

Urban Renewal Incentives and its Impacts on Tehran City Old Fabrics

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ABSTRACT

In 2009, urban renewal policies and widespread level of informing people have opened a new chapter in urban renewal programs in Iran. The impacts of these policies are very evident in Tehran city. Since October 2009 to November 2010, about 5 percent of the residents of old fabric in the whole country received 25 percent of the budget devoted to urban renewal programs and considerable improvements in rebuilding of the old fabric have occurred.

The purpose of this research was to determine the impacts of the urban renewal incentive policies during the past 1.5 years. The results of research show that the number of building permits issued for the old fabric in Tehran city had 212 percent growth, compared with 133 percent for the whole city. Also, the amounts of floor areas built, the number of dwelling units built, the amount of residential land areas within the old fabric, compared with the other areas shows the positive impacts of incentive policies. The numbers of housing permits issued had considerable growths (about 22 percent growth). The old fabric consists of only 5 percent of the Tehran's total land area.

The results of study show that whenever there is a stop in receiving the incentives, especially financial incentives, there is a reduction in the number applicants for housing permits. The number of housing permits in old fabric had higher growth compared with the whole city during the past 1.5 years while the incentives policies have been implemented. In February 2010, the number of housing permits issued for the whole city had 254 percent growth compared with November 2009 and 285 percent growth for the whole city. Also, growth in the number of dwelling units built during this period had 134 percent growth for the old fabric compared with 260 percent growth for outside the fabric. The high difference between the numbers of dwelling units built within the old fabric and outside is due to a stop in receiving the financial incentives by the residents in the old fabric.

KEYWORDS: Financial Incentives, Old fabric, Incentive Policies, Tehran's Old Fabric

Introduction

With the increase in the number of urban population in the past few decades, and cities' expansion, sustainable space developments have been considered significantly. Many old cities have space resources that are old and deteriorated (Aga Safari et al., 2010). In the past few decades, government organizations and urban planners have increasingly paid attention to the

urban old fabrics and their historic values (Kalantari & Poor Ahmad, 2010). Betterment and renewal of urban old fabric are two of the intervention methods for the cities with old fabrics (Rahnamah, 1996). The high level of expenses of urban renewal projects, shortage of government's financial resources and lack of good infrastructure and lower level of economic productivity causes problems for the residents of these old fabrics (Kalantari & Poor Ahmad, 2010; Taimori, Rahmani, & Eraqi, 2010). Tehran city as a megalopolis and the capital of Iran has multi functions and urban renewal and intervention in the central city's old fabric is a complex issue (Aga Safari et al., 2010; Azizi & Arasteh, 2010). As a whole, there are 64521 hectares old fabrics in 342 cities in Iran. The population living in this old fabric is 8.5 millions. In Tehran city, there are 3268 hectares old fabrics, which consists 5 percent of Tehran's land area. Recently, urban institutions and urban planners have started planning for the old fabric. (Kalantari & Poor Ahmad, 2010; Roosta, Taghvaei, & Hossain Abadi, 2010)

This research analyzes the government's urban renewal financial incentive policies for Tehran city and its impacts. There are concerns about deteriorated fabrics that are dangerous in case of earthquake and shortages of health, educational facilities, infrastructure and low level of residents' income. Totally, there are 64521 hectares old fabrics in 342 cities in Iran, with 5.8 million residents. The old fabric land area is 64521 hectare for Tehran city which consists 5 percent of Tehran's total land area. Different strategies are being used ranging from complete interventions to incentive policies for urban renewal. The broad area of old fabrics and its multi dimensional problems cannot only be solved by government's budgets and its organizations' efforts. There is a need for the cooperation and coordination of activities between governmental organizations, and municipalities on one hand and owners and residents of old fabric, macro and micro private investors, and developers, on the other hand, to achieve urban renewal goals.

