prices appear to have had little adverse impact on economic growth; they even seem “normal” in light of the impacts of economic globalization.
High-end residential units are in the greatest demand in Ha Noi, partly because buyers of these units are mainly investors seeking to lease them to expatriates. As a result, price increases for these units have been the most rapid. Currently, the selling price of these apartments is $1,600–$3,500 per m², though construction costs are only about $400 per m². While rents for high-end apartments are relatively stable at $30–$45 per m² per month, which is roughly equivalent to prices in similar markets, rental prices for office space continue to increase rapidly. The price per m² of A-level office space has reached $50 per month or even more at locations in the center of the city, with prices rising at 6.31% annually. Conversely, the price per m² of B-level office space is approximately $40 per month, with prices increasing at 4.55% per year.\footnote{In the second quarter of 2007, the Opera Business Center, Pacific Place, and VIT Tower were completed and most of the space leased out. Expectations are that in 2008, 33,000 m² of A-level office space will be required in Ha Noi. Corresponding figures for 2009 and 2010 are 110,800 and 287,000 m², respectively.} Regarding the market for hotels, the number of four- and five-star hotel rooms in Ha Noi is still limited. Five-star hotel rooms in the inner city rent for $120–$350 per night, with room occupancy rates reaching 82%.

In sum, current real estate prices are much more representative of a temporary demand–supply imbalance than they are of the cost of materials and manpower used in construction. In the view of CB Richard Ellis (CB Richard Ellis 2007), the leading expatriate real estate service provider in Viet Nam, demand for Ha Noi real estate is likely to remain high in 2008; thus, the current demand–supply imbalance is likely to remain in effect during 2008–2009. Only after large-scale projects become operational in 2010 can this demand–supply imbalance be corrected and thus prices stabilized.

The new land prices for 2008 released by Ha Noi authorities show an increase of 20% on average, which in and of itself is expected to trigger further price increases. Recently, the prime minister asked the Ministry of Construction to adjust land use tax rates and to apply progressive taxation to (i) those who own a large number of properties, (ii) those who own vacant housing units and unused land, and (iii) those who buy properties with the intent to sell them a short time later. While these measures are meant to make property speculation less rampant, the price of luxury housing will most likely fall anyway when the current demand–supply imbalance is corrected.
Given that the source of rapid price increases is demand–supply imbalance, it is unlikely that the progressive tax rates proposed would be successful in cooling off the real estate market.

The Ministry of Natural Resources and Environment recently confirmed that at the current pace of construction, Ha Noi will run out of vacant land by 2010. Ha Noi authorities are therefore planning to increase land availability by removing old factories and facilities from high-value inner city locations to the suburbs. In addition to these factories taking up the most desirable locations within the city, they are also a source of pollution. It is thus expected that soon some 1,000 establishments will be moved to the suburbs. A document released by the Ha Noi People’s Committee in 2003 stated that removal of the factories would create space for public works, as well as for schools, parks, and business centers.

Facilities being relocated are to receive compensation from the Government of up to VND5 billion ($312,500). However, Ha Noi’s mayor, Nguyen The Thao, observed that this figure would not even approach current land prices. Investors are aware of the imminent clearing of these desirable plots of land and are therefore lobbying for the right to invest in them. In fact, one investor reportedly spent tens of billions of dong for a plot near Hoan Kiem Lake.

Due to the great attraction to investing in Ha Noi’s inner city, the municipal administration is currently in the favorable position of being able to choose among investors. As a result, the city administration has declared that in the case of new industries, it will only permit pollution-free high tech projects and will not accept investment in excessive numbers of high-rise buildings or apartment blocks within the city center. Investors in new inner city projects must therefore (i) ensure that new developments are of high-quality design and that they are appropriate to the existing environment and architecture; (ii) respect existing technical guidelines applicable to the inner city areas, both in the case of rehabilitation and new development; and (iii) encourage local private developers to participate in these projects.

**URBAN HERITAGE**

Four distinct areas comprise the historic inner city of Ha Noi: (i) the old citadel; (ii) the Ancient Quarter, often referred to as the “36 old streets”; (iii) the French Colonial Quarter; and (iv) archaeological sites and natural landscapes (Ministry of Construction 1999).
The Old Citadel. The Royal Citadel was built when Ha Noi was first established as Viet Nam’s capital and was served by the adjacent Ancient Quarter, which provided goods and services to the citadel area as well as access to the waterways of the Red River. Today, the Government and military control most of the citadel area.

The Ancient Quarter. The Ancient Quarter contains mainly mixed-use structures, with most of the land being used for residential or commercial purposes or both, since numerous businesses within it operate out of residences. The architectural styles prevalent in the Ancient Quarter largely show 19th and early 20th century influences, with three distinct styles apparent: (i) traditional Vietnamese or Chinese, (ii) colonial, and (iii) art deco. The Ancient Quarter’s spatial layout pattern is largely characterized by longitudinal plots, since “tube” or “compartment” houses were developed on these narrow and deep plots of land. The front portion of these tube houses was used for business and the rear portion for residences. Gradually, all frontages contiguous to the streets became business outlets (Figure A1.6).

Figure A1.6: Housing Development in the Ancient Quarter of Ha Noi

In 1995, the Conservation, Restoration, and Development Plan for the Ancient Quarter was adopted. This included recommendations for town planning, heritage conservation, new buildings, adaptive use, and conservation of historic buildings (Figures A1.7 and A1.8). However, implementation of the plan has been difficult. The regulatory framework remains vague, and too many institutions are responsible for planning permits. Overcrowding has resulted in some historic buildings losing their cultural identity. Because of the substandard technical quality of physical interventions, these have often done more harm than good. Given the steep rise in the cost of land that has affected the Ancient Quarter, most building owners are more concerned with building modern high-rise buildings that maximize sellable or rentable space than they are with conservation of buildings of historic and architectural value (SENA Corporation 1994).

**The French Colonial Quarter.** This area, which is located to the south of Hoan Kiem Lake, was built in the late 19th and the first half of the 20th century (Figures A1.9 and A1.10). The physical features of these streets, their proportion, and their architectural monuments harmonize well with the traditional urban landscape. The architectural style of the French Colonial Quarter’s historic public buildings and villas reflects various influences such as beaux

**Figure A1.7: Urban and Architectural Heritage**

Source: Nguyen Vu Phuong.
arts, neoclassicism, and modernism, mixed to varying degrees with Asian and Vietnamese local interpretations. The residential structures built during the French colonial period have been classified into three main categories: (i) military houses, (ii) terrace or row houses, and (iii) villas. Row houses were constructed exclusively for residents of Vietnamese decent (McLaren 1995). In recent years, Western-style streetscape has been widely recognized as being part of Ha Noi’s built heritage.
Figure A1.9: Development of Ha Noi’s Streets

Source: Nguyen Vu Phuong.

Figure A1.10: French Colonial Quarter

Source: Nguyen Vu Phuong.
Beginning in 1994, a team of Japanese and Vietnamese researchers studied approximately 1,200 premodern buildings and villas and selected 100 historic objects of exceptional heritage value for conservation. A further detailed survey focusing on the architecture of 741 French colonial residential villas and public buildings demonstrated the rich heritage of this period and its exceptional potential for adaptive high-end use.

Archaeological Sites and Natural Landscapes. The natural landscape of the inner city of Ha Noi includes a system of ponds featuring West Lake, Truc Bach Lake, Hoan Kiem Lake, Thuy En Quang Lake, and Bay Mau Lake. Three historic squares are located in the area, including Ly Thai To Square (12,030 m²), Cathedral Square (1,311 m²), and Dong Kinh Nghia Thuc Square (3,750 m²). Rows of trees adorn the streets. In premodern times, a specific type of tree was planted on each street. Banyan trees grow on Dien Bien Phu Street, sapindus on Tran Phu Street, alstonia on Nguyen Du Street, and hopea odorata on Lo Duc Street. This impressive stock of urban greenery contributes to the character of the inner city, despite the fact that the tradition of planting specific types of trees on each street has given way to the planting of cheaper and faster-growing varieties.

During 1998–2002, the Institute of Archeology undertook excavations at several locations in Ha Noi’s inner city, including Hau Lau, Hang Dau, Doan Mon, Bac Mon, Man Mieu, Ha Noi Citadel, and Tran Phu. Currently, the Institute of Archeology is conducting excavations at 18 Hoang Dieu Street where the new national assembly house (Ba Dinh Conference Hall) is to be built. While this

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5 The University of Tokyo in collaboration with Ha Noi Architectural University.
excavation has unearthed several artifacts, the ongoing construction has accidentally destroyed numerous valuable relics. All findings thus far have validated the historic relevance of Thang Long Citadel.

Ha Noi’s cultural heritage is at risk of disappearing forever. Further, overcrowding in already dilapidated dwellings with few sanitary or modern conveniences is causing significant deterioration in living conditions for the resident community. Destruction and reconstruction of the district’s traditional housing stock threatens to permanently change the townscape of the historic inner city. Ha Noi’s authorities have taken several innovative steps to preserve and restore the integrity of the inner city’s built heritage. The dilemma now facing the authorities is how to reconcile this with modernization and economic development imperatives (L’Institute des métiers de la ville [IMV] [Institute of Urban Skills] 2002; Hau 2004).

REVITALIZATION INITIATIVES

Studies sponsored by AusAID, the European Union, the Swedish Agency for International Development, and the Japan International Cooperation Agency (JICA) have evaluated the stock of heritage buildings of Ha Noi’s inner city and have proposed rehabilitation and improvement of tube houses. In particular, the European Union’s Urbs Asia Programme proposed a comprehensive and innovative rehabilitation initiative aimed at reversing dilapidation of heritage buildings and living conditions in the Ancient Quarter, as well as improving the life of local residents from social, economic, and cultural perspectives. This initiative proposed improving historic sites and buildings as a part of Ha Noi’s preparations for its 2010 millennium celebrations. A subsequent Ancient Quarter pilot project restored two traditional tube houses (57 Hang Bac and 58 Ma May) for the purpose of demonstrating the improvements proposed by the initiative (Figure A1.12). These improvements are to be replicated on other sites in a sustainable, full cost recovery manner when the entire Urbs Asia Programme is implemented.7

7 Under the Urbs Asia Programme, the cities of Ha Noi, Toulouse, and Brussels teamed up for purposes of implementing the “HA NOI 2010 - Heritage & Cultural Identity” project. This project is to address several challenges facing the historic inner city and its population. These include (i) modernizing housing while at the same time maintaining the inner city’s architectural heritage, and (ii) improving the living conditions of inner city residents. This will include a detailed inventory of the Ancient Quarter’s buildings formulated with the aid of a geographic information system. A pilot inventory of the Hang Be block has already been performed (Phuong 2001).
The JICA-sponsored study proposed interventions in the Ancient Quarter and gentrification of historic villas in the French Colonial Quarter. While the French Colonial Quarter villas are currently occupied in a multifamily fashion, the JICA-sponsored study proposed their adaptive reuse for high-end commercial and expatriate residential purposes. However, as mentioned previously, this Villa Plan—which had already been endorsed by Ha Noi People’s Committee in 1995—has not been implemented fully due to issues relating to resettlement and the financing of compensation payments. Thus far, the Government has been unable to identify suitable sites for alternative accommodation and to form partnerships with the private sector, which would assist with financing and implementing the scheme.

Other proposals for Ha Noi’s revitalization include pedestrianization of streets (Hang Dao, Hang Ngang, and Hang Duong), weekend operation of the Dong Xuan Night Market, conducting the annual Ha Noi tourist festivals as musical festivals in the French Colonial Quarter’s squares, fireworks during New Year celebrations at Hoan Kiem Lake, and handicraft and painting exhibitions and sales.

Figure A1.12: Ancient Quarter Conservation Area

ha = hectare.

Source: Nguyen Vu Phuong.
Appendix 1: Ha Noi Case Study

Figure A1.13: Streets and Urban Landmarks

Source: Nguyen Vu Phuong.

Figure A1.14: Historic Buildings and Cultural Landscapes

Source: Nguyen Vu Phuong.
Box A1.1: Public–Private Partnership Pilot Project for Upgrading Housing in Ha Noi’s Ancient Quarter

The principle reason for conserving the character of the Ancient Quarter is to maintain its unique way of life. This maxim guides both preservation and development of the Ancient Quarter, which includes (i) conservation, renovation, and upgrading of the existing building stock, particularly housing; and (ii) orientation toward a modern and advanced architecture and urbanism that maintains the Ancient Quarter’s unique identity.

This area housed the living and working quarters of craftsmen who traditionally came from rural areas surrounding Ha Noi. Each street was dedicated to a specific trade and craft, hence their respective names. Decision No. 70/QĐ BXD, dated 30 March 1995 and entitled “Approval of the Plan for Protection, Conservation, and Development of the Ancient Quarter of Ha Noi,” defines the conservation area as 10 wards of Hoan Kiem District with boundaries as follows: Hang Dau Street to the north, Phung Hung Street to the west, Hang Bong-Hang Gai-Cau Go-Hang Thung Street to the south, and Tran Nhat Duat-Tran Quang Khai Street to the east. The Ancient Quarter’s protected area comprises approximately 100 hectares, with land uses proportioned as follows: commercial, 12%; residential, 80%; and cultural, 8%. The area’s urban identity includes the following features:

- coherence of built spaces and a picturesque streetscape created by tube houses;
- high building density;
- small green areas in residential quarters, insufficient open space, and lack of street furniture;
- degradation of buildings, mismatch between old and new, and spontaneous physical development;
- overloaded infrastructure and mixed modes of transportation;
- water, air, soil, and noise pollution; and
- high population density of about 1,000 persons per hectare.

According to Decision No. 45/QĐ-UB of 1999 entitled “Temporary Regulation of Management, Construction, and Conservation of Ha Noi’s Ancient Quarter”, cultural heritage shall be saved, concurrent to solution of the housing shortage, and the streetscape and built environment shall be preserved.
Appendix 1: Ha Noi Case Study

Ha Noi’s Ancient Quarter

Source: Nguyen Vu Phuong.

Upgrading and Modernization of Existing Housing

The characteristics of buildings and housing conditions in the Ancient Quarter are as follows:

The building typologies are diverse, since these structures were built during various periods. The buildings exhibit a special urban quality that deserves preservation. Currently, the buildings are used as residences, commercial enterprises, hotels, offices, and other service facilities.

- Most housing in the Ancient Quarter is traditional tube housing: two-storied houses with narrow facades of 2–4 meters, with length of usually 20–60 meters. There are three major types of ownership in the Ancient Quarter: government ownership, private ownership, and mixed ownership.
- The physical condition of numerous houses in the area has degenerated considerably, with very few being well-kept: 50% of all houses require major repairs, 30% require moderate repairs, while only 10% require minimal repairs and regular maintenance.
Existing Situation of Pilot Block

<table>
<thead>
<tr>
<th>Data</th>
<th>Pilot Block</th>
<th>Ancient Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total area:</td>
<td>1.06 hectare</td>
<td>100 hectare</td>
</tr>
<tr>
<td>Population:</td>
<td>935 residents</td>
<td>79,629 residents</td>
</tr>
<tr>
<td>Density of population:</td>
<td>917 persons per hectare</td>
<td>956 persons per hectare</td>
</tr>
<tr>
<td>Living area per person:</td>
<td>5.5 m² per person</td>
<td>5 m² per person</td>
</tr>
<tr>
<td>Type of ownership:</td>
<td>65% public ownership</td>
<td>55% public ownership</td>
</tr>
<tr>
<td></td>
<td>25% private ownership</td>
<td>25% private ownership</td>
</tr>
<tr>
<td></td>
<td>10% mixed ownership</td>
<td>20% mixed ownership</td>
</tr>
</tbody>
</table>

Source: Nguyen Vu Phuong.

SWOT Analysis of Pilot Block

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Representative of the Ancient Quarter</td>
<td>• Diversity of interests</td>
</tr>
<tr>
<td>• Location in center of Ancient Quarter</td>
<td>• Disparity of incomes</td>
</tr>
<tr>
<td>• Culturally active and vibrant residents</td>
<td>• Density of population; requests for additional living area</td>
</tr>
</tbody>
</table>
### SWOT Analysis of Pilot Block

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Significant economic and tourist potential</td>
<td>• Housing ownership is complicated due to high degree of government ownership</td>
</tr>
<tr>
<td>• 60% of houses government-owned</td>
<td>• Lack of financial resources on part of residents</td>
</tr>
<tr>
<td>• High degree of awareness of benefits of revitalization and redevelopment</td>
<td>• Traditional occupations are changing</td>
</tr>
<tr>
<td></td>
<td>• Ineffective land use regulations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Application of innovative technologies</td>
<td>• Bureaucratic procedures and policies</td>
</tr>
<tr>
<td>• Good potential for economic development</td>
<td>• Diversity of uncoordinated financial resources</td>
</tr>
<tr>
<td>• Favorable attitudes for upgrading living conditions</td>
<td>• Increasing amount of private vehicles and motorbikes</td>
</tr>
<tr>
<td>• Preservation of traditional values</td>
<td>• Construction delays</td>
</tr>
<tr>
<td></td>
<td>• Revisions of detailed plans during approval procedure for building permits</td>
</tr>
<tr>
<td></td>
<td>• Slow approval of building plans by authorities</td>
</tr>
</tbody>
</table>

### Planning Objectives

1. Provide onsite relocation for 80% of households within 4 years (modern buildings in new residential area compensate for dwellings requiring replacement).
2. Improve drainage and sewerage; increase living area per inhabitant.
3. Provide modern infrastructure services.
4. Preserve or restore buildings with historic, cultural, or architectural value.
Action Plans Include the Following Steps

1. Identify subprojects.
2. Select feasible subprojects.
3. Contact owners and/or developers to present ideas contained in action plan; propose cooperation.
4. Discuss expectations and intentions concerning upgrading and rehabilitation with owners and/or developers.
5. Develop rehabilitation scheme through discussions with owners and/or developers with revisions as necessary.
6. Submit rehabilitation scheme to Department of Conservation Management for the Ancient Quarter of the City Administration after acceptance by owners and/or developers.

Parameters of Pilot Project

• The front part of the houses and facades of “cultural value” are to be preserved.
• The back part and core of the block can be reconstructed on a house-by-house basis, or two or three narrow houses can be combined, depending on ownership of units. Depending on depth of houses, buildings are to be divided into two or three parts with open-to-sky yards in center.
• Create new pedestrian alleys through core of blocks that lead to new buildings. Use modules of 6.5 meters by 8 meters to yield three different apartment sizes: 50, 65, and 90 m². Height of new buildings is 16.5 meters maximum.

<table>
<thead>
<tr>
<th>Before Redevelopment</th>
<th>After Redevelopment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total area of block: 10,630 m²</td>
<td>• Total area of block: 10,630 m²</td>
</tr>
<tr>
<td>• No internal alleys</td>
<td>• Total area for new internal alleys: 1,000 m²</td>
</tr>
<tr>
<td>• Areas of inner courtyards built up</td>
<td>• Total area for inner courtyards: 3,000 m²</td>
</tr>
<tr>
<td>• Site coverage by construction: 90%</td>
<td>• Site coverage by construction: 70%.</td>
</tr>
<tr>
<td>• Total retail area and offices: 3,000 m²</td>
<td>• Total retail area and offices: 4,500 m²</td>
</tr>
<tr>
<td>• Total dwelling area: 9,000 m²</td>
<td>• Total dwelling area: 18,000 m²</td>
</tr>
<tr>
<td>• No area for parking and public use.</td>
<td>• Total area for parking, open space: 2,000 m²</td>
</tr>
<tr>
<td>• 935 inhabitants, 240 households</td>
<td>• 227 households, about 870 inhabitants</td>
</tr>
<tr>
<td></td>
<td>• Voluntary relocation of remaining households</td>
</tr>
</tbody>
</table>
Key Actors and Their Roles in Upgrading Housing in the Ancient Quarter

Partnerships among all actors including public and private sector are necessary, with voluntary and community-based organizations essential to achieving sustainable urban development. The role of the community as basis for planning and construction should be strengthened.

Conceptual Housing Development and Renovation Plan for Pilot Block

Lessons Learned

- In planning urban rehabilitation, the city government should take into account the opinions of the private sector and citizens at large. Communication should be reinforced not only during the public–private partnership process, but also during the city planning process.
- Conflicts among key actors in inner city redevelopment can be resolved, or at least partly resolved, through discussion and negotiation.
- Public–private partnerships appear to be an efficient instrument for raising funds for Ancient Quarter revitalization. It is the task of the city government to develop concrete mechanisms and a normative base for this process.
RESIDENTIAL ENVIRONMENT

In the early 1990s, the inner city’s population increased due to migration from other regions of the country, the driver of this migration being growth of business activities in central Ha Noi. In addition to being a residential area, central Ha Noi is also a stimulating business district. There are over 1,300 registered enterprises, tens of thousand of home-based businesses, and many informal business activities in the inner city. All of these have led to a high population density.

