Urban Renewal Through Transitional Pathways: Government Tools and a Reflection on Equity

PENG Shanni

Abstract

This paper examines the ten-year renewal practices in H District, Shanghai, focusing on transitional pathways as a new approach to urban renewal. Drawing on the theoretical context and research framework of government tools, it describes and explains the mechanisms of typical government tools applied in practice, and provides a summarized evaluation of the practical effects and impacts of transitional pathways from three aspects: effectiveness, benefit ratio, and manageability. Furthermore, drawing on equity theory, the paper reflects on the fairness of transitional pathways at three levels, aiming to provide insights into policy enhancement and tool development for urban renewal across various regions.

The findings indicate that in the urban renewal practices of H District, the integrated application of government tools has effectively translated policies and plans into practice, achieving set goals; reduced transaction costs, incentivized market participants, and fostered a win-win situation between the public and private sectors; and demonstrated strong operability and manageability. At a macro level, the fairness of transitional pathways performs well across all stakeholders. At a more detailed level, however, there remains room for improvement in standardized management. To address the inherent tension among three dimensions of fairness that are difficult to reconcile simultaneously, the paper proposes a further institutional design approach: establishing basic equity as the baseline, procedural fairness as the foundation, and justice-based fairness as the balancing mechanism, while weighing and prioritizing different dimensions according to the commercial and public-welfare characteristics of individual projects.

Keywords: urban renewal; transitional pathways; government tools; equity; central area of Shanghai

As China's economy enters a new stage of development, urban renewal has become a critical issue in promoting stock-based development. At present, domestic urban renewal faces numerous challenges, including financial balancing [1], safeguarding public interests [2], and the sustainability of public finance [3–4]. Meanwhile, the uncertainty of market development has made spatial multifunctional use and rapid functional changes the norm. The existing land use control system lacks the capacity for combinatorial matching of functional uses and spatial segments for three-dimensional spatial resources [5], and the new normal of "constant change" imposes higher demands on land and property use control. The planning system, originally oriented toward rigid constraints, urgently needs to create greater elasticity and flexibility to respond swiftly to socioeconomic development needs [6].

Against this backdrop, various localities have actively explored innovations and achieved phased policy outcomes. Policies such as renewal standards and regulations issued by pilot cities have responded, to a certain extent, to the practical demand for functional use adjustment [7]. Taking Shanghai as an example, the *Shanghai Municipality Regulations on Urban Renewal* [8], promulgated in 2021, introduced corresponding measures: Article 40 stipulates that "for projects within renewal areas, indicators such as land use nature, floor area ratio, and building height may be optimized according to the plan, provided that public interests are safeguarded and renewal objectives are met"; Article 45 stipulates that "for buildings designated for retention under the plan, where the planned land use nature is compatible, such buildings may be utilized following functional optimization and may legally have their use purpose changed." In the following year, the *Implementation Rules for Shanghai Municipality Urban Renewal Planning and Land (Trial)* [9] further refined and extended the provisions of the Regulations, not only specifying the adjustable scope of land use nature but also supplementing provisions stating that "for piecemeal renewal… indicators may also be determined based on planning reasonableness, following consultation between the district people's government and the implementing entity regarding land, economic, investment, construction, and other conditions. District people's governments may formulate corresponding consultation rules." The above provisions reflect the evolving direction of urban renewal planning policy toward greater communicativeness and adaptability in use control.

However, the improvements in existing renewal policies remain incomplete. First, current policies still lack sufficient dynamic adaptability in spatial functions. Although renewal regulations and implementation rules provide a basis for adjusting land use nature [10], under the framework of traditional procedures—such as plan revision, land acquisition and storage, or supplementary land premium payments—changing land use still entails high land and time costs [11], which may cause a large amount of substandard existing land to remain underutilized for extended periods. Therefore, under the current policy environment, more localized and flexible "transitional" solutions for land use retain significant supplementary value. Second, existing policies still face implementation bottlenecks such as difficulties in government approval and barriers to capital involvement [12]. Renewal policies are formulated from a top-down perspective, articulating clear policy intentions such as "incentivizing industrial importation" and "encouraging self-initiated renewal by original property owners." However, such intentions do not materialize "naturally"; rather, they require one or more "pathways" from policy ideals to policy realities, along with matching institutional designs. These pathways and institutional designs emerge from countless bottom-up local practice explorations and, after repeated calibration and refinement, provide authentic grassroots feedback and optimization ideas for top-down policy decisions. In this sense, research on the policy pathways of local practices holds indispensable practical significance.

Accordingly, this paper selects the renewal practices in H District, Shanghai, as an empirical case, shifting the focus from traditional planning management approaches to more flexible transitional solutions and their implementation pathways. In practical exploration, have the policies and tools of transitional pathways achieved their intended goals? What are their costs, benefits, and actual impacts? Have they adequately expressed and realized equity and public interests? Timely review and evaluation of the implementation of policy pathways and government tools are essential for ensuring their effectiveness and adaptability and for promoting the sustainable development of urban renewal. As one of the earliest central urban districts of a megacity to enter the stock-based development stage, H District has actively explored and consolidated practices of transitional pathways over a decade of renewal. This paper focuses on transitional pathways as an emerging renewal practice approach, employing the theoretical framework of government tools to describe and explain the mechanisms of typical tools applied in practice and to analyze their implementation outcomes. Simultaneously, drawing on the perspective of equity theory, it attempts to reflect on the fairness of transitional pathways, with the aim of providing insights into policy enhancement and tool development for urban renewal across various regions.

1 Defining "Transitional Pathways"

1.1 The Concept and Function of Transitional Pathways

The "transitional pathways" discussed in this paper refer to strategies for achieving land and property use conversion in urban renewal, wholly or partially, through non-traditional means. Transitional pathways do not rely on comprehensive planning adjustments or supplementary land premium payments and other formal procedures; instead, they adopt more flexible approaches to accommodate and guide changes in land use. Such pathways allow urban spatial layouts to respond swiftly to socioeconomic changes, providing temporary or short-term land use solutions to meet urgent needs or exploit underutilized resources, thereby preventing the enormous waste caused by land and property resources being shelved indefinitely during "procedural idling."