Literature Review

Esa Loo Vahabi, in 2010, in an article titled "examining social barriers in implementing the land plottage policy in old fabrics: Case Study: Region 15, Tehran city" writes that not deliberate buying and demolishing of land their plottage have provided non-defensible spaces for delinquency and crime. A Study by Roosta and his colleague in 2010, titled "Role of citizen participation in financing urban renewal projects in Region 20, Tehran city" shows the importance of citizen participation. Azizi and Arasteh, in an article titled " The evaluation of land plottage program in Yazd city's old fabric(Naft and Khatam complexes) " write that the results of research show that the residents of these resident complexes are pleased with their life there and the value of their property have increase. In 1996, Rahnama's thesis is a study of urban renewal and urban development policies in Mashhad's city old fabric. He considers social and economic improvement of the residents as important factors. In 2004, Bakaei, in his master thesis writes about the importance of citizen participation in urban renewal projects. Shamaei, in his Ph.D. dissertation, about the impacts of unbalanced physical development of Yazd city and its impacts on old fabric mentions the importance of balanced sustainable development of the city. (Aga Safari et al., 2010; Esa Loo & Vahabi, 2010; Rahnamah, 1996; Shamaei, 2001).

Incentives Packages in Fourth Social, Economic and Cultural Development Plan

On the basis of the fourth development plan, the government has to finish the remodeling, rebuilding and strengthening of the old fabrics in 10 years. Between 2005 to 2007, the conditions of support for the construction in the old fabric were determined. These conditions were reflected in Iran’s yearly budget and issued procedures. The most important step in supporting the rebuilding in the old fabrics was the law of supporting building and supply of housing in old fabric, in 2008, issued by the parliament, which determined the conditions and criteria for supporting the construction in old fabrics.

Act 12: Central bank provides long term loans through its representative banks. After building the land, the loan can be transferred to the buyers. The budget devoted to this loan is determined every year.

Act 16: All the housing projects plans for the old fabric, especially, those targeting the low income groups can receive 50 percent discount in construction fees and density fees and the fee can be paid in portions.

Table (1): The support package for the urban renewal in the old fabric

*The Incentive Package:	Financial	Every residential unit can receive 20,000 \$ loan. For industrial units, it is 25000\$, with 12 percent interest rate and without down payment.
* The construction and mortgage period:		It is totally 15 years (two years for the construction and thirteen years for the payment of mortgage).
* Adding one more residential unit:		The financial incentive for building an extra floor or horizontal development to build a residential unit needs permit from an engineer inspector and bank inspector.
* The Characteristics of This incentive Package	Special	(1) Residents can pay the loan in portions and transfer the mortgage to the buyers. (2) At most 3 dwelling units per family. (3) Discounts for the construction can be transferred to the builders for building at most three residential units owned by the applicant, his wife or children under age 18 years old. (4) A part of loan can be received for land improvement. (5) Receiving 1000 \$ per residential unit for demolishing the old buildings and starting the construction stage.
* Discounts for construction and Bonuses:		(1) Eighty percent discounts for the construction taxes, density taxes and permission to pay the amounts in portions. (2) Taxes can be paid in three years in portions.
* Keeping the utilities rights		for the new construction and re-installing the utilities after the construction.
* Procedure for receiving the		(1) Receiving the certificate, approving that the property is located at the old fabric. This is approved by the municipality, the

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- package: neighborhood committee or the Housing Construction Company.
- (2) Receiving the construction permit through the municipality and discounts permissions.
 - (3) Starting the construction stage and building the foundation (approved by the construction engineer) and municipality.
 - (4) Receiving letters from municipality, Housing Construction Company, and Development Company to introduce the owner to the bank.
 - (5) Signing a contract with the bank to receive the package.
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Also, in Fifth Development Plan, more effective supports have been applied for the urban renewal stages, including more citizen participation policies:

- (1) Ministry of Housing and municipalities are required to support the private sectors and people-oriented organizations in attempts to renew the old fabric.
- (2) Ministry of Housing and City Planning are required to apply the incentive financial package and rehabilitate and renew 10% of old fabrics every year. Every year, the Ministry of housing suggests the budget and the budget is included in the national budget, and will be given to applicants of the construction.
- (3) The government is required to devote 50% of the different housing projects (low-income housing, single housing, and others) to old fabric areas

In the law of supporting betterment and renewal of old and inefficient fabrics, issued after March 2010, some of the barriers and problems of implementing large plans for the old fabric have been solved. The related organizations are required to cooperate in providing the necessary infrastructures. Also, Act 11 of this law requires government to spend 1000 milliard dollars on betterment and renewal of the old fabrics.

