Bridging the formality and informality the perception of informal property rights of urban villages in Shenzhen, China

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Msc Urban Regeneration

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Abstract

Informal settlement has been under great concern in Global South cities for decades. As a result of rapid urbanization and population growth, settlements are built without legal permission and usually have poor living environment and facilities. Informal housing has become an important issue in urban governance. One key challenge in managing informal housing is to deal with informal property rights arrangement. Scholars found that informality can be utilized as a governance tool, yet more empirical studies are required to understand the government's strategies in practice. This research aims at exploring how Chinese government attempts to manage informal property rights. This research selects Shenzhen, a typical mega-city with a large scale of urban village as a case. By reviewing municipal policies and analysing a village-level case, this paper first illustrates the diverse nature of informal property rights arrangement where kinship, social trust and the protection of the village collective are influential in different types of informal housing. Then the paper finds that local government uses flexible and selective strategies to implement incomplete formalization, which shows a pragmatic attitude in urban governance.

Chapter 1 Introduction

Informal settlement has been a particular object of concern in Global South cities for decades. As a result of urbanization and population growth, it is estimated that over 1 billion of the world's urban population are living in informal settlements in 2018 (United Nation, 2018). The notion of 'informal settlement' often means that housing development occurs without permission and regulation and may not have legal tenure security (Wu et al., 2013). Meanwhile, informal housing neighbourhoods usually lack basic service and physical infrastructures (Abbott, 2002; Avis, 2016). Local governments have experimented various approaches to tackle these challenges, at the heart of which is the issue of informal property rights.

Urban village is a form of informal settlement in urban China. With rapid expansion of urban area since the 1978 Economic Reform, many villages used to located at peri-urban areas are now surrounded by urban settlements. These villages or so-called 'urban villages' (Chengzhongcun, meaning 'village-in-the-city') soon became an extra-legal zone of the formal urban planning system. Illegal houses are built for residential and commercial use by individuals, which usually cannot comply with the municipal masterplan. The dual land ownership system plays an important role in the emergence of urban villages (Chung, 2010; He et al., 2009; Ren, 2018). Theoretically, the state owns urban land and any individual who needs to use land must apply for the government's permission according to Land Administration Law of China. However, in real life, the land of former villages may remain in collective ownership in the process of land acquisition. Even though farmland are transferred to state-owned land, villagers and their collective still have an impact on land use, resulting in ambiguous property rights arrangement in urban villages, which is different from formal regulations. In large cities, urban villages are thriving as home to rural immigrants. Yet the poor living environment, inappropriate infrastructure and the complex relations among stakeholders have brought about a series of problems. Realizing the potential of urban villages

to provide construction land and the importance of revitalizing disordered neighbourhoods, urban villages have become a focus of Chinese urban regeneration. How to deal with informal property rights has become a key challenge in urban regeneration process, as managing off-register property title is a rather complex and expensive process and it is highly related to stakeholder interests (Downie, 2011). In China, the government dominates land acquisition and redevelopment. It is, therefore, important to investigate how local government selects different ways to cope with informal property rights.

In this dissertation, the key research question is:

How is informal property rights perceived through the interaction between the local government and the society in the context of urban villages in Shenzhen, China?

This question is related to two key concept: informal property rights and governance strategy. First, the study will identify different types of informal property rights arrangement to understand the complex reality of informality. Second, the government's strategies and policies will be examined to show how local government cope with informal property rights. Therefore, this question can be specified as follows:

(1) What is the actual property rights arrangement compared to formal regulations in urban villages in Shenzhen, China?

(2) How does local government manage the conflict between informal property rights and formal regulations?

To answer these two questions, the following objectives are pursued:

(1) To analyse the key roles and their relationships of property rights arrangement in urban villages.

(2) To investigate how informal property rights arrangement works within urban villages.

(3) To analyse how local government manage urban villages and deal with informal property rights.

(4) To explore the impact of the government's strategies towards informal property rights.

Chapter 2 is a brief review of relevant theories and literature. Chapter 3 describes the methods conducted in this research. Chapter 4 presents an introduction to informal housing in Shenzhen and the municipality's main management policies to give an overview of the government's strategies towards informal property rights. By taking Shaoliao Village as a case study, Chapter 5 first presents the diverse nature of informal property rights arrangements and then analyses the local government's actions in the urban village management process. The final chapter draws the overall conclusions of the study.

Chapter 2 Literature Review

This chapter first reviews the theoretical discussion on the conception of urban informality, drawing to debates on the relationship between the informal and formal. It then provides an overview of studies on government response to informality in both the global South and the global North.

2.1 Theories of Informality

The classic definition of informality is practices and groups emerge outside the formal institutional framework in the economic aspect (ILO, 1972; Hart, 1973). This idea has been developed to a series of criteria that identify 'formal' or 'informal' settlements: the nature of property rights, types of construction and levels of infrastructure, service and planning (UN-Habitat, 2003). Informal settlements are houses without legal authorization, which are constructed on squatted land, developed against planning and building regulations, or do not have qualified facilities (Jimenez, 1985). According to new institutional economic perspective, without legal protection, private property rights will lead to insecure economic transactions, market inefficiencies and unsustainable economic growth (Miceli et al., 2000). In this light, the persistence of informal settlements is considered as a barrier to further urban development

as legal problems prevent them from realizing their economic value. For example, De Soto (2000) argues that the absence of legal property rights prevents housing transaction which is important to fight against poverty. He thus advocates for the formalization of land to revive the 'dead capital' in informal settlements back to the market.

However, the traditional formal-informal dualism is criticized for neglecting the relevance between the formal and informal sector (Rakowski, 1994; Sindzingre, 2006). The discussion on formality and informality has gone beyond the distinction between these two concepts (Schoon & Altrock, 2014). Altrock (2012) points out that the relationship between formality and informality is hybrid arrangements rather than a dualistic divide.

Based on the argument of new institutionalism, the functionalists focus on the paradox that 'inefficient' informal arrangements are still widely accepted. Many empirical researches in developing countries have found that there are no direct relations between institutional form and actual performance (Lanjouw & Levy, 2002 ; Sjaastad & Counsins, 2009; Monkkonen, 2012). There are doubts about effect of land titling. Formalization and legalization does not always solve the problem of market inefficiency and urban poverty (Gilbert, 2002; Durand-Lasserve & Selod, 2009; Payne et al., 2009). On the contrary, informal agreements sometimes are even stronger than formal regulations in the dynamic and multi-tenure nature of land ownership arrangement (Musembi, 2007). According to political scientists, effective institutions are those which receive public recognition, so are property rights (Brands, 1988). Researchers such as Grabel (2000) also points out the role of the state in establishing a credible institution. From the perspective of functionalism, informality is perceived as an effective institution by social and political support due to its function in certain regulated environment such as a community or a country where formal institutions are incomplete (Chen, 2007; Chen, 2020; Ho, 2014). Such opinion refocuses on the institution function from form and illustrates the diverse nature of property rights arrangement that informality might challenge the formal institutions, which points out the inter-related and transactive relations between the informal

and formal (Porter, 2011).