1.2 "Transitional" Does Not Equal "Informal"

Admittedly, transitional pathways are still in their early stages; their practices are continuously adjusting as they gradually adapt to the new development paradigm, and the application of corresponding government tools typically manifests as tentative solutions during a process of dynamic adaptation. In the initial stages, this may give rise to numerous issues in standardized management, such as rule ambiguity and conflicts of interest, and careful consideration of long-term effectiveness and fairness is warranted in practice. It must be emphasized, however, that the "transitional" nature discussed herein is not equivalent to "informal." The "transition" referred to here does not denote an informal transition lacking legality, but rather a temporary functional transition in use. In fact, all transitional pathways discussed in this paper possess legitimate policy bases and management processes that are gradually becoming standardized. Under the precondition of standardized management, transitional pathways do not necessarily engender greater unfairness or opportunities for rent-seeking. In some cases, transitional pathways can even help bring spaces that were previously used informally or irregularly due to various historical reasons under full life-cycle supervision.

1.3 "Pathways" from Policy Ideals to Reality

As noted above, policy ideals and intentions do not materialize automatically with the issuance of new policy documents. On the contrary, under the new policy environment, every procedural link—from project initiation to approval and advancement—requires continuous identification of problems and bottlenecks [13], as well as the derivation and connection of viable "pathways." In the practical exploration of transitional pathways for urban renewal, different types of government tools have been selected and put into practical application, and a series of government tools have connected the pathways from policy objectives to project implementation. These tools are diverse: in addition to the regulatory tools familiar to the planning field—including spatial planning and legislative tools such as comprehensive city plans, detailed plans, and urban renewal regulations and policies—organizational tools and economic tools have also been frequently applied. The effective combination and coordinated use of various tools is key to achieving urban renewal objectives.

2 Theoretical Perspectives

2.1 Government Tools Theory

Government tools (governmental tools), also known as public policy instruments or governing tools, are centrally concerned with how policy intentions and ideals are translated into policy reality [14]. The Dutch Giekerk Commission [15] noted in its investigative report that the lack of knowledge about policy instruments is an important cause of policy failure—this is precisely the origin of government tools research.

The classification of government tools is often based on tool characteristics. For instance, American political scientists Schattschneider (E.E. Schattschneider), Dahl (R.A. Dahl), and Lindblom (C.E. Lindblom) broadly divided government tools into regulatory and non-regulatory categories; American public policy scholar Salamon added spending and non-spending instruments to this classification [14]. German scholar Vedung [16] identified three main types of tools that governments employ to achieve policy objectives: organizational tools, regulatory tools, and economic tools. Among these: organizational tools refer to the government's direct management or control of certain agencies and enterprises to achieve policy objectives; regulatory tools refer to the government's formulation and enforcement of laws, regulations, norms, and directives to constrain and guide the behavior of citizens, enterprises, and social organizations; and economic tools refer to the government's use of economic means to incentivize or restrict specific behaviors.

This study adopts Vedung's classification method, dividing the government tools typically applied in the practice of transitional pathways for urban renewal into regulatory tools, organizational tools, and economic tools, and describing and explaining their respective mechanisms.

2.2 Equity Theory

Equity theory was proposed by psychologist Adams [17] in 1963. Adams focused on people's perceptions of resource and reward distribution, emphasizing the ratio of inputs to returns and its comparison with others—i.e., "more work, more pay"—which constitutes the earliest and most basic articulation of equity.

In the 1970s, Thibaut et al. [18] began examining how people perceive the fairness of legal procedures and decision-making processes. They found that the fairness of decision-making processes—including transparency, consistency, and participation—was crucial to people's perceptions of fairness, and thus proposed procedural justice theory.

In 1971, Rawls [19], in his work *A Theory of Justice*, put forward the concept of "justice as fairness," attempting to address how social institutions should distribute rights and obligations on a fair and equitable basis. He argued that society should be designed in such a way that everyone, without knowing their own social position (the "veil of ignorance"), would consider it fair.

In the literature on equity reflections in urban renewal, most studies focus on "outcome equity," such as the spatial equity of green spaces and transportation facilities [20] and the impacts of renewal on original residents [21]; these studies do not involve reflections on renewal policy pathways. A few studies have investigated and evaluated land value increment distribution mechanisms and value recapture performance in renewal practices, such as supplementary land premium payments and developer contributions [22], but these studies remain within the framework of normative land use adjustment and have not yet addressed transitional pathways, which represent a further step in flexibility. Based on the three aforementioned equity theories, this paper reflects on the fairness of transitional pathways in urban renewal practice from three levels: basic equity, procedural fairness, and justice-based fairness.

3 H District, Shanghai: Government Tool Development Under Transitional Pathways

H District is located in the central urban area of Shanghai. During the 12th Five-Year Plan period, H District had already entered the stock-based development stage. Over a decade of urban renewal practice, H District has adhered to the principle of "stepping forward proactively," exploring and consolidating numerous groundbreaking and pioneering policy innovations, and has also accumulated abundant practical samples and experiential reflections. In terms of the practical development of government tools, H District's selection and application of government tools reflects a progressively layered and mutually complementary holistic construction approach (see Figure 1).

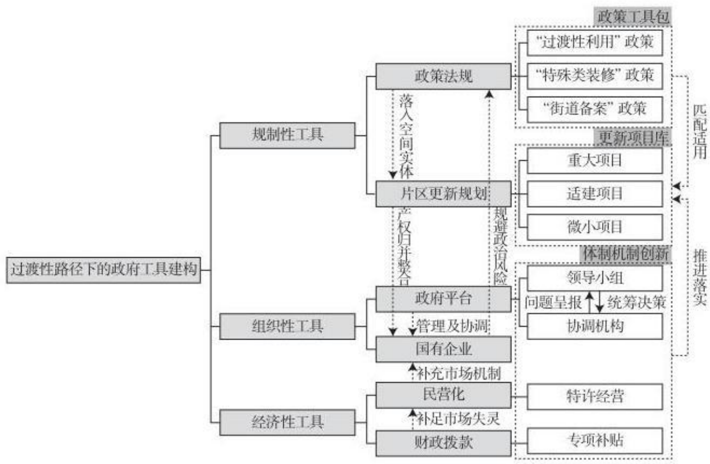

Figure 1: Government tool development under transitional pathways

Fig. 1 Government tool development under transitional pathways

3.1 Regulatory Tools: Policy Regulations and Precinct Renewal Planning

Regulatory tools encompass laws and directives; additionally, spatial planning is an effective regulatory tool.

