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Balancing the Trade-off Between Urban Development and Preservation: Experience from South Korea¹

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Abstract

Urban regeneration is a potent catalyst to advance more prosperous, inclusive, and equitable cities. Across the globe, cities are seeking innovative strategies for planning and mobilizing resources to revitalize struggling and neglected neighborhoods and transform underused land in declining commercial and industrial areas. Without careful planning and attention to preserving local culture, however, urban regeneration projects can accelerate displacement, gentrification, and loss of cultural heritage.

This case study focuses on the Korean approach to urban regeneration that preserves unique local and regional identity while simultaneously putting safeguards in place to prevent commercial gentrification, protecting small businesses, and promoting local industry. Public financial support and planning regulations have been effective in revitalizing declining urban areas, preserving regional historical assets, and preventing gentrification. Additionally, appropriate compensation for personal property loss minimizes opposition and enables the pursuit of public interest to preserve historical and cultural assets. This study details the strategic leveraging of regeneration projects to achieve broader urban goals for local economic development and cultural heritage preservation.

¹ This work draws from a paper prepared for a joint research initiative between the Korea Housing and Urban Guarantee Corporation (HUG) and the Woodrow Wilson International Center for Scholars, "Comparative Study of Public Financial Support for Urban Regeneration Projects in Korea and the United States," presented on September 9, 2020.

Introduction

Urban growth and decline are inevitable, and the coexistence of thriving and blighted areas within cities has created growing gaps in the distribution of physical and human capital. Various negative externalities associated with urban blight—including low income, insufficient educational opportunities, negative health impacts, and poor living environments—reduce social capital and the possibilities for class mobility (Atkinson and Kintrea, 2001; Musterd and Andersson, 2005; Musterd and De Winter, 1998).

The public sector has promoted urban regeneration policies to reduce these inequalities and negative externalities. Mitigating this gap has the advantage of preventing urban ghettoization and the concentration of poverty (Musterd and Andersson, 2005; Ostendorf, Musterd, De Vos, 2001).

In the case of areas with relatively little resistance to development, securing the financial feasibility of projects can be the greatest obstacle, which paves the way for urban regeneration once removed. To this end, the public sector provides subsidies, tax credits, and financial support to revitalize declining urban areas, with the goal of spurring active participation of the private sector in regeneration projects.

Regional characteristics with unique historical contexts and landscapes, however, are at risk of disappearing with development-oriented urban regeneration that demolishes and replaces existing structures. Revitalizing an area rich in cultural and historic assets gives rise to an ongoing debate about the value and benefits of preservation and the potential losses resulting from regeneration efforts.

In Korea, a country that has achieved remarkable economic growth over the past several decades,² many urban areas have fallen behind with changing urban functions and deteriorating physical environments. During the economic growth period, the public and private sectors traditionally preferred the demolish-and-rebuild approach to improving declining urban areas, and as a result, gentrification occurred while precious cultural and historic heritage sites were damaged.

To remedy the mistakes of the past, the Korean state is now asking local governments to actively consult with residents and examine the use of local assets when establishing urban regeneration plans.³ Bottom-up urban regeneration planning through public hearings is intended to minimize damage to local assets and promote local vitality.

This article details public policies and financing to revitalize Korean cities while also preserving the characteristics of historical and cultural assets and implementing countermeasures to prevent *commercial gentrification*, the crowding out of small merchants by large-scale capital.

² Korea's gross domestic product per capita increased from \$158 in 1960 to \$10,400 by 1994. This rapid economic growth is known as the Miracle of Han River.

³ In accordance with the *Special Act on Promotion of and Support for Urban Regeneration*, local governments must establish an Urban Regeneration Strategy Plan that sets comprehensive urban regeneration goals in the metropolitan area and an Urban Regeneration Revitalization Plan, with plans for each project site included in the Strategy Plan.

Case Study

About the Study Area

The spatial scope of the study is an urban regeneration and revitalization area⁴ spanning 100 acres in front of Changdeokgung Palace,⁵ located in the Jongno-gu District in the center of Seoul.⁶ The site is adjacent to the Central Business District (CBD), with relatively high land prices in an area rich with historic and cultural sites, such as Changdeokgung Palace and Unhyeongung Palace, Ikseon-dong Hanok⁷ Village, Nagwon Arcade,⁸ and Jewelry Industry Street.

