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Place Making in Shanghai Hongqiao Business District: An Institutional Capacity Perspective

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**ABSTRACT**

The pro-growth, state-led institutional setting in China makes it easy to build infrastructure and physical space. Nevertheless, despite the aspiration to create the qualities often associated with place making, many urban developments around new High-Speed Railway hubs lack essential urban qualities. This paper uses the idea of institutional capacity to explore the conditions that, in the Chinese context, might contribute to place making. The Hongqiao Business District, developed around a new transportation hub in western Shanghai, indicates that the involvement of a varied set of actors that is not only guided by hierarchical relationships has several consequences for place making. It allows for value capturing to support unprofitable components of development plans such as public space. Furthermore, it turns actors on the district and street-offices level into constructive stakeholders of urban mega-projects and creates awareness of the importance of open knowledge management (transparency of information, openness, use of local knowledge, etc.). While the Hongqiao conditions might not be copied straightforward to other Chinese cases, they could provide a source of inspiration for other projects that strive for urban quality.

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1. Introduction

The metaphor of “crossing the river while groping the stones” vividly describes the institutional uncertainty that is part and parcel of the Chinese reform, from a planned to market economy during the past thirty-five years. This transition concerns a double shift in powers and responsibilities: from central government to local and regional governments (“decentralization”) and from government to (quasi) private actors (“privatization”). Yet, consensus exists that, despite the rapid economic growth (even during the financial crisis after 2008), institutional changes in China still lag behind its economic development. This is epitomised in the increasing tension between centralised governance and decentralised development in the megaprojects. The development around High-Speed Railway (HSR) stations, which, is often driven by speculation, provides a case in point.

The rapidly expanding HSR network started in 2008 with the Long and Mid Term Plan for National Railway Network (MoR 2004/2008).1 By December 2013, after only one decade, more than 10,000 km of HSR—with new lines designed for speeds above 250 km/h and upgraded lines up to 220 km/h—have been put into operation (with an extra two-thousand-km under construction). The corridors connect not only three mega-metropolitan regions (Yangtze-River Delta Region, Pear-River Delta Region, and Beijing-Tianjing-Hebei Region), but also the less-developed hinterland city-regions. The stations are expected to be catalysts for (“leapfrog”) urbanisation, i.e. the development of isolated new towns that are both detached from existing urban areas and that lack the liveliness and local signature of the existing city.

The institutional setting in China makes it easy to build infrastructure and physical space, but has difficulties in creating a vibrant urban environment, especially around transportation hubs. This setting is characterised by centralised political mechanisms on the one hand, and local government “growth machines” or urban entrepreneurialism (Wu 2003, Yu and Zhu 2009, Hsing 2010) on the other hand. The centralised planning of rail infrastructure and stations contributes to the isolated development in the urban periphery. The urban entrepreneurial model implies that local governments show rent-seeking behaviour from land acquisition. The quick and large revenues from land-leasing are more attractive than long-term tax income (such as property tax), and play an important role in municipal revenues (Zhang 2001). Consequently, in many cases real estate development is taking place in speculative ways and without realistic views of societal demand. Therefore, so-called “ghost” environments emerge without urban vitality. Furthermore, the current urban entrepreneurial model favours segmented urban development, such as large shopping malls, gated communities, large office blocks, and industrial zones (Hsing 2010). The Land Management Act (1986) led to the establishment of local bureaus of land management that make annual land-use plans, issue permits for land conversion etc. In the 1998 Land Management Law, municipalities became the exclusive representatives of the state exercising the right to transfer land and profit from its commercial use. Strongly influenced by Western and especially American planning, the main doctrine implicated that land yielding the highest rent should be used for activities that generate the highest market value. Furthermore a characteristic of this strategy is in the separation of functions, or “modernist” zoning. “In short, in the city rational project, municipal governments adopt doctrines of efficiency, centrality, and spatial sorting embodied in the capitalist land-use planning to strengthen their position against socialist land masters in competition for premium urban land.” (Hsing 2010, p. 40) (Socialist land masters are state organisations such as the army and state enterprises, which are not de jure owners of the land, but for historic reasons are de facto landowners.)

Since the majority of HSR station area mega-projects are driven by the current pro-growth development model and a centralised blueprint-style planning, many lack the vitality and spatial quality that is desired from urban development. They are usually characterised by an airport-style design: compact infrastructure arrangement, magnificent scale of station square, and often an extremely ambitious programme for real estate development (Budd and Hirmis 2004, Dai et al. 2013). Station squares for example often remain either an empty space or a construction site, rather than a lively place for functional and social interaction (Figure 1).
This raises questions about if and how better place quality can be realised under the conditions of the current Chinese urban development model. It is assumed that the complex process developing a vibrant urban environment requires the input of many different resources: the investments in different sorts of real estate and infrastructure that are needed to create an urban environment require the financial resources, expertise, property and development rights that are spread over a range of different types of actors. The premise that underlies the exploration in this paper is that the current Chinese urban development model—centralism in some areas and radical decentralisation in other areas—has problems bringing the range of resources together that are needed to create an environment that is usually associated with urbanity, i.e. it lacks the institutional capacity to create place quality. The aim of this paper is to explore the conditions that contribute, or might contribute to place making in the Chinese urban context. Institutional capacity, defined as the relational, political and knowledge resources that are needed to create place quality, acts as a search light for uncovering these conditions.