Methodology

This research is descriptive –analytic, and applied. Tehran Municipality’s divisions (22 regions) are used as the unit of analysis. Number of building permits issued between 2009-2010, percentage growth in the number of building permits issued, total floor area built, number of residential units and residential land areas of issued building permits within old fabric and outside old fabrics and the number of land plottages in old fabrics are the variables studied in this research. Profiles of the incentive package between 2009-2010 are another source of analysis. The major research question was the impacts of these incentive packages on urban renewal in old fabrics.

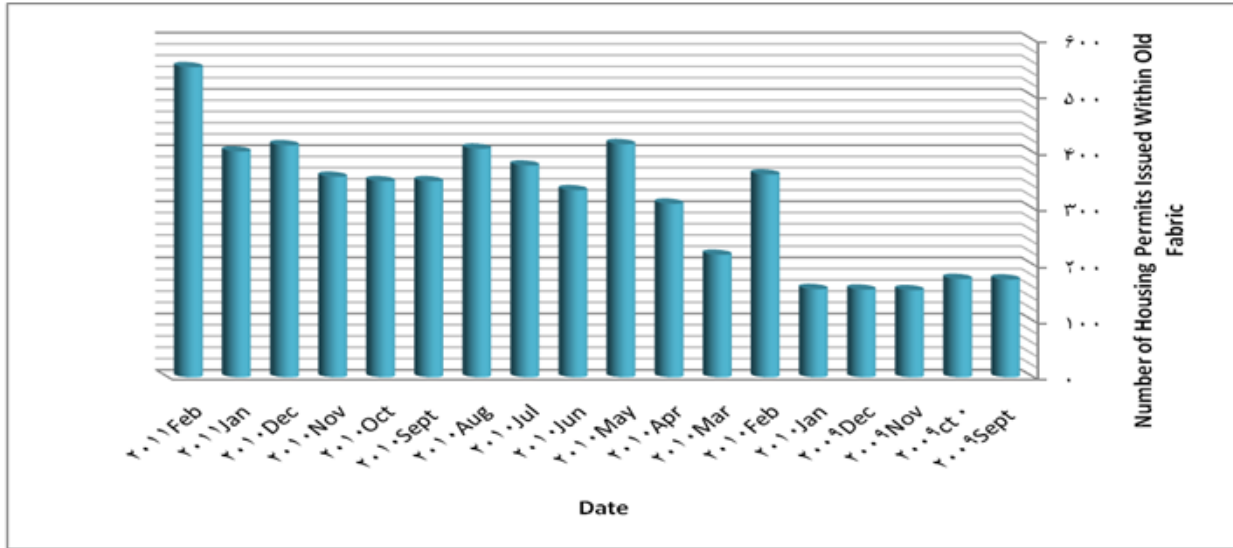
Table (2): Old Fabrics Land Area in 22 Regions of Tehran City(square meter)

Regions	Land Area (square meter)	Land Area (hectare)
1	642343874	64/2343874
2	186472/338	18/6472338
3	427782/092	42/7782092
4	77218/093	7/7218093
5	115781/888	11/5781888
6	50664/772	5/0664772
7	2374754/099	237/4754099
8	1438446/168	143/8446168
9	1458626/55	145/862655
10	4274458/616	427/4458616
11	3523530/708	352/3530708
12	8146501/622	814/6501622
13	730444/256	73/0444256
14	2575375/199	257/5375199
15	2459986/419	245/9986419
16	1491104/562	149/1104562
17	2398290/508	239/8290508
18	1028212/372	102/8212372
19	223642/921	22/3642921
20	1372277/559	137/2277559
21	69179/528	6/9179528
22	9465/536	0/9465536
Total	32670002/68	3267/000268