Exhibit 1

Map of East Palace (Changdeokgung) (1830)



Source: Changdeokgung Palace Management Office of Cultural Heritage Administration, cdg.go.kr/eng/

⁴ The name of the area and the urban regeneration revitalization plan is *The Heart of Old Seoul in front of Changdeokgung Palace*.

⁵ Changdeokgung Palace, a royal palace of the Joseon Dynasty, is included in the United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage List (Ref. 816).

⁶ Seoul City is the capital of the Joseon Dynasty and the Republic of Korea and is the administrative and business center of the country.

⁷ A Hanok is a traditional Korean house.

⁸ Nagwon Arcade is a modern shopping mall built after demolishing illegal buildings and Nagwon Market in the 1970s. It is the largest musical instrument retail cluster in Korea.

Exhibit 2

Hanok Village



Source: Seoul City Aerial Photograph Service, as of 1973

Exhibit 3

Nagwon Arcade



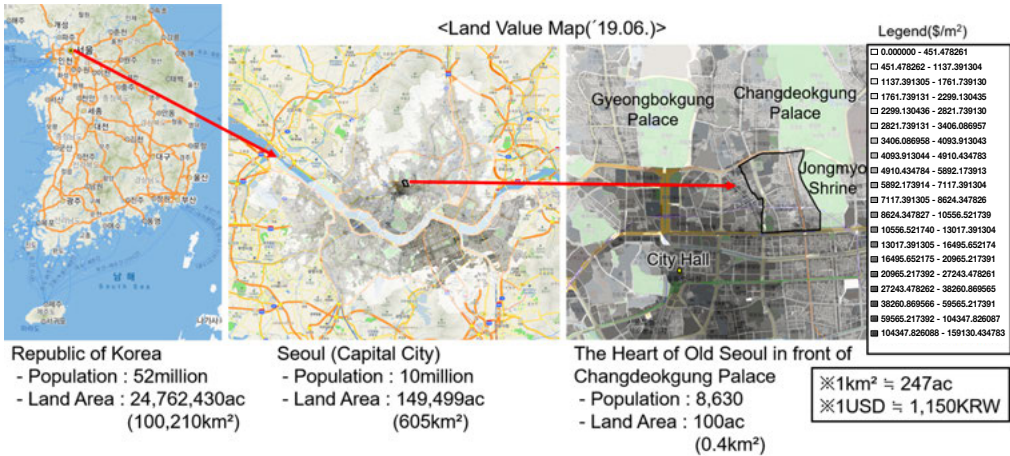
Source: Seoul History Archives

Although the site has high land prices due to its central location and the expectation that asset values will increase in the future, regulations established to preserve historic and cultural assets in the area have had the negative effect of sluggish redevelopment.

This study was undertaken from 2015 through 2020, with some differences in variables, depending on the availability of quantitative data at the time of analysis.

Exhibit 4

Land Value Map (as of June 2019)



$\$/m^2$ = price per square meter. ac = acres. km² = square kilometer. KRW = South Korea won. USD = U.S. dollar.
Source: Background maps, Kakao Map

History of the Area

Seoul was the capital of the Joseon Dynasty and has accumulated rich cultural assets through numerous historical periods during the past 600 years. The site of this study was the geographic and political center of the Joseon Dynasty, with traces of old palaces and royal culture remaining in the area today.

In the 1930s,⁹ the site changed into a Hanok village (residential area with traditional Korean housing) connected by narrow alleys to accommodate an increasing population. After the Korean War (1950–1953), Seoul grew rapidly as many moved to the city in search of employment opportunities.

Since then, the site has become a neighborhood commercial district serving the growing population and has transformed with the influx of the musical instrument retail industry (1960s) and jewelry craft industry (1970s).

These changes in urban function led to a rapid rise in land prices, but as the period of remarkable economic growth passed and local industries began to decline, a downturn loomed over the region.

Adding to the challenge, it became difficult to secure the financial viability of development projects due to high land prices caused by the desirable location of the site and its promising future development possibilities.

⁹ The Joseon Dynasty was invaded by Japan in 1910 and, after 35 years of colonial rule, the Republic of Korea was founded in 1945.

Support from the Public Sector

Both the public and the private sectors invested in the area during the period under study. Public support to facilitate private sector investments can be categorized into budgetary programs, grant/tax incentives, and public financial support.

The Seoul City government carried out budgetary programs defined in the urban regeneration revitalization plan (Seoul City, 2015b). The government makes initial investments such as infrastructure improvements and supplies anchor facilities to spur private sector participation.