While housing conditions in the French Colonial Quarter are better than in the Ancient Quarter and other areas of Ha Noi, overcrowding, decay of infrastructure, and destruction of built heritage are common. Unfortunately, government policy has had little impact on improving the residential environment. About 56% of Ha Noi’s residents are unable to afford their own housing. Moreover, many residents prefer to continue leasing government-owned housing, given the existing low rental payments relating to this housing stock. However, even though local authorities own about 20% of the housing stock, they are unable to maintain the dwellings they own as rental returns are insufficient to cover maintenance and improvement costs. In the case of properties with significant revenue-earning potential (e.g., business premises and high-end housing), the authorities are considering relocation of current low-rent-paying residents. However, commercializing these Ancient Quarter and French Colonial Quarter properties would require current renters to be paid compensation sufficient for them to purchase new housing units of comparable size and quality.

Crowded living space is one of the most serious challenges facing Ancient Quarter residents, as living areas there are only 44.0 m² per family or 10.5 m² per person on average, which is only 50% of the average for the city of Ha Noi overall. Overcrowding results in accelerated decay of toilets and bathrooms, particularly when these facilities are shared. Further, numerous home-based businesses expand commercial space at the expense of their living space and privacy.

The unique urban character and attractiveness of the Ancient Quarter are decreasing as a result of development pressure, lifestyle changes, and population increases. Some homeowners and investors have put into motion a process of demolition and reconstruction. Many new buildings have been constructed that replace vintage housing stock without reference to any guidelines or standards relating
to height and proportion, architectural style, building materials, or color. A wide variety of billboards and roofing styles add to this hodgepodge of styles. The traditional townscape of the Ancient Quarter was characterized by a common urban pattern with regard to facades and building heights, outdoor spaces, and greenery. This supported mixed land uses including commercial activities, individual livelihood styles, and culture. Unfortunately, the traditional atmosphere of the Ancient Quarter is disappearing as it faces a wave of modernization and individualized architectural styles.

**CONDITION OF URBAN INFRASTRUCTURE**

Upgrading of infrastructure is critical to revitalization of the Ancient Quarter, since its systems are aging and currently overloaded well beyond their capacity. This notwithstanding, in recent years Ha Noi has been able to upgrade some aspects of its urban infrastructure. This includes expansion of road networks, construction of major intersections, renovation and construction of water supply and sewage systems, and construction and development of the city’s electrical distribution network. Funding for such works has come largely from commitments of foreign aid agencies, but additional funds for maintenance and repair are now to be collected through development levies, taxes, and user fees. Each of the following sections

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>Hoan Kiem District</th>
<th>Ha Noi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership: %</td>
<td>71</td>
<td>89</td>
</tr>
<tr>
<td>Other forms of use rights: %</td>
<td>29</td>
<td>11</td>
</tr>
<tr>
<td>Separate houses: %</td>
<td>54</td>
<td>82</td>
</tr>
<tr>
<td>Apartments: %</td>
<td>29</td>
<td>14</td>
</tr>
<tr>
<td>Traditional houses: %</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>High-rise buildings: %</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Average number of rooms</td>
<td>2.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Average area: m²</td>
<td>48</td>
<td>88</td>
</tr>
<tr>
<td>Average size of families: persons</td>
<td>4.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Hoan Kiem District Survey 2006.
addresses the changes that have occurred in urban infrastructure as it relates to key sectors.

**Transport.** Ha Noi has seen rapid motorization over the last 15 years. Motorcycle registrations have growth from approximately 100,000 in 1990 to 1.5 million in 2005 (Figure A1.17). This is an important indicator of traffic density as motorcycles account for nearly 70% of all vehicular trips. With incomes expected to continue rising and a population forecast to double by 2020, rates of motorization are likely accelerate. There is already more than one motorcycle registered per household on average, and the city’s automobile population is growing at more than 10% annually from its current base of 150,000 vehicles (Figure A1.18).
Figure A1.15: Present Land Use in Hoan Kiem District

Area: 5.29 km²
Population: 173,000
Population density: 32,703 person/km².

Administrative units in 18 precincts:
Cua Nam, Hang Bai, Trang Tien, Ly Thai To, Dong Xuan, Hang Ma, Cua Dong, Hang Gai, Phuc Tan, Tran Hung Dao, Phan Chu Chu Trinh, Hang Bac, Hang Buom, Hang Dao, Hang Bo, Hang Bong, Hang Trong, Chuong Duong Do.

km² = square kilometer.
Source: Ministry of Construction.
Figure A1.16: Construction Density and Upgrading Requirements
Appendix 1: Ha Noi Case Study

Urban Functions

Population Density

Source: Nguyen Vu Phuong.
Figure A1.17: Registered Vehicles in Ha Noi

![Graph showing registered vehicles in Ha Noi from 1990 to 2003. The graph displays the number of cars, motorbikes, and cars+motorbikes over time.]

Source: Ministry of Transport.

As commercial and development activities intensify in the area, so do problems relating to air and noise pollution, traffic congestion, regulation of traffic flow, and parking for motorcycles and cars.

Figure A1.18: Percentage Shares of Various Transport Modes in Ha Noi’s Inner City

![Pie chart showing percentage shares of transport modes in Ha Noi’s Inner City. The largest share is for private vehicles (64%), followed by public buses (29%), and then others.]

Source: Ministry of Transport.

Prior to April 2004, the Ancient Quarter had no parking facilities for motorcycles and bicycles; available parking space was reserved for cars. Hence, two-wheeled vehicles would mainly park...
on sidewalks or indoors in private shops and houses. However, since the introduction of the “Cultural Street” pedestrian zone, temporary parking areas emerged to accommodate the parking demands of 13 streets from 7:30am to 5pm. Underground parking facilities have likewise been constructed (e.g., Hang Dau, Tran Nhat Duat, Ly Thai To, Dinh Tien Hoang, and Hang Da). In the French Colonial Quarter, the city government has assigned a higher priority to pedestrians and sidewalk commercial activities than vehicle movement and parking except for the five major roads. Additionally, one-way traffic was introduced on some streets in the French Colonial Quarter to improve traffic flow. While Ha Noi’s mobility management strategy recommends limiting vehicle ownership, this has met with only limited success. Restrictions on automobile and motorcycle ownership have been in place for the last 5 years, but these were so widely circumvented that they have recently been abandoned.

In some locations in the Ancient Quarter (e.g., Hang Ngang, Hang Dao, Hang Gai, and Luong Van Can Streets), roads have been properly paved and sidewalks built. Despite these initiatives, the demands of growth will require the city to invest in additional transport infrastructure and improved public transport. In 2004, the World Bank’s Public–Private Infrastructure Advisory Facility financed a study of institutional issues relating to the public bus network. As a result of this study, in 2004, the World Bank supported franchising

<table>
<thead>
<tr>
<th>Means of Transport</th>
<th>2005</th>
<th>2010</th>
<th>2020</th>
<th>PSUTA Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban bus or taxi</td>
<td>15/5</td>
<td>15–20/5</td>
<td>20–25/5</td>
<td>20–25/5</td>
</tr>
<tr>
<td>Urban railway</td>
<td>8–10</td>
<td>8–10</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Public transport</td>
<td>20</td>
<td>30–35</td>
<td>55–60</td>
<td>55–60</td>
</tr>
<tr>
<td>Bicycle</td>
<td>14</td>
<td>13–14</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Motorcycle</td>
<td>49</td>
<td>38</td>
<td>15–20</td>
<td>15–20</td>
</tr>
<tr>
<td>Car</td>
<td>8</td>
<td>9–12</td>
<td>11–17</td>
<td>11–17</td>
</tr>
<tr>
<td>Regional passenger bus and other</td>
<td>9</td>
<td>10</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Ministry of Transport.
new routes to private operators. In 2005, Ha Noi franchised six new bus routes to two new private operators selected via competitive tender, ending the monopoly of Transerco, a state-owned enterprise. This process is now being extended to other routes. As a result, the authorities recognize that an independent planning, coordinating, and regulatory agency responsible for all public transport is required. Overall, traffic management investments and institutions in Ha Noi have been supported by the World Bank via a loan of $40 million under its first urban transport project in Viet Nam.

Currently, Ha Noi’s most formidable transport challenges are (i) coordinating private and public transport modes; (ii) gradually increasing use of public transport alternatives; (iii) decongesting “congestion hotspots” through appropriate planning for parking and traffic flow; (iv) controlling air and noise pollution; and (v) reducing the number of traffic accidents, as Ha Noi’s accident rate is among the highest in Asia.

The city administration also recognizes the need to improve air quality. The data suggest that transport is a significant contributor to Ha Noi’s poor air quality. This is particularly true of carbon monoxide, nitrous oxide, and particulates. However, availability of data is limited, as most existing air quality stations are in a state of disrepair, and the data collected from them are not processed systematically. The city administration thus requires assistance in creating mechanisms for effectively managing the city’s air quality monitoring infrastructure, which would provide the basis for an information-based air pollution control strategy.

**Water Supply.** Water is provided by the Ha Noi Water Works Authority, operating under the Ha Noi People’s Committee. Water supply problems in Ha Noi include poor water quality, contamination, and the fact that 50% of the water distributed does not earn revenue, the latter being due to the age of the distribution network which is leaking, fragmented, and able to maintain only limited pressure. Water distribution improved significantly in 2006 following implementation of the $90 million Ha Noi Water Supply

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8 The PPIAF grant of $250,000 assisted reorganization of bus services. The World Bank’s Global Environment Facility has also expressed interest in cofinancing elements of the project that address global climate change. Its financing now appears to be in order for the following interventions: (i) promoting a modal shift away from personal-use motor vehicles (the public bus project component), (ii) encouraging nonmotorized travel, (iii) development of a sustainable urban development policy, and (iv) a complementary urban transport policy.
Appendix 1: Ha Noi Case Study

Program funded by the Finnish International Development Agency. Currently, 97% of the population is connected to the city’s water distribution network, as compared with 90% in 1999.\(^9\) The distribution target for 2010 is 150 to 180 liters per person per day with availability reaching 90% to 95% of the urban population. The city’s water supply upgrading program includes the repair, cleaning, and replacement of mains; treatment plants; and installation of individual meters.

Sewerage and Drainage. Ha Noi’s Sewerage and Drainage Company (SADCO) is responsible for wastewater drainage and treatment. At the ward and commune level, the people’s ward committee is responsible for managing wastewater drainage. SADCO, a public utility administratively under the Ha Noi People’s Committee, is responsible for treatment and disposal of both domestic and industrial wastewater. This includes operation and maintenance of the wastewater network serving the core inner city area. SADCO Ha Noi manages the primary and secondary networks that include ditches, channels, sewers, and rivers, as well as other sewerage and drainage facilities.

Ha Noi’s sewerage and drainage system processes industrial and domestic wastewater, storm water, and the water used for cleaning city streets. The capacity of the sewerage and drainage system’s automatic flow mechanism is insufficient relative to current demand since it dates back to the French Colonial Period. The pipe network requires frequent maintenance to prevent silting, and more than 12 sites frequently flood during the rainy season, making 15% of households susceptible to flooding. The $1.1 billion sewage and wastewater treatment project proposed by JICA would include dredging of sludge and sediment from pipes, replacing old and dilapidated sewer pipes, and increasing drainage capacity through installation of additional storm water drainpipes. The goal of the project is to create a storm water drainage system complete with pumping stations, sewerage lines, and canals with a density of 0.6–0.8 kilometer of facilities per square kilometer (Cau 2007).

Solid Waste Management. The Ha Noi Urban Environment Company, a public not-for-profit utility that reports to the Ha Noi

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\(^9\) Water prices for businesses and expatriate residents are $0.43 per cubic meter, whereas the general public pays $0.20 per cubic meter and poor families $0.10 per cubic meter.
People’s Committee, is responsible for the collection, transport, and disposal of all solid waste generated in urban districts.

**Electrical Power Supply and Telecommunications.** After 1945, a medium-voltage underground cable distribution system of 35, 10, and 6 kilowatts was constructed. However, the poor condition of this aging system causes frequent power failures and significant transmission and distribution losses. The power grid has been renovated for medium- and low-voltage levels, with underground cabling of 0.4 kilowatt capacity on major roads and upgrading of transmission towers to ensure constant tension and continuous supply. In contrast, Ha Noi’s telecommunications network boasts state-of-the-art features such as digital operation, optic fiber transmission lines, and connection to the worldwide telecommunications network.

**LOCAL ECONOMY**

Following promulgation of the Law on Foreign Investment in Viet Nam of December 1987 and implementation of the country’s open-door economic policy, a large number of foreign companies and organizations came to Ha Noi seeking business and investment opportunities. Partly as a result of this, the rate of increase in business registrations in Ha Noi has been significant in recent years, averaging 21% during 2000–2004. In absolute terms, business registrations in Ha Noi more than tripled from 4,691 in 2000 to 15,068 in 2004. Commercial enterprise in the historic city center is mainly concentrated in activities relating to trade, tourism, and commercial services, the latter being dominated by foreign investment services. The retail sector consists of state-owned enterprises and small-scale handicraft producers and vendors. Government-owned factories, which account for 5% of the total number of businesses, are to be removed from the area.

In the Ancient Quarter, the transformation of the cityscape, changes in land use, and adaptive reuse of the historic building stock that has occurred over recent years has mainly been driven by local residents, whereas in the French Colonial Quarter mainly expatriates have driven this process. The transformation of each of these historic areas is discussed in detail in the following sections.

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10 Electricity prices are $0.10 per kilowatt-hour for nonindustrial users and $0.09 per kilowatt-hour for industrial users.
The Ancient Quarter. With its famed “36 old streets”, the Ancient Quarter is undergoing incredible revitalization, both in spatial and economic terms. The Ancient Quarter is home to more than 1,300 registered enterprises, tens of thousands of home-based businesses, and numerous informal business enterprises. Traders and their families have become the most important drivers of redevelopment of the area. Traditionally, a large variety of products have been sold here, each of the Ancient Quarter’s “36 old streets” being dedicated to a particular trade (hang). Today as in ancient times, the streets still support both residential and commercial activities, including both wholesale and retail aspects of business. Informal businesses abound and include the selling of tea, water, cigarettes, newspapers, footwear, vehicle repair services, and a wide array of other activities. The Ancient Quarter also supports traditional crafts manufacturing, as well as wholesale and retail sales of handicrafts, the latter mainly catering to tourists. As well, the Ancient Quarter’s traditional food industry supplies quality goods to a wide range of customers in Ha Noi, with wholesale markets at three locations: Dong Xuan, Hang Da, and Hang Be. The Ancient Quarter is also home to new businesses providing modern services such as telecommunications and the retailing of office supplies, as well as commercial enterprises catering to tourists.

The French Colonial Quarter. The French Colonial Quarter is rapidly developing into a quasi-central business district driven by internationalization and tertiarization (Waibel 2002). Hotel and office blocks built by international joint-venture companies are now common in the French Colonial Quarter, as are new shopping centers such as the 12,000 m² Trang Tien Plaza that opened in January 2002, as well as Ha Noi Tower, Vincom City Towers, and the Luxury Mall, which were constructed during 2000–2005.

The tourist sector continues to grow, owing to the construction of international hotels. Of Ha Noi’s 378 hotels, 34 are rated three-, four- or five-star, and most enjoy occupancy rates in excess of 80%. Government departments, community institutions and international agencies are also heavily concentrated in the French Colonial Quarter.

Many new trades have developed in Ha Noi as a result of modernization and internationalization. Examples include activities relating to real estate, tourist services, and office supplies. However, a negative consequence of modernization and internationalization has been a rapid decline in traditional handicraft activities such as
carving, encrusting, drawing, fan making, woodcarving, and traditional printmaking. Much of this decline in traditional handicraft activities has resulted from the rise of tourism as an important feature of the local economy, as significant income levels can be achieved by operating tourist service-oriented businesses such as mini-hotels, Internet cafes, entertainment establishments, and restaurants. The Ha Noi Administration of Tourism reports that the number of tourists visiting Ha Noi has increased at an annual rate of 20–30% in recent years, and that this has supported increases in the quality of tourist services provided.

Trade is extremely heterogeneous and multifaceted in the inner city area. Privately-owned shops operate within relatively small sales areas. In the inner city area, the total sales space of 95% of family retail outlets is less than 50 m², which is the highest spatial-economic density and intensity of trade activities in Viet Nam (Waibel 2002). The area has also become a prime location for street hawkers who commute daily from the suburban countryside to sell goods such as vegetables, flowers, or baskets, a development known locally as the "pavement economy" or "ruralization of the urban landscape". However, such informal economic activities provide services for local residents and income opportunities for rural dwellers from adjacent areas, who are mainly from low-income households. While allowing these informal-sector businesses to operate leads to disturbances in the flow of both pedestrian and vehicular traffic, there is some consensus that informal sector activities should be retained as their high degree of labor intensity makes them an important source of employment creation.

<table>
<thead>
<tr>
<th>Detail</th>
<th>Three-Star</th>
<th>Four-Star</th>
<th>Five-Star</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of hotels</td>
<td>21</td>
<td>5</td>
<td>8</td>
<td>34</td>
</tr>
<tr>
<td>Number of rooms</td>
<td>1,686</td>
<td>874</td>
<td>2,364</td>
<td>4,924</td>
</tr>
<tr>
<td>Rooms occupied</td>
<td>1,349</td>
<td>722</td>
<td>2,000</td>
<td>4,171</td>
</tr>
<tr>
<td>Occupancy rate</td>
<td>80.00%</td>
<td>82.62%</td>
<td>84.62%</td>
<td>82.67%</td>
</tr>
<tr>
<td>Average daily rate ($)</td>
<td>19–120</td>
<td>45–165</td>
<td>74–1,800</td>
<td>19–1,800</td>
</tr>
</tbody>
</table>

Table A1.7: Estimated Number of Informal Fruit and Vegetable Vendors in Ha Noi

<table>
<thead>
<tr>
<th>Place</th>
<th>Area (km²)</th>
<th>Number of vegetable vendors on streets</th>
<th>Number of fruit vendors on streets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Mobile</td>
</tr>
<tr>
<td>Inner city</td>
<td>84</td>
<td>3,500</td>
<td>1,500</td>
</tr>
<tr>
<td>New areas</td>
<td>186</td>
<td>5,600</td>
<td>2,100</td>
</tr>
</tbody>
</table>

km² = square kilometer.

Source: Nguyen Vu Phuong.

Revitalization planning for the Ancient Quarter and the French Colonial Quarter will require supporting the informal sector through the structuring of its economic activities via economic incentives as well as through dedicated infrastructure. Examples include provision of dedicated stalls in or near market areas, in small alleys or unoccupied public spaces in residential areas; provision of water, sanitation, and solid waste disposal facilities; and operational guidelines and regulations relating to informal sector activities. Currently, city administration is attempting to keep rural traders—mainly young women—out of the inner city, ostensibly for traffic safety reasons. A more likely explanation is that hawkers simply do not conform to the administration’s vision of a modern city. As a result, street vendors face discrimination as well as confiscation of their wares by the police. However, the inner city area’s informal sector business community is so vast that the police are only able to curtail its activities along major roads and during normal working hours.

INVESTMENT POTENTIAL

Viet Nam’s shift to a market-driven economy requires that urban centers reorganize management of their land resources. Of particular importance in this regard is modernization of land mapping and registry as a means of improving property tax collections and fees relating to land transfers and development. Such improvements likewise facilitate operation of the private sector real estate market as well as regulation of development. Such management tools are also
important in assessing the value of historic real estate objects and their potential for conservation and adaptive reuse. The city’s burgeoning level of economic activity brought about by market reforms has led to a dramatic increase in private construction, which in turn puts significant pressure on municipal authorities to reorganize land use planning. But ultimately, the goal of modernization is a higher quality of life that must somehow be financed by (i) more fair and efficient means of raising public revenues, (ii) an improved building permit process, (iii) more efficient deployment of private and public investment through sound urban planning, and (iv) better informed public and private sectors.

The level of sophistication of real estate investors in Viet Nam has dramatically increased in terms of financial capacity, knowledge, and experience, and this is seen as a good sign. Domestic investors want to make money and are thus looking for and learning more ways to do so. Viet Nam needs qualified, experienced people to work in all areas of society. The country also needs a more complete legal system, an ability to formulate realistic plans, and a modern financial system that can help to regulate the country’s real estate market.

Today, car parking is a major problem in the inner city, as it will be in the future. Thus, the building permit process must include an obligation to create adequate car parking capacity for residents and visitors. Due to space limitations, parking facilities will increasingly need to be constructed underground, and in the long run, parking areas will need to be integrated with public transport networks. Motorcycle parking along pavements needs to be properly reorganized to facilitate movement of pedestrians. Likewise, traffic flow planning needs to take into account the hierarchy of existing roads and the amount of traffic entering the area. A proper public transport system needs to be developed to reduce dependence on private transport. The provision of public transport should respect the rules of the market economy, and public–private partnerships for financing public transport need to be encouraged. Priority needs to be given to urban railways, mass rapid transport, underground systems, and overpass bridges.

Ha Noi needs a strategy for improving its housing stock via small-scale projects under which the local government provides professional assistance, an appropriate legal framework, and improved infrastructure, and residents provide the (majority of) financing for

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11 Car parking must be provided in accordance with the Special Control Car Parking Area approved by the Department of Transport and Public Works.
upgrading. This would likewise entail the construction of new apartment blocks in order to ensure a sufficient supply of rental units and housing suitable for the low-income segment of the city’s population. The inner city’s historical and cultural significance, as well as its location within Ha Noi’s urban core provides a wealth of investment potential for the real estate sector, and the industrial waste lands located adjacent to the Ancient Quarter provide a substantial supply of land for construction of new housing blocks.

