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Abstract. Urban heritage sites in central cities are most difficult to protect during rapid and large scale urban (re)development. Rising land values from property development conflict with and constrain heritage preservation. Compared with many cities in developed and developing countries, large Chinese cities have experienced a stronger redevelopment imperative, faster population growth, and a weaker concern for urban heritages over the last three decades. We use Shanghai to examine the contested evolution of heritage preservation against massive urban redevelopment through three stages from 1990 to the present. Using three heritage projects (Xintiandi, Tianzifang, Bugaoli), we focus on: 1) how each project was implemented and the economic and spatial outcomes each has produced; 2) how the mode of each project’s development interacted with the shifting official policies for heritage preservation; and 3) the implications of the findings, theoretical and practical, for more effective urban preservation.

Keywords: urban heritage, urban regeneration, Shanghai, Shikumen.

Introduction: heritage during urban regeneration

The long history of cities is inherently patrimonial in that it lives on through both material and non-material forms of heritage that are deep-rooted and resilient, although their survival is vulnerable to man-made disruptions and natural disasters. Historic landmarks are the most visible physical expression of urban heritage but tend to be few and far in between. The more extensive and grounded, albeit less striking, form of heritage resides in the vernacular architecture of residence that dots and spreads across the city landscape.

In this paper we study heritage by focusing on the historical street blocks, buildings, and other urban structures with local characteristics that embody traditional cultural, aesthetic and social values. Since many urban heritage sites are located in central cities, they receive much attention during rapid and large scale urban redevelopment with its aggressive pursuit of valuable land. For this reason, the balance between heritage preservation and urban redevelopment seems in tension, if not contradictory (Delafons 1997), creating the conservation-redevelopment dilemma (Yeoh, Huang 1996). It raises the fundamental theoretical question of how to assess the mutual impacts of actors and factors associated with heritage conservation and urban redevelopment on each other (Yung, Chan 2016).

The preservation of urban heritage in China started with the system of “National Famous Historical and Cultural Cities” in 1982. In 1986, Shanghai was listed as a “National Famous Historical and Cultural City”. Since the 1980s, China has experienced rapid social transformations, which have fundamentally altered the mechanism of urban spatial restructuring. Since the 1990s, housing commercialization and the emergence of property rights have intersected with institutional changes such as land leases in the production and remaking of urban space. As a result, new spatial forms and land uses have come into existence through large scale demolition and reconstruction. These changes are most intensive in the dense built environment of central urban areas where many historic and cultural heritage sites are located.
In China, heritage conservation has evolved from the “constructive destruction” in the “mass-demolition and mass-reconstruction” period through the “faddish reconstruction of antique streets” phase to the more recent “declaration of World Heritage”. Law of the People’s Republic of China on the Protection of Cultural Relics (NPC 1982), classifies the protection of immovable cultural relics into two categories. One refers to the preserved architecture of cultural value, and the other pertains to historic areas such as entire cities, villages, or residential blocks. The Urban and Rural Planning Law of the People’s Republic of China in 2008 stipulates that the protection of the natural and historical cultural heritage shall be regarded as the essential part of the overall planning of cities and towns.

Using Shanghai as a case study, we examine the contested evolution of heritage preservation and its uneasy relationship with urban redevelopment. More specifically, we probe: 1) the shifting position and role of heritage during three stages of urban redevelopment; 2) the interests and actions of the various stakeholders, especially the local state, in the process of implementing three different heritage conservation projects; and 3) the theoretical and policy implications for more sustainable urban preservation.