Grants and tax incentives, including interest-free financing and property tax abatements for projects to build, repair, or improve Hanoks, are designed to reduce the financial burden on the private sector.

Public financial support that the National Housing and Urban Fund (NHUF)¹⁰ provides offers long-term loans at low-interest rates. With this support, business owners can reduce their initial financial burden. In addition, enhanced credit ratings and lowered risk with guarantees for urban regeneration loans of Korea Housing and Urban Guarantee Corporation (HUG)¹¹ enable the private sector to participate actively in urban regeneration projects.

Exhibit 5

Public Support for Revitalizing the Changdeokgung Palace Area	
Project	Details
Budgetary programs	<ul style="list-style-type: none"> • Hard infrastructure: Donhwamun traditional music theater, an urban block renewal project, jewelry industry support center, etc. • Soft infrastructure: Reproduction of a royal march, a commemorative festival for the March First movement, Hanok preservation community support, etc.
Grant/Tax incentives	<ul style="list-style-type: none"> • Grants for building, repairing, and improving Hanoks • Interest-free loans for building, repairing, and improving Hanoks • Tax reduction for the Hanok property
Public financial support	<ul style="list-style-type: none"> • Urban regeneration loans (National Housing and Urban Fund) - Guarantee for urban regeneration loans (Korea Housing and Urban Guarantee Corporation)

Budgetary Programs

To address the deterioration and decline of the site, Seoul City established an Urban Regeneration Revitalization Plan in 2015.

The revitalization plan defines four major regeneration projects with special consideration of the historic and geographical context for the area. The plan also includes measures to execute the budgetary programs (about \$13 million assigned to the Department for Historic City Center

¹⁰ NHUF is a national public fund that seeks to enhance residential welfare and revitalize urban regeneration by providing financial resources for residential service providers and consumers and for urban regeneration projects.

¹¹ HUG is a trustee of NHUF and provides various public guarantees necessary for residential welfare and urban regeneration.

Regeneration), cooperative projects (about \$110 million designated for other departments of Seoul City), and other grant-aided projects.

Exhibit 6

Historical Regeneration Projects		
Project	Methods to revitalize	Execution strategies
The Way to Palace “Donhwamunro”	Building the pathway used by the King in the Changdeokgung Palace area to create pedestrian walkways for citizens to meet.	Attract people with pedestrian roads and recover the prestige of the area.
Remembering the March First Movement ¹² “3.1 Daero (Blvd.)”	Organize 3.1 Daero, a place to commemorate the March First independence movement.	Shed new light on the importance of the March First movement by creating a space for remembrance.
Creating a Cultural Hub “Nagwon ~ Ikseon”	Create space along the street for recreation, food, clothing, shelter, and entertainment inspired by royal culture.	Support for leading new cultural activities and creating space enables expansion and a connection to living culture.
Reviving Jewelry Industries “Seosulla-gil”	Establish a specialized handicraft district that serves as a cultural destination where artisans can demonstrate their skills and sell their crafts to visitors.	Support and enhance the existing jewelry industry by encouraging creativity and innovation.

Source: Urban Regeneration Revitalization Plan (2015)

The Way to Palace Donhwamunro consists of hard infrastructure projects, including an urban block renewal project, the Donhwamun traditional music theater, and creating space where people can experience royal culture. Soft infrastructure includes support for royal events and tour programs and the operation of a cultural asset training center.

The 3.1 Daero (Blvd.) project set out to establish a trail, build a memorial hall, improve the surrounding environment of Tapgol Park, and create a commemorative festival for the March First movement.

The Nagwon-Ikseon project is composed of environmental improvements, cultural and art events in the Nagwon Arcade area, support for costs to repair Hanoks to preserve the unique characteristics of the Hanok village, and support for the village community and businesses through which people can experience Hanoks.

The Seosulla-gil (road) project includes organizing a specialized handicraft street and a Hanok handicraft workshop and building a jewelry industry support center.

Such grant-aided projects aim to promote urban regeneration in the targeted area and ultimately attract private sector involvement in urban regeneration projects.

¹² A non-violent national independence movement on March 1, 1919, declared the annulment of the Japan-Korea Annexation Treaty and the independence of Korea.