3.1.1 Policy Regulations

Policy regulations serving as the legal basis represent the government's foremost application of regulatory tools and the foundation for selecting transitional pathways. In practice, H District has primarily selected the following three policies as the policy basis for transitional pathways.

(1) "Transitional Use" Policy

In April 2020, the Shanghai Municipal People's Government issued the *Several Policy Measures for Expanding Effective Investment and Stabilizing Economic Development in Shanghai Municipality* (Hu Fu Ban Gui [2020] No. 3), in which Article 11, "Accelerating Urban Renewal," states: "Support is provided for the use of existing properties on allocated land to develop new business formats and models; the land use nature, rights holder, and type of rights may remain unchanged during a five-year transitional period" [23] (hereinafter "Article 11"). Projects meeting this provision may, within a five-year transitional period, utilize relevant properties in ways exceeding their original designated use, while temporarily foregoing land use nature change procedures—hence termed "transitional use."

(2) "Special-Category Decoration" Policy

In February 2020, the Shanghai Municipal Commission of Housing and Urban-Rural Development issued the *Implementation Measures for the Management of Building Decoration and Renovation Projects in Shanghai Municipality* (Hu Zhu Jian Gui Fan [2020] No. 3, hereinafter "Document No. 3") [24], which mentions "special-category decoration projects," defined as "various decorative and renovation activities involving alterations to the main structural and load-bearing systems, functional adjustments, fire protection system modifications, facade changes, and other activities that may affect the safety of citizens' lives and property and public interests." The reference to "functional adjustments" in this document provides a policy pathway and basis for transitional changes in property functional use outside of land use nature change procedures, with implementation managed by category according to the suitability scope for construction land [25].

(3) "Sub-District Filing" Policy

In June 2012, the General Office of the Shanghai Municipal People's Government forwarded the *Notice on Guiding Opinions on Further Improving the Division of Construction Project Management in the Municipality* (Hu Fu Ban [2012] No. 69, hereinafter "Document No. 69") [26], issued jointly by the Municipal Construction and Transport Commission and five other departments. This document stipulated: "For projects below the threshold, each district (county) government may formulate specific construction management procedures." Building upon Document No. 69, H District's construction management department further formulated implementation opinions, stipulating that "sub-districts (towns) shall serve as the local management departments for construction work in the district, responsible for comprehensive supervision and management of production safety for building construction projects with a contract price below 1 million yuan (or renovation area below 300 m^2, including demolition)" [27]. In other words, small-scale projects may be exempt from applying for construction permits and need only be filed at the sub-district (town) level—hence the abbreviation "sub-district filing." The sub-district filing process focuses primarily on safety management. Under this pathway, some small-scale piecemeal renewal projects may undergo functional optimization and temporary changes in property use without involving land use nature change procedures.

3.1.2 Precinct Renewal Planning

The overall planning of renewal precincts, through selective prioritization of spatial carrier resources, essentially embeds a holistic approach to consolidating and integrating the complex property rights underlying those carriers—a critical step in translating spatial policy into spatial entities.

Taking the renewal planning of historic precincts within H District's inner ring as an example: among the two historic precincts that have already achieved visible results, the renewal plan for Precinct Y integrated state-owned shops and government service outlets along the renewal corridor; the renewal plan for Precinct W designated several park-type state-owned assets along the renewal corridor as key breakthrough points. Both precinct renewal plans favored state-owned assets (especially district-owned state assets) in their selection of spatial resources—i.e., favoring state-owned entities (especially district-owned entities) with stronger compliance and more controllable risk as property rights holders—thereby laying the groundwork for subsequent application of organizational tools.

3.2 Organizational Tools: Government Platforms and State-Owned Enterprises

With regulatory tools in place, transitional pathways have their policy basis and planning direction; however, the transition from documents and drawings to actual implementation requires the indispensable coordination of organizational tools.

3.2.1 Leadership Groups and Coordinating Agencies

Transitional pathways for urban renewal are recent phenomena, and the management processes inevitably require adaptation and breakthrough during exploration from scratch. Seemingly minor policy changes involve the addition or adjustment of work content across multiple departments, requiring relevant departments to overcome existing path dependencies and coordinate to form new working pathways. However, in urban renewal project management, due to differences in departmental functions and stakeholder interests, the degree of participation and incentive orientation varies across departments. Sometimes, management departments serving as supporting units (rather than lead units) bear far greater risks than departmental benefits in making breakthroughs, often exhibiting limited willingness to innovate.

At this juncture, organizational tools are needed within the government to address cross-departmental coordination issues. H District's approach was to establish an urban renewal leadership group while simultaneously setting up a dedicated urban renewal coordinating agency. The leadership group is responsible for overall decision-making, while the coordinating agency handles practical implementation. During the initial stages of renewal planning and transitional pathway implementation, new problems cascaded and emerged incessantly; the coordinating agency identified problems in frontline practice, reported them to the leadership group, and initiated coordination meetings; multiple departments worked together under the leadership group's initiative, jointly deliberating and sharing responsibility. Such tools, oriented toward solving practical problems, are characterized by strong guidance and rapid responsiveness, serving as an effective means of balancing implementation with legality oversight.

3.2.2 State-Owned Enterprises

Transitional pathways provide more flexible alternatives to supplementary land premium payments for converting land and property uses, offering varying degrees of land use preferences for urban renewal projects. Although such use is short-term, the incentive for project stakeholders remains substantial. Relaxed development conditions enable market entities to realize greater land value increments, and thus the interests involved in relevant policies are considerable. To prevent policy abuse from causing large-scale diversion of land value increments to the private sector, the policy beneficiaries for major projects are typically restricted to state-owned enterprises (SOEs). In this way, the incremental returns continue to flow within state assets, effectively mitigating the political risk of state asset loss [22]. In this sense, SOEs serve as an organizational tool that "insures" the policy innovation of transitional pathways.