Another insightful discussion on the relations between the formal and informal is about how informality is produced as a policy issue. Roy (2005) challenges the dualistic conception by arguing that urban informality is 'an organising logic, a system of norms that governs the process of urban transformation itself' and 'a series of transactions that connect different economies and spaces to one another'. She argues that it is the state determines the boundary between formality and informality rather than a fixed, pre-defined notion (Roy, 2005; 2009a; 2009b). Roy's understanding of informality has recognized urban informality as a governmental tool and draw attention to the role of the state. Similarly, Yiftachel (2009) illustrates the creation of informal spaces as a process of 'grey spacing', where the boundaries between formal and informal are shifting influenced by power relations. Comparing informality in Guinea-Bissau, Germany and the UK, Alves, Tuvikene and Hilbrandt (2017) points out that the notion of informality usually depends on different understanding of states. Chiodelli and Moroni (2014) categorize the construction of informal settlement as different levels of rule violation stimulated by people's awareness of law, which points out how the existence of law (or formal regulations) influences informal behaviours. They therefore call for a more general legal system to tolerate the coexistence of different types of property rights arrangement to respect public demand. This perspective has gone beyond the distinctions between regulated and unregulated and contributed to understand the persistence of informality in practice. Compared to the new institutional perspective where the state is absent and the functionalistic perspective where the state only provides an environment, in this light, the state is considered as an actor rather than a static factor.

There has been many debates on how the state influences informal practices. Entrepreneurial urbanism has provided a lens of exploring how policies impact on urban informality (Chien, 2018; Hu et al., 2019). With globalisation and rapid urbanization, urban governments tend to implement more innovative and entrepreneurial strategies to enhance the city's attractiveness

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to capital and talents in urban competition (Harvey, 1989). In a smaller scale, active policy entrepreneurs, including actors in the government, seek for opportunities to promote flexible policy solutions to address their problems (Kingdon, 1995; Mintrom & Norman, 2009). From this standpoint, it can also be considered as a case of policy innovation that the government selects different strategies to deal with informality.

2.2 Practices on governing informality

Studies on urban informality mainly focus on the global South cities. Previous studies have explored the diverse practices on informality such as street vending, informal housing and public service (Dias, 2016; Schindler, 2014; Ghertner, 2008). McFarlane (2012) redefines that informality is conceivable to serve as a tool through negotiation and corporation to facilitate formal regulations. Banks, Lombard and Mitlin (2020) highlight that informal practices consist of a set of strategies of different groups to meet with their demand such as gaining political power, saving cost and maximising profits. The governance process of informal practices can provide excluded subaltern groups such as the poor an opportunity to involve in negotiation and decision-making process, which might contribute to reduce inequalities.

Some studies highlight the state's changing attitude towards informality. Many urban governments absorb informality as a part of urban policy. For example, Schoon and Altrock (2014) illustrate how the local government in Pearl River Delta, China selects differentiated strategies towards informal housing as an experimental tool to adapt to rapidly changing urban conditions. Such policy is called 'conceded informality', which is a flexible management system of informal practices depending on their potential to further development and threat to the authority. The government might overcome, tolerate, support, utilize and even actively promote informal practices according to their usefulness. In India's small town, waste management policy is intentionally neglected by the government to reduce management costs, which stimulates local waste economy both directly and indirectly (Harris-White, 2019). In

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Mexico City, the traditional government response to informal settlements is 'regularization', a process that involves land titling, improving public service and upgrading houses. In practice, the local government recognises the existence of informal housing on the map, while leaving the settlements outside of the formal planning system as a grey zone (Connolly & Wigle, 2017; Wigle, 2014).

The party-state	actively supports promotes utilizes	informality, when	gaps are successfully closed it produces new strategic knowledge flexible guiding principles serve as strategy
	tolerates overcomes		it serves development economic (or other) interests are prevailing

Table 1. Relations between the party-state and informality practices   (Schoon & Altrock, 2014)

Nevertheless, the phenomenon of informality also exists in the global North. In addition to informal housing (Durst, 2016; Tanasescu et al., 2010) and street vending (Devlin, 2011), there are various informal practices outside formal planning system in developed countries such as community gardens (Eizenberg, 2011). In the context of global North, informality becomes a tool to plan flexibly in response to the complex, unpredictable reality (Devlin, 2018). In Calgary, basement suites are widely welcomed by low-income families despite its illegality. The local council's treatment to basement suites is various depending on whether the unit meets with certain criteria such as the presence of cooking facilities, which shows a flexible housing management strategy (Tanasescu et al., 2010). In Paris, informal housing such as squats and informal slums are tolerated selectively. The state has introduced policies at different levels to take the control of informal housing, together with the help from NGOs. Realizing that refugees and the homeless are main residents in slums and squats, the government have combined slum governance policies with social policies that rehouse and support the subaltern groups, which is called 'conditional toleration' (Aguilera & Smart, 2020). Moreover, some other unauthorised activities, such as DIY urban design and pop-ups, are supported by

the local authority to improve the landscape and a sense of citizenship (Douglas, 2016). In conclusion, the governance practices of informality tend to be more political-oriented in the global North, where planning law is the focus rather than tenure security (Alterman & Calor, 2020; Devlin, 2018).

The studies mentioned above illustrate the diverse strategies towards informal practices, showing the interactions between the state and the local that bring informality and formal regulations together. Yet the existing literature are lacking of a comprehensive study of the interactions among individuals at a street level. The rest of the dissertation will discuss a village-scale case to show how informality is perceived in a Chinese context.

Chapter 3 Methodology

3.1 Case Selection

In terms of case study, this research will focus on Shenzhen City in Guangdong Province. First, Shenzhen is a typical city with a large area of informal settlements. As of the end of 2015, there were as many as 7.3 million of the 11.4 million permanent residents in Shenzhen living in buildings built by villagers and informal housing accounted for 43% of the gross floor area in Shenzhen (Shenzhen Bureau of Statistics, 2020). Second, Shenzhen is the leading city of urban regeneration in China which has introduced various types of urban regeneration strategies. As the first Special Economic Zone in China, Shenzhen has a special status to experiment policy reform, which allows policy innovations in planning. In recent years, Shenzhen has established a mature urban regeneration framework facilitated with comprehensive policies since the introduction of *Municipal Guidance for Urban Regeneration* in 2009, including solutions to different types of informal property rights. Therefore, the case study of Shenzhen will reveal the diverse nature of informal settlements as well as current practices on informal property

rights arrangement.