Exhibit 7

Donhwamun Traditional Music Theater



Source: Seung-Hyun Ha (2020)

Exhibit 8

Royal Parade



Source: Urban Regeneration Revitalization Plan (2015)

Exhibit 9

Cultural Events at Nagwon Arcade



Source: Urban Regeneration Revitalization Plan (2015)

Exhibit 10

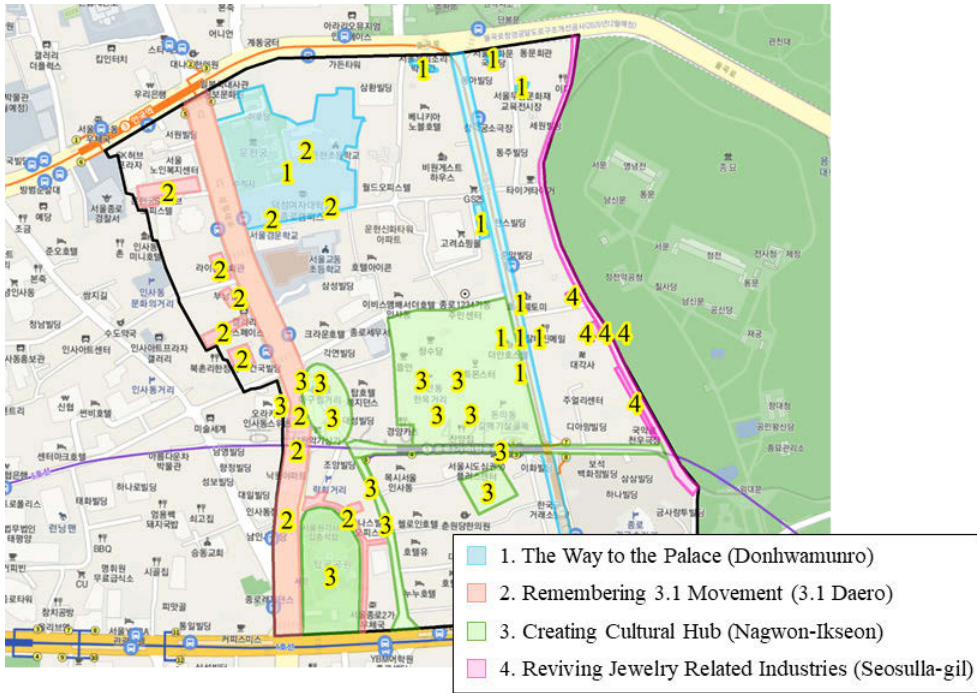
Jewelry Industry Support Center



Source: Seung-Hyun Ha (2020)

Exhibit 11

Geographical Distribution of Major Regeneration Projects



Source: Background map, Kakao Map

Grant/Tax Incentives

Grants and tax incentives are mainly related to the Hanok project mentioned earlier. In 2009, the Seoul Metropolitan Government enacted the “Ordinance on value enhancement of Hanok and other architectural assets in Seoul” to help compensate for development restrictions and lower the threshold for new investment; these goals are met through city-provided grants and interest-free loans¹³ for building, repairing, or improving Hanoks. At the municipality level (Jongno-gu), property tax reduction incentives¹⁴ were offered to encourage Hanok preservation.

The Hanok grant amount depends on whether it is for new construction, full repair, or partial repair, and whether it is for exterior or interior construction. Hanok grants and loans can be used when needed. If a new Hanok is constructed, grants up to \$70,000 are available for the exterior construction, and loans of \$17,000 can be provided for the interior design. Newly constructed Hanoks located within the preservation area are allocated an extra 50 percent in grant and loan amounts. In other words, the builder or homeowner can receive a grant up to \$105,000 and loans up to \$25,500, totaling up to \$130,500 in financial support for new construction of a Hanok.

¹³ A loan payable in 10 years after a 3-year grace period.

¹⁴ Ordinance on Gu-tax reduction in Jongno-gu, Seoul Metropolitan City—Article 4 (Tax reduction of Hanok in historic district in Jongno-gu).

In the case of a full repair, a \$52,000 grant and a loan of \$17,000 can be provided for exterior construction and \$35,000 for interior improvements. For partial repairs, a \$17,000 grant and an \$8,700 loan are offered for exterior improvements. For repair projects within the Hanok preservation area, an additional 50 percent is offered, as is the case for building a new Hanok.

The purpose of this subsidy for Hanoks is to support construction, repair, and improvements. The use of Hanoks that receive subsidies is not specified—repaired or improved Hanoks can be used as housing or as commercial space.