Moreover, the incentive orientation of SOEs is not solely the maximization of economic profit. Functional SOEs affiliated with local governments demonstrate greater compliance and cooperation in a range of matters—including the reallocation and transfer of carrier resources, the provision of public space, public service guarantees, performance supervision, industrial attraction direction, and tax revenue localization—and can further ensure that land value increments flow more toward the public sector of the region. They are therefore frequently the preferred recipients of policy preferences.

3.3 Economic Tools: Privatization and Fiscal Appropriations

3.3.1 Privatization

As noted above, to mitigate the risk of state asset loss during the implementation of transitional pathways, policies typically tilt toward projects led by state-owned entities. However, for the purposes of improving investment and operational efficiency, diversifying investment risks, and broadening entity participation, privatization tools need to be employed simultaneously to organically integrate government regulation with market competition.

Privatization tools take diverse forms and do not specifically refer to changes in the ownership structure of SOEs. "Concession" as a form of privatization has been widely applied in transitional pathways for urban renewal. The most common form involves private enterprises leasing state-owned land and property assets for commercial activities, or the establishment of public-private joint venture platform companies as leasing and operating entities. The property rights holders of these state-owned assets enjoy land use preferences through transitional pathways and delegate the expanded operating rights to specific private enterprise lessees. In the above situations, the parties to the concession typically share risks: the private sector bears technical risks during construction and operation, the public sector bears risks arising from decisions and regulation, and investment risks are often shared by both parties. The advantages are twofold: on the one hand, it revitalizes and utilizes existing state assets and leverages reduced land costs to mobilize market enthusiasm; on the other hand, should the lessee's operational behavior deviate from the agreed direction (e.g., public contributions, industrial commitments), the state-owned entity as property owner can promptly reclaim the assets, preventing continued state asset loss.

3.3.2 Special Subsidies

Sometimes, due to inherent market limitations (e.g., for public-interest or quasi-public-interest projects), even with the land use preferences offered by transitional pathways, project construction and operating enterprises may still be unable to generate sufficient revenue from consumers to balance their investment, while enterprises are willing to bear only limited risk. In such cases, a portion of the subsidy must be drawn from the government's fiscal budget. Simultaneously, through the establishment of special subsidy funds, the government can flexibly select the behaviors and entities to be supported, thereby encouraging renewal actions that align more closely with the government's desired direction.

Taking H District as an example, special subsidy funds for urban renewal projects within the district have been implemented since 2018. Over the past six years, total subsidies exceeding 30 million yuan have been disbursed, covering more than 20 urban renewal projects, of which approximately 65% of subsidies went to private enterprises. Statistical results indicate that the subsidy orientation is highly focused: the directions encouraged by subsidies primarily include the provision of public space, facade improvement, and business format upgrading, with spatial concentration on key renewal areas within the district. Subsidies are explicitly directed at project implementation entities—often private enterprises serving as construction and operation entities—which benefit significantly. The fiscal subsidy tool thus forms an effective complement to the privatization tool.

4 Application, Effects, and Impacts of Transitional Pathways

4.1 Application of Transitional Pathways

Over a decade of urban renewal, H District's exploration of transitional pathways has evolved from the initial stage of "crossing the river by feeling the stones" to gradually forming established practices and workflows, with a series of government tools applied in coordination.

4.1.1 Application of Policy Regulations

(1) Major Projects

Under Article 11, H District typically adopts a "case-by-case review" approach, whereby the district government's executive meeting or inter-departmental joint meeting, involving economic management departments, construction management departments, and local management departments, jointly reviews and decides on the renewal and utilization of existing properties on allocated land.

The "transitional use" policy targets allocated land, which is non-commercial in nature. To prevent state asset loss, the restrictions on land use cannot be casually breached, and therefore the projects involved must undergo rigorous review and decision-making processes. This policy is applicable to major projects that align with regional industrial orientation, aiming to revitalize existing properties while providing land use preferences for projects with significant regional contributions. This pathway has become an important avenue for advancing key urban renewal projects in H District. Taking the comprehensive renewal of Precinct W as an example, among five key renewal projects, three applied the "transitional use" policy, all of which were determined through inter-departmental joint meetings to have introduced technology or cultural enterprises aligned with the district's key industrial directions.

(2) Suitable Construction Projects

In July 2020, H District's multiple departments jointly studied the functional adjustment determination work under "Document No. 3" and further categorized the projects involved into three types: "strictly prohibited adjustment," "supported," and "conditionally supported" [28], implementing the functional adjustment determination for "special-category decoration projects" by category.

Where no matters of principle are involved—such as commercial use restrictions or compatibility restrictions (i.e., "suitable construction projects")—it is very common to adjust functional use through the application of the "special-category decoration" policy. This pathway features a more streamlined process: it does not require inter-departmental joint review but rather consults a few directly relevant departments based on specific project circumstances, and the assessment of the project's regional contribution is more tailored to individual cases. As of January 2023, H District had processed over 160 special-category decoration projects, with some urban renewal projects achieving more composite spatial utilization through this pathway.

(3) Micro Projects

Micro projects typically fall under the "sub-district filing" policy. In the urban renewal context, micro projects often cluster in precinct-wide renewals characterized by small individual building footprints and concentrated spatial distribution of carriers. The suitable business formats for precinct-scale renewal are often consumer services, and a considerable number of properties originally designated for non-commercial use also require functional optimization. Under the preconditions of filing registration and safety supervision, reducing government intervention in market activities and allowing the market to play the primary role can better achieve the overall enhancement of precinct appearance and commercial vitality. In H District's well-known Precinct Y renewal, non-commercial-use properties were utilized for cultural promotion, community and enterprise services, and other quasi-public-interest purposes, frequently applying the "sub-district filing" policy.

4.1.2 Application of Other Tools

Due to different priorities, corresponding government tools are applied differently across projects of varying scales and types. For example, government platforms participate more extensively in more challenging key projects, while participating less in easier suitable construction projects and micro projects. Similarly, fiscal subsidies focus on key renewal areas and projects while also supporting public-interest micro projects. The author summarizes the application of different government tools across project types in Table 1.