As for detailed analysis, Shangliao Village, a typical urban village in Shenzhen will be the focus of study. First, some data has been collected through a two-year participant observation and several interviews with local villagers during 2018-2019, which will facilitate this research with good data accessibility. Second, this village consists of different typologies of informal settlements such as Small Property Right House, Informal Rental House, Ancestral House and New Village, which shows the complexity of informal practice. Third, different strategies are have been implemented in this village which shows how the local authority selects different strategies in one community clearly.

3.2 Research Methods

This study mainly used two research methods to collect data: document review for secondary data and semi-structured online interview for primary data. The data collection and analysis will be qualitive. In addition, data collected in previous observation and semi-structured interviews during 2018-2019 was also used for analysing building typology and local social relationship.

3.2.1 Document Review

At the first stage, this study used a desk-based document review to build a comprehensive understanding of the topic and an overview of the city's urban regeneration policy framework. The reviewed documents mainly include the municipal urban plans of Shenzhen, the laws about land property rights, the policy documents of Shenzhen government about urban regeneration and media reports explaining local policies (See Appendix A).

3.2.2 Semi-structured Interview

After choosing study case and desk-based study, a total of eight semi-structured interviews were conducted during July and August 2020. The interviews were conducted towards one urban planner from Shenzhen Planning Institute, one officer working in Department of Rental Housing Management, one staff working in HD Real Estate Company (the main developer of Shangliao Urban Regeneration Project) , two members of Shangliao Village Collective and three villagers to explore the current property rights arrangement and regeneration projects in the village. The number of interviews was decided by interviewee accessibility and it covers all types of participants in urban village management. Due to the pandemic, the interviews were mainly conducted online through Wechat, an app for online messaging and face-to-face communication. The interviews were conducted in Chinese and later translated into English by the author.

Interviewee	Method	Objectives
1 urban planner	Online interview through Wechat (an app for online messaging and meeting)	1. To provide a comprehensive overview of Shenzhen's urban regeneration policies 2. To understand how planners work in urban regeneration projects

1 government officer working in Local Planning and Land Resources Commission		1. To provide a comprehensive overview of Shenzhen's urban regeneration policies 2. To explain how officers manage informal housing in daily life 3. To explain how and why regeneration projects is implemented in different ways
1 staff working in HD Real Estate (the developer of Shangliao Regeneration Project)		1. To explain how they work with the government and villagers
2 staff in Shangliao Corporation Limited (the new form of village collective after urbanization)		1. To provide an overview of the village 2. To explain how they manage the village in daily life 3. To explain how they work with the government and villagers in the regeneration project

3 villagers in Shangliao Village		1. To explain how they built the houses
		2. To explain how they manage their houses
		3. To make comments on the regeneration projects and other policies

Table 2 Interviewees and objectives

Chapter 4 Urban villages in Shenzhen

With a large number of urban villages, managing informal settlements in urban villages has been one of the key tasks of urban governance in Shenzhen. This chapter will first give an overview of urban villages in Shenzhen and introduce the formation of informal housing during the process of urbanization. The second part will analyse the municipal government's management policies and strategies.

4.1 Background

Shenzhen, growing from a small seaside town, has experienced remarkably rapid urban development since it was chosen as the first Special Economic Zone in China in 1980. As an experimental city of Opening-up and Reform policy, the city is authorized local legislative power to implement institutional reform and experimental policies. Today, Shenzhen has become one of the top-tier cities in China with a Gross Domestic Product (GDP) of 2422 billion CNY in 2018, ranking the third after Beijing and Shanghai in China's cities (Bureau of Statistics in Shenzhen, 2020). In the beginning, an area of 327.5 km² in Shenzhen was selected as an experimental field, leaving other area rural. Within four decades, the city has expanded to a megacity of approximately 13 million residents living within an area of 1997 km². In the rapid

process of urbanization, the urban area has absorbed the previous villages, leaving 1877 urban villages in the city (Bureau of Urban Management in Shenzhen, 2017). Urban village is the main type of informal housing in Shenzhen which occupies 428 km²of land with over 373,000 buildings, accounting for over 40% of land in the city (Commission of Planning and Land Resources in Shenzhen, 2015).
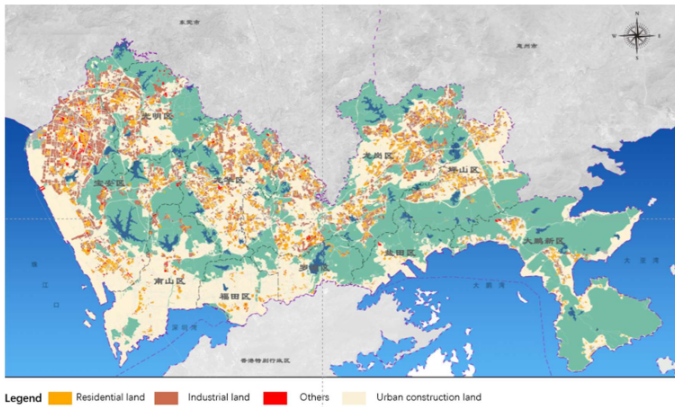
Figure 1 Land Uses of Urban Villages in Shenzhen

(Source: Shenzhen Urban Village Management Masterplan, Bureau of Planning and Natrual Resources in Shenzhen, 2019)

The issue of informal housing in Shenzhen comes to light when Shenzhen municipal government started to promote urbanization. Accelerated by the establishment of Special Economic Zone, Shenzhen is the first city that have completed urbanization in China. China runs a dual urban-rural management system which property ownership and administrative organization structure is different. In the urban sector, land is owned by the state while rural land is owned by the village collective. The village collective (*Cun Jiti*) is an administrative and economic unit originated in the Maoist period that the village community members own the

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common property and share interests 'collectively'. The village collective manage the use and redistribution of collectively owned resources, which includes land and economic revenue, on behalf of villagers. Moreover, the village collective is not only an political and economic unit but also a social entity (Kan, 2016). In traditional villages, especially in southern China where clan organisations are active, kin-based relations still remain important in defining social identity and decision-making process (Jiang et al., 2020; Zeng, 2004). On the other hand, neighbourhood committees take charge of daily service such as health care and administrative activities in urban communities, but they do not participate in any economic activities.