Results

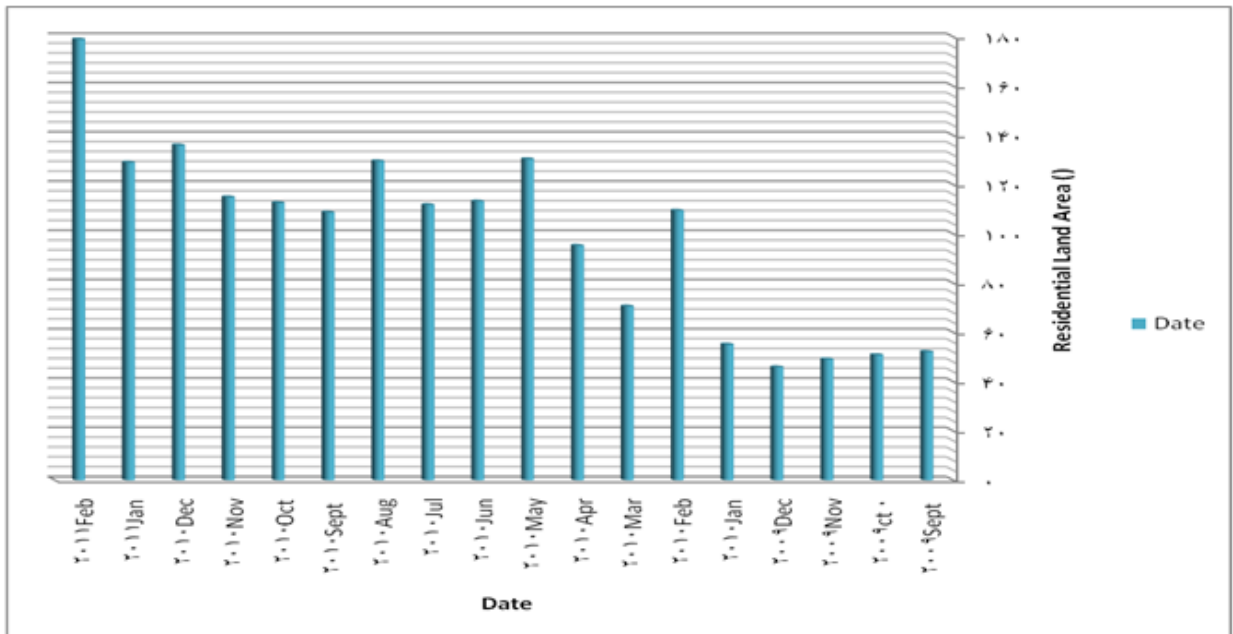
Incentive policies have considerable impacts in renewal of old fabric in Tehran megalopolis. Following data, presented using tables and diagrams show the impacts of the incentive policies and actions during the past two years, especially, during the implementation of fourth development plan.

diagram (1): Number of Building Permits Issued Within Tehran’s Old Fabric



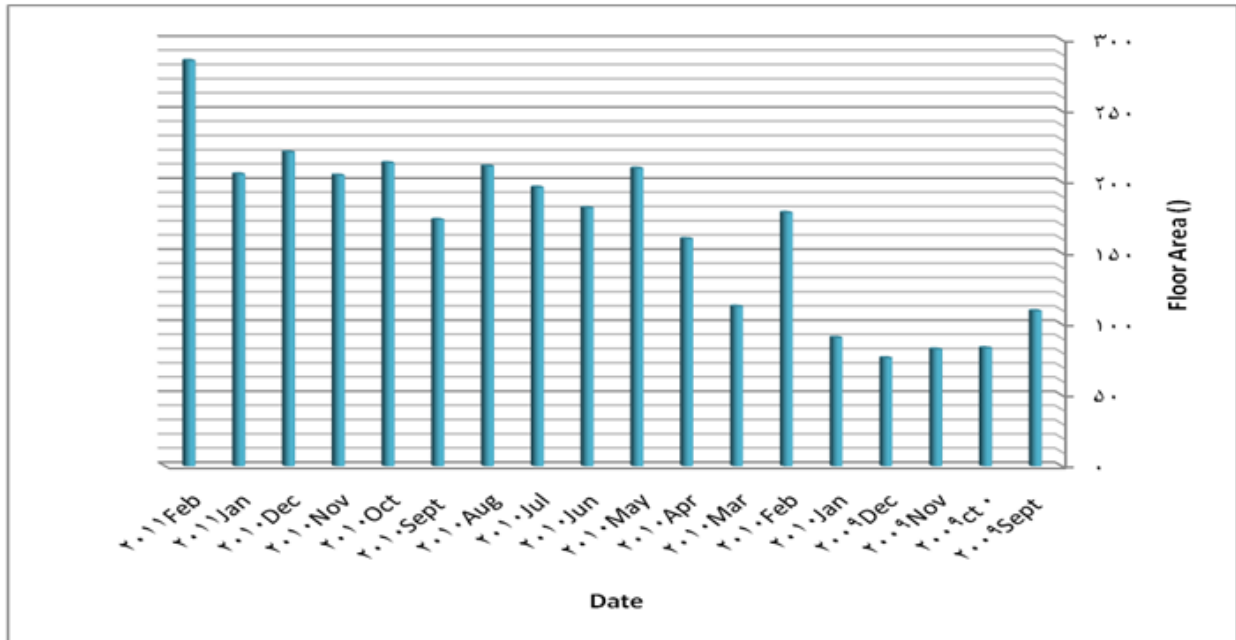
As table and diagram shows the number of building permits issued have increased from 174 in October 2009 to 552 in March 2010.