Table 1 Application of government tools in different projects

Government Tool		Major Projects	Suitable Construction Projects	Micro Projects
Regulatory Tools	Policy regulations	Primarily "transitional use"	Primarily "special-category decoration"	Primarily "sub-district filing"
	Precinct renewal planning	Key planning	Partially involved	Directional summary
Organizational Tools	Government platform	Participating	Limited participation	Limited participation
	State-owned enterprises	Participating	Partial participation	Partial participation
Economic Tools	Privatization	Collaborative participation	Partial participation	Partial participation
	Fiscal subsidy	Involved	Limited involvement	Involved

4.2 Practical Effects and Impacts

This paper attempts to provide a summarized evaluation of the practical effects and impacts of transitional pathways from three aspects: effectiveness, benefit ratio, and manageability.

4.2.1 Effectiveness

The most important criterion for whether policies and tools are successful is effectiveness. From the perspective of effectiveness, H District's urban renewal actions have achieved remarkable results. As areas where renewal was initiated relatively early, Precincts Y and W have, to a great extent, preserved the historic urban fabric and the vitality of everyday life, while gradually achieving regional economic activation and industrial upgrading through a point-to-area approach. Numerous key urban renewal projects have received positive public response and hold demonstrative significance both in Shanghai and nationally. In this process, the renewal of existing state-owned assets accounts for a considerable proportion; existing carrier resources have been extensively revitalized, making substantial contributions to regional development. The overall framework of precinct renewal planning has been maintained throughout implementation without major revisions. The integrated application of government tools has translated policies and plans into practice, effectively achieving the set goals.

4.2.2 Benefit Ratio

Building on effectiveness, the balance between benefits and costs must be further considered. From the benefit ratio perspective, the government's direct fiscal expenditure consists of only a modest amount of special subsidy funds (approximately 30 million yuan from 2018 to 2023) and sporadic appropriations, while the total investment leveraged in urban renewal projects has reached billions of yuan. Special-category decoration projects have attracted over 50 enterprises, with new enterprises generating over 1 billion yuan in tax revenue during 2021–2022. Transitional pathways have effectively reduced transaction costs, mobilized the enthusiasm of market participants, promoted the implementation of urban renewal projects and regional investment attraction, and fostered a win-win situation between the public and private sectors.

4.2.3 Manageability

Management issues during project execution should also be incorporated into the evaluation of government tools. From the manageability perspective, in terms of internal management within the public sector, the shared-responsibility mechanism has created space for management innovation. Since the introduction of transitional pathways for urban renewal, through case-by-case practice and continuous refinement, relevant consultation systems, joint review systems, regular meeting and inter-departmental conference systems have been developed, and organizational efficiency has gradually improved. In terms of external management, once a viable policy pathway is established, relevant rights holders also have the incentive to register their land use through legitimate and compliant channels, reducing their own property rights deficiencies and management risks. Spaces that were previously used informally or irregularly due to various historical reasons have been gradually brought under full life-cycle supervision. Practical results demonstrate that while transitional pathways and their government tools have necessitated additional management procedures, they still possess good operability and manageability.

5 Reflections on the Equity of Transitional Pathways

Transitional pathways provide more flexible short-term solutions to accommodate the demand for rapid functional change and composite spatial use. However, examining urban renewal under transitional pathways from an equity perspective raises a series of critical questions.

First, since the public auction and listing process is no longer involved, and land preferences and expanded operating rights are instead granted to existing property rights holders, which entities have benefited from the policy preferences? Have these beneficiary entities made corresponding contributions?

Second, since the originally required supplementary land premium payments have been waived, the government has lost its most direct and primary source of fiscal revenue in the relevant projects. Where, then, does the incremental portion of land value ultimately flow? How will public interests be safeguarded?

These are questions that the transitional pathways for urban renewal and the corresponding government tool development need to seriously consider and address. Starting from these questions, this paper discusses the equity of transitional pathways in urban renewal from three levels of meaning.

5.1 Basic Equity: Commensurability of Stakeholder Contributions

The first level of meaning is basic equity, which is commonly understood as "more work, more pay; less work, less pay" [17]. In the context of transitional pathways for urban renewal, this can be understood as whether the entities enjoying policy preferences have made commensurate contributions.

The most direct policy beneficiaries are the carrier property rights holders who enjoy land preferences. In practice, the initial transitional pathways clearly tilted toward local state-owned assets over which the local government exercised strong control. However, due to the scarcity of carrier resources in central urban areas, the territorial resources that the local government can comprehensively control are diminishing, and the next targets of the pathways and policies will be non-territorial state-owned assets over which the local government has weaker control. Broader policy beneficiaries also include the operating and using entities of carriers who indirectly enjoy rent preferences, and in practice, the local government typically imposes corresponding public contribution requirements on them. The local government constrains the relevant entities to make corresponding contributions through restrictions on the two aforementioned categories of beneficiaries and through ex-ante negotiation, maximizing the retention of land value increments within the region. Judging from the data cited in the earlier discussion of benefit ratios, the returns generated by policy beneficiaries are, on the whole, considerable.

However, because it is difficult to formulate clearly quantified and rigidly controlled binding conditions for the contribution levels of beneficiary entities at the project outset, the current approach typically records the government's desired value objectives in the form of meeting minutes, situation reports, and letters of commitment. Such articulations tend toward soft control, and consequently the commensurability of stakeholder contributions is not mandatorily guaranteed. Taking the author's statistics on the implementation of "special-category decoration" determination in H District over three years (2020–early 2023) as an example, among the more than 40 special-category decoration projects with explicit attraction conditions and industrial commitments, over 20% exhibited industrial direction deviation from initial commitments, business failure and closure, or actual tax revenue levels significantly lower than estimates. Therefore, performance evaluation and supervision mechanisms for beneficiary contributions, as well as optimization and exit mechanisms for carrier utilization, should be necessary directions for policy improvement.

5.2 Procedural Fairness: Visibility of Application Rules

The second level of meaning is procedural fairness: on the basis of reasonable objectives, fair, transparent, and predictable procedures are also needed to ensure that goals are achieved [18]. From this perspective, higher demands are placed on the visibility of the application rules for transitional pathway-related policies.