In the process of urbanization, land ownership is changed and traditional villages are converted into urban neighbourhoods administratively. In 1992, the municipal government started to transform rural farming lands to urban lands through official land acquisition. At the same time, the government implemented 'Village to Urban Reform' (*Cungaiju*) to convert socialistic village collectives into shareholding companies that operate collectively owned property in a commercial way. The identity (*Hukou*) of villagers are transformed to urban residents from rural residents as well. In 2004, Shenzhen government announced to finish transforming previous rural management institution to urban management institution and nationalising all rural land within its territory completely, except for the villagers' homestead distributed by the village collective organization.

However, the urbanized neighbourhoods still remain some of its characteristics of tradition village such as customs and social network. The problem of land entitlement rises as villagers have occupied rural land for decades although the state has acquired land nominally. The occupation of land and the construction of buildings was out of the government's control before urbanisation, leaving a large number of houses without official land registration. The history of some villages can even be traced back to hundreds of years ago, making the ownership of ancestral houses complicated. In the period before urbanisation, the land distribution rules in each village were different and ambiguous. Furthermore, as villagers

moved to modern apartments, houses in the village were rent or sold to outsiders underground. Some ambitious villagers even cooperated with outside speculators to develop new houses on their pre-owned land. The property rights arrangement is even more complicated in Shenzhen, because the municipal government used to allow the village collective to develop buildings for residential and commercial use to speed up urbanisation (Shenzhen People's Government, 1992). Therefore, it was hard to identify the ownership of buildings in urban villages (Interview with a planning officer on August 1 2020). Settlements in urban villages have therefore become a grey zone of urban land management. Moreover, informal buildings sprout disorderedly with the development of the city. Because rural land was expropriated for urban construction, villagers tend to find other ways to make a living. Shenzhen has attracted millions of migrants flooding into the city as it grows, while the increasing housing price has become a heavy burden to newcomers. Seizing this opportunity, villagers rebuild or refurbish their buildings illegally to rent cheap rooms to low-income migrants for economic benefits. These buildings are often criticised for overcrowded, high density and unqualified facilities. The persistence of informal housing has become a focus of urban governance in Shenzhen.

4.2 Management of urban villages in Shenzhen

4.2.1 The origin of informal housing management

In Shenzhen, managing urban village seems to be more urgent due to lack of construction land. Compared to Guangzhou, another top-tier city in Guangdong Province, Shenzhen is three times population density as that of Guangzhou (Guangdong Bureau of Statistics, 2020). Urban village, which has accounted for a large proportion of land in Shenzhen, is considered as a resource to provide urban construction land. Meanwhile, the number of informal housing is so large and urban villages contribute a lot to accommodate low-income residents, so it is impossible to demolish all informal buildings in urban villages (Interview with an urban planner on August 1 2020). Therefore, the municipal government has introduced diverse policies to deal with urban villages.

Shenzhen government has been aware of the issue of urban village since the late 1990s. At the very early stage, policies on informal housing mainly emphasized on controlling illegal housing development. In 1999, the municipal People's Congress Standing Committee issued *Decisions on strictly control illegal housing construction* to restrict informal housing construction. Later, in 2001, the government issued *Several Provisions of historical illegal private houses in Shenzhen Special Economic Zone* to start managing informal housing built before March 5 1999 in urban villages. The document set up a series of criteria on informal housing in urban villages and it has continued ever since. Yet in this period, practices on informal housing were mainly focus on setting limits and punishing previous illegal housing construction. Due to the immature regulations on informal housing, control on informal housing, especially on those built in the 21th century, merely took effect (Interview with a planning officer on August 1 2020).

The year of 2009 is a turning point of urban village management when Guangdong Province Government introduced *Three-Old Transformation* policies(SanjiuGaizao). Under the guidance of the *Scientific Outlook of Development* (Kexuefazhanguan, a political idea that emphasizes on comprehensive, balanced and sustainable development advocated by China government), the provincial government advocated for transforming old towns, old houses and old factories to recycle land resources and enhance land use efficiency (Guangdong People's Government, 2009). The implementation of Three-Old Transformation has encouraged municipal governments to take action on informal housing. Following the guidance of the provincial *Three-Old Transformation* policies, Shenzhen municipal government issued *Measures of Urban Regeneration in Shenzhen* in 2009, which has established a framework of informal housing management. Shenzhen is the first city that put forward the idea of urban regeneration in China. Compared to the provincial policies which mainly focus on reconstruction and refurbishment, Shenzhen government has extended Three-Old Transformation to a broader idea of managing informal housing in multiple ways to improve the urban environment. Afterwards, *Enforcement Regulations for Urban Regeneration in Shenzhen* was issued in 2012, providing a more comprehensive instruction for informal housing management. Since then, the system of informal housing management has been improving, including categorization of informal housing, measures of land titling, identifying key stakeholders and different practice strategies on informal housing.

4.2.2 Categories of informal housing in urban villages

In Shenzhen, informal housing in urban villages is mainly classified as two types of buildings: historical illegal building and old village. The identification of historical informal housing in urban villages mainly derives from *Several Provisions of historical illegal private houses in Shenzhen Special Economic Zone* issued in 2001. In 2009, the municipal People's Congress Standing Committee issued *Decisions on management of legacy of illegal housing in urbanization process* to expand the scope of informal housing. According to the government,

any building constructed before the document was issued without permission and registration is identified as '*historical illegal building*', because this kind of building is the legacy of rapid urbanization when urban land expanded much faster that the establishment of construction regulations (Urban Planner A, 2020).

Another type of informal housing in urban villages is *Old Village* (Jiuwucun), which refers to ancestral house built before 1993[1] and its surrounding public facilities as well as open space (Commission of Planning and Land Resources in Shenzhen, 2018). Ancestral houses are legacy of previous villagers in traditional villages. In Shenzhen, homesteads redistributed to villagers from the village collective in the socialist era are inherited based on kinship. After urbanization, villagers who have moved to modern houses rebuild their ancestral houses to rental houses for migrants illegally in Shenzhen, leaving previous ancestral houses a common type of informal housing in urban villages.

Criteria on historical informal housing in urban villages	
I	Houses that occupy state-owned land and rural land out of land use red lines.
II	Houses built within village territory without construction permission of local government.
III	Houses that construction area exceeds legally permitted area by construction permission documents.
IV	Houses that built by families already have one building.
V	Houses that built by (or with) non-villagers without construction permission of local government.