Considering Shanghai’s specific history, political culture and economic characteristics (Wu 1999, Chiu 2012), Hongqiao Business District (hereafter “HQ BD”) can be portrayed as an extreme or even a unique case compared to mega-projects in other Chinese cities. Nevertheless, there are at least two reasons why this case is of relevance to urban development in China more generally. First, the case can also be seen as a critical case (Bryman 2008). In this vein Hongqiao is used to test whether the ideas about institutional capacity and urban quality, which have been developed in a western context, are useful to analyse Chinese practice. If application of the idea of institutional capacity in the Shanghai context, that is less hierarchical and government centric than practices elsewhere in China, does not develop useful insights, it will not be useful for analysis elsewhere in China. On the other hand, if it does provide valuable insights it might be used for analyses elsewhere in China. Second, while circumstances in Shanghai might differ from other cities in China, many aspects of the context are still the same. Therefore, Hongqiao as a source of inspiration is not so different that drawing lessons is by definition illusive. It might offer inspiration with respect to the direction in which other cities should move to create the institutional capacity that contributes to urban quality.

The plans for Shanghai HQ BD have shown explicit commitment to place-making. As highlighted by the marketing slogan, “Trading Hongqiao, Smart Hongqiao, Low-carbon Hongqiao, Business District, and Urban Complex”, it is expected to be a new urban extension with a livable and sustainable environment around an integrated transportation hub. It therefore provides an interesting case to examine the extent to which these ambitions are realised and which institutional conditions contributed to these aims.

This research combines fieldwork and desk research on secondary data in a single-case study. Semi-structured interviews with actors, including urban planners, aviation managers, and researchers were conducted. A content analysis is conducted on planning documents, policy documents, regulations and annual reports, until late 2013. Most of them are accessible through public web portals of relevant governmental agencies and enterprises.

The paper is structured as follows: It begins by explaining the conceptual framework, indicating the relation between institutional capacity and place-making in urban megaprojects. The second section proceeds with introducing the case study: Shanghai HQ BD. It gives the background and the
chronological account of events focused on the process of place-making with regards to the diversity, integration, and sustainability. In the discussion section, attention is paid to the relational, political, and knowledge resources (the institutional capacity) that facilitates place-making. This is followed by conclusions in the last section.

2. Conceptual Framework: Institutional Capacity and Place-making

In order to analyse the decision-making process, a conceptual framework is developed (Figure 2). It takes the centralised pro-growth institutional settings in China as the given context, and tries to unfold the particular way that institutional capacity (independent variable) impacts on the place quality (dependent variable) in an urban megaproject around a transportation hub.

2.1. Place-Making in Megaprojects

What is place quality, or, urbanity, in a general sense? We use the two terms as interchangeable. The literature provides a range of interpretations of the concept, varyingly emphasising physical, social-cultural, and economic-geographic aspects. In the architectural and physical planning tradition, place quality is emphasising physical properties of the environment. Lynch (1960) for example mentions “paths, edges, districts, nodes, and landmarks”, as the elements of the “image” or identity of place. In this vein, Siena is identified with its world famous plaza, and Amsterdam is associated with its canals. In this vein “place” emphasises the uniqueness of the physical environment as space that provides identity and facilitates communication. Since the 1960s, theories of place have moved to include an “urban way of life” of which Jane Jacobs (1961) classic text about street life in American cities is a prime example. For Lefebvre (1991), urbanity is about encounter—the meeting of difference, of strangers in the city, and it is about everyday life and play. Later on, Florida (2004) comes to highlight the specific importance of the “creative class” for cities, and the opportunities for interaction that cities provide for this class (Kloosterman and Lambregts 2001, Florida 2004, Glaeser and Gottlieb 2006) from an economic-geographic perspective. To the interpretation of “place”, Hsing (2010) adds political identity, i.e. “civic territory”, which includes the physical layer as the “location”, the social layer as the “locale” relations, and the cognitive layer as a “sense of place”. Besides the physical, social-cultural, economic-geographic, and political dimensions, there has also been a growing interest in issues of “sustainable development” (UN-WCED 1987), “the resilient city and community” (Newman et al. 2009), and “low-carbon society” or “green urban economy” (UN 1992, 1997), as crucial elements of urban quality.

Figure 2. Analytic framework of institutional capacity building in megaproject. Source: authors.
Building on these traditions, this paper investigates the place quality of megaprojects around transportation hubs using both the physical and social-cultural interpretations. The term “urbanity” seldom appears in planning documents, but is loosely associated with or elaborated into concepts like high density, diversity, mixed use, or cultural vitality (Lees 2010). This paper proposes three dimensions of “urbanity”: diversity, integration, and sustainability. In the social-cultural tradition, high diversity of urban functions and activities is seen as an important feature of urbanity. Therefore, urban environment is characterised by mix of function on a low level of scale and public space that is actively used by different user groups. Secondly, physical tradition indicates the importance of the connection between new environments and existing urban contexts, such as embeddeness in the transportation system, spatial continuity of the built environment between original city and new extensions, and interdependent urban functions. The social-cultural tradition calls for some continuity of community identity, implying the combination of the values and interests of the existing neighbourhood with those of the new users. Lastly, sustainability is also considered, as an important variable for spatial quality because in both Chinese practice and in academic debate, it is seen as conditio sine qua non for urban development. This paper will examine the place-making process according to these three variables: diversity, integration and sustainability.