First, the relevant policies for transitional pathways are all publicly accessible, but this does not mean that they are equally visible and equally feasible for every potential entity meeting the policy requirements. Information asymmetries exist in the dissemination and alignment of policy pathways. Generally, territorial state-owned entities possess an information advantage, as they have extensive experience undertaking local key projects and frequent business interactions with local approval authorities, and therefore have the deepest understanding of the thresholds and key conditions for policy approval. Additionally, when the local government conducts mobilization work with relevant rights holders in key renewal areas and projects, it may also proactively disseminate policies, determining pathways after interest negotiation. Rights holders outside these channels must independently acquire information. This is particularly pronounced in policies offering larger land use preferences.

Second, the application of transitional pathways still involves certain latent rules at the present stage. The conditions for implementing policy pathways cannot be precisely quantified, and similar cases cannot be simply equated or analogized. First, contributions across different dimensions—such as tax localization, industrial commitments, public benefit, and land acquisition and storage—are not quantitatively comparable. Second, historical circumstances, interest relationships, and the influence and energy of relevant rights holders are complexly intertwined. Third, different departments' functions, responsibilities, and risks may be involved. Under the combined effect of these complex antecedents and consequences, even professional government approval departments find it difficult to grasp the approval scale, requiring reliance on individual managers' personal experience for case-by-case "mine-clearing" assessments, and they may even adopt blame-avoidance strategies—whether lateral or upward. This results in projects involving greater interests typically requiring increasingly prolonged preliminary periods, with numerous project plans being shelved or left unresolved during this process.

Overall, the actual beneficiaries of transitional pathways remain confined to a relatively narrow range, and the visibility of their application rules still has room for improvement. Vigilance is needed against transitional pathways becoming "drawer policies" hidden from public view, and against the breeding of rent-seeking opportunities.

5.3 Justice-Based Fairness: Distribution and Redistribution of Spatial Interests

The third level of meaning is justice-based fairness, which ensures the income of the public sector through distribution mechanisms while correcting established inequities through redistribution mechanisms, appropriately tilting the allocation of interests toward disadvantaged groups [19]. By this standard, transitional pathways require in-depth exploration of the distribution and redistribution mechanisms for spatial interests. Whether public interests can be fully reflected should be the fundamental basis for whether transitional pathways can stand on the ground of equity.

(1) Distribution of Land Revenue

Value recapture theory offers the following perspective: land value increments attributable to social contributions (e.g., natural socioeconomic growth, government land use planning and management, public infrastructure construction) should, to a certain extent, return to the public sector to compensate its investments or support future public projects [29]. In China's previous urban renewal practice, the primary mode of value recapture was for the government to acquire and store land and then re-transfer it, capturing land value increments through land premium revenues. However, this approach suppressed the initiative of market entities for spontaneous transformation and imposed heavy fiscal pressure on the government [22]. The value recapture mechanism under transitional pathways relies primarily on contributions from implementing entities, with the public sector's returns mainly reflected in increased fiscal revenues—namely, rental and tax revenues.

In terms of rental revenue, taking the Precinct Y renewal as an example: a cultural development company, serving as the coordinating renewal entity, leased and renewed state-owned shops and properties on both sides of Precinct Y, primarily through the "sub-district filing" policy pathway. Initially, the precinct's shops were in decline and original rent levels were low. During the first three years of renewal, H District leased the consolidated state-owned shop carrier resources to the renewal coordinating entity at discounted prices below assessed values, with rents increasing annually. In subsequent years, the precinct operated primarily on a content-and-traffic model, and after becoming a well-known trendy district, it gradually converged with the technology-industry-oriented renewal of Precinct G. As young creative and technology enterprises rose in the surrounding area, regional consumption levels rose, and end tenants leased shops at rents higher than those of premium carriers in nearby areas, with actual rents consistently maintained at high levels. In recent years, the rents charged by state-owned entities to the coordinating entity have also gradually increased to levels matching premium carriers in comparable locations, achieving profitable revitalization of state assets and increased rental revenue for the public sector. Overall, the public and private sectors have achieved a win-win outcome through urban renewal via transitional pathways.

In terms of tax revenue, taking the Precinct G renewal as an example: a high-tech investment company, serving as the implementing and operating entity for renewal, renovated approximately 8,000 m² of office space in the vicinity of the precinct (primarily consisting of scattered state-owned asset carriers), investing in, incubating, and attracting nearly 20 technology enterprises (mainly focused on artificial intelligence) (Table 2), generating comprehensive tax revenue of nearly 75 million yuan in 2022 alone. As the project is still in its early stages and the incubated enterprises have yet to stabilize and grow, cumulative tax revenue has not yet been sufficient to cover the value of the preferential land premium revenue foregone. However, given time, the tax-generating enterprises and emerging technology industries it brings should be able to contribute to the region's long-term healthy development.

(2) Redistribution of Spatial Use Rights

Redistribution can take various forms; this paper primarily addresses the redistribution of spatial use rights. For example, converting scattered, low-efficiency, or idle land and properties at no cost for use in public-interest and quasi-public-interest projects represents a form of spatial redistribution by the public sector in favor of disadvantaged populations (the elderly, persons with disabilities or illness, the unemployed, etc.). For instance, projects classified as "supported" in H District's special-category decoration approval process primarily include public service projects—such as community cultural centers, sports activity centers, health service centers, public training bases, and special education schools—for which approval departments typically issue supportive opinions directly. Another example is encouraging project entities to dedicate portions of their property rights to public open space through subsidies—such as opening originally enclosed courtyards, converting street-facing buildings into arcades, or making building rooftops or vertical greening accessible to the public 24 hours a day. This form of spatial redistribution is very common in public-private partnership projects.