Urban revitalization projects are as much a source of economic revitalization as preservation of a city’s built heritage. This is due to their potential employment creation effects both during construction and in their post-development phase (Ashworth 1990; Tiesdell 1996). Similarly, Ha Noi’s expanding tourist sector is a potential source of funding for preservation and revitalization of historic landmarks, given government initiative in charging hotel room taxes or other levies on tourist activities as is done in conservation areas in other countries such as Germany and Nepal.

Table A1.8: Potential Areas of Investment in Ha Noi’s Inner City

<table>
<thead>
<tr>
<th>Areas of Investment</th>
<th>Interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing rehabilitation</td>
<td>• Encourage residents to improve living conditions and public spaces within their local communities.</td>
</tr>
<tr>
<td></td>
<td>• Regulate both construction and operations of buildings after construction.</td>
</tr>
<tr>
<td></td>
<td>• Promote sale of housing units to individual families</td>
</tr>
<tr>
<td></td>
<td>• Relocate families displaced by renovation into new apartment buildings within the same area as their former residences.</td>
</tr>
<tr>
<td>Relocation of informal settlers</td>
<td>• Implement “gentrification” of historic French villas currently occupied by multiple families.</td>
</tr>
<tr>
<td></td>
<td>• Relocate families displaced by renovation into new apartment buildings within the same area as their former residences.</td>
</tr>
<tr>
<td>Infrastructure rehabilitation</td>
<td>• Roads and sidewalks</td>
</tr>
<tr>
<td></td>
<td>• Water supply, sewerage, and storm water drainage</td>
</tr>
<tr>
<td></td>
<td>• Electrical supply system, surface and underground cabling</td>
</tr>
<tr>
<td></td>
<td>• Garbage disposal</td>
</tr>
<tr>
<td></td>
<td>• Traffic management</td>
</tr>
<tr>
<td></td>
<td>• Establish public transport system</td>
</tr>
</tbody>
</table>
## Areas of Investment and Interventions

<table>
<thead>
<tr>
<th>Areas of Investment</th>
<th>Interventions</th>
</tr>
</thead>
</table>
| Reconstruction of residential, commercial, and cultural buildings, and mixed land use | • Mixed land use: residential, commercial, cultural, and administrative functions, with productive activities encouraged  
• Give priority to production of local handicrafts.  
• Encourage shops and commercial activities at street level.  
• Allow relocation of factories to other areas for appropriate new development. |
| Economic and trade sector development                                               | • Culinary activities in traditional festivals, cultural activities of neighborhood wards  
• Construction of parking facilities and designation of public spaces in parking areas                                                     |
| Preservation and promotion of cultural values                                        | • Develop boutique hotels, markets, and museums.  
• Conserve religious and historic buildings.  
• Regulate/restrict display of advertisements and signage to designated streets where commercial activities dominate. |
| Arts, handicrafts, and tourism                                                      | • Handicraft centers, and artists’ and artisan centers  
• Provide urban design guidelines, and necessary technical and financial support to facilitate proper conservation practices. |
| Enterprise formation                                                                | • Establish operational guidelines and regulations.  
• Provide information services, advisory services, and marketing assistance.  
• Establish a business stakeholders’ board that involves representatives of key groups. |

Source: Nguyen Vu Phuong.
Specific Areas (as per their potential identities) = urban form + heritage + urban functions

- Zone 1: Civilization and Promotion
- Zone 2: Historic – Heritage Conservation Activities
- Zone 3: Traditional Life – Encourage Rehabilitation
- Zone 4: Hoan Kiem Lake – Historic and Cultural Landscapes
- Zone 5: Business and Service Development
- Zone 6: Modern Development
- Zone 7: Ecological Establishment

Source: Nguyen Vu Phuong.
<table>
<thead>
<tr>
<th>Zone</th>
<th>Area</th>
<th>Interventions Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zone I</td>
<td>French Colonial Quarter</td>
<td>Conservation of urban landscape and historic buildings&lt;br&gt;Renovation of French villas&lt;br&gt;Upgrading of urban infrastructure&lt;br&gt;Upgrading of living conditions</td>
</tr>
<tr>
<td>Zone II (A &amp; B)</td>
<td>Old citadel area</td>
<td>Restricted area, restoration of vestiges of old citadel, and old citadel itself&lt;br&gt;Height controls for new buildings&lt;br&gt;Government administrative buildings</td>
</tr>
<tr>
<td>Zone III</td>
<td>Ancient Quarter</td>
<td>Conservation of urban fabric&lt;br&gt;Upgrading of living conditions&lt;br&gt;Reduction of population density, relocation of informal sector activities&lt;br&gt;Conservation of traditional lifestyles, promotion of tourism&lt;br&gt;Limitations on use of private vehicles, proper management of parking spaces</td>
</tr>
<tr>
<td>Zone IV</td>
<td>Hoan Kiem Lake</td>
<td>Upgrading of urban infrastructure&lt;br&gt;Creation of a pedestrianized precinct&lt;br&gt;Maintain mixed functions: residential and commercial&lt;br&gt;Adaptive reuse of public buildings&lt;br&gt;Promotion of traditional festivals</td>
</tr>
<tr>
<td>Zone V</td>
<td>Commercial and French Colonial Quarter to south of Hoan Kiem Lake</td>
<td>Maintain mixed functions: residential and commercial&lt;br&gt;Modernization of housing stock&lt;br&gt;Construction of complex of multifunctional public buildings&lt;br&gt;Upgrading of urban infrastructure&lt;br&gt;Establishment of pedestrian zones&lt;br&gt;Development control for new construction</td>
</tr>
<tr>
<td>Zone VI (A &amp; B)</td>
<td>Transport infrastructure: Ha Noi Train Station</td>
<td>Rebuilding of central train station&lt;br&gt;Development of new business center&lt;br&gt;Relocation of informal sector activities</td>
</tr>
<tr>
<td>Zone</td>
<td>Area</td>
<td>Interventions Required</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Zone VII</td>
<td>Traditional food services</td>
<td>Restricted development areas and buffer zones between specific areas: old citadel, Ancient Quarter, and French Colonial Quarter. Promote tourism and traditional food services</td>
</tr>
<tr>
<td>Zone VIII</td>
<td>Entertainment and business</td>
<td>Upgrading of urban infrastructure, Reorganization of transport system, parking places, Construction of multifunction public buildings</td>
</tr>
<tr>
<td>Zone IX</td>
<td>Ecological area</td>
<td>Area in transition: Ancient Quarter and river, Transport axis for historic inner city, New transport system</td>
</tr>
<tr>
<td>Zone X</td>
<td>Modern development</td>
<td>Upgrading of residential housing stock, Upgrading of urban Infrastructure, New residential development, Transport transit points</td>
</tr>
</tbody>
</table>

Source: Nguyen Vu Phuong.
Figure A1.19: Proposal for Physical Revitalization of Hanoi’s Historic Inner City

Source: Nguyen Vu Phuong
OBSERVATIONS REGARDING CURRENT MANAGEMENT

In March 1995 the Ministry of Construction and the Ha Noi Municipality approved Decision No. 70 BXD/KT-QH entitled “Renovation and Development the Old Quarter of Ha Noi”, which aims at sustainable urban development through partnerships between the public and private sectors. This decision sees these partnerships as being the most appropriate strategy for revitalizing Ha Noi’s old quarter since they create win-win situations for local residents, business people, and investors alike. Public–private partnerships have further advantages in that they (i) promote the use of local skills, (ii) facilitate the sharing of ideas, (iii) pool the capacities and resources of the public and private sectors, (iv) facilitate independent initiative and creativity, (v) mobilize a diversity of financial resources, and (vi) lead to the sharing of both investments and responsibilities.12

After promulgating “Regulations of Construction Management and Conservation of the Ancient Quarter” in 1993,13 the Ministry of Construction approved the “Detail Plan of Conservation and Renovation of the Ancient Quarter” in 1995,14 which was followed by a detailed plan for Hoan Kiem Lake and adjacent areas in 1996 15 and “Regulations of Construction Management in Accordance with Planning of Hoan Kiem Lake and Adjacent Areas”.16 Then, in 1998, the Department of Conservation Management for the Ancient Quarter was formed.17 The Office of the Architect-in-Chief is

12 Revitalization of Ha Noi’s historic inner city will require “detailed analysis of existing management mechanisms and formulation of required management instruments, measures to strengthen institutions involved, the introduction of an asset management system, a local economic development plan, various revenue and resource mobilization actions, and broad stakeholder participation in the development of [a] strategic action plan” (Steinberg 2007) Ha Noi.
14 Decision No. 70/BXD-KTDT dated 30 March 1995.
15 Decision No. 448/QD-KTQH dated 3 August 1996.
directly under the control of the Ha Noi People’s Committee, while the Cultural Heritage Complex in the Thang Long imperial city and surrounding areas reports to the Department of Culture and Information, which has a long-term investment plan for preservation of the Cultural Heritage Complex of Thang Long.

Currently, the authority of the Department of Conservation Management for the Ancient Quarter extends only to historic monuments. Its planning and management capacity is limited, its allocation of financial resources is inadequate, its level of experience in managing public–private partnership processes is insufficient to meet the challenges implied by the overall revitalization strategy for Ha Noi’s historic area, communication between the local government and the residents and business people of the Ancient Quarter is wanting, and it suffers from a lack of trust in the Government’s policy relating to the upgrading of housing.

Given the current opportunities for public–private partnership development (Steinberg 1996) that would permit access to private finance, experience, management opportunities, equipment, innovations, and labor relationships, as well as the fact that local authorities have a large pool of investors from which to choose, the department’s mission should be expanded. The Government’s role should be that of regulator and facilitator if it is to create conditions that encourage and steer private investment in the revitalization of the historic inner city area. A stakeholder steering committee should be established and control and guide this process to give it proper ownership and weight.
References


Appendix 2: Jakarta Case Study

by Sugiantoro, Lecturer, Urban and Regional Development Institute (URDI)

INTRODUCTION

While Kota Tua (Old Town) in Jakarta is not yet recognized as a world heritage site, both the city’s administration and the Government of Indonesia regard this area as an important historical icon, and both share the responsibility of maintaining Kota Tua’s cultural heritage. The area has a distinct identity and character that derive from its buildings, public spaces, and location within modern Jakarta and from Kota Tua’s longstanding tradition as a cultural melting pot.

Today, most of the area’s residents are aware that Kota Tua is deteriorating environmentally. Kali Besar, the area’s main river, is polluted and full of garbage. Traffic jams make movement to and within the area difficult and reduce Kota Tua’s air quality. The area’s numerous derelict buildings attract squatters and illegal activity of various types, causing Kota Tua’s crime level to be high and its level of security low. These factors have contributed to out-migration of the resident population to less undesirable locations within Jakarta. Finally, because many of Kota Tua’s historic buildings are abandoned and dilapidated, most Jakartans consider the area not worth visiting.

1 This text was edited by Florian Steinberg.
Since the 1970s, there have been several piecemeal attempts to revitalize Kota Tua, most directed toward adaptive reuse of buildings in the core area near Fatahillah Square. In general, these initiatives have been unsuccessful, mainly due to their inability to impact adjacent areas and because Kota Tua’s rigid conservation and cultural heritage regulations have discouraged private investment in revitalization. Thus, despite its central location, Kota Tua has yet to become a prime area for investment as it was in its heyday. For Kota Tua, sustainable revitalization transcends adaptive reuse of heritage buildings and conservation of cultural heritage and extends to addressing the broad challenges facing this most historic area of Jakarta. These include social deprivation, environmental degradation, a dilapidated infrastructure, and an investment climate currently incapable of supporting a revitalized local economy.

In order for any set of projects aimed at Kota Tua’s revitalization to succeed, they must be placed into an overall conceptual framework endorsed by all stakeholders and backed by investors and a visionary local government that could facilitate an investment program on a scale sufficient to see the overall initiative through to success. Numerous stakeholders already recognize the problems Kota Tua faces. Further, they have a stake in its revitalization and are aware that rather than simple adaptive reuse of some historical buildings, what is required is converting Kota Tua into a new center of economic activity. Nevertheless, since 1974, which was the year Kota Tua’s revitalization was first announced, no significant improvements have taken place within the area. In fact, it has deteriorated further and more rapidly than prior to this announcement. Most of today’s local residents are aware that maintenance and rehabilitation costs for properties in Kota Tua are extremely high and that financial and economic returns at a level that would sustain the area’s revitalization would not be forthcoming without significant changes in the area’s business environment.

The above notwithstanding, some investment in revitalization by property owners, occupants, and the public sector has taken place in recent years. These initiatives have demonstrated that such efforts can have a significant impact on employment creation as well as positive economic impacts beyond those intended when such investments were undertaken.

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2 Kota Tua’s revitalization was first announced in 1974 by Jakarta’s governor, Ali Sadikin, when the city was about to host a Pacific Asia Travel Association conference. More recently, on 29 September 2007, prior to ending his term, Governor Sutiyoso announced his version of Kota Tua’s revitalization plan and declared that the local government was dedicated to this goal.
BRIEF HISTORY OF KOTA TUA

The area’s current name, Kota Tua, was coined by the Jakarta provincial government several years ago. It has also been known as Sunda Kelapa, Jayakarta, Batavia, Oude Batavia, and Kota. All of these names refer to the area delineated in Figure A2.1.

This area, which was a principal harbor settlement used by traders from Arabia, India, China, and South Asia during the 12th century, was named Sunda Kelapa after the Javanese kingdom of Sunda. The harbor was first targeted by Portuguese in about 1512, as they were already active in Malacca and sought a trading foothold in Indonesia. In 1527, Sunda Kelapa became Jayakarta (“glorious victory”) after defeating the Muslim sultanate of Banten, its neighbor to the west. Today, 22 June 1527 is still celebrated as the date on which Indonesia’s capital city was founded. In 1618, the city was conquered and demolished by the Dutch, who converted it into Batavia. During the 18th and 19th centuries, Batavia functioned as the center of administration and trade, and during its golden period that occurred between the early and mid 18th century, Europeans referred to Batavia as the “Queen City of the East”.

The impact of the Dutch on its urban form was significant, as can be still seen today. In the early 17th century, Batavia’s first governor-general, Jan Pieterszoon Coen, tried to create a stronghold against English and Bantenese incursion by building a wall around the city and converting it into a fortification. With its network of canals and numerous fashionable homes built in the Dutch style, Batavia was reminiscent of cities in Holland. However, the area was a melting pot for non-Europeans (Figures A2.2 and A2.3) with Javanese, Malays, Chinese, Balinese, Ambonese, Buginese, Macassarese, Moors (Muslims from India), and Mardijkers (freed slaves from Portuguese colonies) living in their own sections of the city, which are still traceable in modern-day Kota Tua (Figures 4 and 5).

Due to the waning economic power of the Dutch East India Company during the mid 18th century, Kota Tua experienced significant out-migration. Large number of inhabitants left for areas to the south of the city where higher ground and fresher air allowed escape from the city’s numerous environmental unpleasantries. The city had become dirty and foul smelling, its canals putrid with stagnant wastewater, and its groundwater polluted. Epidemics of cholera, dysentery, typhus, and malaria swept over the city, taking a deadly toll. By the early 19th century, most Europeans, except for commuters who needed to tend to their trade and office quarters, had abandoned the city.
Figure A2.1: Location of Kota Tua within Greater Jakarta


Figure A2.2: Historic Photographs of Kota Tua

Source: URDI 2007. Adapted from various sources.
Figure A2.3: Kota Tua’s Evolution

Jayakarta 1618
- Jayakarta (Jayawikarta)
- Center of culture and activities along river estuary
- Warehouses of English and Portuguese
- Center of empire of Jayakarta

Jayakarta 1619
- Batavia
- Bumihangus Jayakarta
- Fortress of the Dutch
- Housing for Dutch traders

Batavia 1627
- Extension of fortress
110 Revitalization of Historic Inner-City Areas in Asia

Batavia 1635
- Straightening of Ciliwung river
- Ciliwung river flows through city canals
- Jayakarta Kingdom situated on the edge of Ciliwung river
- Resident and follower of king moves to southland

Batavia 1650
- Town enclosed by fortress (copying Amsterdam)
- Canals and roads/streets form a grid

Batavia 1772
- Fortress of Batavia is broken down
- Some canals are filled up

Batavia 1780
Figure A2.4: District Map of Kota Tua

Figure A2.5: Map of Kota Tua Based on Its Morphology

Today, Kota Tua has few new houses and commercial buildings. The building stock mainly comprises heritage buildings, some of which are still in commercial and residential use. Office buildings and commercial activities dominate the land use pattern (78.0%), followed by residential uses (5.0%), government services (2.5%), warehousing (0.5%), and public facilities (0.5%), with the remainder of the area comprising pedestrian space, rivers, channels, and unregistered buildings (Figure A2.6).³

Most residences within Kota Tua’s 1,144 hectares are single-storey houses in poor condition. Of the total housing stock, 58.21% is classified as permanent, 30.11% as semipermanent, and 11.67% as temporary (Figure A2.7), the latter substantial figure underscoring a widespread need for upgrading. Many temporary residences sit on properties for which ownership is disputed, this forming a further impediment to upgrading the overall housing stock. Further,

³ Data from a study by Aspac Mitra Consultindo and Dinas Pariwisata (Tourism Office), Jakarta.
many of Kota Tua’s residences are located in kampungs (slum-like neighborhoods) where the quality of infrastructure services is extremely low (Figure A2.8).

The total residential population of Kota Tua’s nine subdistricts is 196,987 persons, with an average population density of 172 persons per hectare. Household sizes are relatively large at four persons. The area’s largest households are in Jembatan Lima with six persons per household, and its smallest in Tambora with two to three persons per household. While household sizes in Pinangsia and Roa Malaka in Fatahillah exceed the average for Kota Tua, these subdistricts are for the most part nonresidential areas.
Figure A2.8: Housing and Settlement Condition in Kota Tua, Jakarta

The map shows that most of housing in Kota Tua area is in slum-like conditions, with the worst slums located in Kampung Luar Batang, which is inhabited by fishermen from Sunda Kelapa harbor and Roa Malaka. On the other hand, the slums in other areas are much better and can be categorized as ‘fair’.

Daerah Khusus Ibukota (DKI) (Special Capital Region) statistical data for Kota Tua’s 11 subdistricts distinguish four types of slums, ranging from poor and partly poor to partly improved and fully upgraded. The poorest conditions are found in the area extending in a northerly direction from the west of Fatahillah Square to the southwest of Sunda Kelapa. Kota Tua’s eastern portion also houses slums of the poorest category. Slums in slightly better condition are located in Kota Tua’s southern portion within the designated revitalization zone. No information is available concerning the tenure status or ownership of land for these housing structures.

**URBAN HERITAGE BUILDINGS**

Of Kota Tua’s relatively large number of heritage buildings, few are in good condition, and most are in varying stages of decay. In 1997, the Dinas Museum at Pemugaran DKI Jakarta (Museum and Building Conservation Agency) issued specific directives concerning preservation of heritage buildings and areas in Jakarta through Local Regulation No. 9. This regulation specifies the criteria that areas and buildings must fulfill in order to be considered of heritage value. For heritage areas, at least four criteria must be fulfilled, whereas for heritage buildings, six criteria relating to the following must be fulfilled: historical value, age, originality, scarcity, landmark status, and architectural value.

DKI classifies the historical value of heritage buildings according to three separate “factions”. Buildings falling under Faction A face the greatest restrictions: the only changes allowed to them are those necessary for restoring these buildings to their original condition. Faction B allows new construction to be added to the original structure, as long as the new construction is compatible with the original structure’s style and character. Faction C permits modification of heritage buildings so long as the principal architectural features and roof form of the original building are retained. As Figure A2.9 shows, a large number of Kota Tua’s heritage buildings are classified as Faction A, most of these being located in Fatahillah. Faction C has the greatest number of registrations, signifying that a relatively large stock of heritage buildings can be developed, so long as all construction abides by the provisions of the building code. In addition, several buildings in Pekojan, Pecinan, and Fatahillah are classified under Faction B, meaning that additional construction, including modification, is allowed (Figure A2.10).
Figure A2.9: Map of Building Factions in Kota Tua

Source: Dinas Tata Kota 2007.
Figure A2.10: Name and Location of Urban Heritage Buildings

CONDITION OF BUILDINGS

The condition of the existing building stock is such that most heritage buildings require significant repair or complete restoration. Dilapidated buildings dot the area, with the greatest concentration in Fatahilla and Pekojan. Buildings owned by private companies, such as banks, are in relatively good condition, as these are being used as offices. However, numerous dilapidated buildings, mainly along East Kali Besar and in Pekojan, require special treatment or major restoration (Figure A2.11).

LAND VALUES

The composition of land values in Jakarta has a significant negative impact on incentives for heritage property revitalization in Kota Tua. This derives from the fact that building floor ratios in Jakarta are regulated by the city’s spatial master plan, which currently stipulates lower building floor ratios for Kota Tua’s subdistricts than for other areas in Jakarta with comparable land values. Similarly, the land values of subdistricts in Jakarta with building floor ratios comparable to those of Kota Tua are significantly higher than corresponding land values in Kota Tua (Figure A2.12). This forms a major disincentive to new investment in Kota Tua. Many of Kota Tua’s landowners simply retain title to their properties without investing in them on the expectation that a new set of policies concerning development in Kota Tua will soon be promulgated.