2.2. Institutional Setting of HSR Megaprojects

In China decentralisation is initiated and implemented by the national government (and not by local entities) (Lin 2002, Zhang 2002). This process is characterised by three major features. First, local governments have obtained more discretionary powers in area urban development. As a result, Chinese urbanisation has been characterised with “growth coalitions” (Zhu 1999, Zhang 2001), where local interests seek financial gains from their assets, and are strongly motivated to capture profits that can be made from urban growth. Second, more room is created for the market to invest in real estate. Third, community organisations are still largely excluded from decision-making. This new situation calls for an institutional capacity to deal with the interdependencies between actors that have emerged.

However, despite the typical Chinese institutional conditions, current research on the HSR urban megaprojects gives rather limited attention to these conditions and their effect on the place quality of station areas. Most work has focused on the impact of the HSR on accessibility (Luo et al. 2004, Zacharias and Tang 2010, Feng et al. 2013, Wang et al. 2013) and economic development in areas such as tourism, creative industry, property market (Zheng and Kahn 2013), and spatial structure of the city (Duan 2009, Wang and Long 2009, Dai and Cheng 2011, Tang et al. 2011, Wang 2011, Yin et al. 2015) and has also focused on the immediate station area (Zheng and Du 2007, Li and Zhang 2011, Xu et al. 2011, Zong et al. 2011, Ding et al. 2012).

Only some relevant research into the institutional settings and the interactions between actors that produce different urban environments of such megaprojects has been conducted. Such research has brought different insights to the fore. First, central government still plays a dominant role in infrastructure planning, construction, and in operations. The financial support for infrastructure construction mainly comes from (national state owned) bank loans, governmental bonds, and a small amount through Public-Private-Partnerships (PPP) (Wang et al. 2012). Some studies see this centralised planning and funding as advantageous because it facilitates the quick implementation of HSR projects (Chen and Zhang 2010, Takagi 2011). Other studies criticise the monopolistic power of central government (mainly MoR) over the decision-making because it leads to a separated development between infrastructure and the urban context (Chen and Zhang 2010, Wang et al. 2012), causing problems such as leapfrog urbanisation. Second, the government-centred tradition in urban planning leads to physical blueprint planning, which leaves little room for strategic planning, flexibility and long term perspectives. This results in blue print master plans that are carried out at dazzling speeds. These plans often lack the flexibility to adapt to changing circumstances, and do not allow for an urban environment where layers of time are put on top of each other. Third, there is no formal institutional framework that facilitates horizontal networking, which implies that coordination between different
municipalities has to be established through ad hoc collaborative arrangements (Xu and Yeh 2013). This is often non-committal, and leads to competition between municipalities. Furthermore, non-governmental actors have little formal possibilities for claiming a stake in the decision-making process. It should be concluded that in general, little institutional capacity exists for cooperation between key-actors in HSR- megaprojects in Chinese cities.

2.3. Institutional Capacity

As a concept in social science research, institutions are used in different meanings. In this paper we define them as the “rules of the game” (Ostrom 2005) in a society that determine the nature of social interaction by framing the way we identify and look at problems, prescribe possible solutions, and determine the rights of individual actors (North 1991). Much research deals with social dilemmas that arise in the organisation of collective action (Ostrom 1990). Transferred to the realm of urban studies, the concept is often used in conjunction with communicative (Forester 1982, 1987, 1989) and collaborative planning (Innes 1995, 1996, Healey 1998, 2003). According to those theorists, “qualities of places” are the outcome of multi-actor games’ (Healey 1998, p. 1534). Drawing inspiration from Innes and Booher’s (2010) work on the three dimensions of institutional capital (intellectual, social and political), Healey argues that for sustainable place making, collaborating actors rely on institutional capacity of three dimensions: knowledge resources, relational resources and mobilisation capacity (Cars et al. 2002, Healey 2003). Knowledge resources (intellectual capital) not only consists of formalised scientific bodies of knowledge available to actors, but also includes so-called “practical knowledge”, or local knowledge developed through experience and information about the local situation present among stakeholders in a particular arenas (Healey 2008, 2013). “Important is not only the existence and availability of knowledge also its acceptance by members of the network” (De Vries 2008, p. 51). Relational resources, often referred to as “social capital”, consist of issues such as sufficient appreciation of each other’s interests, mutual trust, the existence of procedures for mutual consultation, and communicative skills (Healey 1998). Mobilisation capacity (Barry 2012), or political capacity concerns the material and legal resources, such as land-ownership, development rights, and funding needed to create place qualities (Healey 1998, De Vries 2008).