Table 2 List of enterprises being transformed in the G block renewal project (anonymized)

Enterprise Name	**Technology Enterprise**	**AI-Certified Enterprise**	**Registered Capital /10,000 yuan**	**Cumulative District-Level Tax Range /10,000 yuan**	**Cumulative Comprehensive Tax Range /10,000 yuan**
A Technology Group Co., Ltd.	Yes	Yes	~25	10–100	1,000+
B Microelectronics Co., Ltd.	Yes	Yes	~3,600	10–100	100–1,000
C Information Technology Co., Ltd.	Yes	Yes	~1,100	10–100	100–1,000
D Technology Co., Ltd.	Yes	Yes	~170	0–10	10–100
E Information Technology Co., Ltd.	Yes	Yes	~240	0–10	0–10
F Intellectual Property Service Co., Ltd.			~2,000	0–10	0–10
G Quantum Technology (Shanghai) Co., Ltd.	Yes		~100	0–10	0–10
H Enterprise Management Co., Ltd.			~750	0–10	0–10
I Technology (Jiaxing) Co., Ltd. Shanghai Branch	Yes		—		10–100
J Technology Co., Ltd.	Yes		~200	None	0–10
K Technology Co., Ltd.	Yes	Yes	~100	None	0–10
L Technology Co., Ltd.	Yes	Yes	~1,200	None	0–10
M Internet of	Yes		~150	None	0–10

Things Co., Ltd.					
N Intelligent Technology Co., Ltd.	Yes		~5,200	None	0–10
O Technology Co., Ltd. Shanghai Branch	Yes		—	None	0–10
P Intelligent Technology Co., Ltd.	Yes		~2,000	None	0–10
Q Vision Technology Co., Ltd. Shanghai Branch	Yes		—	None	
R Intelligent Technology Co., Ltd.	Yes		~100	None	None

Data source: Enterprise survey

5.4 Summary of Equity Reflections

From a macro perspective, the equity of transitional pathways performs well: for the government, while promoting high-quality land utilization, it retains the flexibility to adjust and exit at any time, mitigating to a certain extent the state asset loss caused by one-time capital-driven land speculation; for enterprises, as the primary beneficiaries of the policy, most have made corresponding contributions in terms of regional economic development and public welfare, exchanging commensurate responsibilities for spatial development rights; for the public, a portion of land value increments has flowed back to the public sector, laying a solid foundation for public interests and social redistribution, while also enabling greater access to public space and public service facilities through the redistribution of spatial use rights.

From a detailed perspective, transitional pathways may give rise to certain issues in standardized management, such as the equality and visibility of policy application rules. The three levels of fairness are theoretically complementary and together constitute a comprehensive concept of "fairness." In practice, however, tensions sometimes arise that are difficult to reconcile simultaneously. It is recommended that institutional design be further strengthened in practice, with careful deliberation of the relationships among the three levels of fairness.

First, basic equity should serve as the baseline, ensuring that entities enjoying policy preferences have made commensurate contributions. Otherwise, timely exit should be required to prevent continued waste and loss of carrier resources. Specifically, further improvements should be made in performance evaluation and supervision mechanisms for beneficiary contributions, as well as in optimization and exit mechanisms for carrier utilization.

Second, procedural fairness should serve as the foundation. Fair and transparent procedures can enhance the legitimacy of decision-making. Particularly in renewal projects with a predominantly commercial character, information symmetry should be further enhanced, social responsibilities commensurate with policy preferences should be clarified, and private enterprises should be given greater opportunities to compete. Even where resource constraints and policy preferences are unavoidable, priority rules and weighing criteria should be clearly articulated to ensure that decision-making processes are evidence-based and traceable.

Finally, justice-based fairness should serve as the balancing mechanism. In projects that are more public-interest-oriented or carry higher risk, SOEs bear greater strategic and social responsibilities, better ensuring increased returns for the public sector. Policy preferences granted by local governments in such projects can be viewed as compensation and support for the additional responsibilities undertaken by SOEs.

6 Conclusions and Prospects

In the era of stock-based development, China's planning system urgently needs to break through rigid constraints to a certain extent and create greater flexibility in response to the practical demands of socioeconomic development and urban renewal. The corresponding policy orientation is shifting from mandatory and direct approaches toward more incentive-based, communicative, contractual, and dynamically adaptive approaches. Transitional pathways for urban renewal have thus emerged. This new policy pathway possesses broad practical foundations, urgently requires empirical validation and in-depth reform, and related research holds extensive application prospects.

As a central urban district of a megacity that entered the stock-based development stage relatively early, H District has actively explored innovative practices in transitional pathways. Through empirical research, the author finds that, with "transitional use," "special-category decoration," and "sub-district filing" as policy bases, H District has advanced a batch of urban renewal projects of varying natures and scales through transitional pathways, providing project entities with varying degrees of land use preferences, and making notable contributions to the district's revitalization of state-owned assets, attraction of industrial tax revenue, and improvement of public services.

In the process of implementing policy objectives, H District has employed a series of government tools, including regulatory tools, organizational tools, and economic tools. The corresponding government tools are applied with different emphases in projects of varying scales and types. The integrated application of these government tools has translated policies and plans into practice, effectively achieving set goals, reducing transaction costs, mobilizing the enthusiasm of market participants, and fostering a win-win situation between the public and private sectors. At the same time, the relevant tools have demonstrated good operability and manageability.

Through reflecting on the equity of H District's practices, the author concludes that from a macro perspective, transitional pathways have beneficial effects for all types of stakeholders; from a detailed perspective, there remains room for improvement in the standardized management of transitional pathways. To address the inherent tension among the three dimensions of fairness that are difficult to reconcile simultaneously, the paper proposes a further institutional design approach: establishing basic equity as the baseline, procedural fairness as the foundation, and justice-based fairness as the balancing mechanism, while weighing and prioritizing different dimensions according to the commercial and public-welfare characteristics of individual projects. In commercially oriented projects, information symmetry should be further enhanced, social responsibilities commensurate with policy preferences should be clarified, and private enterprises should be gradually given more participation opportunities. In public-welfare-oriented projects, SOEs provide greater safeguards for social, public-interest services and local economic development, and therefore policy support can be regarded as compensation for the additional investments made by SOEs.

In summary, urban renewal through transitional pathways is a beneficial exploration, and government tools have played a positive and critical role in translating policy intentions into policy reality and achieving urban renewal objectives. At the same time, transitional pathways and their government tools, as a form of practice within a dynamic governance process, should have their significance and legitimacy continuously reflected upon and reconstructed against the backdrop of an evolving socioeconomic environment and a continuously changing policy environment. This paper provides an analytical framework based on government tools theory and equity theory for describing and explaining urban renewal under transitional pathways, attempting to explore and uncover practical issues and provide realistic reflections and recommendations. The limitation of this paper lies in its induction from samples in a limited practice area. In fact, the technical issues and contradictions that arise during the alternation of old and new policies belong to the domain of local knowledge, and ascending to macro-level understanding and application requires broader and deeper investigation of more diverse samples. In this sense, this study has considerable room for expansion and refinement.