**Shikumen and Linong in Shanghai**

Unlike Beijing, Nanjing, Xi’an, and other Chinese metropolises that evolved more slowly as ancient capitals of past dynasties, Shanghai grew quickly from a small fishing village in the 1700s into a cosmopolitan metropolis by the 1920s under partial Western influence. Shanghai became a major destination for people from other regions to seek opportunities and escape poverty. Some locals and migrants even moved into the Western Concessions. The old residential areas in Shanghai’s central city were formed from the late 19th century to the 1920s, when Shanghai experienced the first wave of globally connected economic growth and urban expansion. Shikumen houses emerged as the distinctive Shanghai style residential form during this period. They are two- or three-story structures resembling Western terrace houses or townhouses, distinguished by high brick walls enclosing a narrow front yard. Shikumen (translated as “stone gate”) refers to the black-colored heavy gateways leading into the houses, which abut one another and are arranged in straight alleyways called Linongs (Li means row or block of houses, while Nong means a lane providing access). The entrance to each alley is usually surmounted by a stylistic stone arch.

Shikumen houses formed the largest and most concentrated segment of the residential landscape in Shanghai by the 1940s when they accounted for 72.5% of the city’s residential buildings. Generally located in the central district of the city, Shikumen houses have taken on a special and lasting identity that distinguishes Shanghai’s architectural history and social fabric. The connection between existing architecture and urban history points to the significance of heritage preservation in all Chinese cities.

**The historical, architectural, and sociocultural values of Shikumen houses**

The architecture of Shikumen symbolizes the modern Chinese real estate industry, including its standardized construction, market-targeted design, and commercial operation. The structure of Shikumens and Linongs can be represented by the Chinese character “丰”, where the three horizontal lines can be seen as the branches and the vertical line represents the main body. The branches and the main body together make up a “public or semi-public” spatial structure to facilitate and socialize domestic activities by providing a neighborly common. The branches and main body not only differ in access to transport and communal connectivity but also serve different functional needs for residence, commerce, and consumption. As Shanghai’s typical dominant architectural type, Shikumen blocks carry local commercial, manufacturing, and service activities and contain and sustain the city’s modern urban life.

**The decay and disappearance of Shikumen houses**

Although Shikumen houses carry a high heritage value, their use value as residential spaces has decreased with social change and urban redevelopment. After the founding of the People’s Republic of China in 1949, the majority of Shikumen houses went through state-private operation in transition to state socialism. Shikumen houses were shifted to state ownership, and subdivided into small units that were rented out at very low rates. This so-called “public owned-property” (user-right) allowed tenants in a Shikumen house to use but not own it. Moreover, due to the severe housing shortage, the original single-family Shikumen houses with one entrance were shared by several households with only around three square meters per capita in living space. High density, overload use, and the lack of maintenance accelerated the aging and deterioration of these houses, which were also very vulnerable to safety risks such as potential fire and collapse.

In 1956, the Municipal Construction Bureau of Shanghai decided to renovate vast areas of dilapidated Shikumen houses. The project was carried forward from 1959, but suspended during the Cultural Revolution (1966–1976), and resumed in the mid-1970s.
In 1982, the municipal government adopted a policy to accelerate the renovation process, which ironically resulted in 5.13 millions square meters of Shikumen houses demolished by 1989. Since the 1990s, many residents in Shikumen houses have gradually moved out after purchasing newly built commercial high-rise apartments, whereas the older and inferior houses in Linongs were rented to low-income migrants, leading to the further decay of the Shikumen communities. Data indicate the poor situation of Shikumen houses and their mismatch with modern life (see Fig. 1 above).

Since large scale urban redevelopment beginning after 1990, the areal spread of demolished old-style Shikumen houses has reached 17.2 million square meters involving approximately 340 000 households. Intensive redevelopment, uncontrolled layout of high-rise buildings, and disrespect for urban history began to threaten urban heritage. According to a document called Dwellings in Shanghai Linongs released in 1995, within the original 82-square-kilometer old urban areas of Shanghai, there were roughly 3700 dwellings in varied Linongs, only 1900 of which were preserved by the end of 2012. Among the existing Linongs, 60% of Shikumen Linongs were not under legal protection, and became potential targets for demolition. Shikumen as urban heritage has become a main victim of urban redevelopment (Shanghai Municipal Housing Bureau 1995).