Table 3 Criteria on historical informal housing in urban villages

(Source: Shenzhen People's Congress Standing Committee, 2001)

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[1] In 1992 and 1993, the municipal government issued *Permanent Regulations of Urbanization (1992) and Regulations of Planning and Land Resources Management in Baoan District and Longgang District (1993)* to implement urbanisation, which is considered as the starting point of urbanization.

	Criteria on old village
I	Ancestral houses built before 1993.
II	Ancestral houses rebuilt, expanded or refurbished before June 2 2009 with a total floor area less than 480m²
III	Public facilities built before 1993 that serve the village, including schools, transport infrastructures, health care facilities, religious settings and administrative offices.
IV	Public open space that serve the village, normally less than 3,000 m².
V	Other illegal private houses that have registered.

Table 4 Criteria on Old Village (Commission of Planning and Land Resources in Shenzhen, 2018)

4.2.3 Selective land titling measures in urban villages

Land titling has been supported as an approach to improving tenure security of informal housing by scholars and World Bank (van Gentler, 2009; Mooya, 2007). In Shenzhen, considering the ambiguous property rights arrangement in urban villages, identifying land ownership and land titling is prior step to implement follow-up actions, which provides the basis of clarifying stakeholders and their responsibility (Planning Officer A, 2020).

Land titling system is implemented in a selective way. In order to protect the benefit of villagers as well as to restrain speculators, informal housing owners are classified as two types: villagers[2] and non-villagers (Commission of Planning and Land Resources in Shenzhen, 2015; Shenzhen People's Government, 2006). The government authorizes villagers to register their illegal houses after paying for fine calculated based on land prices and receiving safety qualification. The recognition of illegal houses built by villagers is a kind of land title somehow between legal and illegal, because registered informal houses are not allowed to enter the market. Therefore,

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[2] According to *Permanent Management Measures of Villager-built Residential Housing (2006),* villagers refer to members of the previous village collectives registered before the implementation of urbanization in 1993 (in Bao'an District and Longgang District is village collective members registered before 2003).

the property rights of informal housing is incomplete and the registration of informal housing is an approach to incomplete legalisation. On the other hand, the government defines houses built by non-villagers as illegal real estate and rejects to recognize their legal title. This classification shows the municipal government's concern on the protection of previous village collective, as village collectives (and their members) have contributed their lands to survive on to the state during the process of urbanization. The government adopts flexible strategies to villagers violating construction regulations. The municipality imposes a fine on illegal construction in a ladder-type method. At the same time, in considering of the basic residential demand of villagers, the government established a principle of 'one family one building' (*yihuyidong*), meaning that each family is allowed to own one building. Villagers in accordance with this principle will not be punished, which reflects an idea of equal distribution. The government offers compensation to villagers whose house has to be demolished or confiscated[3]. In terms of villagers only have one building, the government offers them public housing for settlement (Shenzhen People's Government, 2014). As for those whose buildings exceed the basic standard (houses with a floor area over 480 m^2), villagers will be charged. Moreover, the government set strict restrictions on speculation. Except houses built by non-villagers, buildings transferred to others are not recognized by law as well because 'they are built for real estate investment rather than own use' (Planning Officer A, 2020). A staff of village collective explained that this principle protects poor families who cannot afford commercial residential houses because in Shenzhen the price of houses in formal market is much higher than the construction fee of a self-built house, while the rich villagers will be 'punished' for exceeding their requirements (Village Collective Staff A, 2019).

Owner	Size	Land Cost	Fine
Villagers in	< 480 ㎡	None	None
accordance	480 ㎡<Floor Area<600 ㎡		30 RMB/㎡

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[3] See *Shenzhen Implementing Measures of Decisions on Management of Legacy of Illegal Housing in Urbanization Process* (2014), Article 27: Houses with high safety risks and houses violating the Ecological Control Line should be demolished or confiscated.

with 'one	600 ㎡<Floor Area<800 ㎡		60 RMB/㎡
family one	> 800 ㎡		100 RMB/㎡
building'			
Villagers	Two buildings	25% of standard	100 RMB/㎡
violating 'one	Three buildings	land price	200 RMB/㎡
family one	More than three buildings	No recognition in law	
building'			

Table 5 Standards of illegal housing charge

(Source: Shenzhen People's Government, 2014)

4.2.4 Management Strategies

The management strategies of urban villages show a combination of authorization and restriction which admits the persistence of informal housing to some extent and prevents informal housing to expand. On one hand, the government has set up Office of Illegal Building Investigation at a district level to control new construction of illegal buildings. On the other hand, due to lack of new urban construction land, the municipality attempts to utilize informal housing in urban villages through various approaches. Normally, illegal buildings are managed as units. The government investigates land ownership, safety risk and facilities of illegal buildings in urban villages during the land titling process. Based on these information, The municipality delineated urban villages that need to be improved[4], which is called 'Urban Regeneration Unit', and make plans to identify different strategies to each urban regeneration unit (Shenzhen People's Government, 2009). Every year the Bureau of Urban Regeneration and Land Rearrangment is responsible for updating the list of urban regeneration units and examining urban regeneration programmes. According to *Measures for Urban Regeneration in Shenzhen*, there are three main strategies to manage urban villages.

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[4] See Measures for Urban Regeneration in Shenzhen (2009), Article 2: Built-up area should be regenerated when the following conditions are met: (1) be lacking in infrastructures; (2) environment is extremely poor or has high safety risk; (3) cannot meet with the requirements of urban plans and future urban development.

(1) Reconstruction

In areas where the disadvantages of informal housing such as lack of open space is hard to overcome by refurbishment, demolition and reconstruction is a preferred approach to redevelop residential neighbourhoods and enhance living environment. This is a process of formalization and property exchange. Developers compensate villagers money and houses for obtaining land. By redeveloping illegal buildings to legal houses, informal property rights is transformed to formal property rights completely and the compensation is allowed to enter the housing market. Illegal houses are demolished and house owners receive legal commercial residential houses in exchange. At the same time, the government requires developers to improve local infrastructures and construct new affordable housing to meet with social demand. Except for real estate developers and the government itself, the regulation also encourages house owners to redevelop urban regeneration units by themselves as a collective in order to promote urban regeneration.