The relational resource refers to both the informal social interaction between agencies and formal relational structures among them. Relevant relations are: central-local governmental relations, horizontal relations between local government agencies, public-private relations, regional cooperation (inter-city relation), and the public participation system. First, the current hierarchical coordination mechanism encourages local and regional governmental actors to establish results that please party leaders. Urban construction has become a key method of local state building (Hsing 2010). Meanwhile, “fragmented authoritarianism” (Lieberthal and Oksenberg 1988, Lieberthal and Lampton 1992, Lees 2010) also creates space for local autonomy and loopholes for bargaining in the so-called “local state corporatism” (Oi 1995). Second, the major problem of the multi-layer network of actors in HSR development lies in regional cooperation (inter-city relation) (Wang et al. 2012). Bad coordination between local governments, leads to competition between different station areas in different municipalities. Bad coordination between governmental agencies carries the risk of incoherent development of station areas. As a matter of standard practice, a project company will be set up for the development of the station area, through which the Ministry of Railways (hereafter MoR) and the local governments meet to negotiate and decide on critical issues. MoR and local governments negotiate about their respective shares in this project company. This informal process that largely takes place behind the scenes (Xu and Yeh 2013) is important because the division of shares has immediate impacts on outcomes of the planning and realisation process. Third, the relations between government and private actors are characterised by a dominance of the public sector, as private actors in general only are given a role in the last stages of development. Private investors have expressed an interest in investing in railways (Luger 2008)—which might lead to a more pro-active railway actor towards station area development—but their role thus far has been limited, owing to MoR’s monopoly in line construction and service operation. Fourth and lastly, since
governmental officials are not directly elected but are rather assigned through a complicated political system, (although, formally, national and local legislators are elected), civil society or community power is still in its early stage in terms of public participation and involvement in local affairs (Zhang 2001).

The political resources that need to be mobilised include land ownership and development rights, financial resources, and planning authority and regulations. Land development rights (Zhu 2004) are a fundamental variables that frame the capabilities of actors during the process of urban development. The Constitution (1982) recognised land development rights as a commodity, and allowed the transfer of land use right, although public ownership remained unchanged (Zhang 2002). Another material resource includes financial means. In the area of rail infrastructure, MoR is still regarded a monopolistic power that derives its financial resources from central government (Wang et al. 2011). As to the built environment, investment is often conducted by a so-called “city investment and construction company”, which is a municipally owned. Its operation procedure follows: land acquisition, land mortgaging, public facility construction and land leasing.

The knowledge that is used in the process of urban development can be subdivided into at least three types: local knowledge, expert knowledge and process knowledge. First, the actors on the local level, who live in an area or who are involved in governance or business, usually have more local knowledge through their day-to-day experience of a place (Healey 1998). Self-organised, quasi-participatory decision-making structures (Zhang 2002) are emerging in Chinese cities and rely on local knowledge of actors. But, formal rights of civil-society to participate in planning processes are limited. Second, expert knowledge from urban planners, academics, and other experts appears to have become more important over the last couple of years through the introduction of expert group consulting. It is important to note that these groups are under strong influence of local governments, and are ways for local governments to maintain control over debates on urban development when they are confronted with critical opposition (Zhang 2002). Furthermore, their lack of rail expertise reinforces the local government’s reliance and dependency on technical support from the MoR. Third, knowledge about the planning and development process is important in order to effectively participate as a stakeholder. In general, the process in these types of mega-projects is not always transparent for all stakeholders.

The proceeding section will examine the empirical evidence of Shanghai HQ BD. The following questions will be addressed:

Under what institutional settings does the Hongqiao development take place, and how does (a lack of) institutional capacity impact on the outcomes of place quality, with regards to diversity, integration, and sustainability?

3. Planning Shanghai Hongqiao Business District

3.1. Background

The new HQ BD will be developed around the Hongqiao Transportation Hub (HSR, airport, local and regional transportation) at Shanghai’s western fringe (Figure 3). It is the only transportation hub in China that integrates local, regional, and international connections in the area (24.1 km to Renming Square [downtown], 27.5 km to Lujiazui CBD, 23.3 km to Shanghai [Central] Railway Station, and 61.1 km to Pudong International Airport). It is easily accessible from the city centre and new towns through multiple bus connections (19 bus lines and 31 inter-city bus lines), 4 metro lines, and 3 national HSR corridors. The hub's passenger flow in 2013 has reached 250 million. The whole business district concerns an urban redevelopment covering 86 km². The core area around the train station and airport (4.7 km²) will consist of a mix of functions, such offices, hotels, cinemas, shopping malls, and some housing. This development takes place in a “tabula rasa” situation, concerning the vacated grounds of the airport. The wider urban redevelopment takes place in a situation of existing urban use, such as urban villages and towns and manufacturing industries. As a result, new development is partly replacing existing land use, filling in unused land and incorporating existing buildings. The development of HQ BD covers the territory of four urban administrative districts (“qu”) and six rural administrative towns (“zhen”).
In 2004 the decision was taken to establish a new High Speed Railway station in the west of Shanghai and to turn Hongqiao domestic airport into an international airport. At that time the area around the airport (and future station) resembled what has been described as Zwischenstadt, postsuburbia or citta diffusa. At that time many manufacturing companies were located in the area; most them basic manufacturing such as the cloth industry, and some high end manufacturing, such as ICT. In the area, one of the first National Economic and Technological Development Zones (ETDZ) in Shanghai was established in the early 1990s as part of the first wave of economic reform. This economic activity attracted a lot of young migrant workers (without “hukou”) from all over China. They found residence in existing villages, which became densified “urban villages”, and in scattered apartment buildings. In the four districts migrants make up more than half the population. Because of this, it makes the area relatively “young” compared to the ageing population in the rest of Shanghai. The area faces competition from industrial development elsewhere in the Yangtze-River-Delta Region and Shanghai, which risks a relocation of industry to other parts of the region. With cheaper land, labour, and policy support, manufacturing industries are gradually moving to mid-sized cities in the region. At the local level, Shanghai’s economy changes from export-import manufacturing towards knowledge-focused and creative industries. In the area, different rural towns of around 50,000 inhabitants existed and gradually became part of the wider urban fabric. As a result, its residents then became commuters to the wider Shanghai urban region; however, the towns were able to keep their own (spatial and social) identity. A further characteristic of the area is the fact that it is home to many foreign consulates. This implies that services for the international community, such as international schools, private hospitals, and upmarket residential areas are also located in the area. Altogether, until recently the area has developed largely without central planning from the municipal government.