The three stages of urban regeneration and preservation

From 1949 to around 1980, the development strategy favoring industrialism and other political campaigns stalled the construction of Shanghai’s old core. In the early 1980s, the city government began to focus on urban redevelopment and solving housing problems. However, due to the strict land and investment regulations, this process remained slow until 1988, when the central government introduced land leasing. This policy encouraged foreign investment in urban development and housing renovation, which brought dramatic changes to Shanghai after 1990 (Shanghai Urban Planning Bureau 1999).

The first stage: mass-demolition and mass-reconstruction (1991–2000)

The 1990s saw the first round of the reconstruction of Shanghai’s inner core. Shanghai proposed to completely reconstructing dangerous sheds and simple houses covering an area of 3.65 million square meters by 2000. In 1992 and 1993, Shanghai leased 459 pieces of land, including 227 pieces in the urban districts, involving 147 pieces in the reconstructed inner core. From 1991 to 2000, the city demolished old houses covering a total area of 28 million square meters and relocated about 0.64 million households. Per capita living space rose from 6.7 square meters in 1991 to 11.8 square meters in 2000, and the complete set ratio\(^1\) of houses rose from 31.4% in 1995 to 74% in 2000. In the first round of urban redevelopment, there was little protection of old Shikumen houses in high stress and overuse with 7.06 million residents under bad living conditions. The local government’s strong push to accumulate capital through land leasing and improve the investment environment speeded up the disappearance of Shikumen houses and hindered efforts to protect them.

This powerful trend of mass-demolition and mass-reconstruction came to a short pause toward the end of the 1990s during Southeast Asia’s financial crisis. For example, the Xintiandi project, which was completed during the latter half of the first stage of urban redevelopment (1997–2001), succeeded in converting old residential Shikumen houses to highly marketable commercial spaces, capitalizing on Shikumen heritage as a rare asset. The Xintiandi project became a turning point of urban regeneration, because it not only amounted to an innovation of real estate development, but also avoided the negative effect of mass-demolition and mass-reconstruction that were undermining the historical and architectural values of old Shanghai.

The second stage: continued demolition and emerging preservation (2001–2009)

The second stage of urban rehabilitation was launched at the beginning of the new century. In 2001, the

\[1\] The complete set ratio refers to the proportion of the places of residence where the facilities are used independently in the total number of houses of residence within a residential community. For all kinds of historical reasons, there was the phenomenon of households sharing the public space joining multiple urban houses. They shared kitchens, toilets, and open-air flat roof for drying clothes. This situation was especially common for the Shikumen houses nestled in the narrow lanes and alleys (Linongs).
Shanghai government passed the Implementation Details on Shanghai Urban Housing Demolition and Relocation, which standardized the compensation for resettlement and introduced the new policy of “demolition, rehabilitation, and conservation” (Shanghai Municipal People’s Government 2001). There were still old linongs characterized by poor construction quality, messy layout, lack of public facilities, and incomplete community structure. In 2001, over 16 million square meters of dilapidated Shikumen houses in the central district needed to be reconstructed. By 2005, over 7 million square meters of Shikumen houses were demolished and 0.28 million households were replaced. In 2009, the city planned to demolish old and dilapidated houses covering over 70 million square meters by the end of 2010.

This period witnessed a shift in urban heritage reflecting how the then municipal leaders viewed urban history and local culture. The turn was greatly influenced by urban experts and professionals. In January 2004, the Shanghai Historic and Cultural Scenic Area and the Excellent Historical Building Protection Committee of Experts were established. The latter was recommended by the former and recruited experts under the name of the Municipal Office of Urban Planning. The experts included people from various fields such as planning, real estate, architecture, cultural relic, history, and economics. Among them, only six were government officials (who belong to the municipal bureau of urban planning) making up less than one-third of the total number of members. This committee had a positive impact on related policy making and urban heritage protection.