Diagram (2): Residential Land Area in Tehran’s Old Fabrics (square meter)



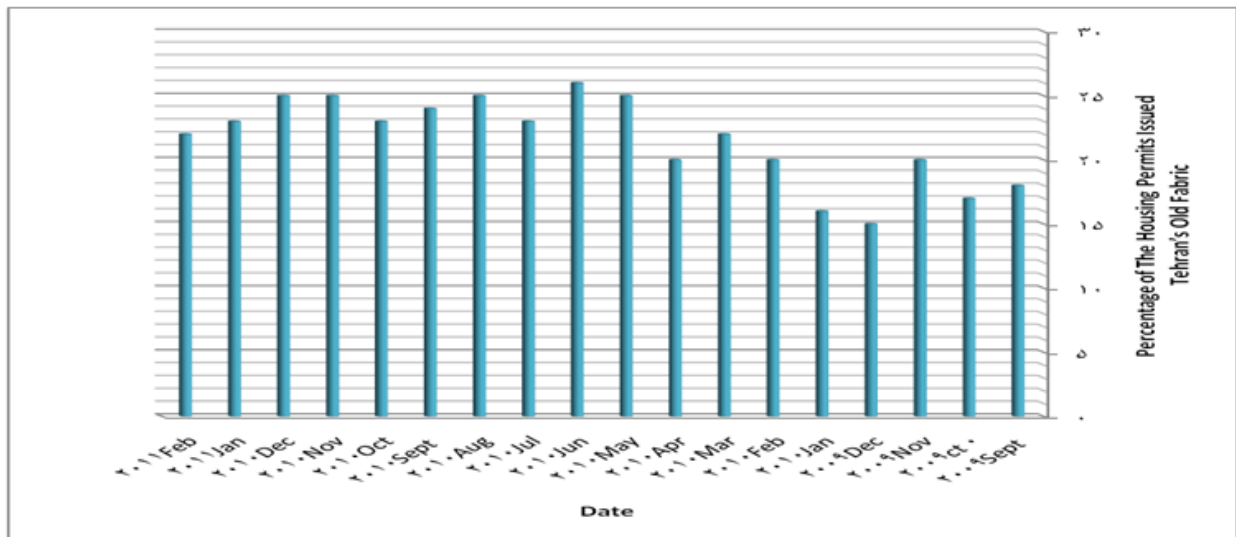
The residential land area has increased from 52134 square meters in October 2009 to 179,229 square meters in 2010. This shows improvement in the process of urban renewal as a result of these incentives

Diagram (3): Floor Area Built Within the Old Fabric in Tehran City



Residential floor area built has increased from 109,193 square meters in October 2009 to 285,356 square meters in March 2010.