The process of planning and developing HQ BD can be subdivided in three phases. The governance process moved from being led by central government via a municipal led project planning process to a quasi-collaborative approach.

Figure 3. Spatial layout of Shanghai HQ BD. Source: author.

The first plans for HQ BD started with location choice for the Maglev and HSR. Since the 1980s, the location choice for these transportation modes has been subject of discussion. Decision-making was essentially the prerogative of central government (MoR). Nevertheless Shanghai municipality managed to influence the decisions about the Maglev and the HSR station in such a way that they complemented the agenda of the municipality, including the desire to realise a second international airport. In 2002, the Shanghai Airport Authority (SAA) was transformed from a national agency to a local semi-public company. This led to important changes in the incentive framework of this organisation. As a national actor it was merely an instrument for the implementation of national airport plans. After decentralisation the airport authority was forced to find ways to raise their own revenues, through amongst other things real estate and retail development, which contributed to a greater mix of functions.

Altogether, negotiations between the national government, the SAA and the municipality strayed the decision-making process from the MoR’s preferred direction. The Hongqiao Airport Master Plan (2005) proposed to reduce the distance between runways from 1700 m to 365 m, and in doing so, saved 7-km² of land. This created the possibility to integrate the new HSR and Maglev station with the airport terminal. As a result MOR revised its decision on the location of the HSR-station in favour of the airport location. Contrary to many other cases in China (Li et al. 2011; Xu and Yeh 2013) in this case, interaction between key-actors led to the integration of transportation modes—and subsequent development opportunities around the airport terminal and railway station. The negotiations were facilitated by different factors. First, the city of Shanghai has traditionally taken an autonomous position vis-à-vis the national government. Second, the World EXPO 2010 that took place in Shanghai provided the municipality with leverage vis-à-vis the national government for which the success of the exhibition was crucial. Third, the changed role of the airport authority motivated them to seek cooperation with the other actors.

3.3. Phase II, 2006–2010, Project Planning for the Core Area

During this phase, led by central government and the municipality of Shanghai, transportation infrastructure was planned and constructed. Winning the hosting right of the 2010 World EXPO placed extra political pressure on local government to build the infrastructure required to make this event a success. Therefore, almost all infrastructures were completed on time (except maglev inter-city line), and this aspect motivated the Shanghai municipality to go into overdrive planning the HQ BD. They created what can be best described as a massive project planning agency, i.e. a temporary organisation aimed at comprehensive planning and implementation. Firstly, as the key collective actor, the Business District Management Committee, was founded and legitimised to take charge of spatial development for the whole district; 23 municipal departments delegated organisational units to this new actor. An investment corporation, namely Shanghai Rainbow Investment Corporation (SRIC), organises and coordinates the actual spatial development in the core area. It is a public-owned enterprise that functions as the municipal financial platform for investment and construction. Furthermore, three temporary construction offices were established. They include a HSR Station Construction Office, an Airport Construction Office, and a BD Construction Office. They have since been dissolved once their tasks were fulfilled.

The approach followed is quite typical for planning urban mega projects in China (Dai et al. 2013): the municipal government takes the lead, establishes a dedicated project organisation, and engages in comprehensive planning and implementation. The approach enabled the implementation of the plan—as a blueprint—for the core area according to its intentions. Particularly, this ensured that different systems of infrastructure—rail, road, airport, bus and metro—are physically well integrated. Comprehensive planning and implementation was made possible by the fact that the core area was treated as a tabula rasa situation, and the development rights—irrespective of land ownership—were brought under the umbrella of the management committee.
An innovative aspect of the project, compared to similar urban projects in China (Chen and Zhang 2010; Li et al. 2011), concerns the PPP. The investment corporation, in which the municipality, the airport authority and (semi) private developers participated, made sure that profits from developments such as hotels and office buildings were used to pay for unprofitable developments such as public space. Usually in China there is no clear link between benefits and costs at the project level, because profits contribute to the general budget of municipalities and other state organisations. The existence of PPP contributed to greater engagement by individual actors within the development of the core area as a whole. For example the airport authority, which had to deal with many unprofitable functions, became interested in the quality of public space since that could contribute to the development of profitable retail. Therefore, PPP and value capturing clearly contributed to urban quality by enabling a mix of functions and investment in public space.