(2) Remediation

These days, as traditional redevelopment projects have been criticized for social exclusion and high transaction cost, one important principle of urban regeneration in Shenzhen is to avoid excessive demolition and redevelopment (Planning officer, 2020). In terms of urban village where houses conditions are good, remediation is preferred to implement small or micro construction projects that improve the village environment. Remediation is also applied in villages where plot ratio is extremely high to save redevelopment cost. Remediation refers to intervention that do not change building structures and functions, including public facility improvement, infrastructure enhancement, façade refurbishment and environment improvement (Shenzhen People's Government, 2009). In 2019, the municipal planning department issued *Shenzhen Urban Village Remediation Masterplan 2019* to identify areas

require remediation. Meanwhile, the government also supports the development of informal housing rental market after remediation. After identifying house owners and improving environment, the municipality utilizes residential houses as a part of public affordable housing where the villagers, village collective and the government share rental income.

(3) Functional transformation

In addition to remediation, the government encourages to utilize residential buildings and vacant industrial buildings to provide public facilities. Functional transformation refers to project that change the building function completely or partially without changing property ownership and building structure at the aim of serving new requirements of urban development and industrial update. The degree of this type of intervention is stronger than that of remediation while weaker than that of reconstruction.
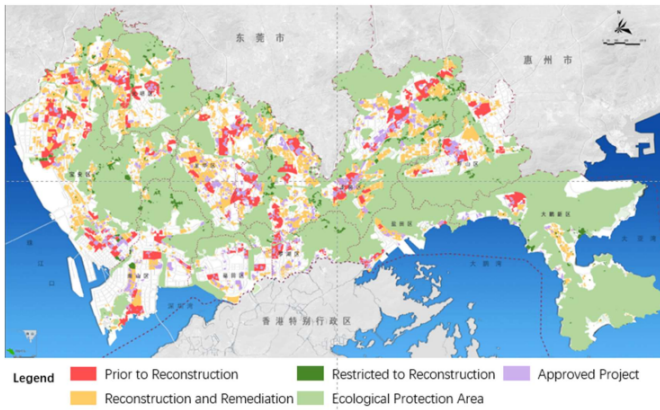
Figure 2 Intervention plan on urban villages

(Commission of Planning and Land Resources in Shenzhen, 2016)

The policies illustrate the government's pragmatic attitude towards informal housing as the

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Chinese metaphor says, 'no matter it is black or white, a good cat is a cat can catch a mouse'. Compared to reconstruction, which formalizes informal neighbourhoods completely, remediation and functional transformation do not change the informal property rights. On the contrary, the government tolerates the persistence of informality and attempts to utilize informal housing. The government has identified the ownership of each building, while remaining them in the grey zone of legal property rights. The government takes de facto control of informal settlements through investigation and taxation. According to the government, illegal residential buildings are encouraged to enter the rental market as an approach to providing affordable housing as long as the ownership has been clarified although some of the buildings are not given legal land title. The government supports the operation of urban village rental market, as urban villages provide cheap settlements for people who cannot afford standard apartments. On the other hand, the government is careful about redevelopment projects although some projects might bring considerable economic benefit in order to control the overheating housing market, so they would rather leave high-density urban villages unchanged than launch expensive redevelopment projects. Furthermore, small projects help residents to improve their living environment, which reduce social contradictions and respond to the state's advocacy of building harmonious society.

The above chapter has provided an overview of informal housing in urban villages in Shenzhen and a policy review of management of informal housing. Yet in countries where transformation is rapid and policy climate is unstable, governance strategy is not always in consistent with policies (Huang & Xue, 2015). How does the government manage informal housing in practice? At a village level, how does the government interact with the local? The next chapter will illustrate a case to analyse how local government deal with the diverse nature of informal property rights arrangement.

Chapter 5 Case study

5.1 Case introduction

Shaoliao Village is located in the west of Baoan District, Shenzhen, covering an area of 370,000,000 square metres, in which the self-construction residential area is about 2,500,000 square metres. The village has 1,465 villagers and 6,300 outsiders in total, including 1166 members registered in the village collective. Because of its convenient location near highways, the village has attracted many manufacturing factories and workers since the late 1990s, where industrial area covers about 200,000 square meters. In the process of urbanization, a shareholding company representing interests of the village collective and a neighbourhood committee was established in 2004 in order to promote local development. Shangliao Corporation Limited, a collective company which is in charge of the collective's economic activities, built about 85 buildings to rent and operate business, creating an annual revenue of over 80 million RMB. The village is now administrated by Neighbourhood Committee of Shangliao Community, while the village collective is still influential among villagers. According to the leader of Shangliao Corporation Limited, the history of Shangliao Village dates back to more than three hundred years ago. All the villagers are from one clan and share same ancestors, which creates strong family connections. Today kinship retains strong influence in this village where ancestor worship activities are active and ancestral hall is protected (Interview with staff in Shangliao Corporation Limited, 2019).

Figure 3 The Map of Shangliao Village

(Created by author)

5.2 The formation of informal housing and the property rights arrangement in practice

5.2.1 Ancestral House

The history of ancestral houses can be traced back to hundreds of years ago when the village was established in Qing Dynasty. Following the instruction of 'fengshui' (a traditional Chinese geomancy), the ancestors of Shangliao Village selected a piece of land to settle down. Villagers built houses and public facilities such as well and market around the ancestral hall, which became the prototype of the village. Most ancestral houses are small bungalows closing up to each other with a floor area of less than 50 square metres. Ancestral houses are succeeded by villagers from generation to generation. As the village expands and the population increases, today these ancestral houses are lacking in modern infrastructures and can no longer meet with the demand of villagers. Therefore, most villagers have moved out of the ancestral houses. Meanwhile, restricted by traditional customs, as the legacy of ancestors, villagers cannot sell or reconstruct ancestral houses easily, so they rent out these houses to low-income migrants at a very cheap price of about 1000 RMB per year to maintain their ancestral houses in use (Villager A, 2019). The ownership of ancestral house is not registered by law, but it is recognized widely among the villagers. There are difference between 'a member of the village' and 'a member of the village collective'. A member of the village collective refers to a villager who is registered in the collective by law and shares the collective economic revenue, while a member of the village is more about perception. Traditionally, the recognition of membership of a village is dependent on kinship, where males are prior to female. Even though a villager has left the village or is not registered as a member of the village collective, his membership and right of succession is accepted by others because of his blood.

5.2.2 Rental House

Rental houses area used to be the main residence area of local villagers until villagers began to reconstruct their houses for rental use in the 1990s. In the 1980s, in respond to the living

demand of growing population, the village collective reclaimed a piece of land in the northeast of ancestral house area for residential use. The village collective divided the land into 900 pieces and redistributed them to the collective members. Each family received a homestead of 120 square metres to construct new home by themselves. Generally, the residential houses had no more than three stories.