Another key development during this stage was the release of The Interim Measures on Comprehensive Rehabilitation and Management of Shanghai Old Houses in 2005. This policy favored urban heritage protection by defining the criteria for selecting rehabilitated objects as “preserved according to the planning, fairly good building structure, but low architectural standard” (Shanghai Municipal Housing Bureau 2005). It represented an “original ecological” approach to heritage protection (keeping the original state of the heritage) during old city renewal through the repair of historical buildings and the improvement of residential facilities at government’s expense. Shikumen houses received great attention from the local government, experts, and other parts of society (Zhang 2008). In 2004, the Shanghai government approved 12 historical and cultural conservation districts, which involved 173 Shikumen blocks. In 2009, the living customs of Shanghai Shikumen Linongs were placed onto Shanghai’s cultural heritage list, and upgraded to the national list in 2010. As the 2010 World Expo approached, the urgency to highlight local identity accelerated the pace of heritage conservation.

The third stage: strong preservation through urban regeneration (2010–present)

Since 2010, the Shanghai government has promulgated a series of policies such as The Implementation Measures of Shanghai Urban Regeneration marking a new stage of urban regeneration. In view of such problems as low efficiency, insufficient vitality, lack of public space and service facilities, and invalid execution of heritage conversation, urban regeneration was to become the main vehicle for spurring more sustainable development (Shanghai Municipal Housing Bureau 2015). This means as population mobility and urban reconstruction scale up and speed up, municipal functions need to be both expanded and adapted. Improving the quality and efficiency of land use of old urban areas and getting more benefit from more limited land use emerged as a primary focus.

Shanghai’s heritage conservation continued to lag due to the multiple actors involved. The Committee of Municipal Cultural Relics Management (now called the Municipal Bureau of Cultural Relics) is in charge of the protection and management of excellent modern buildings. The Municipal Bureau of Buildings & Land Administration is in charge of protection and management of excellent modern buildings that belong to the Shanghai Municipality. To promote more transparent and efficient conservation, in 2010, the Municipal Bureau of Cultural Relics was established to plan and coordinate the protection of cultural relics throughout the city. Given the multiple stakeholders and more grassroots involvement, urban regeneration has become more focused on the principles of public participation, stakeholder collaboration, and classification implementation.

Through the three successful periods, the local state has become more adaptable and flexible in reconciling the seemingly competing goals and practices of urban redevelopment and heritage conservation. While the growth coalition between a strong municipal government and powerful real estate developers continue to drive urban redevelopment, it has been countered or “softened” by the rising importance of heritage conservation elevated by more engaged stakeholders inside and outside the government. This shift has turned the dominant role of the state in heritage conservation into a more balanced relationship (Yung, Chan 2016). It has been facilitated by the linked imperative of governing
a more prosperous and diverse megacity and making it more culturally and social sustainable. This new ideology of governance and sustainability has induced the state to be more responsive to heritage conservation that is in the interest of multiple stakeholders. We illustrate this argument through a comparative profiling of three heritage projects.

Three case studies of protecting Shanghai Shikumen

**Xintiandi: capital-intensive, large-scale, high-end, and state-developer collaboration**

The Xintiandi (XTD) project was started at the end of the first stage of urban redevelopment, and completed at the beginning of the second stage. The project is located in the Taipingqiao area (see Fig. 2) and 52 hectares in size, with a population of about 70000 people in over 20000 households. Since 1992, the Taipingqiao area has been accorded a high redevelopment priority. However, due to the high population density and resettlement costs, few foreign or domestic developers were interested. Shui On (a powerful Hong Kong development company) took on the project even during the Asian financial crisis banking on its close partnership with the district government. The participation of Shui On was most welcome to the municipal and district governments, which allowed the developer to get the largest piece of land in downtown Shanghai via a long term lease and many preferential policies. However, due to the high population density and resettlement costs, few foreign or domestic developers were interested. Shui On (a powerful Hong Kong development company) took on the project even during the Asian financial crisis banking on its close partnership with the district government. The participation of Shui On was most welcome to the municipal and district governments, which allowed the developer to get the largest piece of land in downtown Shanghai via a long term lease and many preferential policies. This project, costing 1.1 billion Hong Kong dollars (US$186 million), was facilitated by a joint investment from Hong Kong Shui-On Group and Shanghai Fuxing Construction & Development Company, with Shui On holding 97% of the equity.