Furthermore, important for the development of the core area has been an emphasis on sustainability, brought forward through slogans such as “low-carbon economy” and “smart city”. Concretely this comes down to the realisation of “green buildings” (green roofs, energy—air, heating and light—recycling), low or zero emission transportation (monorail, shuttle buses and bicycles), and the attraction of cultural and “creative”—non-polluting—industries. The main incentive for a sustainable strategy comes from central government. In the past local (or regional) GDP growth was the main benchmark for measuring success of local politicians by national politicians. Lately sustainability complemented GDP growth as a key criterion in the Chinese political appraisal system (Shiuh-Shen 2013, Liu et al. 2014). The use of sustainability as a trademark of a development project is strongly incentivised by the idea that this gives municipalities a competitive edge over other municipalities for central governmental financial support. The EXPO 2010 propagated the idea of a “low carbon city”, and subsequently eight areas in Shanghai were designated as pilot spaces for the low-carbon urbanisation, including the HQ BD.

From a place-making perspective, planning for the core area brings different things to the fore. The planned development is relatively mixed, consisting of offices, hotels, leisure and cultural facilities, and public parks. In addition, a lot of attention has been paid to public space. For example, a panorama terrace was built in an airport-terminal, it currently attracts many passengers and non-passengers alike. The airport terminal is well integrated in the wider urban tissue. Public transportation and related facilities, especially the metro stations and underground space, directly connects it with the immediate urban functions. Sustainability has a clear stamp on the plan. From a place-making perspective a negative feature of the HSR-station is its characterisation of the traditionally common image of railway stations as mono-functional places. By the end of November 2013, the core area and immediate surrounding environment around the hub had been fully leased to developers, including almost all the large real estate tycoons on the Chinese market.

### 3.4. Phase III, 2011–2013, The Emergence of a Quasi-Collaborative Network

During this phase, the Hongqiao hub was put into use, plans for the core area were implemented, and plan making for and the development of the areas outside the core of the HQ BD was taking place. The municipality shared responsibility for planning and development with sub-local governments (the districts and street-offices), which is uncommon in these types of urban development projects. This included the establishment of new sub-local governments. In addition to the planning powers that these governments were given, in Shanghai—as opposed to other cities—sub-local governments are allowed to collect revenues from enterprises that they own and share in tax revenues. This made sub-local governments much more active agents for urban transformation than they would be otherwise; these districts take the lead in making plans for their territory, as opposed to districts in other cases that would be more passive and wait for others—developing parties—to take the initiative. In the latter situation this often results in mono-functional developments. Additionally, the Management Committee established a shared sense of direction by emphasising that the area was competing and losing to other places in the YRD Region, with regard to manufacturing, and that sustainability offered
a change to make a distinction between Hongqiao and other developments in the region. It seems that in Hongqiao, plans for sub-centres have the ambition to embed them in the overall strategy for the Business District. For example, the realisation of a national exhibition centre motivated the Qingpu District to start the West-Hongqiao Cultural Industrial Park, aimed at the same target group as the exhibition centre. Furthermore, sub-local governments tried to distinguish themselves from other places, and in doing so is creating diversity for the whole of the HQ BD, creating a diversified urban environment on a higher scale level. For example, Minhang District launched a development agenda for building an international medical centre aimed at attracting “medical tourism” and it developed an international education centre under the ambition of becoming a “global campus”. Changning District promoted cultural facilities, such as Shanghai International Dancing Centre and Hongqiao Art Centre, as well as fashion industries. Without the involvement of local actors as well as their understanding of actually demand, the HQ BD would not have been so embedded into the existing development agenda. Nevertheless, notwithstanding this movement towards diversity and complementarity, competition between districts has not been completely eradicated, as for example Qingpu and Changning Districts compete with each other to attract similar international trading companies.

4. Discussion

This section discusses the planning of HQ BD through the lens of institutional capacity and its relation with establishing diversity, integration and sustainability. In section two, three different types of resources were described—relational, political and knowledge resources—that are needed to establish place quality. The Hongqiao case clearly illustrates the double shift in powers and responsibilities discussed in the opening of this paper. The municipality plays a key role in the development, and in the case of Shanghai the municipality in its turn has devolved powers and responsibilities towards sub-municipal governments. A key actor—the airport authority—has been transformed into a (semi) private actor and through the establishment of a PPP room is given to (semi) private actors to participate in the early stages of the planning process. It has to be noted that the dichotomy public-private in the Chinese context is not unproblematic. In our analysis the term (semi)private actors is used to refer to actors that are primarily driven by a market logic as opposed to a hierarchical logic, irrespective of whether the legal status makes it a public actor or not. Despite the shift in powers and responsibilities, the central government remains an important actor in this urban megaproject. The characteristics of the Chinese polity with its particular appraisal system guarantee that local officials will always keep an eye upwards the hierarchy in determining their course of action. The MoR as a (national) state actor very much determines its own course of action. Taken all together, political resources have spread over more and diverse actors and forms of interaction between these actors also diversified. As result the case provides insights in how this different dimensions of institutional capacity in the Chinese context relate to the creation of place quality. For the empirical analysis, different resources enabling institutional capacity are operationalised (Table 1).