In the 1990s, with the development of Shenzhen and the construction of nearby industrial parks, outsiders, mainly migrant workers in manufacturing factories, flooded into the village. Because most migrant workers have low income, low-cost houses are in huge demand and house renting became profitable. Seizing this opportunity, many villagers reconstructed their houses to multiple-storey buildings to accommodate migrant workers. In the beginning it was rich and ambitious villagers who have more than one property started to reconstruct rental houses. The construction of rental houses came to a climax when the territory of Special Economic Zone expanded to Bao'an District in 2010. The population of migrant and housing demand exploded, leading to a construction competition. Rental houses are normally more than six storeys and close to each other, which are called 'Hand-shaking Building' (Woshoulou), creating a rather high-density residential area. There are three approaches to constructing rental houses: first, for villagers who afford to build a house, they rebuilt their houses directly; second, some villagers who cannot afford to reconstruction cooperated with investors outside in a joint-stock way, where the villager provided land and the investor was responsible for financing and construction; third, some people sold their homestead to other villagers or investors outside (Villager B&C, 2019). The property rights arrangement is more complex than that of ancestral houses due to the intervention of outside investors. Land trading and housing construction activities are not protected by law. Furthermore, selling houses in this area is acceptable because these houses are not succeeded from the ancestors. At the same time, the village collective, despite of its duty to assist local government in managing the village, ignored and rejected to take responsibility for illegal housing construction and underground land trading, so the property rights is not protected by the authority in the village as well.

Therefore, kinship is less important in identifying land ownership and the perception of property rights is more relied on social trust especially in cases where villagers cooperate or trade with outside investors. Dominant in underground trade, villagers are usually cautious about selecting an investor who is experienced and reliable. On the other hand, in order to reduce risk, investors usually sign a contract with villagers under the notarization of local government. However, the contract can only guarantee that the investor is occupying the house. Because houses built on collective land is non-commercial, the property still belongs to the villager on paper, which makes identifying the house owner more complicated .

5.2.3 New Village

Today most villagers are living in the New Village and small property rights houses built collectively by the village collective. The new village called 'Shangliao Garden', is a villa area not far from the south of ancestral house area. In the late 1990s, the new village was constructed to improve people's living condition and distribute homestead to young adult villagers. The new village was constructed in order. According to the village regulation, every man without any homestead can be distributed a piece of land with 160 square metres in the new village, and the design and construction of house must follow the collective's instructions and plans. The new village is designed well with large green space, playgrounds and a community centre. The interviewed villagers said proudly that their new village is better than commercial estate in the city, which shows their satisfaction (Interview, 2020). The new village is well protected by the villagers, and people seldom sell their house to outsiders, so the property rights of houses in this area is clear among villagers although the construction of the new village is not legal.

Figure 4 Ancestral Houses

Figure 5 Rental Houses

Figure 6 New Village

Figure 7 Small Property Rights Housing

(Photographed by author)

5.3 Management of informal housing

In practice, the local government's attitude towards different types of informal housing is mainly based on the stability of property rights arrangement and their potential.

5.3.1 Protection

In ancestral house area where land ownership is protected by traditional customs and kinship, the government tends to protect the persistence of informal property rights by formal regulations. According to traditional customs, successors of ancestral houses are responsible for protecting their houses, which means the potential to future redevelopment is very low. Moreover, the ancestral house area is the carrier of historical memories of the village. In order to protect the history and culture of Shangliao Village, ancestral house area, covering 21,293 square metres, is defined as an Old Village Area. Shangliao Old Village is listed on the Historical Building List as a typical village of Ming Dynasty that represents for traditional Cantonese rural culture. In this area, construction is strictly restricted by local government. The local government of Bao'an District, together with the village collective, is responsible for regular maintenance of the ancestral halls (Bureau of Planning and Natural Resources in Shenzhen, 2020). In order to promote traditional village activities and strengthen connections among villagers, the ancestral hall is now utilized as a community centre where ancestral worship is regularly held. At the same time, the government finances the village collective to improve infrastructures in this area.

5.3.2 Reconstruction

In terms of rental house area where stakeholder relationship and property rights arrangement is complicated, the government promote redevelopment projects in this area to formalise the neighbourhood completely and rearrange property rights. On the urban masterplan, the rental

house area in Shaoliao Village lies in Prior to Reconstruction Area where reconstruction is encouraged to 'facilitate with future growth of the village and the city'. In this high-density area, it is difficult to add public facilities or refurbish infrastructures, so reconstructing the area completely is preferred by the government. In order to promote reconstruction, the government authorizes the village collective actively to enter the market and look for a suitable experienced developer on the official bidding platform. Compared to other cities such as Guangzhou, in Shenzhen, the implementation of redevelopment projects are more dominant by the market rather than by the local government, so the village collective, who owns land de facto, has a greater say in the negotiation process. The village collective contacted with several developers, examined their qualifications and chose a reliable developer by referendum in the end. The compensation standard is decided by the village collective and the developer together and the negotiation process lasts for over two years. In return for acquiring land, the HD Real Estate promises to give every villager a legal apartment that can be sold in the formal housing market (Interview with staff in HD Real Estate, 2020). The reconstruction project is welcomed by the villagers, because they consider it a good opportunity to transform their unstable informal housing ownership to legal property rights. In fact, one reason for building rental house is for more compensation in the reconstruction project (Village C, 2020). In Shenzhen where compensation standards is highly dependent on market, rebuilding houses or adding floors has become a way to acquire higher compensation when calculating the floor area of demolished buildings. The local government seldom intervenes redevelopment projects except for examining urban plans. In the process of reconstruction, the local government acts as a guide rather than a leader.

5.3.3 Toleration

In the New Village, the government tolerates the existence of informal housing. On the contrary, the Neighbourhood Committee helps the village collective to manage the New Village. There are several reasons for this. First, in this area, land ownership is clearly registered

in the village collective among villagers according to the local land distribution regulations, so the property rights arrangement is clear and stable. Second, as the New Village is constructed to serve the villagers' living demand, the infrastructures, facilities and environment in this area is maintained well by the village collective itself. The village collective has established a professional property management company to operate daily management. Although houses are built without legal title, the village collective manages them well under the monitoring and instructions of local government, so there is no need for official refurbishment or redevelopment projects (Staff in the Village Collective, 2020).