The above notwithstanding, Kota Tua’s land prices are surprisingly high relative to average land values. While average land values are about IDR3.6 million ($400) per square meter, selling prices are approximately IDR6.8 million ($755) per square meter, despite the fact that the overall condition of the heritage area is deteriorating. The relatively high maintenance costs and investments required to make heritage buildings usable suggest that the cost of ridding properties of squatters or undesired users is significant. Given this, it is difficult for investors to attain returns on investment comparable to those that can be achieved elsewhere in Jakarta. This is particularly true in light of the fact that tight building controls and restricted floor space indexes limit the degree to which properties can be put to their most profitable uses. In sum, since development schemes
Heritage buildings in good condition are located in Fatahillah (Kampung Bandan, Fatahillah, Stasiun Kota), Pecinan (Pasar Pagi, Pintu Besar Selatan, Pinangsia), and the revitalization zones of Tambora and Glodok.

Heritage buildings in moderate condition are located in Sunda Kelapa (Kampung Luar Bandan) and on the western side of the Jembatan Lima revitalization zone.

The relatively few heritage buildings in poor condition are located on the west side of the Jembatan Lima and Fatahillah (Roa Malaka and Kampung Bandan) revitalization zones.

likely to turn quick and easy profits are quite rare in Kota Tua, new investment is solely motivated by longer-term expectations regarding land values or those rare situations in which rates of return on investment are significant.

MULTIPLE LAND TITLE CLAIMS

In Kota Tua, it is quite common for a single plot of land to have more than one titleholder, each having a “legitimate” title of ownership. As a result, prospective investors have two options in this situation: the pragmatic approach and the legal approach. The former, which consists of buying the titles of both claimants, is preferred if an investor wishes to avoid going to court. The seemingly high cost of this approach is often offset by the immediate income stream generated by starting business within a short time frame, since the plot of land in question is acquired without any claims against it. In contrast, the legal approach is less ideal. Resolving land ownership disputes can take years, implying significant opportunity cost resulting from delays in the business revenue income stream. Lastly, there is no guarantee that the court will ultimately rule in one’s favor.

Purchasing a heritage building in Kota Tua represents a commitment to resolving numerous challenges. These include legal issues, building regulations that restrict modification, poor—or in some cases nearly absent—infrastructure, and a problematic business
environment. Unfortunately, these challenges occur on such a scale that some owners opt to abandon their heritage buildings rather than to develop them. In these cases, it is more efficient to simply wait for the eventual collapse of their buildings so that they can rebuild them without facing restrictions of any kind.

**BASIC URBAN INFRASTRUCTURE**

Recycling Kota Tua’s heritage structures into new economic uses will require nothing less than a complete overhaul of the area’s infrastructure, since its current quality is not sufficient to attract investors to set up new businesses. In fact, it has been argued that the required infrastructure investment is so great that it exceeds the capability of local government to bear it, and therefore, investment in new businesses and residential complexes must be stimulated in order to shift a portion of these costs onto the private sector. However, such an approach to financing the required infrastructure has a negative side, since business-driven infrastructure development could end up endangering heritage preservation altogether in that for-profit enterprises may see lax preservation regulations as being in their best interest. As things stand, investors are essentially waiting for an infrastructure revitalization program to be promulgated that transcends the city administration’s current limited focus on heritage preservation.

**Water Supply.** The core historic area, mainly Pinangsia, is well served by municipal water supply in that most households are able obtain ample water through individual connections or hydrants provided by the municipal water company (Table A2.1). However, as Kota Tua’s development will most certainly increase its overall demand for water, the area should be prepared for this in advance of its revitalization. In previous years, the individual water wells common to north Jakarta have contributed significantly to lowering of groundwater levels and consequent seawater intrusion.

**Sewerage and Wastewater Treatment.** Kota Tua does not have its own waste treatment plant nor is it served by plants located in other areas of Jakarta. Commercial establishments usually have their own septic tanks that require regular maintenance (normally once a year), and domestic waste is often flushed untreated into Kota Tua’s bodies of water (Figure A2.13), ultimately sending it into the sea.
Table A2.1: Households Classified by Water Source as of 2004

<table>
<thead>
<tr>
<th>No.</th>
<th>Districts</th>
<th>Subdistricts</th>
<th>Individual Connections*</th>
<th>Wells/ Water Pumps</th>
<th>Bought from Water Vendors from</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Wells</td>
<td>Hydrants*</td>
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<tr>
<td>1</td>
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<td>4,524</td>
<td>3,427</td>
<td>–</td>
<td>6,452</td>
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<tr>
<td>2</td>
<td>Pademangan</td>
<td>Ancol</td>
<td>3,902</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3</td>
<td>Taman Sari</td>
<td>Pinangsia</td>
<td>3,728</td>
<td>–</td>
<td>–</td>
<td>85</td>
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<tr>
<td></td>
<td></td>
<td>Keagungan</td>
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<td>–</td>
<td>–</td>
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<td></td>
<td></td>
<td>Glodok</td>
<td>3,233</td>
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<td>–</td>
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<tr>
<td>4</td>
<td>Tambora</td>
<td>Tambora</td>
<td>2,048</td>
<td>–</td>
<td>–</td>
<td>512</td>
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<td>Roa Malaka</td>
<td>963</td>
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<td>–</td>
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<td>Pekojan</td>
<td>7,471</td>
<td>–</td>
<td>–</td>
<td>1,318</td>
</tr>
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</table>

* Provided by local water company (Perusahaan Daerah Air Minum [PDAM]).
Figure A2.13: Kota Tua’s Bodies of Water

Solid Waste Management. As in all other areas of Jakarta, Kota Tua’s solid waste management challenge requires immediate attention, since much of the area’s solid waste ends up in bodies of water and is thus ultimately carried into the ocean. There is currently no collection or separation of waste at source, and as a result, improper disposal is a problem that has reached the critical stage. However, some areas are served by local small-scale commercial waste collection and processing businesses.

Drainage and Flooding. Kota Tua’s drainage system needs to be improved as part of an upgrading of north Jakarta’s overall drainage network. Ideally, carefully designed tertiary drainage networks would provide the runoff required for adequate drainage (Figure A2.14). In the absence of immediate improvement of the drainage system, Kota Tua will remain vulnerable to floods and seawater incursion during high tide. Kota Tua receives its fair share of floodwater during Jakarta’s annual flooding season (Figures A2.15 and A2.16). Further, flood levels are expected to increase as a result of climate change, since the average annual increase in sea level in Indonesia caused by climate change is estimated at 8 millimeters per year. Kota Tua thus experiences increased water levels from two sources: the sea to the north and increased river borne flooding caused by deforestation and urbanization in the hills south of Jakarta.

Kota Tua has a low-lying seafront, which makes it a perfect seaport. According to geologists, Jakarta Bay’s area was formed by alluvial sediments and other volcanic materials deposited by the Ciliwung River. Kota Tua is relatively flat, as the area’s southernmost point lies only two meters above sea level. This has led to speculation concerning Kota Tua’s ability to resist flooding in the long term, since land subsidence and seawater intrusion are expected to further exacerbate Kota Tua’s precarious situation, even in the medium term. Environmental engineers have pointed out the likely impact of such intrusion, which would affect not only Kota Tua’s bodies of water, but also its buildings. In fact, some of Kota Tua’s buildings have already been made unsafe for occupancy due to seawater incursion, which has in turn led to some buildings being abandoned.

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4 Rainfall in November 2007 led to flooding of the Kampung Bandan area and shut down rail transportation at Kampung Bandan Station as floods rose to 30 centimeters above ground level and covered the station platform. In addition, the high tide in north Jakarta has destroyed the dike in Muara Baru, which has greatly affected the Pasar Ikan area. Likewise, Bahari Museum has flooded up to 60 centimeters, which has severely affected the museum’s collection. This was not the first of such flooding events, since similar flooding of the museum occurred in 2002.

Figure A2.14: Kota Tua’s Drainage Infrastructure


Figure A2.15: Jakarta’s Flood-Prone Areas

Source: Ministry of Public Works, Jakarta.
Figure A2.16: Jakarta’s Potential Flood Areas

Transport and Accessibility. Transportation is without doubt Kota Tua’s most acute problem. In fact, city government officials have often reiterated that severe traffic congestion makes the area unattractive (Figure A2.17). While traffic congestion is significant in Kota Tua, the area is not a major destination. Kota Tua’s roads thus mainly accommodate through-traffic on its way to other areas of the Jakarta.

Kota Tua has three distinct transport patterns. Region 1 has high traffic volume due to the intensity of economic activity such as in Glodok’s Chinatown commercial area, where loading and storage activities, street parking and street vending, and a mix of motorized and nonmotorized vehicles and pedestrian movement obstruct traffic circulation. In Region 2, high traffic volumes result from increasing through-traffic flowing toward areas east and north
of Kota Tua, which interferes with its land use pattern. Region 3 has limited traffic volume flowing toward the Sunda Kelapa harbor area (Figure A2.18). The Macro Transportation Plan (Governor Decree SK Gub 84/2004) recognized that Kota Tua has become an intermodal transfer area for the whole of north Jakarta, and that the city’s transport system must ultimately respond to this, as well as to the requirements of tourism development. Envisaged is a traffic restraint plan focusing on a shift from private to public transport as a means of reducing traffic in Kota Tua, as well as provision of additional feeder routes to Ancol and Pluit-Angke, which lie east and west of Kota Tua, respectively (Figure A2.19).
Figure A2.18: Local Travel Originating in Kota Tua


Figure A2.19: Kota Tua’s Existing Network Road

Source: Town Planning Office (DKI) and URDI 2004.
Kota Tua’s transport problems cannot be separated from those of greater Jakarta. Overall, the city has relied on automobile transport and has largely ignored other transport modes. Until the early 1960s, Kota Tua was served by a tram system. Today, automobiles are the dominant form of transport, with the old railway station serving only passengers riding regional trains. Nevertheless, Kota Tua still retains its ojek sepeda (bicycle taxis), much of these being used for transport of goods. Pedestrian zones are limited to the area surrounding Fatahillah Square and that along the banks of Kali Besar. However, few pedestrians use these facilities.

**Bus Rapid Transit (BRT).** Since the inauguration of the BRT system or “busway” in 2004, access to Kota Tua has increased significantly, as Kota Tua is its northern terminus. The 13.9-kilometer route of the first BRT service connects Kota Tua, which lies at the northern end of line, with Blok M at its southern end. Ridership is growing, especially with the addition of two east-west service lines that began service in 2006. With the planned expansion to a total of 10 routes by 2010, ridership is likely to grow even further (Figure A2.20).

**Figure A2.20: Future Network of Urban Transport Services**

Source: Pola Transportasi Makro (Macro Transportation Pattern), Governor’s Decree 81/2004.
Air Pollution. It is estimated that more than 70% of Jakarta’s PM1011 emissions are generated by motor vehicles. Further, air quality monitoring confirms that roadside pollution along Jakarta’s busiest roads is well over tolerable thresholds. As Jakarta will surely continue to urbanize and motorization will continue to increase, air quality will remain a concern. These factors have made air quality in Kota Tua, where roads are among Jakarta’s busiest, a serious problem.

LOCAL ECONOMY

Kota Tua’s local economy remains dominated by commercial and trade-oriented activities as it was prior to the 1970s when the area comprised Jakarta’s central business district. Today Kota Tua has become a center of warehouses and wholesaling, its dominant local industries consisting of home-based enterprises processing food and manufacturing clothing. Compared to adjacent areas where all forms of trade abound, Kota Tua seems undeveloped. In particular, it lacks financial service establishments, and consumer merchandizing and manufacturing are extremely limited, as is the business environment for prospective investors. Kota Tua’s contribution to Indonesia’s gross domestic product is a disproportionately small 0.03%, compared to that of Jakarta as a whole, which is 20.30%. The informal sector represents a growing portion of Kota Tua’s local economy, with the number of street vendors (mostly selling food, clothing, accessories, and pirated CDs) having tripled in recent years. This is particularly true in the Chinese quarter and the Glodok–Pinangsia commercial area. Shop owners have lost market share to informal sector retailers to such an extent that some shop owners are joining street vendors in ambulant trading activities.

EXISTING REVITALIZATION INITIATIVES

As mentioned previously, Governor Sadikin began initiatives for revitalizing Kota Tua in the early 1970s. Since then, several other restoration efforts have been supported by successive governments. However, as most of these initiatives consisted of piecemeal improvements, their impact was minimal. Overall, the result of revitalization initiatives thus far has been that the area’s more dynamic and enterprising businesses have abandoned it. In September 2007, outgoing Governor Sutiyoso launched his version of a revitalization
Table A2.2: Issues and Problems Facing Kota Tua

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Issues</th>
<th>Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical – Environmental</td>
<td>1. How to maintain old buildings in a tropical climate</td>
<td>1. Dilapidating buildings</td>
</tr>
<tr>
<td></td>
<td>2. Absence of solid waste management system</td>
<td>2. Poor air quality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Area prone to flooding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. Canals filled with residue and garbage</td>
</tr>
<tr>
<td>Sociocultural</td>
<td>1. Kota Tua is Jakarta's multicultural melting pot.</td>
<td>1. Dilapidated buildings occupied by squatters and other illegal occupants.</td>
</tr>
<tr>
<td></td>
<td>2. Rich urban heritage and cultural traditions</td>
<td>2. Area currently associated with informal and illegal activities, slums, a high crime rate, and an uninviting social environment.</td>
</tr>
<tr>
<td></td>
<td>3. Strong living heritage, particularly among Chinese traders and Bugis fisherman</td>
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</tr>
<tr>
<td></td>
<td>4. Public trust low due to social and political trauma resulting from previous ethnic violence.</td>
<td></td>
</tr>
<tr>
<td>Economic – Financial</td>
<td>1. Kota Tua once the center of commerce and financial activity.</td>
<td>1. Modern development toward the south of Kota Tua has absorbed new investment and diverted it away from Kota Tua.</td>
</tr>
<tr>
<td></td>
<td>2. Land taxes high, no incentives to invest</td>
<td>2. Land values in adjoining areas more reasonable and consistent with investor expectations.</td>
</tr>
<tr>
<td>Legal – Institutional</td>
<td>1. Administrative coordination insufficient</td>
<td>1. Kota Tua located within two municipalities: North Jakarta and West Jakarta</td>
</tr>
<tr>
<td></td>
<td>2. Restrictive building bylaws</td>
<td>2. Kota Tua is not under a single administrative body; hence, governor of Jakarta must step in</td>
</tr>
</tbody>
</table>


### Appendix 2: Jakarta Case Study

#### Aspects - Issues - Problems

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Special urban management</td>
<td>management issues still to be recognized in legal, institutional, and</td>
</tr>
<tr>
<td></td>
<td>regulatory framework</td>
</tr>
<tr>
<td>4. Governor's political</td>
<td>will not yet translated into action by two municipalities in charge</td>
</tr>
<tr>
<td></td>
<td>of Kota Tua's administration.</td>
</tr>
<tr>
<td>Accessibility and Attractiveness</td>
<td>1. Land for parking and road widening unavailable, which complicates</td>
</tr>
<tr>
<td></td>
<td>private motorized transport.</td>
</tr>
<tr>
<td></td>
<td>2. Worsening traffic congestion.</td>
</tr>
<tr>
<td></td>
<td>1. Traffic mainly generated by retail activities in neighboring area.</td>
</tr>
<tr>
<td></td>
<td>2. Undesirable heavy vehicle traffic generated by small- to medium-</td>
</tr>
<tr>
<td></td>
<td>scale warehouses and domestic seaport activities.</td>
</tr>
<tr>
<td></td>
<td>3. Poor pedestrian facilities</td>
</tr>
<tr>
<td></td>
<td>4. Attractiveness reduced by competing new developments south of</td>
</tr>
<tr>
<td></td>
<td>Kota Tua where more land is set aside for parking and wider roads.</td>
</tr>
</tbody>
</table>


program for Kota Tua, which was subsequently supported by Jakarta Old Town Kotaku, a private advocacy foundation in existence since 2004. Governor Sutiyoso’s program was more comprehensive than those that preceded it in that it pursued an integrated approach involving numerous local government agencies.6

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6 Critics of this revitalization program were quick to point out that “…except for the results of the excavation of an old tram line, and the refurbished square in front of the museum,” (Jakarta Post 1 October 2007) the program has achieved few concrete results owing to its lack of a well-articulated vision for Kota Tua.
While other areas of Jakarta have benefited from urban renewal, in terms of physical and economic development, time in Kota Tua seems to have stood still. As a result, the criticism that the governments of DKI, as well as those of west and north Jakarta, have lost 30 years by doing little for Kota Tua seems valid. Investors seem to be waiting for a coherent, business-friendly vision for Kota Tua to emerge that includes adaptive reuse of the area’s numerous historic buildings.

**REVITALIZATION AND JAKARTA’S MASTER PLAN**

Jakarta’s Regional Spatial Plan for 1996–2010⁷ highlighted infrastructure development and facilities for optimizing access to Kota Tua by public transport. The plan proposed an integrated transport system, as well as Kota Tua’s development as an economic area with infrastructure tailored to the requirements of commercial trade, an internationally acclaimed urban heritage center, and a center of tourism, all by 2010. Several strategies including the following have been articulated for achieving this target: (i) for north Jakarta, infrastructure and facilities appropriate to development of an international commercial center in Jakarta’s northern coastal reclamation areas; and (ii) for west Jakarta, improvement of infrastructure and access to the Sentra Primer Baru Barat (New Western Primary Center) which is envisaged as a new center for office buildings, commercial establishments, and related services (Figure A2.21).

**Overview of Recent Development Plans.** The Town Planning Office (DKI)’s development plans for 2004, 2005, and 2007 propose an emphasis on commercial use as the primary pathway for revitalizing Kota Tua. That said, each of these plans relates to specific time frames and development strategies (Figure A2.22).

The 2004 plan focuses on commercial land use, with only a small portion of land being devoted to mixed use (i.e., residential, commercial, and administrative) activities. The 2005 plan stresses housing integrated with commercial use via adaptive reuse of historic buildings rather than separate commercial and residential development. The 2007 plan allocates a large portion of Kota Tua’s land

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⁷ Following its official promulgation, this plan became Local Regulation No.6/1996.
Figure A2.21: Jakarta’s Proposed Pattern of Development as per the 1996–2010 Spatial Development Plan


Figure A2.22: Land Use Patterns as Envisaged by Three Kota Tua Revitalization Plans


to commercial activities, eliminates administrative activities from the proposed land use pattern, and focuses significantly on new real estate development in Sunda Kelapa.

In addition to suggestions for adaptive reuse, the 2007 plan proposes the use of transfer of development rights (TDR) as a means of creating an optimal land use pattern in Kota Tua. In particular, the 2007
plan restricts development in the core historic preservation zone to low-rise, high-value land uses. While desirable from the point of view of preservation of Kota Tua's architectural heritage, the plan sees disallowing high-density development in the core historic area as a disincentive to investing there, the problem being that such restrictions reduce the income that investors could potentially derive from each plot of land if unrestricted development were to be allowed. As a means of compensating investors for any income foregone as a result of disallowing high-density development in the heritage area, the plan assigns TDR relating to commercial land outside the core historic area, but near to thriving centers of commercial activity adjacent to Kota Tua. The TDR assigned to the owner of land in the historic area may then be sold on the open market to an owner of land in the adjacent commercial area. By purchasing the TDR, the commercial-area landowner would then be allowed to develop his tract of land at a density in excess of that allowed in the absence of the TDR he or she purchased.

The 2007 plan’s heavy reliance on TDR has been criticized by numerous experts as being complicated, particularly in light of the fact that multiple land ownership claims abound in the areas in which the TDR mechanism is to be applied. The plan’s use of TDR as a means of achieving an optimal land use pattern for Kota Tua is thus seen as encouraging an excessive amount of land ownership disputes in areas in which there are already competing uses for available land. Of the three development plans for Kota Tua, none has been officially endorsed thus far.

Adaptive reuse allows modern economic activities to make use of heritage buildings. In Kota Tua’s case, adaptive reuse has evolved in both the formal and informal sectors. Formal sector adaptive reuse is initiated by the Government via the transfer of property rights pertaining to historic buildings to government agencies, commercial enterprises, and institutions (e.g., government offices, banks, museums). The purpose of this transfer is that of ensuring preservation of the historic value of heritage properties. Private sector developers occupying Kota Tua’s historic buildings have spontaneously engaged in adaptive reuse by transforming some of the area’s historic buildings into restaurants, cafes, and hotels. Of these 13 sites in Kota Tua, most lie in Fatahillah. This indicates that the latter’s potential for adaptive reuse of historic buildings is probably the greatest. This notwithstanding, much of the heritage building stock is home to squatters or informal commercial activity and warehousing, such as in the area along Kali Besar Street.
INTEGRATED AREA DEVELOPMENT PROJECTS

The potential for integrated area development of Kota Tua’s central Taman Fatahillah complex is high, as this is a compact zone housing many museums located within the easy reach of pedestrians. Examples include Museum Sejarah Jakarta (Fatahillah Museum), the Wayang Museum, the Ceramic Museum, Bank Mandiri Museum, and Bank Indonesia Museum.