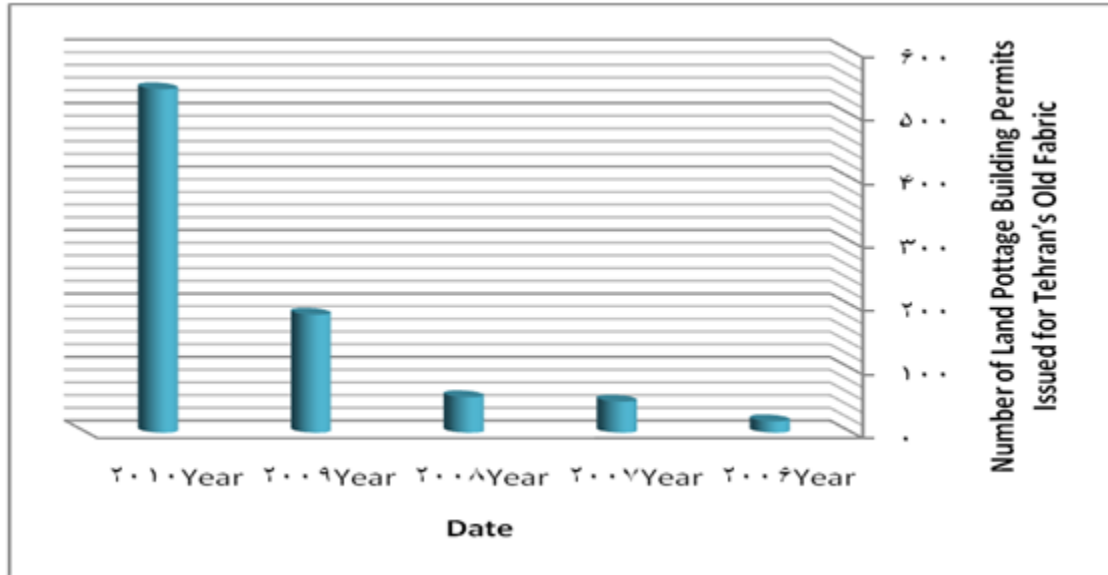
Diagram (4): The Percentage Growth in The Number of Building Permits Issued, Compared With October 2009, Start of the Program.



The Impact of Land Plottage Policy on Tehran’s Old Fabric

Considerable growth has happened in the number of building permits issued for land pottage projects:

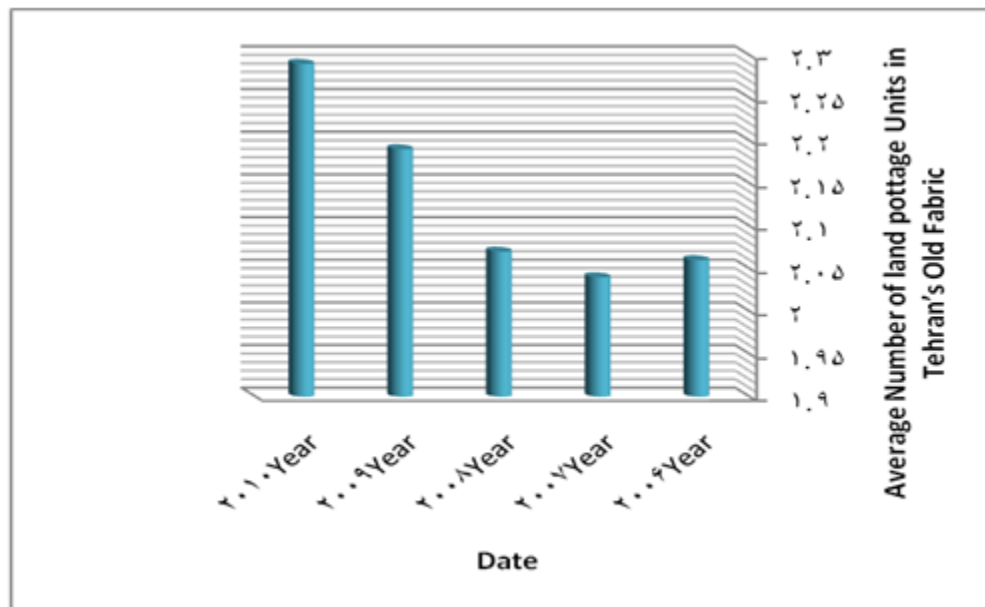
Diagram (5): Number of Land Pottage Building Permits Issued for Tehran’s Old Fabric



The majority of building permits for the land pottage buildings were issued for 1-4 residential units between 2001-2010. The second majority category belonged to 5-9 residential units. About 85 percent of building permits in Tehran city, and 95 percent of building permits in old fabric are issued for 1-9 residential units. The number building permits for the complexes, above 500 units were 32 cases (0.02 percent). For the complexes with 200 to 499 units, it was 67 cases (0.04 percent), for 100 to 199 units, it was 257 cases (0.16 percent) of the total building permits issued.

There are no 500 units building complex in old fabric. There are one building with 401 units and 5 building complexes with 100-199 units.