5.3.4 Utilization

As for small property rights housing estate, the government tends to utilize it as a source of affordable rental housing. According to the local officer, 'there is merely no difference between the small property rights housing estate and legal commercial estate in terms of building conditions' (Interview, 2020). The buildings were constructed by qualified constructors and have passed the safety and building structure examination. The housing estate is operated by a professional property management company obeying *Shenzhen Property Management Regulations*. Apartments are traded in the informal housing market and the operation of property rights arrangement is similar to legal housing. Furthermore, the ownership is protected by the village collective, which makes property rights more stable. Considering small property rights housing an important provider for low-cost housing, the local government ignores illegal trading of small property rights housing between villager and outsider, and monitors the management of the housing estate as a normal commercial residual estate. The local government inspects facilities in the housing estate monthly to reduce safety risk. This means that the housing estate is actually under the control of the government.

	House	Rental House	New Village	Small Property Rights House
Rules of Property Rights Arrangement	Kinship	Kinship & Contract	Kinship	Market & Village Collective Protection
Stability of Property Rights Arrangement	High	Low	High	High
Usage	Rental	Rental	Self-residence	Rental, Sale & Self-residence
Potential	Low	Low	High	High
Strategy	Protection	Reconstruction	Toleration	Utilization

Table 6. Summary of strategies towards informal housing in Shangliao Village

(Created by author)

Chapter 6 Conclusions

This paper aims to unpack the management strategies to informal housing in a Chinese context. With a case study at village level, it tries to explore the complexity of informal housing property rights arrangement. Further, by comparing the government's policies of informal housing on paper with actions in practice, it highlights that management of informality is selective and flexible in considering the stability of current property rights arrangement and the potential of informal housing.

This paper has illustrated that urban villages in Shenzhen have a diverse nature of informal property rights arrangement which is related to multiple stakeholders. The formation process of informal housing shows that the key factor that determines property rights arrangement differs in different types of houses. Despite the city has finished urbanization for years, in villages where traditional customs are protected well, informal property rights arrangement based on kinship still remains influential, which responds to Ho's findings about customary property rights (2014). This helps the villagers to maintain solidarity, act collectively and regulate themselves. Yet the property rights arrangement is not unchangeable, as shown in the case of rental house and small property rights housing, the informal housing market is growing with the intervention of outside investors and home buyers, making traditional customary system unstable. Social trust and the protection of local village collective is becoming more important. The complexity of property rights arrangement shows that there is a need for clarifying property ownership and social relations.

Both policy documents and the case study shows that Shenzhen government is implementing flexible and selective strategies towards informal housing, which shows the government's pragmatic governance strategy. First, the government leaves the grey zone of informality intentionally as a tool of urban governance. Some types of informal housing is protected by formal regulations. Moreover, informal housing is utilized as a source of affordable housing to

meet with growing housing demand. Second, the government utilizes informal institutions to reduce social conflicts in the process of managing informal housing. Traditional customs are respected by the government. The village collective, which is no longer a political grassroot organization, is authorized to manage villagers and their property. Informal housing is under the control of local government despite of lack of legal title. Therefore, although the formalization of informal housing in Shenzhen is 'incomplete', the government has managed to reduce the conflicts between informality and formal regulations.

However, these years voices arise that low-income migrants are silent in the management of informal housing, because the management policies mainly focus on clarifying ownership and negotiating with property rights owners. There are criticisms that the government has conceded too much benefits to village collectives and real estate developers rather than to the migrants in need (Pengpai News, 2017). The village collective remains dominant in managing informal housing, regardless the requirements of migrant residents. Therefore, further policies are needed to keep a balance between the villagers and outsiders and protect the interests of migrant residents.

There are limitations of this research. First, the case is not a representative sample of informal housing management in China. For example, the government is more dominant in informal housing management in Beijing (Sun & Ho, 2018). Researches in other cities or in a higher level will contribute to exploring the state's attitude towards informality. Second, this research is mainly desk-based and has only conducted a few online interviews due to the pandemic. Third, this research does not consider the attitude of migrants. Therefore, more detailed information is needed to understand the attitudes of stakeholders comprehensively. Moreover, further research about the outcome of current management strategies is required.

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Appendix 1 Policy document list

Document Type	Title	Year of publication	Relevant Department
National Guidance	Reform and Development Plan in Pearl River Delta 2008-2020	2008	National Development and Reform Commission
Provincial Guidance	National Development and Reform Commission	2009	Guangdong People's Government
Municipal Plan	Shenzhen Masterplan (2010-2020)	2009	Shenzhen People's Government
	Shenzhen Urban Regeneration Masterplan 2016-2020	2016	Commission of Planning and Land Resources
	Shenzhen Urban Village Management Action Plan 2018-2020	2017	Bureau of Urban Management
	Shenzhen Urban Village Management Masterplan	2019	Bureau of Planning and Natural Resources
Municipal Regulations	Permanent Regulations of Urbanization in Shenzhen	1992	Shenzhen People's Government
	Regulations of Planning and Land Resources Management in Baoan District and Longgang District	1992	Shenzhen People's Government
	Decisions on strictly control illegal housing construction	1999	Shenzhen People's Congress Standing Committee
	Several Provisions of historical illegal private houses in Shenzhen Special Economic Zone	2001	Shenzhen People's Government

Document Type	Title	Year of publication	Relevant Department
	Measures of non-commercial residential housing construction by villager in Shenzhen	2006	Shenzhen People's Government
	Decisions on management of legacy of illegal housing in urbanization process	2009	Shenzhen People's Congress Standing Committee
	Measures of Urban Regeneration in Shenzhen	2009	Shenzhen People's Government
Municipal Regulations	Enforcement Regulations for Urban Regeneration in Shenzhen	2012	Shenzhen People's Government
	Shenzhen Implementing Measures of Decisions on Management of Legacy of Illegal Housing in Urbanization Process	2014	Shenzhen People's Government
	Identification of Old Village in urban regeneration	2018	Commission of Planning and Land Resources
	Measures of Historical Zone and Building Protection	2020	Bureau of Planning and Natural Resources

Appendix 2 Sample Interview Questions

1. Urban Planner:

What are the city's current policies to informal housing?

How did the policy framework establish?

How do you take part in management of urban villages?

What do you think of these policies and their work in practice?

2. Local Officer:

What are the city's current policies to informal housing?

Information and statistics about urban villages?

How do you take part in management of urban villages? How do you communicate with stakeholders?

What do you think of these policies and your work in practice?

3. Developer:

Why did you (your company) choose this village?

How did you communicate with local villagers and the government before and during the project?

What do you think of the management policies and your work in practice?

4. Village Collective Staff:

Information and statistics about urban villages? The number and types of informal housing?

How do you manage the village?

How do you identify membership and land ownership in the village?

What do you think of the management policies, the government and the developer?

4. Villager:

How did you construct your house?

What do you think about legal title?

What do you think of the management policies, the government and the developer?