References

[1] YIN Weina, GU Ying, SHI Lu. Urban renewal pathways of central cities in the Yangtze River Delta from a governance perspective: Observations based on practices in Shanghai, Hangzhou, Nanjing, and Hefei[J]. City Planning Review, 2023(3): 85-91.

[2] LI Yun, WEN Haoying, LUO Jia, et al. Policy evolution and practice of safeguarding public interests from the perspective of public goods supply: A case study of urban renewal in Shenzhen[J]. City Planning Review, 2024(2): 71-79.

[3] ZHAO Min, ZHAO Yanjing, LIU Zhi, et al. Academic symposium on "urban renewal with sustainable public finance"[J]. City Planning Review, 2024(3): 1-9.

[4] ZHAO Yanjing, SHEN Jie. Value capture and wealth transfer: The underlying financial logic of urban renewal[J]. City Planning Review, 2023(5): 20-28.

[5] ZHOU Guangkun, ZHUO Jian. Theoretical logic analysis and institutional construction of transfer and reward of development rights in the context of urban renewal[J]. City Planning Review, 2023(3): 66-74.

[6] LIANG Letian. A comparative study of land value capture cases in the Chinese and British planning systems[C]// Urban Planning Society of China, People's Government of Chengdu. Spatial governance for high-quality development: Proceedings of the 2020 Annual National Planning Conference (04 Urban Planning History and Theory), 2021.

[7] YAN Shuxin, WAN Zhiying, LI Jianan. Urban renewal action: Connotation, logic, and systemic framework[J]. City Planning Review, 2023(1): 62-68.

[8] Standing Committee of the Shanghai Municipal People's Congress. Shanghai Municipality Regulations on Urban Renewal (Adopted at the 34th Meeting of the 15th Standing Committee of the Shanghai Municipal People's Congress on August 25, 2021)[S]. 2021.

[9] Shanghai Municipal Bureau of Planning and Natural Resources. Notice on the issuance of the Implementation Rules for Shanghai Municipality Urban Renewal Planning and Land (Trial)[N]. 2022.

[10] PAN Xiaodong, YIN Jun, GU Shu, et al. Mechanism evolution of existing industrial land renewal in Shanghai from a property rights perspective: A case study of Jing'an District[J]. City Planning Review, 2022(S2): 174-178.

[11] ZHOU Jian, YAN Shuxin, WAN Zhiying. Reflections on improving Shanghai's urban renewal system[J]. City Planning Review, 2019(1): 20-26.

[12] WU Zhiqiang. Twelve essentials of urban renewal[J]. City Planning Review, 2024(3): 16-23.

[13] CHEN Peng. Exploring the driving mechanism of urban renewal in Shanghai's historic conservation areas to facilitate implementation[J]. City Planning Review, 2024(2): 80-89.

[14] CHEN Zhenming. Introduction to Government Tools[M]. Beijing: Peking University Press, 2009.

[15] Giekerk Commission. Dutch childcare benefits scandal[DB/OL]. https://en.wikipedia.org/wiki/Dutch*childcare*benefits_scandal, 2024-5-20.

[16] VEDUNG, E. Policy instruments: typologies and theories[M]//BEMELMANS-VIDEC M L, RIST R C, VEDUNG E, et al. Policy instruments and their evaluation. New Jersey: Transaction Publishers, 1998.
[17] ADAMS J S. Toward an understanding of inequity[J]. Journal of Abnormal & Social Psychology, 1963, 67(5): 422-436.
[18] THIBAUT J W, WALKER L. Procedural justice: a psychological analysis[M]. Hillsdale, NJ: Erlbaum, 1975.
[19] RAWLS J. A theory of justice[M]. Cambridge, MA: Belknap Press of Harvard University Press, 1971.
[20] ZHANG Zhihao. Equity assessment of urban park and green space layout[D]. Shandong Jianzhu University, 2023.
[21] JIANG Fandong. Revisiting relocation: As a fairness issue of spatial production[C]// Urban Planning Society of China, People's Government of Dongguan. Sustainable development, rational planning: Proceedings of the 2017 Annual National Planning Conference (02 Urban Renewal). 2017: 9.
[22] HU Yingjie, LÜ Bin. The value recapture mechanism and its performance analysis of industrial land renewal in China[J]. Urban Development Studies, 2016, 23(4): 61-66.
[23] Shanghai Municipal People's Government. Notice of the General Office of the Shanghai Municipal People's Government on the issuance of Several Policy Measures for Expanding Effective Investment and Stabilizing Economic Development in Shanghai Municipality [N]. 2020.
[24] Shanghai Municipal Commission of Housing and Urban-Rural Development. Implementation Measures for the Management of Building Decoration and Renovation Projects in Shanghai Municipality [S]. 2020.
[25] Shanghai Municipal Commission of Housing and Urban-Rural Development. Supplementary explanation series (I) on the Implementation Measures for the Management of Building Decoration and Renovation Projects in Shanghai Municipality[OB/OL]. 2020-05-12. https://zjw.sh.gov.cn/zcjd/20200512/32ef46815c044faebf5aab65b72f41fe.html
[26] Shanghai Municipal People's Government. Notice of the General Office of the Shanghai Municipal People's Government on forwarding the Guiding Opinions of the Municipal Construction and Transport Commission and five other departments on further improving the division of construction project management in the municipality[N]. 2012.
[27] People's Government of H District. Notice on forwarding the Implementation Opinions on Further Strengthening Safety in Production of Construction Projects in H District (Trial) formulated by the District Construction Management Commission[N]. 2019.
[28] H District Bureau of Planning and Natural Resources. Meeting minutes of the working meeting on the determination of functional adjustment in decoration and renovation projects[R]. 2020.
[29] CAI Xiao, LIU Weidong. A review of international research on government land revenue management[J]. China Real Estate, 2017(21): 71-80.

Revised: September 2024

Ai 辅助翻译