As mentioned earlier, Kota Tua comprises 13 subareas, each with its own character and function. Thus, any successful integrated area development initiative would need to take account of current zoning restrictions, particularly those relating to Kota Tua’s core zone that comprises approximately 215 hectares. Various criteria were used in defining the boundaries of the core zone. These include presence or absence of buildings of historic or cultural interest, the ability of the area to support a variety of land uses, and the potential for tourism development. Seven of thirteen subareas as follows comprise the core zone: (i) Fatahillah Square; (ii) Kota Junction Railway Station; (iii) Kali Besar; (iv) the Maritime Museum and fish market complex; (v) Galangan; (vi) Sunda Kelapa port; and (vii) portions of Pintu Kecil, Glodok, and Pasar Pagi Perniagaan (Chinatown).

In 2007, DKI Jakarta proposed that both TDR and financial and tax incentives be used to stimulate private investment in the preservation area.

It should be noted that implementing the TDR regime proposed requires consensus between the owners of the “sending” and “receiving” sites. As the relevant regulatory agency, DKI would facilitate TDR transactions via control of land prices, planning, and building

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8 TDR is a type of zoning ordinance that allows owners of property zoned for low-density development or conservation to sell development rights to other property owners. The development rights purchased permit the landowners to develop their parcels at higher densities than otherwise. The system is designed to provide for low-density uses, such as in historic preservation areas, without unduly penalizing some landowners through low-density requirements. TDR is one of the instruments applicable for land development in Kota Tua. For example under a TDR system, a landowner whose property is restricted to open space is assigned development rights in proportion to some overall desirable density. If the landowner cannot utilize the rights he or she may sell them on the open market to landowners in other locations who are allowed to develop their properties. The rights may be used to develop additional structures on the unrestricted properties. In this way, restricted areas may be maintained as open space without completely destroying the development value of the properties.
permits once the following conditions are fulfilled: (i) proper plans for the sites in the sending and receiving areas have been put in place; (ii) landowners have recorded appropriate conservation easements and tracking information for all transfers of development rights; and (iii) the receiving areas have complied with the zoning, density, and design standards established for TDR-based development.

**AREAS WITH HIGH DEVELOPMENT POTENTIAL**

Kota Tua is home to numerous heritage buildings with significant potential for reuse by commercial, recreational, cultural, and tourism-related businesses. Major unifying themes appear in each of Kota Tua’s three zones as follows:

(i) maritime activities: Bahari Maritime Museum, Sunda Kelapa fish market, Sunda Kelapa port;
(ii) art and culture: Fatahillah Square and surroundings; and
(iii) Chinatown-related activities: Glodok.

Other development opportunities exist in the following areas:

(i) The commercial and residential buildings located in the western portion of Kota Tua known as Tiang Bendera have a mixed identity. As a result, this area is of less historic value than Kali Besar. Due to Kota Tua’s general decline after the 1960s, the number of poverty-stricken households in this area has greatly increased and numerous local entrepreneurs have departed. Given these factors, tourism-related small crafts workshops and handicraft sales would be viable options for this area.

(ii) Kota Tua’s eastern portion was formally the easternmost boundary of the old Batavia city center, though relative to the area comprising the western boundary, it bears few of these features today. Both the urban pattern of Kota Tua’s eastern portion and its architectural characteristics lack coherence. However, the area offers significant opportunities for small-scale industry, workshops, and services.

(iii) The rapidly modernizing Glodok or Chinatown area (Pinangsia) mainly houses retail trade and commercial activities. Although some historic architectural features
remain in its narrow side streets, residential areas, and inner courtyards, development along the main roads is mainly high-rise complexes. This area offers opportunities for large-scale retail and commercial enterprise development in a modernizing setting. In addition, careful in-fill and densification of Glodok’s residential areas would strengthen its economic fabric.

(iv) The northernmost portion of Kota Tua is a dilapidated area with very poor living conditions. Given development targeting improved housing and habitat-related infrastructure, the area could offer significant opportunities for small-scale industry, workshops and storage facilities.

(v) Opposite Pasar Ikan (the fish market) is the location where the former Batavia castle once stood, which was demolished at the beginning of the 19th century. Today, squatters and informal settlers occupy the site. The structural integrity of the nearby Dutch-built Oostzijde Pakhuizen (Eastern Storage Buildings) is endangered by vibration from high-density traffic on the adjacent toll road. Reorganization of the area could allow development of modern housing facilities that take advantage of the area’s strategic location between Jakarta’s port and city center. Processing industries, workshops, and storage facilities would have the best chance of attracting commercial investors to this area.

(vi) Today, the former Arab quarter of Pekojan is mainly residential, though most of its dwellings are in a poor state of repair, and the new structures that do exist are inconsistent with the area’s traditional architectural features. New housing projects would improve living conditions in the area and could be used to strengthen links to Pekojan’s architectural heritage.

(vii) Kali Besar and its surroundings, such as Fatahillah Square and Kota Junction Station, have great historic value in that they were once the economic and administrative heart of Jakarta. However, today these buildings are dilapidated, and many of them are standing idle. Due to the area’s high concentration of heritage buildings, it offers significant investment opportunities for development of new offices, as well as cultural, tourism-, and entertainment-related activities. However, new buildings should be introduced into the area with caution, as these could
easily have a negative impact on the area’s overall historic ambience.

(viii) The western portion of Kota Tua along the Angke River was once the western border of Batavia’s city center. As a result, it still retains some of the flavor of being the “edge” of the city. The area is home to numerous warehouses and boasts a relatively high degree of greenery. While upgrading of the area is clearly desirable, this should be undertaken with caution in order to avoid destroying the unique character it portrays as the “outskirts” of the city. Storage, small-scale industry, and workshops offer the best development opportunities for this area, provided that its existing open areas and greenery are preserved.

(ix) Formerly, the Pintu Kecil, Toko Tiga, and Jalan Cengkeh areas of Kota Tua were predominantly Chinese, and as a result, they still exude a palpable Chinese character. This is evident from the area’s predominance of small-scale commercial activity and retail trade, a plot pattern distinguished by long and narrow parcels of land, and traditional Chinese architectural features. Because today’s modern architectural forms could easily erase these unique features forever, any new development undertaken in the area should be tailored to its existing unique character.

(x) The area surrounding the fish market is one of Kota Tua’s oldest environs, and this community’s unique identity exudes a feeling of social cohesion. While the area surrounding Bahari Museum could be developed for tourism as long as this emphasizes low-profile interventions, care should especially be taken in enlarging the existing market to prevent its identity from being weakened or destroyed.

INVESTMENT POTENTIAL

Any revitalization initiative undertaken in Kota Tua must take into account numerous factors and involve a wide array of stakeholders. Diverse land uses such as those relating to office buildings, commercial enterprises, tourism, transport, and residences represent widely differing preferences and requirements. Reaching a consensus among all stakeholders regarding the basic parameters under which Kota Tua is to be redeveloped is thus an essential precondition to any successful revitalization effort. This can best be achieved by
adhering to the three basic principles that guide successful urban heritage revitalization initiatives. First, the initiative must encourage a living culture rather than museum-like preservation. Second, it must preserve the area’s cultural and architectural heritage. Finally, it must stimulate the local economy.

On the basis of these principles, DKI Jakarta has formulated a zoning plan for revitalization activities in Kota Tua (Table A2.3), the major components of which are as follows: (i) construction and rehabilitation of basic infrastructure, (ii) rehabilitation of buildings adaptable to new economic uses, (iii) construction of new commercial and housing complexes where appropriate, (iv) support for local business, and (v) development of institutional capacity for implementing the revitalization program.

CONSTRUCTION AND/OR REHABILITATION OF RELEVANT BASIC INFRASTRUCTURE

In 2005, URDI conducted an initial assessment of the required improvements to basic infrastructure in Kota Tua’s four kecamatan (districts), which are Pademangan, Penjaringan, Tambora, and Taman Sari.

WATER SUPPLY

Piped water supply is not available in all districts, and in areas in which it is, coverage is incomplete. In Pedemangan, most households purchase water from vendors for drinking, washing, and bathing. Some households prefer using wells rather than obtaining water from the city-owned water company in order to avoid paying for the water they consume. Thus, a partial overhaul and upgrading of the water supply system in areas of incomplete coverage is required. In Pedemangan (Figure A2.23), a completely new system is required, since there is no piped water in the area.

SOLID WASTE MANAGEMENT

In all four districts, solid waste is in part collected by private scavengers who are paid fees collected from the resident community. In Penjaringan, the garbage collected is stored in a temporary dump
Table A2.3: Zoning Plan for Revitalization Activities in Kota Tua, Jakarta

<table>
<thead>
<tr>
<th>No.</th>
<th>Zone</th>
<th>Subzone</th>
<th>Theme</th>
<th>Description</th>
<th>Photograph</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sunda Kelapa Harbor</td>
<td>• Traditional Kampung Luar Batang</td>
<td>Bahari Water Festival</td>
<td>Function: traditional port, warehouses, fish market, tourist attractions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sunda Kelapa Port</td>
<td></td>
<td>Circulation: improved tourist boat services for visits to harbor area</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Bahari Maritime Museum and fish market</td>
<td></td>
<td>Buildings/Settlement: rehabilitation of surrounding traditional settlements, new apartment housing, maintenance of colonial-style maritime museum</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Galangan/Beteng Dutch Fort</td>
<td></td>
<td>Pedestrian Circulation: integrated with existing streets, canopies</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Green Open Spaces: coconut trees, grass covered areas</td>
<td></td>
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<tr>
<td>No.</td>
<td>Zone</td>
<td>Description</td>
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<td>-----------------------------------------------------------------------------</td>
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<tr>
<td>2.</td>
<td>Fatahillah Square</td>
<td>Function: museums, large and small office buildings, university, facilities for cultural and artistic tourism, mixed use.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Circulation: Minimization of vehicle volume, emphasis on pedestrianization.</td>
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<tr>
<td></td>
<td></td>
<td>Building Settlement: Conservation.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pedestrian: sidewalks integrated with road network, street furniture and lighting for festive events.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Green Open Space: green open space, large number of trees.</td>
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</tbody>
</table>

### Theme
- Kota Tua (memories associated with the colonial period)
- Malaka
- Kali Besar
- Bandan
- Fatahillah Square
- Pintu Kecil (Chinese quarter)
- Kota Junction
- Railway Station

### Photograph
<table>
<thead>
<tr>
<th>No.</th>
<th>Zone (Chinatown)</th>
<th>Subzone</th>
<th>Theme (Chinatown)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>Pecinan (Chinatown)</td>
<td>• Pasar Pagi (morning market) • Pintu Besar Selatan • Pinangsia (Chinatown)</td>
<td>Chinatown</td>
<td>Function: center of retail and grocery activities, housing, Pecinan theme shopping (Chinese artifacts and goods)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Circulation: road surface shared by pedestrians and vehicles, priority given to pedestrians</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Buildings/Settlement: solid building structures</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Pedestrian: pedestrian circulation integrated with road network, small-scale signage to guide visitors, street furniture and lighting for festive events</td>
</tr>
<tr>
<td>No.</td>
<td>Zone</td>
<td>Subzone</td>
<td>Theme</td>
<td>Description</td>
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</tr>
<tr>
<td>4.</td>
<td>Pekojan</td>
<td>Pekojan</td>
<td>Kampung (multietnic neighborhood)</td>
<td><strong>Function:</strong> Housing, mixed use, commercial grocery stores, religious tourism with Chinese temples as destination</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Circulation:</strong> Road infrastructure needs improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Building/ Settlement:</strong> Preservation of old buildings, slum improvement, new construction</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Pedestrian:</strong> Road surface shared by pedestrian and vehicular traffic, street furniture and lighting for festive events in religious tourist destinations</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td><strong>Green Open Space:</strong> Green open space</td>
</tr>
<tr>
<td>Zone</td>
<td>Subzone</td>
<td>Theme</td>
<td>Description</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Circulation: parks, buildings, public transport.</td>
<td></td>
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<tr>
<td></td>
<td>Glodok (Chinatown)</td>
<td></td>
<td>Building/Settlement: arcade, high density, retail shopping on Gadjah Mada Street.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pedestrian: sidewalks integrated on Gadjah Mada Street, festive character of streetscape, large signage and advertisements.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Green Open Space: few open green spaces on pedestrian way, open space as public sport area.</td>
<td></td>
</tr>
</tbody>
</table>

Source: URDI 2007. Adapted from Town Planning Office (DKI).
site. However, in Tambora and Taman Sari where there is more commercial activity, solid waste collection is managed by private companies. The latter service functions relatively smoothly, but the former requires upgrading. In particular, collection vehicles and construction of proper temporary dump sites from whence the city’s garbage service can pick up the waste collected are immediate priorities.

**SEWERAGE AND WASTEWATER TREATMENT**

As is the case in other areas in Jakarta, Kota Tua’s wastewater is not properly treated. In addition to garbage, the Kali Besar carries sewage generated by the surrounding area out to the sea when low tide permits. This has converted the river into an open, malodorous sewer and garbage dump. Thus, either construction of new sewerage and wastewater treatment facilities or connection to facilities in neighboring districts is an immediate infrastructure priority. The sewerage system proposed (Figure A2.24) would properly treat Kota Tua’s wastewater prior to its being discharged into the sea.
Kota Tua’s successful revitalization may well depend on its partly damaged drainage system being reconstructed in a manner that integrates it with the systems of adjacent areas. Adjustments to existing canals are also required to improve water flow, to establish collection ponds near the sea, and to address current sources of contamination. The drainage system proposed does not differ greatly from the proposed sewerage system, as drainage water would be collected in the primary networks via gravitation or stream flow from when it would be transferred to collection ponds and ultimately discharged into the sea.

**TRANSPORT**

Two transport plans for Kota Tua exist. The more recent of the two is that included in *Dinas Tata Kota* 2007, the Kota Tua Master Plan. The other is the transport plan included in the 2004 Master Plan.
Appendix 2: Jakarta Case Study

and Action Plan for Kota Tua (published by Dinas Tata Kota and URDI 2004). Both the 2004 and 2007 plans envisage Kota Tua as a culturally-oriented historic center within which both commercial and creative activities could flourish. As a result, both plans provide for infrastructure and support of such activities. Both plans likewise provide for main access to Kota Tua via the ring road (Figure A2.26), with artery roads crossing the ring road in a manner that provides easy access to Kota Tua. The plans envision only a small part of Kota Tua’s road network being occupied by the busway. The inner portion of the ring road would thus provide a pedestrian zone and bicycle lane that would enable people to walk safely.

In order to attract visitors, access to Kota Tua would be improved by macro-level realignment of road networks and traffic circulation. These improvements would likewise reduce traffic by shifting some of it on to alternative routes. In particular, traffic bound for Glodok and Mangga Dua would be shifted to alternative routes in order to decongest the arteries serving Kota Tua. The macro-level traffic circulation plan provided in a 2004 DTK document directs circulation away from Kota Tua in a centrifugal manner and proposes new roads and flyovers for the eastern and southern portions of the inner ring road (Figures A2.27 and A2.28).

Figure A2.25: Drainage System for Kota Tua

**Figure A2.26: Local Transportation Plan**

![Local Transportation Plan](image)


**Figure A2.27: Kota Tua Macro-Level Traffic Circulation Plan**

![Kota Tua Macro-Level Traffic Circulation Plan](image)

Kota Tua’s revitalization is expected to attract many visitors. As a result, pedestrianization of portions of the area is key in supporting the economic and cultural activities proposed. The Town Planning Office (DKI) has prepared a pedestrianization program for Kota Tua that includes construction of pedestrian walkways as part of Jakarta’s Macro Transportation Plan and the Spatial Plan of DKI Jakarta 2010, which intends to stimulate a “culture of walking”. Pedestrianization would also contribute to reduction in the use of motorized vehicles and accident rates and provide more security for Kota Tua’s visitors, inhabitants, and businesspersons. The proposed plan prescribes (i) the minimum pedestrian walkway as being 4 meters in width to allow room for plants and flowers, (ii) barriers to prevent vehicles from straying into pedestrian areas, and (iii) design features for disabled persons. The Fatahillah Square pedestrian zone is to have eight main entrances with pedestrian walkways providing access to the square’s central area, Kali Besar, and the green open spaces near the square (Figure A2.29).
SLUM IMPROVEMENT MEASURES

While the Jakarta city government has implemented slum improvement measures in Kampung Luar Batang and Kampung Akrio in recent years, any integrated revitalization program for Kota Tua would require further slum improvement initiatives. These would include improving the area’s environmental quality via upgrading of its macroinfrastructure and habitat-related services. In this regard, active participation of local residents in planning, implementation, and maintenance would be required. Further, such a slum improvement program would need to include safe tenure, as well as support to small and medium-sized enterprises (SMEs) as outlined below.

ADAPTIVE REUSE OF HERITAGE STRUCTURES

Adaptive reuse of heritage buildings is the core of any revitalization initiative. However, adaptive reuse can either be (i) applied to
existing heritage buildings, or (ii) created through “infill” construction on vacant or underutilized land such as plots currently used for parking or storage. While restoration of facades is an important aspect of revitalization of heritage buildings, creation of new facades for infill construction that match the style and character of adjacent heritage buildings can play an important role in the restoration of heritage areas.

Finally, adaptive reuse can also include using heritage buildings for dual or even multiple purposes. Bank Mandiri has taken the lead in this regard by converting its fully functioning Kota Tua branch office into a bank museum. The museum conducts tours especially targeting youth in order to build awareness of the value of Kota Tua’s built heritage. Recently, Bank Indonesia has followed Bank Mandiri’s example. In addition, the DKI Agency for Cultural Affairs and Museums operates four museums in the area and actively promotes visits by tourists.

CONSTRUCTION OF NEW COMMERCIAL AND HOUSING COMPLEXES

While several sites within Kota Tua are suitable for hotel development, new hotel construction faces a significant number of restrictions in Kota Tua. As a result, both the current building code and the system for transferring development rights require clarification before private investment in hotels can be expected to apply adaptive reuse to hotel development in the area (Figure A2.30). Construction of new commercial and residential complexes is another prime area of interest to the real estate sector, which is eager to capitalize on Kota Tua’s many locational advantages. The area’s location in the northern portion of Jakarta places it in close proximity to the new waterfront development, the vast Ancol entertainment district, and Ancol Harbor, the latter of which is slated for expansion.

Since achieving a sustainable pattern of economic life in Kota will require an increase in its resident population, construction of new housing complexes is of great importance. However, preservation of Kota Tua’s historic legacy disallows high-rise infill construction within Kota Tua’s center, but permits it on the outer fringes or in adjacent areas (Figure A2.31). Conversion of land with limited historic value currently occupied by kampungs is likely to become a focus of such development, as is the target market for such complexes. Low- or middle-income households currently living in Kota Tua
may require a subsidy to benefit from new housing complexes if they are expected to voluntarily relocate to them. While high-end housing development may be attractive to a select population, its success will largely depend on Kota Tua becoming an attractive and culturally vibrant area of Jakarta.

SMES AND CREATIVE INDUSTRIES

As Kota Tua’s future will largely depend on its economic revival, sustainable economic development of the area must include employment creation. Given Kota Tua’s location, its natural comparative advantage lies in becoming a center of cultural tourism, creative industry, entertainment, and tourism. In this regard, the following considerations are applicable.

(i) Conditions conducive to business, including economic and financial incentives as appropriate, must be created for Kota Tua. This will most likely entail measures such
as transparent and streamlined procedures for obtaining business permits and reduced charges for some services. Of tantamount importance in this regard is policy that encourages development of SMEs and similar types of industry appropriate to Kota Tua such as nonpolluting industries and trade-related economic activity.

(ii) Employment creation must likewise draw on the diversity of existing occupations in the areas adjacent to Kota Tua, such as maritime-related jobs in Sunda Kelapa and Chinatown’s unique trade-related activities. Further, all new economic development should in one way or another take account of its likely employment creation effects. This would include not only the total number of fulltime-equivalent jobs created by any particular development initiative, but also their composition as regards matching the skills required to those of the existing resident population.

(iii) Development of economic activity support facilities will be necessary on a scale consistent with the type and degree of economic activity attracted to Kota Tua. For example, in addition to banking and telecommunications infrastructure, of paramount importance in encouraging businesses to locate offices in Kota Tua will be a sufficient number of small-scale providers of courier services, meals, office supplies, printing and photocopying services, and similar facilities used by larger business establishments.

(iv) Creating transparent, inexpensive business registration procedures tailored to the requirements of small-scale business would empower Kota Tua’s informal-sector providers of services in a way that encourages their incorporation into the formal sector. For example, the high-density Glodok–Pancoran area with its sprawling informal economy require a marketplace revitalization program that would include registration of vendors currently operating in the informal sector, their relocation to more organized facilities perhaps on currently vacant land, introduction of trading schedules, and low-cost health inspection of food stalls. All of these measures encourage consumers to use small-scale vendors of goods as services as they reduce information cost on the part of buyers, and reduce uncertainty regarding the safety
or quality of goods or services purchased. However, successfully introducing such measures will require that the procedures involved are simple, inexpensive, transparent, and quick if informal vendors are to be encouraged to join the formal sector.