### Table 1. Different resources for institutional capacity in Hongqiao case.

<table>
<thead>
<tr>
<th>Types</th>
<th>Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational resources</td>
<td>Central-local government relations</td>
</tr>
<tr>
<td></td>
<td>Horizontal relations between local governmental actors</td>
</tr>
<tr>
<td></td>
<td>Public-private (commercial actors) relations</td>
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<td></td>
<td>Public participation system</td>
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<tr>
<td>Political resources</td>
<td>Land ownership and development right</td>
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<tr>
<td></td>
<td>Financial resources</td>
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<tr>
<td></td>
<td>Planning authority and regulations</td>
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<tr>
<td>Knowledge resources</td>
<td>Process knowledge</td>
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<tr>
<td></td>
<td>Expert knowledge</td>
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<td></td>
<td>Local knowledge</td>
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</tbody>
</table>

Source: authors.
4.1. Relational Resources: Towards Diversification of Relations

Three types of relations can be distinguished in this case: hierarchical relations, negotiation relations and the project partnerships. At the risk of stating the obvious in this case, hierarchical relations do play an important role. Decentralisation by no means implies that central government has become an obsolete factor. The case does indicate, however, that the nature of this hierarchical relation varies and this influences the characteristics of development. First, in the example of MoR, a state agency guided first and foremost by national political objectives is directly active in the area. Because it is hierarchically positioned above the other parties, it is not forced to take the interest of actors into account. As a result, although the train station is physically connected, it is relatively isolated from the rest of the development in the HQ BD. The train station forms a strong contrast with the airport terminal, which is well embedded in its urban surroundings. As a decentralised actor, the airport authority experiences different incentives. Second, a different type of hierarchical intervention concerns the national government’s sustainability agenda that aims to steer the HQ BD in the direction of sustainable development. In this situation the hierarchical intervention leaves room for local actors to formulate an abstract goal into concrete measures, which can then be integrated into the overall ambitions of the area, and therefore obstructs any obstacles towards integration and diversity. This is in accordance with the idea that arguably, China’s one party system has been able to effectively promote green energy in a top-down-manner (Horesh 2013). The fact that sustainability on the local level is promoted by hierarchical steering—it might even be seen as a pre-condition for it—is not typical for China (van Rijswick and Salet 2012, Homsy and Warner 2015). Even if a central norm is not as open or multi-interpretable as sustainability is, it can provide enough room for manoeuvring. The urban appearance—high density in small blocks—of Hongqiao has been greatly helped by the legislation that buildings cannot be higher than 48 metres, as result of airport safety regulation. In order to realise enough floor space it became inevitable to realise density horizontally instead of vertically.

The negotiations about the location of the railway station ultimately lead to a solution that, from a place-making perspective, is superior to the alternative because it enabled the ability to combine the development of the station with other urban development ambitions of Hongqiao. This episode sheds light on the conditions that give local actors bargaining power vis-a-vis powerful Chinese state organisations. First, for different and partly historic reasons Shanghai has a more independent position relative to the national state. It holds the unique position as one of the four “Direct-controlled Municipalities” in China. Furthermore, as a global centre it is an important showcase of China’s achievements in the world and therefore the successful organisation of an event such as the EXPO is of great importance to the national state. Therefore, the state is dependent on the local government as a key actor. The decentralisation of the Shanghai Airport Authority turned this actor from a state agent into a local actor; as a result it became the perfect mediator between the state agent MoR and the local government.

Building a vast project partnership that is given the power to decide on development rights is not uncommon in Chinese urban development projects. What makes the Hongqiao case stand out is the use of a value capturing model in order to support the realisation of unprofitable development: all facilities in the core area are categorised into four types, depending on whether they are profitable or not, and whether they can be separately constructed or not. In order to make profit, this model motivated the SAA to support more functions in addition to the original plans, such as the development of an underground shopping floor. Nevertheless, the scale and time span of the whole HQ BD (outside the core area) is unsuitable for a project planning approach. In this case a more strategic way of operating is emerging, in which sub-municipal actors, districts, and street-offices, were motivated—not forced—to act in line with the overall vision for Hongqiao made by the municipality. Characteristic of this approach is that it introduces the storyline of “the area losing its competitive edge relative to other areas in the region” and giving the districts a stake in the development of Hongqiao as a whole (see next section).
4.2. Political Resources: Decentralisation Contributes to Local Embedding

With the latter deduction the analysis moves to the distribution of political resources, concerning land ownership, development rights, financial resources, planning regulations etc. In the construction of the hub, the land development rights were detached from the fragmented land ownership among the MoR, the airport, and the metro company. It made it possible to integrate the hub as a whole based on the actual use of the passengers during transportation and other urban activities. In the spatial development, by encouraging districts to become shareholders of the underground space development in core area and the energy supply system for the whole BD, they became more interested in the success of Honqiao as a whole. Therefore, they are more inclined to view the development programme for the district in relation to the whole Honqiao development. The pro-active attitude to urban development of districts is also encouraged by the financial incentives that the tax system provides, in deviation from regular practice in China. Districts are allowed to keep part of the tax revenues of companies located in their territory. That guarantees part of the revenue stays within the district territory and thus brings in incentives for local actors. Besides, “BD Development Funds’ subsidises aids in attracting green and creative industries” with “Development Fund subsidises green and creative industries.”