Diagram (6): Average Number of land pottage Units in Tehran's Old Fabric



Diagram(7): Number of Residential Units Built as a Result of Land Plottage Permits, Issued for Tehran’s Old Fabrics.

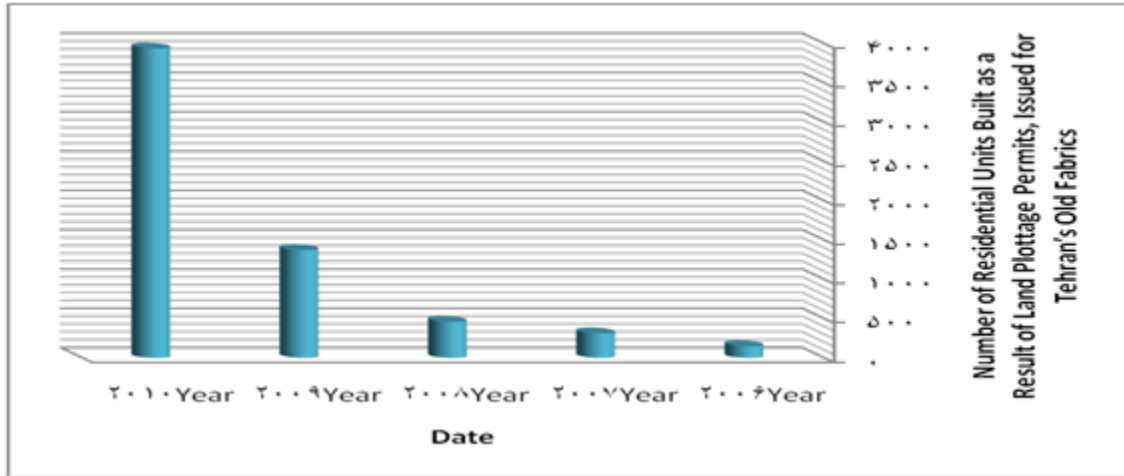
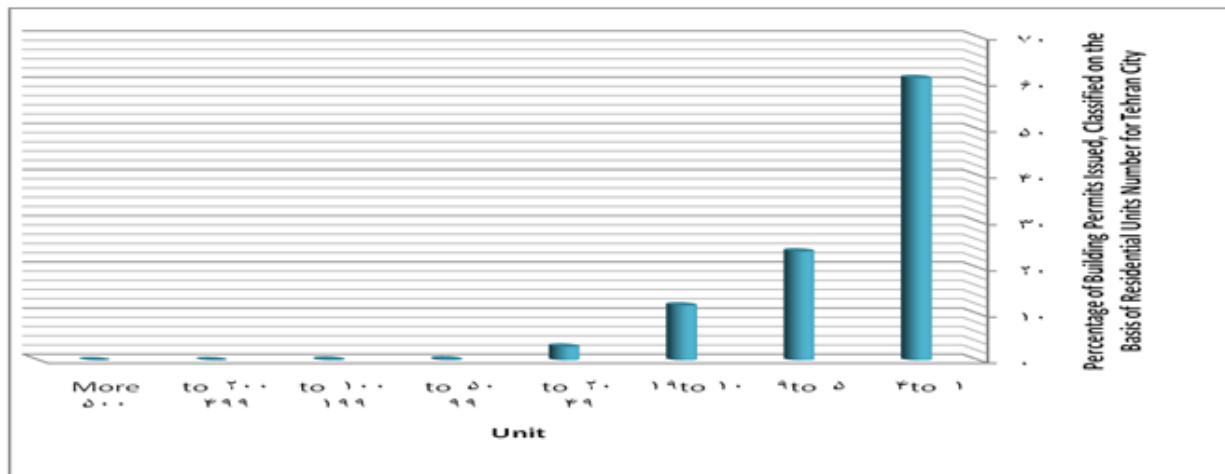


Diagram (8): Percentage of Building Permits Issued, Classified on the Basis of Residential Units Number for Tehran City



Conclusion

Impacts of incentive and supportive policies of the urban renewal for the Teheran’s old fabric are considerable. The growth in the numbers of building permits issued for the old fabrics prove this. One of the indicators of old fabric, defined for Tehran city is the small land subdivisions, which is problematic for the fabric. So, the land pottage process is necessary as a requirement for the urban renewal process. The incentives packages have worked effectively.

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