(v) Developing creative industries that are clean and have a natural attraction to visitors and tourists is the key to unlocking a significant amount of economic development potential in Kota Tua. Examples of this supportive of Kota Tua’s revitalization include relocation of a university, arts academy, or architectural school to Kota Tua, which would trigger private investment in galleries, venues for cultural events, and the like. Promoting Kota Tua as Jakarta’s premier tourist destination would likewise bring investment in a wide array of tourism-related facilities such as those relating to shopping, entertainment, culinary and cinematographic arts, handicrafts, and trade-related events (e.g., book fairs, flea markets, native handicraft markets).

MANAGING REVITALIZATION ACTIVITIES

Support from the central government is critical to Kota Tua’s revitalization, since most historic buildings are either owned by, or under the administration of the central government or state-owned companies. Thus, an often overlooked requirement for successful revitalization is a conservation and revitalization regulatory framework that allows agencies from different levels of government that have jurisdiction over Kota Tua to work together harmoniously.

9 In October 2007, the local government took a first step in this direction with its decision to relocate Institut Kesenian Jakarta (the Jakarta Arts Institute) to Kota Tua.

10 The 2007 Master Plan does not specify any plans concerning the future of businesses such as informal casinos, discotheques, and massage parlors which currently thrive in Kota Tua. It is assumed that these activities would either remain or relocate when as a consequence of the revitalization program more distinguished businesses commence operation.
Appendix 2: Jakarta Case Study

The Search for an Appropriate Management Structure

While each municipality within Jakarta has a considerable amount of administrative authority over its jurisdiction, urban planning and development remain the responsibility of the DKI provincial government and its dinas (agencies). As mentioned previously, Kota Tua falls within two administrative kotamadya (municipalities): north Jakarta and west Jakarta. Kota Tua is further divided into four...
Within each kecamatan, nine kelurahan (subdistricts). Within each kotamadya, suku dinas (suboffices), under supervision of their respective offices at the municipal level, act as local technical operatives. This heavily partitioned and hierarchical administration has yet to effectively manage Kota Tua. To overcome the development inertia arising from this arrangement, Bapeda (the provincial planning board) is currently considering forming an autonomous body for Kota Tua’s planning, management, and governance. This entity could be either fully integrated into the government or be a semiautonomous or fully autonomous body, possibly with the participation of private sector partners.11

Whichever institutional form is ultimately chosen, it is critical for Kota Tua’s successful revitalization that this new body represent all relevant stakeholders and manage its operations on their behalf, and that it has the ability to manage and operate public–private partnership agreements. Public–private partnership projects can take the form of joint venture agreements or special purpose vehicles that allow bundling of resources, reinvestment of revenues, and disbursement of profits. Further, a stakeholder forum is necessary to permanently involve property owners, private investors, local and central government representatives, and representatives from the local community. This forum would be used for purposes of disseminating information on a regular basis, and for feedback on proposed development initiatives, investments, tenders, and local cultural events. It would also provide an avenue for monitoring the impacts of development initiatives. Similarly, establishment of a revitalization fund has been suggested. This fund would provide property owners and investors access to preferential loan financing for the rehabilitation of existing buildings or for new investment. Such a fund could be managed by DKI or a government-owned or private financial institution.

Improvement of Kota Tua’s physical facilities, particularly those for control of flooding and development of an integrated transport system, require interventions that transcend the role of the local and provincial governments and require the support of the Ministry of

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11 In late 2007, DKI established the Unit Pelayanan Teknis (Technical Implementation Unit) within its Tourism Office. This unit is first body fully dedicated to looking after Kota Tua’s revitalization. However, due to administrative limitations on its authority, the unit will be unable to conduct the degree of interagency coordination required for fulfilling Kota Tua’s multidimensional revitalization agenda.
Public Works. Thus, successfully developing facilities on such a scale will require transparent delineation of the respective responsibilities of agencies from all applicable levels of government, as well as the administrative body charged with Kota Tua’s overall management.

REQUIRED REGULATORY INTERVENTIONS

The existing historic conservation law (UU Cagar Budaya No. 5, 1992) relates only to buildings and not to overall development. Equally important, the Governor’s Decree on Kota Tua falls short in the area of regulating and directing the participation of both public and private actors in Kota Tua’s collaborative revitalization agenda. Thus, for Kota Tua’s revitalization to be successful, technical and financial principles of heritage revitalization in the form of legally endorsed guidelines and bylaws must be established. Establishing these guidelines and bylaws falls under the authority of DKI.

STAKEHOLDERS

Involvement of all relevant stakeholders is key to Kota Tua’s development as a center of culture, heritage tourism, and creative industry. These include private property owners, public property owners such as state-owned enterprises, local government bodies, and private citizens. The interests of the latter may differ greatly from those of external parties such central government ministries, real estate developers, the interest group referred to as Real Estate of Indonesia, nongovernment organizations, and industrial and commercial investors. For example, the most important interest of Kota Tua residents may be that of livelihood improvement, while that of heritage advocates such as the Jakarta Old Town Kotaku Foundation may be that of ensuring that the area’s heritage is properly preserved. Property owners who have abandoned the area to live in less unpleasant surroundings may be most interested in reaping economic benefits.

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12 Generic guidelines established by the International Council on Monuments and Sites as adopted in the Venice Charter in 1965 can serve as useful references.
13 This excludes international stakeholders such as the Government of the Netherlands; United Nations Educational, Scientific and Cultural Organization (UNESCO); and multinational companies such as HSBC Bank and Standard and Chartered Bank, both of which have owned properties in Kota Tua since the years of Dutch colonial administration.
from their heavily taxed and subutilized properties. Despite these differences, all stakeholders agree that Kota Tua is in urgent need of revitalization. The manner in which their opinions and interests differ rather relates to how this goal is to be achieved. Due to the current state of uncertainty surrounding Kota Tua’s future, clarification of the government’s stance toward Kota Tua’s revitalization is the appropriate starting point.
References


Administrative and Political Governance

In the 16th century, the Spanish colonial government established Ciudad Manila (City of Manila) as its political, religious, and administrative capital in the Philippines. The city’s core was the colonial administrative center, which was built within the walled compound of Intramuros (literally, “within the walls”, but today referred to as the “Walled City”). Intramuros's location was actually the site of Raja Soliman’s 13th century trading post, which had been surrounded by a wooden palisade and is strategically located on the shore of Manila Bay at the mouth of the Pasig River.

From 1593 to 1815, Spanish trade between Acapulco and Manila made Manila a premier center for east–west trade. Then, at the end of the Spanish–American War in 1898, Spain relinquished control of the Philippines to the United States. Manila, however, still maintained its status as a dominant economic center throughout the American Colonial Period and into the Commonwealth Period.

1 This text was edited by Florian Steinberg.
By 1944, more than 90% of Intramuros had been destroyed by bombardment and fire—except for Warsaw, it was World War II’s most war-ravaged city. Gone were Intramuros’s genteel plazas, “...but on a monument stripped of its metal still regally swaggered Don Carlos IV de Borbon, overlooking a mass of ruins: the hulk of the Ayuntamiento, the great shell of the Cathedral, the pile of rubble of the Fort Santiago” (Joaquin 2003). With the exception of the Church of San Agustín, every convent and church was reduced to little more than a precarious facade or bell tower. Although intact, Intramuros was dirty and deserted.

However, life went on after Intramuros “vanished into history and memory” (Laya and Gatbonton 1983). The ruins were cleared, and some of its old schools moved to the outer fringes of Manila. A few of these returned to Intramuros and were eventually joined by new ones. At this time, Intramuros’s marginalized population had begun to play a game of squat-and-evict with local law enforcement officials.
In 1966, the Intramuros Restoration Committee (IRC) was formed with the goal of restoring the city. With limited government funds and donations, IRC’s members, who included national and local officials as well as members of the private sector, restored portions of Intramuros’s original walls and fortifications. With the imposition of martial law in 1972, IRC was abolished, and responsibility for restoring and managing Intramuros passed to the Intramuros Administration.

From its founding in 1979 until 1986, the Intramuros Administration aggressively carried out restoration work on Intramuros’s fortifications. This included archival research, archaeological excavation, preparation of restoration plans, site clearing and construction, and adjusting restoration plans as archaeological finds produced additional information for restoration works. In addition to valuable books, its library held copies of old plans and photographs that provided a proper historical foundation for restoration work. The Intramuros Administration commissioned a project manager for overseeing the restoration, as well as consultants who

Figure A3.2: Intramuros at the End of World War II

Source: Laya and Gatbonton 1983.
supervised full-time staff members and private contractors trained in masonry techniques appropriate to Intramuros’s restoration. By 1986, nearly all research, architectural design, and restoration work on the fortifications was complete.

The initial plan for Intramuros’s restoration as a historic district was the “Tourism Development Plan for Intramuros, Manila” presented to the Government of the Philippines by the Government of Spain in 1973. In 1980, the plan was revived and updated as the Intramuros Development Plan, with the goal of restoration and development of Intramuros as a functional community. This plan in turn formed the basis of the various restoration, planning, and development control regulations relating to Intramuros until completion of the Intramuros Urban Development Plan of 1992.

In April 1979, Presidential Decree No. 1616 created the Intramuros Administration “for purposes of restoring and administering the development of Intramuros”, with Presidential Decree No. 1748 of 1980 further reinforcing the agency’s authority. It was placed under the control of the powerful Ministry of Human Settlements, and when this ministry was abolished in 1986 at the end of martial law and restoration of democracy, the Intramuros Administration continued to fulfill its mandate under the Department of Tourism (DOT).

Republic Act No. 597 of 1951, which declared Fort Santiago a national shrine and Intramuros a historical monument, required Spanish architectural design for construction within the historic area. However, Republic Act No. 1607 declared the Walled City a “commercial, residential, and educational district”, which opened Intramuros up to all types of construction, including some that completely disregarded the area’s architectural heritage. However, Presidential Decree Nos. 1277 and 1537 in 1978 protected Intramuros’s streets and walls from further destruction and provided penalties for violators.

More recent laws impacting Intramuros include the National Building Code (Republic Act No. 1096), the Fire Code of the Philippines (Presidential Decree No. 1185), the Accessibility Law (Batas Pambansa Bilang 344) and related codes, the Urban Development and Housing Act of 1992 (Republic Act No. 7279), and several laws addressing illegal settlements.
The Intramuros Administration’s activities are carried out by three of its numerous divisions: (i) the Administrative Division, (ii) the Internal Audit Division, and (iii) the Planning Division. Four other divisions carry out specialized functions: (i) cultural properties and conservation, (ii) urban planning and community development, (iii) tourism marketing and promotions, and (iv) subsidiaries management (Figure A3.3).

Serving their respective terms in the 1980s, Manila mayors Gemiliano Lopez and Alfredo Lim both recognized Intramuros’s historical legacy as well as its importance as a symbol of national

Figure A3.3: Organizational Chart of the Intramuros Administration and Board of Administrators, 2007

Source: Intramuros Administration 2008; confirmed and updated after meetings with administrator and division heads.
unity. They thus required that Intramuros be treated as a special zone. Both mayors likewise recognized the value of grassroots support to Intramuros’s restoration, and therefore linked the barangays (neighborhood-level governments) of Manila to the Intramuros Administration. The Local Government Code of 1991 (Republic Act No. 7160) institutionalized the linkage of the following five barangays to the Intramuros Administration:

(i) Barangay 654, which includes Legaspi Street, Anda Street, and Solana Street;
(ii) Barangay 655, which includes Beaterio Street, Magallanes Street, Anda Street, Solana Street, Arzobispo Real Street, and Cabildo Street;
(iii) Barangay 656, which includes the Maestranza property and Cabildo Street;
(iv) Barangay 657, which includes Magallanes Street and Sta. Lucia Street; and
(v) Barangay 658, which includes General Luna Street, Sta. Lucia Street, Basco Street, Victoria Street, Magallanes Street, and Sta. Potenciana Street.

Over the past 20 years, the Intramuros Administration and DOT have attempted to establish several tourism programs in Intramuros. Ultimately, the Intramuros Urban Development Plan of 1992 became the chief vehicle for protecting the cultural and historical integrity of the Walled City and administering development of the entire district.

Figure A3.5: Spanish Colonial Map of Intramuros, circa 1870

Source: Private Collection, Makati, Philippines
REAL ESTATE

Cadastral maps and copies of titles of land relating to parcels within Intramuros, dating back to the American Colonial Period, are in the custody of the Intramuros Administration. Today, the Government of the Philippines, the Roman Catholic Church, private institutions, and private corporations and individuals own Intramuros’s real estate. Informal settlers occupy some smaller privately-owned parcels of land as well as some larger parcels of unused government land.

Figure A3.6: Land Ownership in Intramuros

<table>
<thead>
<tr>
<th>Owner</th>
<th>Area (square meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Church</td>
<td>68,625.90</td>
</tr>
<tr>
<td>Government (excluding walls, golf course, and parks)</td>
<td>68,717.73</td>
</tr>
<tr>
<td>Private and corporate</td>
<td>253,202.20</td>
</tr>
<tr>
<td>Unknown</td>
<td>3,215.20</td>
</tr>
</tbody>
</table>

Source: Consultant computation of land areas derived from original certificates of title and transfer certificates of title.

The Government owns the land on which Intramuros’s walls and fortifications stand, as well as the parks and some other parcels within the walls, though the Intramuros Administration acts as their custodian. The Government Service Insurance System and Social Security System are also landowners and have built office buildings on the plots that they own. In 1993, the lands to which
the Central Bank originally held title were transferred to Bangko Sentral ng Pilipinas to ensure that the latter had their legal title. The current custodian of the former Sunken Garden, which was converted to a golf course during the American Colonial Period, is the Philippine Tourism Authority, which operates the golf course as Club Intramuros. The city owns Manila High School and the Pamantasan ng Lungsod ng Maynila (University of the City of Manila). Roads and other rights-of-way are owned either by the city or the Government.

**Figure A3.7: Government-Owned Properties in Intramuros**

Note: Total land area of government-owned properties is 68,717.73 square kilometers.

Source: Intramuros cadastral map; computations of land areas derived from original certificates of title and transfer certificates of title.

Among the substantial landholdings of the Roman Catholic Church in Intramuros are the site of the Manila Cathedral, a parking lot behind the cathedral, the Arzobispado de Manila (Office
of the Archbishop of Manila), and various multiuse buildings surrounding the latter. The Roman Catholic orders of the Augustinians, Carmelites, and Dominicans also own other large properties. The custodian of the Church’s properties claims that some of the properties in Intramuros have been sold.

Intramuros’s eastern portion houses several private schools, including Colegio de San Juan de Letran, Mapúa Institute of Technology, the Lyceum of the Philippines University, and Colegio
Figure A3.9: Intramuros’s Eastern Portion

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.
Following promulgation of the Intramuros Urban Development Plan of 1992, the Intramuros Administration began implementing land resource management techniques to facilitate Intramuros’s revitalization. These included: (i) purchasing historic sites and structures for later use as offices, (ii) consolidating lots to provide room for large-scale projects, (iii) acquiring properties of historical and cultural significance, and (iv) swapping privately-owned land within Intramuros for government-owned land outside the area as a means of implementing its transfer of development rights scheme. The Government initially funded reconstruction of some major structures that were not completely demolished. However, most of these structures have not yet been reconstructed.

The positive impact of these techniques is visible in Intramuros’s northeastern sector. Sites and ruins of major heritage structures have been cleared of illegal settlers and properly protected. At the turn of the 21st century, the Philippines’ taipans\(^2\) expanded their corporate activities to support major academic institutions. Mapúa Institute

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\(^2\) In the Philippines, the term *taipan* refers to a highly successful Filipino businessperson of Chinese origin.
of Technology, a recent acquisition of the Yuchengco Group of Companies, has undergone major upgrading and expansion of its academic facilities. The former Colegio de San Juan de Letran reclaimed spaces within the building’s original structure to prevent alteration of the building’s facade. Although no visible improvements are yet evident in the Lyceum of the Philippines University, plans exist for upgrading of its dormitories and cafeterias.

Even government-owned Manila High School and Pamantasan ng Lungsod ng Maynila have upgraded and expanded their academic facilities, with the latter performing ongoing construction on academic structures. Private dormitories and food outlets have likewise been constructed to cater to student demand for these services.

**LAND VALUES**

Although Intramuros residents acknowledge that several properties have changed ownership recently, the Bureau of Internal Revenue refuses to release information regarding land sales in Intramuros. Likewise, the Intramuros Administration has no official record of sales of properties except in cases in which it is the purchaser. The Roman Catholic Church acknowledges selling some of its properties, and the Mapúa Institute of Technology and the Lyceum of the Philippines University, as previously mentioned, have upgraded and expanded their campuses using land acquired for this purpose. The *Manila Bulletin* improved its facility, but expanded it vertically in blatant defiance of the building height restrictions.

From 1979 to 1985, land values in Intramuros increased as the Intramuros Administration completed restoration of the walls and fortifications, reconstructed Spanish colonial period structures in Plaza San Luis, and introduced regular cultural activities such as concerts and performances in Puerta Real gardens and Casa Manila. During this period, San Agustin Church and Convent consolidated its priceless ecclesiastical collection, and Fort Santiago and other baluarte (fortifications) were used as venues for elegant receptions for visiting dignitaries. The informal market tiangge (a temporary market comprising a group of stalls) within the redeveloped area was gentrified, and the Intramuros Administration removed the illegally parked container vans from Intramuros’s inner area. Illegal settlers were relocated, and private landowners began building on their formerly abandoned properties.

The momentum of this revitalization came to an abrupt halt with the People Power Revolution of 1986. The years following were a difficult period for Intramuros, as the Intramuros Administration
faced many challenges. These ranged from a movement to return the Intramuros Administration mandate to the original agencies to threats of its outright abolition, as other agencies and the city attempted to acquire control over Intramuros. Meanwhile, the illegal settlers who had previously been relocated returned in droves, together with their extended families. Predictably, real estate prices in Intramuros dropped.

However, the Intramuros Administration survived and continued to fulfill its mandate. Preparation of an urban development plan continued, and regulatory practices were incorporated into it and refined over time. Since its completion in 1992, the plan has continued to guide Intramuros’s restoration and development.

Information regarding the price of land in Intramuros in 2007 obtained from the Intramuros Administration’s Urban Planning and Community Development Division appears in Table A3.1.

The 2007 zonal valuation of land located in Intramuros’s five barangays, as obtained from the Register of Deeds of Manila, is as follows:

(i) Barangay 654 (Legaspi Street, Anda Street, Solana Street): P18,330.00
(ii) Barangay 655 (Beaterio Street, Magallanes Street, Anda Street, Solana Street, Arzobispo Street): P18,330.00; (Real Street): P20,500.00; (Cabildo Street): P20,500.00
(iii) Barangay 656 (the illegally occupied Maestranza property, Cabildo Street): P20,500.00
(iv) Barangay 657 (Magallanes Street, Sta. Lucia Street): P18,330.00
(v) Barangay 658 (General Luna Street): P20,500.00; (Sta. Lucia Street, Basco Street, Victoria Street, Magallanes Street, Sta. Potenciana Street): P18,330.00

Land values in areas and districts surrounding Intramuros are on average 100% higher than land within the historic core. Note that the zonal valuation of real estate within Intramuros is much lower than the corresponding values generated by a survey undertaken by the Urban Planning and Community Development Division.

The Intramuros Administration has initiated several meetings with the owners of parcels within Intramuros’s walls. The problems facing these owners range from lack of resources for enclosing their properties to caretakers who build shacks on the owners’ properties and then rent out them out illegally. Government-owned properties
Table A3.1: Comparison of Land Values in Intramuros with Those in Adjacent Areas

<table>
<thead>
<tr>
<th>Area</th>
<th>Price Pesos/m²</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTRAMUROS ADMINISTRATION SURVEY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National roads</td>
<td>30,000–40,000</td>
<td></td>
</tr>
<tr>
<td>Inner roads</td>
<td>25,000–30,000</td>
<td></td>
</tr>
<tr>
<td>Dagatdagatan, Manila Hotel</td>
<td>50,000–60,000</td>
<td></td>
</tr>
<tr>
<td>Recto, Quintin Paredes</td>
<td>50,000–60,000</td>
<td></td>
</tr>
<tr>
<td>Mabini</td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>Arranque</td>
<td>45,000–60,000</td>
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</tr>
<tr>
<td>San Nicholas</td>
<td>30,000–35,000</td>
<td></td>
</tr>
<tr>
<td>Abad Santos</td>
<td>20,000–25,000</td>
<td></td>
</tr>
<tr>
<td>Malate to United States Embassy</td>
<td>30,000–45,000</td>
<td></td>
</tr>
<tr>
<td><strong>BIR ZONAL VALUATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Areas</td>
<td>Lowest Values</td>
<td>Highest Values</td>
</tr>
<tr>
<td>INTRAMUROS</td>
<td>25,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Dagatdagatan, Manila Hotel</td>
<td>50,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Recto, Quintin Paredes</td>
<td>50,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Mabini</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Arranque</td>
<td>45,000</td>
<td>60,000</td>
</tr>
<tr>
<td>San Nicholas</td>
<td>30,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Abad Santos</td>
<td>20,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Malate to United States Embassy</td>
<td>30,000</td>
<td>45,000</td>
</tr>
</tbody>
</table>

BIR = Bureau of Internal Revenue, m² = square meters.

Sources: Intramuros Administration’s Urban Planning and Community Development Division; information compiled from Bureau of Internal Revenue records.
are the most vulnerable to illegal settlers, many of who are employed in the port area nearby. However, from 1995 to 2005, the Intramuros Administration did manage to relocate a total of 1,942 illegal settler households, as outlined in Table A3.2.