Nevertheless, while urban development in Shanghai takes form in a more pluralistic polity than before, the local population still largely lacks political resources. Opportunities for public participation are practically non-existent, particularly for the migrant population. As result the incorporation of socially disadvantaged groups will not manifest; a characteristic of an urban environment where “chic and shabby” cohabitate, will not be part of Honqiao.

4.3. Knowledge Resources: Openness, Transfer of Knowledge and Visual Support Systems

What is striking about the Honqiao project is the level of information provision, including process information, expert experience, and local knowledge. The relevant plans, key policies, latest land transfer, and even the government budget are almost completely and bilingually accessible to the public, which is extraordinary in Chinese mega-projects. In addition, a monthly brochure—“Hongqiao Business”—contributes to providing such information to the public. This extensive and factual communication (beyond the usual marketing talk) establishes an image of transparency and openness that attracts potential investors.

Furthermore, as a key player, the SAA used its experience with PPP from the development of Pudong Airport to establish an innovative cooperation in Honqiao. By developing computerised 3D-models which showed the outcome of different development scenarios, municipal planners were better equipped to judge whether proposals from investors contributed to the urban environment that was aspire in the plans. The model not only checks the regular indicators (height, density, land use, etc.), but also inspects public space, continuity of pedestrian systems, small block sizes, functional mixes, etc. It directly contributes to place-making in such urban megaprojects.

Last but not the least, the strong involvement of sub-local governmental actors and the use of their local knowledge contributes to better place-making. Since the municipality shared responsibilities for planning and development with sub-local governments (the districts and street-offices), the local actors are much more active in attracting a wider variety of functions and diversifying their tax base rather than simply accommodating real estate development. They are also motivated to distinguish themselves from other places, and in doing so creating diversity for the whole area. Furthermore, without the local governments’ contributions to the planning process, the HQ BD would not have been embedded into the existing development agenda of local governments. Yet, this study also shows the lack of involvement of civic actors (and their knowledge and interests), since public participation in these megaprojects in China exists only through the obligations following from the environmental impact assessment (Li et al. 2012). As a result, the interests of less prosperous people are not impacting the plans and therefore, the environment in the making lacks the characteristic urban trait “chic and shabby” going together.
5. Conclusion

Whether, and to what extent the HQ BD will produce urban place quality remains yet to be seen. This case only allows the establishment of what extent plans and physical developments contribute to urban vitality as we have defined it. The plans and the physical environment might be seen as necessary pre-conditions for place-making, but are by no means sufficient conditions. The actual use by people and businesses will determine whether HQ BD will become a high quality place. Furthermore, Hongqiao can be considered to be what is called an extreme case (Yin 2009) or outlier case, which has certain characteristics that are not encountered to such an extent in the wider population, i.e. the specific position of Shanghai within the Chinese state and the governmental culture within the municipality of Shanghai—with more decentralisation and openness to non-governmental actors than in the most parts of China—it creates different, and arguably, more favourable conditions for creating place quality. Compared to other mega-urban projects, this case allows us to gain insight into deviating conditions of institutional capacity that seemingly relate to better place quality. Furthermore, the existing differences between Shanghai and other cities does not alter the fact that the following insights could form a source of inspiration and provide directions in which Chinese cities could build greater institutional capacity.

First and foremost, we conclude that mechanisms for value capturing in order to support unprofitable development, has contributed to investment in public space, and creates opportunities for development—retail for example—that contribute to a greater mix and more liveliness in the area. Secondly, by allowing districts to benefit more from development and by turning them from stakeholders into—sometimes literally—shareholders of the larger urban development, they are more inclined to realign their own development with those of the greater whole. Third, a culture of negotiation that departs from accepting mutual interdependencies instead of a hierarchal top-down implementation of state plans increases changes of integration, as exemplified by the story of the location of the railway station. Fourth, from a knowledge resource perspective, the openness attempted in the Hongqiao case contrasts with the often opaque processes of planning in China; it seems that this fosters trust among third parties and therefore increases the chance of investors from different backgrounds to invest in urban development, and as result, contributes to more diversity.

(The appendices regarding the plans, policies, regulations, reports and other archives are available on request. The official websites also have provided the empirical data.)

Note

1. The Ministry of Railways (MoR) in China was dissolved on the 14 March 2013. Its governmental duty is appointed to the National Railway Administration under Ministry of Transportation, while the enterprise management is entitled to China Railway Corporation.

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