The project was next door to the site of the First Session of the National’s Congress of the Communist Party of China (founded in 1927). This significant historical building had been previously designated a protected area under both the *The Law on the Protection of Cultural Relics of the People’s Republic of China* (NPC 1982) and *Shanghai Municipality’s Construction Management Regulations*. These laws however offered no specifics about how to protect the heritage in the area. The local government simply asked Shui On to preserve the relic building individually, and demolish all the others and rebuild them as 4–5 story historical style buildings for commercial use. The well-known American architect Benjamin Wood who was in charge of the detailed construction planning for Shui On objected to this idea. He insisted on erecting the rebuilt structures to the original height in order to retain as many of the Shikumen houses as possible. He applied the strategy of “adaptive reuse” that had become prominent in the US and other countries since the 1970s.

The project was quite successful in that it upgraded the image of Shikumen and created commercial activities, which transformed the old Shikumen houses from old run-down places of residence into a high-end and fashionable shopping district attractive to consumers and tourists. The rent for the shops at XTD rose 4–5 times in the six-month period from August 2001 to March 2002.

As He and Wu (2005) argue, XTD was part of a larger property-led regeneration trend, which created heritage value within and from an urban redevelopment project, although it did use the “demolition and relocation” method to relocate the original residents and convert their Shikumen houses into commercial use. While the overall texture and external walls of most buildings were kept, the inner structure and space were gutted and completely redesigned. Using Shikumen as...
the symbol of local life in Shanghai and its geographical location near a high-end business area, the XTD project integrates urban culture with real estate development. The huge investment of XTD was paid off as it encouraged continuous commercial redevelopment. While some critics called XTD “fake antique” and “commercial gentrification” and UNESCO experts evaluated the project as a failure, its significance in protecting urban heritage is undeniable. Due to its distinctive rebuilt environment, the project highlights the cultural identity and consumption style of Shanghai as a global city (see Fig. 3).

Since the completion of the Xintiandi project, it has stimulated other revitalization projects in the surrounding areas including “The Bund Origin”, “Sinan Mansions”, and “Jianyeli”, as well as other Shikumen renovation projects. These have taken place through cooperation between the government and market-led development and generally followed the requirements of the protective rules and expert advice. They have been carried out through the planned relocation and replacement, public facility construction, and functional upgrading of Shikumen houses. Although this approach can protect architectural heritage, its cost is high and tends to weaken the social fabric of the original residential community, which has caused conflicts due to the unequal distribution of economic benefits (Yu et al. 2015).

Tianzifang: grass-roots, small scale, culturally innovative, but likely transient

Similar to XTD, Tianzifang (TZF) is also located in the central inner-city of Shanghai and occupies an area of about 7.2 hectares (see Fig. 2). The project faced the dilemma of demolition and preservation in the second stage discussed earlier. Formed in the Concessions period in the 1920s and located in the transitional area between the French Concession and the Chinese City, this community retained garden-style houses, new and old Linongs, and neighborhood factories with a rich architectural heritage. A representative central Shanghai neighborhood, it possesses the mixed features of the renewal of modern Jiangnan (south of the Yangtze River) rural communities, the Chinese-foreign mixed community in the French Concession, the small-scale manufacturing of neighborhood factories, and the rise of the creative cultural industry in the wake of declined state- or collectively-owned factories. From the 1930s to the 1980s, the area hosted food processing, machinery manufacturing, and other economic activities in dozens of small factories or workshops. In the 1990s, due to industrial restructuring and the planning requirements for central Shanghai, many abandoned buildings appeared in the area. The TZF project originated in 1998 when a number of developments took place: a movement to clean up street markets and move the vendors indoors and the sub-district government renting the vacant factories out first as a wet market and then sub-leasing the remaining space to art design studios and small merchants. This spatial reshuffling expanded to the nearby residential areas, forming a mixed community where living, creative industry, and service industry coexisted. There were a total of 671 households in the Lilongs before renovation, and the local residents were mainly elderly people with a relatively low socioeconomic status living with a number of migrant workers as renters in old and dilapidated Shikumen houses.