Despite the relocation initiative, land values in Intramuros are still substantially lower than in the nearby areas of Luneta and Ermita, mainly because the illegal settler population in Intramuros remains substantial.

As for the western and southeastern portions of Intramuros, offices, tourism-related commercial activities, and schools have slowly stabilized this area. Following 2000, the main driver of revitalization has been the upgrading and/or expansion of educational institutions. Likewise, DOT continues to encourage travel agencies to bring tourists to Intramuros and periodically arranges events there. Such activities will ultimately cause land prices in Intramuros to rise.

**HERITAGE STRUCTURES**

Intramuros’s walls and fortifications comprise some of its most important heritage structures. On the triangular delta where Manila Bay merges with the Pasig River sits Fort Santiago, a complex of military-related structures. At the corner where the Pasig River en-
Appendix 3: Manila Case Study

Figure A3.11: Location of Landmarks and Heritage Structure in Intramuros

Source: Torres 2005.

ters Manila Bay is Baluarte de Santa Barbara, Medio Baluarte de San Francisco fronting the river, and Baluarte de San Miguel facing Manila Bay.

Other fortifications within the complex include Baluarte de San Gabriel at Intramuros’s northeastern corner, Revellin del Parian; Baluarte de Dilao, Revelin de Recolletos, Baluarte de San Andres at the southeastern corner of the walls, the Revellin de Real de Bagumbayan, the Baluarte de San Diego at the southwestern corner of the walls, and the fortifications on the southwestern side that face Manila Bay. Also located there are the Baluartillo de San José, Reducto de San Pedro, Baluartillo de San Eugenio, Baluarte Plano Luneta de Santa Isabel, Baluartillo de San Juan, Baluartillo de San Francisco, and Reducto de San Francisco.

The original gates and drawbridges of Intramuros’ walls that connected the inner city to the surroundings are the Puerta del Parian that formerly connected to the Chinese settlement on the east, Puerta Real (a gateway used exclusively by the governor-general for state occasions) leading to Bagumbayan, Puerta de Santa Lucia and
Postigo de Palacio fronting Manila Bay, Almacénes (warehouses), Santo Domingo, and Puerta de Isabel II fronting the Pasig River. The gates of Almacénes and Santo Domingo were destroyed during the American colonial period.

The walls and fortifications primarily function as a tourism venue. The Intramuros Administration leases out specific baluartes or parts of the walls for social events, and film companies occasionally use them for sets. Similarly, some of Intramuros’s reconstructed structures are used as offices and commercial establishments.

Figure A3.12: Photograph of Wedding Venues Inside Intramuros

Source: Philippines Department of Tourism website, 2008.

Fort Santiago was managed and operated by the National Parks Development Committee until 2 February 1992. Today, the Intramuros Administration’s Tourism and Marketing Promotions Division markets Fort Santiago as a primary tourist destination. However, the Rizal Shrine remains under the control of the National Historical Institute, and while it is well kept, it requires refurbishment.

During the term of Richard Gordon, secretary of DOT, Intramuros was the launch venue for a tourist promotion campaign known as “WOW Philippines.” Today, DOT continues programs, such as cultural festivities and the annual December Grand Marian Procession, to facilitate Intramuros’s gentrification.

The Intramuros Association’s conservation efforts focus on Intramuros’s walls and fortifications, since a major portion of the agency’s budget is spent on maintaining the walls. For example, herbicide is applied regularly to the walls in order to prevent the growth of plants, since their root systems undermine the walls’ structural integrity.
Figure A3.13: Historical City Walls Threatened by Roots of Plants Which Over Time can Produce Substantial Damage

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.

Table A3.3 summarizes the conservation activities performed by the Intramuros Administration’s Cultural Properties and Conservation Division.

Table A3.3: Intramuros Administration’s Conservation Activities

<table>
<thead>
<tr>
<th>Conservation Activities</th>
<th>Frequency</th>
<th>Manpower</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Structures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weed removal</td>
<td>Daily</td>
<td>2 laborers</td>
</tr>
<tr>
<td>Spraying</td>
<td>Daily</td>
<td>2 laborers</td>
</tr>
<tr>
<td>Grouting</td>
<td>Yearly</td>
<td>2 laborers</td>
</tr>
<tr>
<td>Epoxy grouting</td>
<td>Every 10 years</td>
<td>10 laborers</td>
</tr>
<tr>
<td>Cleaning</td>
<td>Daily</td>
<td>22 laborers</td>
</tr>
<tr>
<td>Brush cutting</td>
<td>Daily</td>
<td>6 laborers</td>
</tr>
<tr>
<td>Washing</td>
<td>Every 2 months</td>
<td>2 laborers</td>
</tr>
<tr>
<td>Security</td>
<td>Daily</td>
<td></td>
</tr>
<tr>
<td><strong>Movable Structures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance of exhibits</td>
<td>Daily</td>
<td>5</td>
</tr>
<tr>
<td>Maintenance of storage areas</td>
<td>Every 2 weeks</td>
<td></td>
</tr>
<tr>
<td>Household pest control</td>
<td>Weekly</td>
<td>2</td>
</tr>
<tr>
<td>Security</td>
<td>Daily</td>
<td>6</td>
</tr>
<tr>
<td>Conservation Activities</td>
<td>Frequency</td>
<td>Manpower</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-----------</td>
<td>----------</td>
</tr>
<tr>
<td>Restoration/Conservation of Museum Objects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair of damaged items</td>
<td>As needed</td>
<td>1</td>
</tr>
<tr>
<td>Fumigation of books, prints, etc.</td>
<td>Monthly</td>
<td>1</td>
</tr>
<tr>
<td>Mechanical cleaning of objects</td>
<td>Daily</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Intramuros Administration Cultural Properties and Conservation Division.

Figure A3.14: San Ignacio Church, Past and Present

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map; Laya and Gatbonton 1983.

Figure A3.15: The Aduana, Past and Present

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map; Laya and Gatbonton 1983.
The Americans who settled in Intramuros at the turn of the 20th century deemed the silt accumulating in the moat outside the walls to be a major health hazard. The moat was therefore converted into the Sunken Garden and eventually into the municipal golf links now known as Club Intramuros, which has now begun to offer night golf.

The Manila Cathedral was one of the few structures rebuilt by integrating portions of the ruins into restorative construction. The remaining ruins that could potentially be reconstructed for adaptive reuse include those of San Ignacio Church, the original Ateneo (Ateneo de Manila University), the Aduana (customs house), and the Ayuntamiento (a government building in Intramuros sometimes referred to as the “marble palace”). As of this writing, the contract for the restoration of the Ayuntamiento is ready to be put out to competitive bidding by its owner, the Bureau of the Treasury. Restoration of the Aduana began in 1998, as it is to house the Records Management and Archive Office of the National Archives. San Ignacio Church and the old Ateneo sites are both managed by the Intramuros Administration. Working drawings for restoration works exist for all of these structures.

San Ignacio Church, which was designed by the first Filipino architect, Felix Roxas Sr., was completed in the 19th century but destroyed during the Battle of Manila in 1945. The building is designated for adaptive reuse as the museum for the Intramuros Administration's ecclesiastical artifacts collection. The project cost is estimated at P300 million. The original Ateneo was constructed in 1865, but destroyed in the 1932 Intramuros fire. A grade school building was built on the site but was also destroyed in 1945. The cost of restoring the original Ateneo is an estimated P500 million.

Relocation of nearly 2,000 illegal settler families in Maestranza allowed reconstruction of the demolished wall that faces the Pasig River. Archaeological work focusing on the remains of the original walls is now underway. Given reconstruction of the Maestranza wall, 98% of Intramuros's walls will have been restored.
Figure A3.16: Maestranza, Before and After Clearing Illegal Settlers

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.

URBAN SUPPORT INFRASTRUCTURE

The Intramuros Urban Development Plan of 1992 mapped the urban utilities existing in the late 1980s. Today, various utility companies provide service to Intramuros. Philippine Long Distance Telephone Company has continuously provided telephone service since the 1960s. As a result of the advent of digital communication facilities, Intramuros has become linked to the worldwide telephone and Internet networks.

While the Manila Electric Company (Meralco) supplies adequate electricity to Intramuros, its overhead power lines, transformers, and concrete lampposts are an unsightly contrast to Intramuros’s reconstructed buildings. In an effort to avoid threat to life and limb by illegal settlers, Meralco has also installed metered electric power service to the illegal settler community. While Intramuros’s streets are lighted, the Intramuros Administration has only been able to install lampposts appropriate to the area’s heritage structures in Intramuros’s higher-profile areas.
Figure A3.17: Overhead Utility Cables and Spanish-Period Lampposts

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.

Figure A3.18: Seaman’s Hospital and Its Surrounding Areas

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.

Four hundred fifty meters of sewerage lines exist in Intramuros, but the continuity of these lines must be verified. In areas housing illegal settlers, sewage simply flows into the street. The existing storm drainage system is inadequate to drain Intramuros due to the area’s flat terrain. Intramuros’s open canals are thus clogged with garbage and its outfalls silted. Although unconfirmed, flooding seems to occur due to backflow of the Pasig River during high tide.

A fire station is located on Aduana Street and a Philippine National Police substation is located at Parian Gate on Muralla Street. To supplement the government security force and secure the gates and fortifications, the Intramuros Administration has contracted a private security agency to provide comprehensive security services. The only health facility within Intramuros is Seaman’s Hospital. There are no elementary schools in the area, and the only secondary public school is Manila High School. The barangays
do not have any formal health centers or daycare facilities for the area’s residents or its numerous illegal settlers. Garbage is regularly collected by the city, although the scale of these operations is insufficient to address the amount of solid waste generated by the illegal settler community.

Sidewalks are in place in Intramuros, although their design attracts litter that gets stuck in the connection of the sidewalk to the street. In areas dominated by schools and tourist destinations, roads are properly paved and the sidewalks continuous. While some unused land parcels have been cleared and are currently used as parking lots, more organized parking facilities sit on the original site of the Ayuntamiento and the expansive empty lot located behind the Manila Cathedral.

Meralco has expanded electrical power service over time in tandem with demand increases in Intramuros. Aside from basic demand for electricity for lighting, the area’s newly constructed buildings require power for air conditioning and other facilities. Office buildings, commercial establishments, and light industrial enterprises such as The Manila Bulletin and the local Chinese newspaper are adequately served with electric power.

Water supply and distribution have recently been turned over to the privatized Maynilad Water Services, Inc. (MWSI). MWSI has begun installation of new water lines on General Luna Street in the vicinity of Pamantasan ng Lungsod ng Maynila and Puerta Real. In 1 or 2 years, MWSI will have completed installation of new water lines in Intramuros.

**PHYSICAL ENVIRONMENT**

Both the urban planning study and the urban development plan adopted by the Intramuros Administration Board in 1992 continue to be used as the basis for redeveloping Intramuros as a living museum. This involves activities on the part of both the Intramuros Administration and DOT that harmonize restorative, cultural, and commercially-oriented activities in Intramuros. However, to date Intramuros’s income-producing activities have not generated sufficient revenue to maintain the area’s heritage structures. Nevertheless, Intramuros has the potential to become the most vibrant historical and cultural urban core of Manila. Table A3.4 compares land use in Intramuros in 2007 with that in 1990.
Table A3.4: Intramuros Land Use in 1990 and 2007, Results of the Land-Use Survey, August 2007

<table>
<thead>
<tr>
<th>Intramuros Revitalization Study Data, 2007 Excluding Parks and Open Spaces</th>
<th>Type of Land Use</th>
<th>Area (m²)</th>
<th>Total Area Devoted to Each Land Use Type</th>
<th>Percentage of Total Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial and mixed use</td>
<td>130,454.40</td>
<td>Commercial and mixed use</td>
<td>130,454.40</td>
</tr>
<tr>
<td></td>
<td>Residential</td>
<td>10,315.00</td>
<td>Residential</td>
<td>10,315.20</td>
</tr>
<tr>
<td></td>
<td>Government</td>
<td>40,657.09</td>
<td>Institutional</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>82,302.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Religious</td>
<td>37,716.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other institutional structures (e.g., hospitals and museums)</td>
<td>17,333.17</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vacant lots used for parking</td>
<td>35,009.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vacant lots occupied by informal settlers</td>
<td>14,280.00</td>
<td>Vacant and unused lots</td>
<td>110,461.00</td>
</tr>
<tr>
<td></td>
<td>Vacant lots occupied by abandoned/dilapidated structures</td>
<td>61,172.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>429,239.56</strong></td>
<td></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

continued on next page
### Results of the Land-Use Survey, 1990

<table>
<thead>
<tr>
<th>Type of Land Use</th>
<th>Area (m²)</th>
<th>Total Area Devoted to Each Land Use Type</th>
<th>Percentage of Total Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>84,207.40</td>
<td>Commercial and mixed use</td>
<td>131,039.75</td>
</tr>
<tr>
<td>Mixed use</td>
<td>46,832.35</td>
<td>Residential</td>
<td>32,082.80</td>
</tr>
<tr>
<td>Residential</td>
<td>32,083.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional</td>
<td>199,080.69</td>
<td>Institutional</td>
<td>199,080.69</td>
</tr>
<tr>
<td>Vacant lots</td>
<td>87,804.61</td>
<td>Vacant and unused lots</td>
<td>96,435.81</td>
</tr>
<tr>
<td>Abandoned lots</td>
<td>8,631.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>458,639.05</strong></td>
<td></td>
<td><strong>458,639.05</strong></td>
</tr>
</tbody>
</table>

Source: Urban Planning and Community Development Division. Land use areas derived from original certificates of title and transfer certificates of title.
Figure A3.19: Plaza San Luis and San Agustin Church, Palacio Grande on General Luna Street, and Plaza San Luis and Dormitories on Muralla Street

Figure A3.20: Land Use in Intramuros, August 2007

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.
Given the Intramuros Administration’s budgetary constraints, Intramuros’s walls, fortifications, gates, monuments, and plazas are properly maintained, though allocations provided for the maintenance of parks and plazas are minimal. When additional funds become available, such as those from occasional donations, conservation and restoration works are performed in the areas to which the Intramuros Administration assigns the highest priority. Its Cultural Properties and Conservation Division inspects all cultural properties annually as part of its conservation plan.

Intramuros’s road network is in generally acceptable condition. Roads in the most heavily toured areas are paved with piedra china (cobblestones). Sidewalks are provided in areas in with substantial pedestrian traffic, such as those adjacent to schools. The Department of Public Works and Highways regularly repairs Intramuros’s roads, except in areas that fall under the jurisdiction of the city.

During the 1950s, Intramuros was abandoned by the city administration of Manila. As a result, it became the prime housing venue for Manila’s displaced population, which constructed make-shift houses with materials scavenged from demolished structures. Resettlement efforts in Intramuros began in 1960 when Mayor Antonio Villegas relocated Intramuros’s illegal settlers to Sapang Palay; Bulacan; and Carmona, Cavite. But since then, Intramuros has progressed through numerous cycles of squatter settlements build-up and relocation.

**Figure A3.21: Current Areas and Percentage Shares of Land Use in Intramuros**

<table>
<thead>
<tr>
<th>Type</th>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>130,454.40 km²</td>
<td>15%</td>
</tr>
<tr>
<td>Residential</td>
<td>10,315.00 km²</td>
<td>1%</td>
</tr>
<tr>
<td>Institutional</td>
<td>178,008.96 km²</td>
<td>21%</td>
</tr>
<tr>
<td>Unused lots</td>
<td>110,461.00 km²</td>
<td>13%</td>
</tr>
<tr>
<td>Park/walls/golfcourse</td>
<td>418,791.04 km²</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total Area</strong></td>
<td>848,030.40 km²</td>
<td>100%</td>
</tr>
</tbody>
</table>

km² = square kilometer.

Source: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.
Intramuros’s population primarily comprises illegal settlers, students, and office workers. There are 2,858 legal residents and 15,696 illegal settlers in Intramuros as of the most recent census performed by the Urban Planning and Community Development Division. Tables A3.5 and A3.6 summarize available data relating to Intramuros’s illegal settler population.

The Intramuros Administration’s sectoral planning and development activities follow the guidelines prescribed by the Intramuros Urban Development Plan of 1992, though exceptions are made as

Table A3.5: Illegal Settler Population in Intramuros

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2005</th>
<th>Change Over Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of structures</td>
<td>920</td>
<td>1,171</td>
<td>+251 (22%)</td>
</tr>
<tr>
<td>Number of families</td>
<td>1,251</td>
<td>1,321</td>
<td>+70 (6%)</td>
</tr>
<tr>
<td>Total population</td>
<td>7,512</td>
<td>16,116</td>
<td>+8,604 (54%)</td>
</tr>
</tbody>
</table>

Source: IA Urban Planning & Community Development Division.

Table A3.6: Intramuros’s Illegal Settler Population in Various Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Barangay 654</td>
<td>1,014 1,122</td>
<td>7.2</td>
<td>1,136.0</td>
</tr>
<tr>
<td>Barangay 655</td>
<td>1,230 4,608</td>
<td>225.2</td>
<td>5,058.0</td>
</tr>
<tr>
<td>Barangay 656</td>
<td>1,674 8,190</td>
<td>434.4</td>
<td>9,059.0</td>
</tr>
<tr>
<td>Barangay 657</td>
<td>768 924</td>
<td>10.4</td>
<td>944.8</td>
</tr>
<tr>
<td>Barangay 658</td>
<td>2,826 1,272</td>
<td>-103.6</td>
<td>1,065.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>7,512 16,116</td>
<td>573.6</td>
<td>17,262.8</td>
</tr>
</tbody>
</table>

Source: Data for 1990 and 2005: Urban Planning & Community Development Division; for 2007: Output of the Land Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa Institute of Technology who assisted in the preparation of the land use survey map.
required in applying legal restrictions imposed by laws recently pro-
mulgated. This includes activities relating to permit processing and
the issuing of clearances.

The mix of proposed conservation and development projects
scheduled by the Intramuros Administration for fiscal year 2005
included:

(i) rehabilitation of Plaza San Luis complex;
(ii) restoration of Baluarte de Santa Barbara;
(iii) repair of cracks at gates and gaps;
(iv) rehabilitation of Fort Santiago;
(v) repair of restrooms at Puerta Real and San Diego
   Garden;
(vi) rehabilitation of Roma, Willard, and Juan Luna plazas;
(vii) repair of historical markers;
(viii) repair of Casa Manila Museum;
(ix) covered parking Phase II;
(x) improvement of pathway;
(xi) restoration of Baluarte San Miguel;
(xii) archaeological excavation of Casa Castellano;
(xiii) cobblestone paving on General Luna Street during
      Phases II and III; and
(xiv) restoration of American barracks as restaurants.

Subject to availability of funds, the Intramuros Administration’s
Cultural Properties and Conservation Division implements the
Comprehensive Conservation Plan as shown in Table A3.7. The
plan covers both movable and fixed objects and structures.

Together with the National Housing Authority and the
Philippine National Police, the Intramuros Administration, as men-
tioned previously, has successfully relocated illegal settlers squatting
on government land in Intramuros. However, eviction or relocation
of illegal settlers by private landowners is a costly endeavor. As a
result, the Urban Planning and Community Development Division
has assisted some private landowners in relocating illegal settlers
squatting on their private properties. The following formula is used
to estimate the cost of relocating illegal settlers:

\[
\text{Relocation cost per family} = 1 \text{ day's minimum wage} \times 2 \text{ months.}
\]

Squatter settlements tend to cluster in small groups, taking over
unoccupied or rented private land in Intramuros. As mentioned pre-
viously, some caretakers hired by absentee landowners facilitate this
process by building makeshift shelters of second-hand materials and then renting out rooms in these substandard dwellings to persons employed either in Intramuros or at the nearby Port of Manila. This notwithstanding, most illegal settlers earn their livelihood by selling prepared food in informal retail food facilities locally referred to as carinderia or turo-turo. Alternatively, some earn livelihoods by managing microretail convenience stores locally referred to as sari-sari (or variety) stores.

Without doubt, the largest illegal settler community in Intramuros is that occupying 8,200 square meters of the government property Maestranza, which is located between Almacénes Curtain Wall and Baluarte de Hererias. In 2004, DOT initiated restoration of the Maestranza Wall using funds provided by the Government of Japan, and by 2005, the Intramuros Administration had relocated 1,365 illegal settler families to Cavite in order to facilitate this restoration work. With restoration of the Maestranza Wall, restoration of Intramuros’s walls will be 98% complete.

**LOCAL ECONOMY**

As mentioned, at its inception, the Intramuros Administration was attached to the powerful Ministry of Human Settlements. It was thus given budgetary allocations sufficient to allow it to undertake infrastructure development projects with comfortable staffing levels. In the early 1980s, its budgetary allocations ranged from ₱36 million to ₱48 million. The Intramuros Administration also maintained a revolving fund from the income of business enterprises in

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**Figure A3.22: The Maestranza Wall Today**

Source: Output of the Land-Use Survey Workshop conducted by the consultant for the students of the College of Architecture, Mapúa University, Intramuros, who assisted in the preparation of the land use survey map.
Intramuros, rental income from its properties, and revenues from fees collected under its regulatory functions. However, such revenues are to be used only for maintenance purposes. Its budgetary position changed drastically following the People Power Revolution of 1986 when its budget was cut. This led to suspension of all infrastructure projects previously planned.

