

## **The Planned Chaos of a City**

By Michael Hart

When you walk around a big Chinese city, it sometimes feels like there is no plan. Tall buildings are interspersed with shorter ones, old buildings are next to new ones and department stores are often sandwiched between office buildings and apartment complexes. But despite the chaos, there are planners and designers involved in how cities get built and often, a mix is exactly what they thought was the best plan.

### **Planning parameters**

If you look at a planning map in the office of an architect or urban planner, you'll see an array of colors highlighting the different uses of specific land plots, usually broken down into residential, commercial, manufacturing and agricultural property types. Sometimes there is a special designation for mixed use, properties that may contain both residential and commercial uses. These maps also highlight where the schools and green spaces are located. These masterplans are the result of a long process that tries to ensure there is adequate transportation and infrastructure to keep the city running well. These plans also have to take into account historical elements of a city as well as natural boundaries such as sea shores, rivers or mountains. They usually also designate land for manufacturing and agriculture further from the dense city centers.

In especially dense cities where buildings are very tall, planners consider things like how tall a building should be, the shadows future buildings might cast or wind tunnels a close cluster of tall buildings might create. Planners often try to leave in enough historic structures to keep neighborhoods interesting, but also allow for some areas to be redeveloped to meet future needs. Increasingly they also try to create a nice street level plan that includes plants and trees.

### **The right balance**

In North American cities, there was a time when properties of one use were often clustered together. Central Business Districts (CBDs) often had a collection of commercial space with no housing, while suburban areas were largely residential with few businesses. The plans looked good on paper, but practically resulted in ghost towns at night in the CBDs with high crime rates and quiet residential suburbs with no culture or gathering places. One result was traffic jams each morning and evening as workers traveled between downtown and the suburbs en masse. This model has largely been rejected and many North American cities are now working towards getting more housing into city centers and ensuring neighborhoods have more varied property types.

Chinese cities also face traffic jams, but mass transit and mixed-use projects that combine property types make the problem much less severe than it might otherwise be if property types were as segregated as they are in the North America. Additionally, the jumbled sense of multiple properties

types, often means there is always entertainment or a place to eat just around the corner whether you are in a primarily residential neighborhood or a commercial one.

Different jurisdictions generate tax revenues by different means. Outside of China annual taxes on residential property generate significant income for local governments, while in China companies are the largest local tax payers. This difference can help drive planning decisions. A recent wave of office construction in Tianjin for example was an attempt by districts to create a place for companies to register and thus generate ongoing tax income. Unfortunately, presently this has resulted in very high vacancy rates in the office market and it has created some tall dead zones in neighborhoods that were once livelier. In some ways, China is repeating some planning models that have been rejected abroad, while those countries look to China's vibrant neighborhoods for inspiration.

### **The role of the developer**

Once the city has designated a specific use for a piece of land, it is sold to a developer. The developer will be looking to make a profit as they build a project that is functional and financially successful. They need to bridge the parameters set forth by the city planners with the wants and needs of the public who ultimately will buy or rent the space. Sometimes developers will want to build and hold the project for many years, in other cases they will want to sell it just as soon as they have finished construction. This latter case can also create dead zones where a developer for example has sold a street full of new shops and not really thought about who might use them. The new owners may have to experiment before they find a retailer needed by the local population and able to afford the rent.

### **Constant evolution**

City planners will be constantly updating their plans and will often issue a new set of masterplans each year. These changes help illustrate that a city is never static. Major construction projects often take multiple years to plan and build. At the same time some buildings will be coming to the end of their useful life cycle. As a rule, cities also become denser over time. A city that started out as a low rise walled city, will eventually expand outwards and upwards. Building taller structures costs more money, but as city becomes denser, developers will be able to justify more expensive construction. This usually means as part of their work, city planner will increase the allowed density on land plots as they come up for redevelopment.

### **Forced purchase**

One of the aspects that some people don't like in dense cities is a set of rules that allow either a group of investors or the government to force owners to sell in order to knock down existing structures and build something else. If investors are able to do this, the rules are usually some variety of a forced purchase rule, where once an owner has a certain percentage, say 75 percent of the apartments in a block, they can force the other owners to sell at market rates. This is not generally done in China at present. Governments have a similar power, called eminent domain. They don't have to acquire a specific ownership stake to force owners to sell, but rather mark out a specific section of land they need

and pay owners to leave. The resulting construction is supposed to be for the public good, a major infrastructure project for example. Neither experience is nice if you are forced to sell, but these are important tools to make sure a few people can't block the continued development of a city.

## **Conclusion**

In summary, although Chinese cities often look like a hodgepodge of property types and they sometimes are, there is usually a master plan that contains some logic about how the city is to develop. And that plan has to evolve just as the city does. The best plan is usually to have combined and overlapping uses which play an important role in the development of diverse and rich cityscapes. Neighborhoods with multiple uses are often more culturally rich, but are also more valuable in financial terms. Laws that force owners to sell may seem distasteful, but are a tool that can sometimes be employed for the continued evolution of the city. They may allow for the construction of projects such as infrastructure that serves the greater community or help to create a new project replacing one that was past its useful life and was no longer serving the community. Ultimately a city that keeps people circulating, gives them options to eat and be entertained near their homes and workplaces results in a culturally rich and more enjoyable place to live. So next time you find a nice restaurant or shop within walking distance of your work or home, remember, there is sometimes a method to the madness.

This article was published in ***Business Tianjin Magazine*** in June 2020.

Michael Hart is the Managing Director of Griffin Business Management [www.griffinbiz.com](http://www.griffinbiz.com) a real estate related investment and consulting firm with offices in Tianjin.