The neighborhood where TZF is located did not belong to the designated historical area according to the existing laws and regulations. Therefore, TZF faced with impending demolition during the second stage of “urban rehabilitation” focused on the reconstruction of Shikumen Linongs in bad condition from 2003 to 2006. The district government leased a section of the land to a Taiwanese real estate developer and approved his
plans for redevelopment. But the residents, artists, and merchants of TZF staged a bottom-up “TZF Guardian War”. Supported by sub-district officials and the strategic planning of project planners, the area’s historic structures and new uses were championed by artists, scholars, and the mass media. In 2008, the TZF project was “legalized” following successful cultural industry development and the area’s growing reputation. The sub-district committee contributed to infrastructure upgrading, improved the planning of land use, and adjusted housing standards and other governance procedures. TZF became Shanghai’s only Shikumen area with the “AAA level tourism site” designation. The various stakeholders jointly created a local space where an invaluable architectural form could be preserved and ordinary daily life and the fashion industry could coexist. The TZF project demonstrated that heritage protection could be successful through a bottom-up approach and small scale and gradual renovation instead of mass-demolition and mass-reconstruction (see Fig. 4).

**Bugaoli: living heritage renovation**

Bugaoli (BGL), located close to XTD and TZF (see Fig. 2), represents the initiative to refurbish and restore old Shikumen houses in order to improve and sustain their conditions and facilities. BGL is a typical old-fashioned residential complex of Shikumen houses built by French businessmen in the French Concession area during the 1930s. It is now listed as a municipal heritage protection site. There are 78 half-timbered two-story Shikumen buildings, making up a complete Linong street pattern. While it features excellent construction quality, it could not meet the living demands after the 1980s because of the serious lack of maintenance. Buildings in nearby Linongs not listed as heritage protection sites were renovated into high-end homes, while people who lived in BGL were still using old-fashioned squat toilets. In 2008, Luwan District, which administered BGL, began to renovate the complex. The old walls were washed, internal living conditions improved, and most importantly, European-style toilets were installed. Water meters, electricity meters, and kitchen sprinklers also were installed. The total cost for wall washing and bathroom renovation was 7 million Chinese yuan (a little over US$1 million), 2 million yuan ($300 000) of which came from the households living there and the municipal city management agency while the rest came from the district government.

Government investment led to improved indoor facilities, the replacement of all the water and electricity and communications lines, and the repairing of exterior walls, doors, windows, and roofs (see Fig. 5). This project focused on “original ecological” protection, which means including community life of the original residents in heritage preservation. Some experts and scholars have reevaluated the heritage value of the Shikumen houses at BGL and singled out a close relationship between the historic spaces and daily life as highly valuable. However, BGL points to government officials’ and urban managers’ concerns about the relatively high cost for improving old housing under the financial imperative of urban renewal for maximizing land values. While preservation of BGL started in 2008, before the onset of the third stage of urban conservation, it has been progressing through steady upgrading by individual households, some of whom have converted their upgraded houses from residential to commercial use. This represents a growing trend in residents upgrading their Shikumen houses for improving their own living conditions and creating new commercial opportunities.

Including longtime residents’ social life in heritage protection also reflects a rethinking about the cost of urban renewal. It fits with the theme “livelihood” of the
third stage of urban renewal. Yet protecting Shikumen as a “living fossil” could be a barrier to the redevelopment needed to improve the residential conditions of all the residents in a megacity of 25 million people. Immigrants (both domestic and foreign) gradually replaced original local residents in Shikumen houses. Rapid urbanization and globalization accelerated the differentiation and polarization of Shikumen neighborhoods. While they continue to have the convenience of being in the city center and attract low-income group with relatively low rents, they have become the new arena for cultural conflict as more and more middle or high income foreign migrants move into the upgraded Shikumen houses for their architectural appeal and better facilities.