Currently, the Government appropriates P30 million annually to the Intramuros Administration for salaries and maintenance of Intramuros. The Intramuros Administration earns an additional P50 million from its tourist-based activities, rental of its event venues, and fees from the issuance of clearances required of all Intramuros businesses prior to acquiring a business permit from the city. Revenues from real estate taxes on properties located in Intramuros are remitted to the Bureau of Internal Revenue in their entirety rather than being retained by the Intramuros Administration.

The Intramuros Administration’s Subsidiaries Management Division manages its auxiliary sources of income. Although all financial transactions relevant to the management of Intramuros are well monitored, there is apparently no resource management plan for Intramuros. The Intramuros Administration’s financial transactions are well documented, but information relating to its financial transactions is fragmented rather than properly aggregated. There is thus no consolidated information relating to the income of its subsidiaries. The Urban Planning and Community Development Division identifies the Intramuros Administration’s major real estate properties and proposes projects for funding, while the Tourism Promotion and Marketing Division implements directives and strategies formulated by DOT. This division also packages investments for funding by the public and private sectors.

Land acquisition by the Intramuros Administration is solely for the purpose of reconstructing heritage structures of architectural or historical significance. Nevertheless, as a means of generating additional income, the Intramuros Administration undertakes land-swap arrangements with government agencies under which heritage structures are reconstructed for adaptive reuse as offices of these government agencies. The Intramuros Administration does not attempt to identify new sources of revenue in addition to its revenue sources as described previously. Further, not only does no comprehensive resource management plan exist for Intramuros, no comprehensive survey of its resources has ever been undertaken. The Intramuros Administration only considers the properties it owns as possible resources, and thus appears to not be keen on identifying additional sources of income for its activities.
Several programs aimed at involving the private sector in Intramuros’s revitalization have been instituted since responsibility for the Intramuros Administration was turned over to DOT. While these have resulted in the creation of museums and related facilities to showcase Intramuros’s cultural and historic traditions, these activities have not been complemented by initiatives that would allow commercial enterprises to flourish. As a result, Intramuros has yet to be transformed into a vibrant heritage urban core.

The 1992 Intramuros development plan originally contained restrictive provisions pertaining to maximum building heights. These restrictions have angered landowners to the extent that some have been eased. As a result, a broad range of Filipino-Hispanic architectural types and more realistic building heights are now deemed acceptable. Applying the concept of adaptive reuse to Intramuros also necessitated some concessions in the architectural design prescribed to encourage the private sector to invest in commercial ventures in Intramuros. This notwithstanding, the plan has not yet been updated to reflect the full potential of land use in Intramuros. It fails to recognize that Intramuros’s daytime and nighttime populations differ greatly, with customers of commercial and tourism-related activities dominating daylight hours, and entertainment and food-and-beverage-oriented customers dominating evening hours.

Nevertheless, investment in Intramuros continues to trickle in, although the investments undertaken mainly comprise upgrading and expansion of schools and support services for the educational community such as new restaurants, small-scale enterprises catering to the needs of students, and construction of dormitories. In the end, it is the presence of illegal settlers that constitutes the major deterrent to high-value investment in Intramuros.

**INVESTMENT POTENTIAL**

The potential for investment in Intramuros is significant, and includes the following:

(i) rehabilitation of infrastructure, such as roads and sidewalks, water supply, sewerage facilities, and electricity connections, including surface and underground cabling;
(ii) relocation of illegal settlers;
(iii) rehabilitation of housing;
(iv) construction of parking facilities;
(v) boutique hotels;
(vi) handicraft and arts-oriented enterprises;
(vii) hostels and dormitories;
(viii) restoration of residential, commercial, and heritage buildings; and
(ix) formation of new businesses enterprises

Properties in Intramuros ripe for investment consist mainly of empty parcels of land (e.g., the old Ateneo site), sites on which ruins of heritage buildings are located that are ready for restoration and adaptive reuse (e.g., the site of the ruins of San Ignacio), and vacant properties currently being used as temporary storage or parking facilities (e.g., the site of the ruins of the Ayuntamiento and the parking lot behind the Manila Cathedral). At community meetings, private owners of small plots of land have repeatedly acknowledged their interest in having their parcels host development projects of any type.

Intramuros properties currently available for development occupy an aggregate area of 110,461 square meters and consist of:

- empty lots;
- subutilized plots (currently used for parking or storage);
- illegal settlements; and
- abandoned and empty properties

The privately-owned properties surrounding Intramuros's commercial hub, i.e., Plaza San Luis that sits in front of San Agustin Church, are potential locations for tourism-related facilities. Within the Plaza San Luis complex is Hotel Intramuros, which was closed because of the proliferation of illegal settlers squatting on privately-owned lands surrounding the hotel. Because these illegal settlers live on these plots of land, the Intramuros Administration cannot legally relocate them. Conversely, their relocation by the owners of these plots is prohibitively expensive.

Excluding areas of illegal settlements, Intramuros's urban infrastructure is relatively well maintained, particularly in light of the Intramuros Administration’s budget constraints. Roads and sidewalks are in place, and selected areas have been paved with cobblestones. Electric power and water supply systems are being upgraded. Unfortunately, Intramuros's unsightly overhead power lines must be replaced to create the historically correct ambience, but the electrical upgrading program excludes underground cabling.
Appendix 3: Manila Case Study

Perhaps the most important component of Intramuros’s basic infrastructure requiring upgrading is the sewerage and storm drainage system. While detailed engineering studies for these works have never been undertaken—even during preparation of the Intramuros Urban Development Plan of 1992—this infrastructure component must be upgraded if Intramuros’s perennial problem of flooding is to be resolved. Finally, although Intramuros overall is a relatively clean place, a comprehensive solid waste management program has yet to be put into place.

To date, investors have been the major drivers of initiating commercial activity within Intramuros. In the Intramuros Administration’s earlier years, the agency encouraged crafts and antiquities shops to locate in the historic core by reconstructing heritage structures and leasing them out. Restaurants specializing in traditional cooking were given incentives to locate in Intramuros, and some of these have remained, mainly those catering to daytime clientele.

Unfortunately, possibilities for initiatives aimed at bringing innovative commercial establishments to Intramuros that are compatible with its historic character are no longer explored. While the office of the National Commission for Culture and the Arts sits in Intramuros, on-site artistic and cultural activities fail to sustain a regular following. Possibilities for encouraging creative arts enterprises, such as film production and commercial music facilities, located in Intramuros have not yet been explored nor have possibilities for encouraging high-value craft enterprises, which would attract not only tourists but locals as well. The challenges of day-to-day operations appear to have distracted the Intramuros Administration from its more challenging function of encouraging the establishment of business enterprises in Intramuros.

Recently, its Cultural Properties Division, in cooperation with DOT, produced the “Intramuros Administration Heritage Village Presentation,” which identifies an entire array of potential private-sector investments in Intramuros. Included in the presentation are proposed heritage building restoration works that relate to both government- and privately-owned structures, as well as possible investments in tourism-related small-scale enterprises and for-profit cultural activities. Cost estimates for each project proposed are likewise presented. Finally, the presentation includes barangay-level data on illegal residents obtained from the Intramuros Administration’s 2005 survey. While the presentation includes parking facilities proposed for investment, potential investments in the construction of new commercial and housing units within
Intramuros are not identified, lest the sensitive issue of height restrictions on buildings—which previously angered landowners—be raised.

As stated, the most important intervention for revitalizing Intramuros is the relocation of Intramuros’s illegal settler community. Most agencies critical to the Intramuros Administration’s relocation efforts are already represented on its Board of Administrators, the only exceptions being the National Housing Authority and the Philippine National Police. While the size of Intramuros’s illegal settler community is currently almost double that located on the Maestranza property, Intramuros’s illegal settlers also live in isolated pocket settlements. Nevertheless, implementing any comprehensive revitalization initiative will ultimately require addressing the issue of relocation of the area’s substantial illegal resident population.

Expected benefits from quality investments in Intramuros could be distinguished in direct outcomes, e.g., heritage preservation and reuse, local business development, and stimulation of cultural and educational institutions. These will have significant impacts on an improved investment climate, increased number of visitors and residents, increased consumption and economic activities, and increased revenues to private and public sector (Steinberg 2007).

**SUGGESTIONS FOR FUTURE MANAGEMENT**

Presidential Decree Nos. 1616 and 1748, which created the Intramuros Administration and expanded its powers, effectively protected the agency’s independence. While the Intramuros Urban Development Plan of 1992 incorporated land resource management techniques into the agency’s activities, these were never implemented in a manner that optimized Intramuros’s land development potential. Moreover, the Intramuros Administration’s current organizational structure does not include a division or even a subagency that focuses on management of real estate in a manner that creates synergistic land use within Intramuros.

Throughout the Intramuros Administration’s history, there have been many attempts by lawmakers and DOT to absorb the agency into their respective administrative structures. While this has never occurred, it is not recommended, mainly because in the absence of an independent Intramuros Administration, the agency could never have achieved the successes it has to date. For this, Filipinos can
indirectly thank the imposition of martial law, since legal analysis of Presidential Decree No. 1616 reinforces “the assertion that without martial law, the enactment of a legislation bearing any semblance to P.D. 1616 would not have materialized” (Santiago 2003).

The Intramuros Administration’s present structure facilitates proper management of Intramuros, and the present composition of its Board of Administrators is vital to efficient administration of this special zone, as delivery of basic services necessary to Intramuros’s efficient functioning are ensured by numerous memoranda of agreement undertaken by the agency and relevant sectoral agencies.

As presented in the Sector Note of the “Revitalization of Historic Inner City Areas in Asia,” there is an imperative need for detailed analysis of existing management mechanisms and formulation of required management instruments, measures to strengthen institutions involved, the introduction of an asset management system, a local economic development plan, various revenue and resource mobilization actions, and broad stakeholder participation in the development of strategic action plans (Steinberg 2007).

Further study by planning experts and legal experts is necessary to expand the agency’s mandate or to create an agency attached to it that implements updated development strategies, markets programs and projects in Intramuros, secures funding, and manages Intramuros’s resources. The structure of a proposed Asian Development Bank Intramuros Revitalization Project is presented in Figure A3.23.
Figure A3.23: Organizational Chart for the Proposed Asian Development Bank Intramuros Revitalization Project


Source: Florian Steinberg, SESS/SERD.
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Appendix 4

DEVELOPING INNER-CITY REVITALIZATION PROJECTS

This appendix lays out a generic strategy for inner-city revitalization projects based on experience thus far in Jakarta, Manila, and other locales. While the strategy presented specifically relates to formulation of an inner-city revitalization project suitable for financing by the Asian Development Bank (ADB), it can easily be adapted to the institutional framework of any international development agency.

Generally, successful urban revitalization strategies bring together public and private sector actors in a setting that highlights the benefits of specific revitalization projects likely to accrue to each participant. Initially, small-scale interventions are undertaken that serve as the foundation for a series of projects that ultimately result in broad coverage of the urban center in question. Such an incremental approach builds trust among participants and allows them to experience first-hand the benefits of urban revitalization in a nondisruptive way. Growing trust and acceptance among participants is key in expanding the number and scale of such interventions until the revitalization initiative is complete. Such an incremental, process-based approach to revitalization of historic urban areas has been found to be the most efficient path to revitalization of historic inner-city areas.

The initial goal is to develop a consensus-based revitalization strategy that emphasizes a private–public partnership approach to inner-city
Revitalization, which is appropriate to financing vehicles such as those offered by ADB and other external development agencies. Recruiting assistance from such agencies broadens the base for financing the initiative in question, and can ultimately be used to establish an urban revitalization fund, which is a financial facility available to both private and public sector actors participating in the revitalization effort.

The overall components likely to require financing include:

(i) construction and/or rehabilitation of relevant infrastructure and measures for improvement of the physical environment; (ii) upgrading of slum tenements; (iii) adaptive rehabilitation of existing buildings and construction of new commercial and housing complexes where appropriate; (iv) a support facility for small and medium-sized enterprises (SMEs) including tourism-related businesses; and (v) the building of institutional capacity for management of revitalization activities that inevitably involve both public and private entities and, as a result, require extensive consultation with, and participation by, stakeholders.

To be successful, any revitalization strategy must address the issues currently impeding revitalization. Perhaps the most important of these are factors constraining the financing of urban revitalization, regardless of whether their roots are legal, institutional, or financial. For example, the recycling of properties or investments from their current economic uses into new ones raises land ownership and management issues that can only be successfully resolved through consensus. Often, establishment of a historic city corporation that undertakes information campaigns and functions as a focal point for consultation is an important component of a successful strategy.

Overall, success in forming investment partnerships with the private sector requires both policies and projects that respond to the budget constraints of citizens and businesses currently active in the historic urban area in question, while at the same time promoting a commercial orientation to the conservation and revitalization effort. Specifically, projects based on private-sector mechanisms such as build–operate–transfer; build–operate–own; and build, finance, and transfer are likely to be important in successful implementation, provided that these can be modified to meet the requirements of the urban revitalization initiative in question.

Finally, successful urban revitalization cannot be expected without putting into place a legislative framework that both facilitates the overall revitalization effort and exposes participating entities to market forces. For example, the removal of rent controls
is likely to be key, since these have formed a major stumbling block to revitalization of Asia's historic urban centers to date. Open-minded city management that supports urban revitalization at all levels is likewise essential. Examples of such open-mindedness include not only the inclusion of urban renewal guidelines, but even provision of model documents and contracts as a means of both providing information as to the intent of city managers, and facilitating the completion of agreements necessary for moving specific projects forward. Such acts signal to investors the intent of city managers to support profitable initiatives that lead to revitalization of the historic urban core. At a base level, this reduces uncertainty and replaces it with investor confidence, the latter being key to stimulating the type of private investment necessary for equipping Asia's great cities to meet the globalization and environmental sustainability challenges of the 21st century.

Typically, the initial funding for formulation of an ADB-supported inner city revitalization project would be financed via a technical assistance (TA) grant, the output of which could be a lending proposal by the national government for urban revitalization. Should the lending proposal result in a loan to the country undertaking urban revitalization, the national government would in all likelihood become the executing agency (EA), and the local or urban government, the implementing agency (IA) for purposes of the loan.

**SUPPLY-SIDE ANALYSIS**

Activities under the TA would most likely begin with a review of relevant country and international experience in urban revitalization of historic city centers. This would be followed by analysis of the issues impeding urban revitalization thus far, as well as the factors that led to current or previous urban revitalization interventions. In particular, the analysis would detail the existing capacity of management agencies and financing mechanisms, as well as any relevant constraints facing the urban revitalization initiative. The TA would then define the legal, institutional, planning, and financial requirements of the overall urban revitalization initiative. This would include addressing issues relating to land ownership and management insofar as these either support or constrain adaptive reuse of heritage properties or investment in new construction.
Following this, the TA would assess the capacity of both the EA and IA to support the legal, institutional, planning, and financial requirements of the urban revitalization initiative as identified above, as well as the scope of participation by the private sector required for meeting these requirements. The TA would then review any changes in institutional arrangements relating to land acquisition or management necessary for ensuring that all tracts of land within the area to be revitalized are used as efficiently as possible within the scope of the revitalization initiative.

The TA would then assist the IA in establishing a historic city corporation. In general, the purpose of this entity would be to (i) act as a focal point for stakeholder information campaigns and consultations, (ii) prepare the urban revitalization plan, and (iii) prepare a subproject appraisal report identifying detailed investments that could be funded under an ADB-financed sector loan.

DEMAND-SIDE ANALYSIS

The TA would then assess any existing demand for investment in the historic urban area relating to (i) basic infrastructure development and improvement of the physical environment; (ii) rehabilitation of existing buildings, as well as construction of new commercial units and housing complexes; and (iii) SMEs operating in the historic center.

The TA would review the capacity of national, regional, and local financial institutions to provide financing for an urban revitalization fund. This review would include any areas in which subsidies might be necessary to ensure successful completion of the urban revitalization initiative, as well as any possibilities for cross-subsidies between revenue-earning and nonrevenue-earning components of the revitalization initiative. The review would likewise determine the degree to which land within or outside the historic area could be used as collateral for debt financing of specific projects to be undertaken under the overall initiative.

The TA would identify the role that national, regional, and local financial institutions might play in the financing the urban revitalization initiative. This would include mortgage finance and credit insurance as well as the roles of the IA and EA that relate to financing. Also included would be a description of the degree to which the overall revitalization initiative might link with other ongoing development efforts. The TA would then examine the viability of
using existing wholesale financial markets for providing long-term debt financing for the urban revitalization initiative, as well as any existing secondary mortgage facilities.

The TA would then further determine the most cost-effective means of providing access to financing SME development, including the strengthening of existing local community initiatives, business associations, or urban heritage committees currently or potentially providing financing for urban revitalization, and would also define the role of ADB in providing such finance.

**STRENGTHENING NATIONAL, REGIONAL, AND LOCAL SYSTEMS FOR URBAN REVITALIZATION PLANNING, REGULATION, AND OVERSIGHT**

The TA would formulate a policy matrix summarizing implementation of the overall revitalization initiative. This would include systems for supporting investment in the various projects that comprise the overall initiative. In particular, the policy matrix would describe support to the historic city corporation that would function as a principal promoter of the degree to which the revitalization initiative is successful. Support to the historic city corporation might include (i) identifying information systems required for its efficient functioning, (ii) identifying legislative or regulatory changes required for successful completion of the revitalization initiative, and (iii) assessing any financing or other requirements relevant to (i) and (ii).

Ultimately, the TA’s output would be a fully formulated project suitable for ADB financing, including a subproject appraisal report and a feasibility assessment consistent with ADB policies and procedures. This would include the following: (i) a full project description; (ii) a detailed policy matrix including rationale for, and the expected outcomes and benefits deriving from the project, including a poverty impact analysis; (iii) a project logical framework; (iv) a description of the lending modality and subsidiary loan arrangements, if applicable; (v) an assessment of the capability of the executing and implementing agencies; (vi) estimates of the amounts of all inputs required as well as their associated costs; and (vii) a complete description of all implementation arrangements including a full implementation schedule. In addition, all project subcomponents would be analyzed as to their technical, financial, economic, social, environmental, and
institutional viability and sustainability. Finally, an assessment of both on-the-job and formal training requirements for national, regional, and local agencies assigned project planning, implementation, monitoring, and evaluation tasks would also be included.

The design of specific project subcomponents is indicated below.

(i) For the subcomponent relating to basic infrastructure development and improvement of physical environment, the design would include (a) documentation of required off-site infrastructure investments, (b) a draft transport plan for the historic area, and (c) detailed project financing plans for the specific investments identified.

(ii) For the subcomponent relating to rehabilitation of dilapidated housing, the design would include (a) the development framework for each community within the historic area, and (b) detailed project financing plans for the specific investments identified.

(iii) For the subcomponent relating to rehabilitation of heritage buildings and construction of new commercial structures and housing, the design would include (a) documentation summarizing investments to be undertaken on specific sites, (b) draft administrative and financing guidelines, and (c) detailed project financing plans for the specific investments identified.

(iv) For the component relating to support of SMEs, the design would include (a) a description of existing and potential small-scale livelihood activities within the historic area, (b) design of support activities for SMEs, and (c) detailed financing plans including agreements on the part of participating financing institutions intending to undertake the projects identified.

(v) For the component relating to the building of institutional capacity for management of revitalization activities, the design would include (a) a brief policy document, (b) an operational plan for building the institutional capacity required for implementation of the project, (c) a description of benchmark project monitoring and impact assessment indicators, and (d) a financing plan indicating how the institutional capacity building activities are to be funded.
Where required under ADB procedures, each of the specific investments identified would be assessed as to their economic, financial, environmental, and social viability. IAs (including government agencies providing finance) and participating financial institutions would likewise be assessed as to their financial and organizational viability in accordance with ADB guidelines. Finally, the design would also include terms of reference for any consulting input required for implementation of the overall project.
About the author

Florian Steinberg is a senior urban development specialist of the Southeast Asia Department, Asian Development Bank. He has some 30 years of professional experience in urban management, urban planning and renewal rehabilitation, settlement upgrading, urban infrastructure planning, environmental management, and institutional development. He has published widely on these topics. He has an MS in architecture–urban planning from Berlin, Germany, and a PhD in urban planning from Hamburg, Germany.
Revitalization of Historic Inner-City Areas in Asia
The Potential for Urban Renewal in Ha Noi, Jakarta, and Manila

The urban development strategy of the Asian Development Bank (ADB) draws attention to neglected historic city centers and lost development opportunities. Investments are needed to revitalize deteriorated historic centers in, for instance, Ha Noi, Jakarta, Malacca, Manila, Penang, Saigon, Semarang, and numerous cities in the People’s Republic of China, India, Nepal, and Pakistan. Support is needed to reduce poverty, improve infrastructure, and develop the local economy, which are goals of ADB’s country partnership strategies. Developing member countries need to revive their cities and historic centers to meet the challenges of globalization and to become environmentally viable. This book demonstrates that inner-city areas and urban heritage assets represent bankable, profitable opportunities for public–private partnership projects.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two thirds of the world’s poor. Nearly 1.7 billion people in the region live on $2 or less a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2007, it approved $10.1 billion of loans, $673 million of grant projects, and technical assistance amounting to $243 million.