Conclusions
As we have profiled above, the XTD project started during the stage of mass-demolition and mass-reconstruction. Despite being a property development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project, it integrated the idea of adaptive development-led project.

Table 1. A Summary of the three stages and three cases

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<th>Three stages of urban redevelopment</th>
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large scale project of the government-capital model of real estate development, while TZF emerged as a rare alternative characterized by small scale gradual regeneration.

Unlike the other two cases, BGL has received government financed support without functional change and displacement. It represents the growing rehabilitation of Shikumen houses during the transition from the second to the third stage. While BGL has introduced the organic preservation of historic neighborhoods and everyday life, it has not fundamentally improved the inferior and continually deteriorating living conditions from overuse. As a result, this model of preservation was scaled back toward the end of the third stage (see Table 1). While government intervention and investment was limited in refurbishing and upgrading the old housing, the growing secondary rental market and residents’ market-driven efforts to remodel their old units have converged to realize the hidden values from the heritage environment.

The evolution of urban heritage reflects the contentious interaction between realizing the monetary value of land and the additional value of historical buildings, and the historical and cultural value in life spaces that connects architecture to its emotional attachment. Urban heritage not only experiences an objective process of renewal, but also achieves the subjective reproduction of urban governance, consumer culture, and social psychology (Chen 2008).

For almost three decades, the prevailing mode of urban redevelopment in Shanghai has been large scale demolition, reconstruction, and resettlement. Billions of square meters old houses have been taken down and replaced by new buildings. Millions of local residents have been displaced with the disappearance of former neighborhoods. While the replacement of unlivable Shikumen houses is necessary and inevitable, the face-to-face relationship between neighbors, which were formed inside the close spaces and strong social and commercial fabrics of Shikumen houses, underlies the fundamental importance of heritage preservation. Social experience and interactions of longtime residents and small shopkeepers constitutes a living heritage as exemplified on and around Utrechtsestraat in Amsterdam (Zukin 2012).

The three projects represent a range of renewal projects and the ideological and policy rationales behind them. These variations have gradually converged into a new period when the state and capital have shifted their relative positions and weights in determining the mode and scope of urban renewal. The three projects have achieved a differential balance between heritage preservation and commercial redevelopment. They have also raised the question of if and how a new social community can emerge or be rebuilt after preservation and/or redevelopment. At XTD, the gated luxury apartments around the commercial center have attracted wealthy residents who are likely to form a more homogeneous community. At TZF, which has become more commercial than residential, the few remaining residents are not sufficient to sustain a strong community. Only at BGL does the community stay intact as long as they can stay put without the risk of displacement. The higher rents from an improved historic neighborhood lure more discriminating renters, which helps to keep the community in good standing.

All three projects illuminate the local impact of globalization. XTD embodies an input of international design and capital into local urban renewal given the involvement of Benjamin Wood as the project’s chief architect and Shui On as the developer. Stimulated by SoHo during a visit to New York, an enlightened local government official attempted to adapt an arts-oriented model in facilitating TZF. By owning shops and using their backgrounds to organize and refashion them, foreign businesses at TZF help to internationalize a local commercial hub. Foreign renters at BGL have infused a global flavor to a traditional neighborhood through Airbnb and pushing up local rents.

Progress in urban heritage conservation in Shanghai has also benefited from innovative policies, which include: 1) a de facto recognition to models that have gone beyond the existing institutional framework and demonstrated success; and 2) the development of new regulations to further strengthen heritage conservation. The essential theoretical implication from our study is that the state is flexible enough to balance between the priorities of economic growth and urban preservation. This balance takes into account the economic interests of various stakeholders in exchange for protecting urban heritage. The state has only turned to this balance having to deal with the loss of heritage value through the disappearance of Shikumen houses. The turn toward heritage conservation has also been pushed by the increasingly vocal and diverse voices and agendas for linking heritage conservation to urban governance and social sustainability. At the new stage of its urban regeneration today, Shanghai offers a continuing test site for how a strong local state can be more effective and flexible in conserving urban heritage in a way that will contribute to overall sustainable development for the long run.

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