Public Financial Support with NHUF and HUG

Grants and tax incentives detailed earlier are considered public support to lift the financial burden from Hanok owners or those who plan to use Hanoks in the future. The policy has a somewhat limited reach and impact because the support can only be provided for Hanoks. Accordingly, investment, loans, and guarantees used for general urban regeneration projects in Korea fall within the category of public financial support in this study. This support is provided for urban regeneration projects undertaken in the urban regeneration revitalization area and for building and remodeling new Hanoks.

Public financial support consists of loans from the NHUF for small-scale urban regeneration projects and loans guaranteed by HUG.

The loans, provided at lower rates compared to commercial loans, reduce the initial cost for business owners involved in urban regeneration projects and are made possible with the public funds provided by NHUF.

Loan guarantees help business owners who cannot finance urban regeneration projects with their own capital. Because general secured loans do not finance amounts larger than the value of the collateral, loan applicants cannot carry out projects if the estimated project cost exceeds the cap of the secured loan they can receive. In this case, loan guarantees allow them to secure additional loans so that they can receive financing.

The terms and conditions of the loans and guarantees are as follows: Loans can be provided up to 80 percent of the total project cost at a 1.5-percent interest rate for a maximum of 10 years; for guarantee products for loans, the limit is the same, with the default insurance premium ranging from 0.26 to 3.41 percent a year.

As of October 2019, \$14 million of loan products were provided to seven projects: four establish co-working spaces and the remaining three create commercial space for small shops that is privately developed and owned, and rented at restricted rates.¹⁵ One-half of the amount is secured loans and the other half is for loans backed by guarantees.

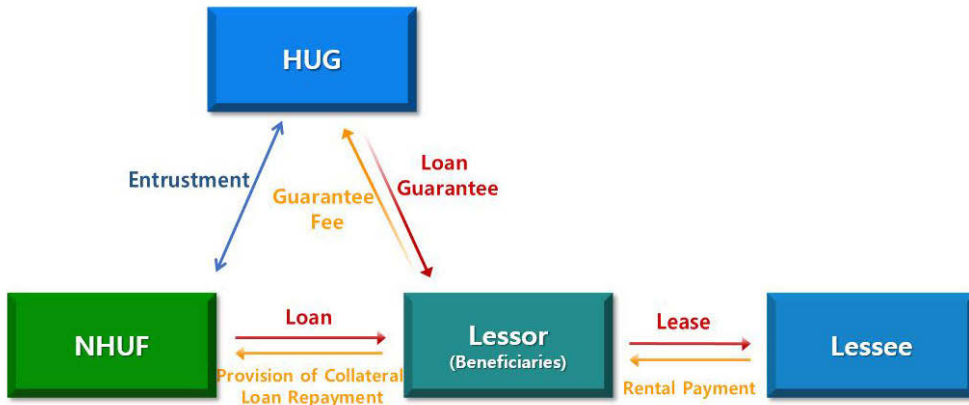
The following case is a project to which a \$1 million loan was provided with the aim of building a rental store. The area of the project is 98.84m². The total project cost is \$2 million. In return

¹⁵ “Rental stores” are constructed or remodeled using NHUF long-term, low-interest loans and are subject to restrictions on the rate of rent increase as a counter benefit for financial support. Support for these stores is a gentrification countermeasure.

for the long-term loan at a low-interest rate, the beneficiary can increase the rent only up to 2.5 percent a year. The rental increase rate is capped during the loan period.

Exhibit 12

Financing Structure of Urban Regeneration Loans and Loan Guarantees



*HUG = Korea Housing and Urban Guarantee Corporation. NHUF = National Housing and Urban Fund.
Source: Seung-Hyun Ha (2020)*

Exhibit 13 shows a typical Hanok, originally used for housing and remodeled as an urban regeneration project to serve as a restaurant.

Exhibit 13

Hanok Remodeling Project Supported by NHUF and HUG



*HUG = Korea Housing and Urban Guarantee Corporation. NHUF = National Housing and Urban Fund.
Sources: NAVER Map (2016); Seung-Hyun Ha (2020)*

Gentrification Countermeasures

Because urban regeneration projects economically revitalize deteriorated and declining areas and improve living conditions, they are considered to have an overall positive impact. Regeneration projects risk contributing to the collapse of communities, however, due to the displacement of residents and small business owners and the loss of the unique identity of the region. In the case of the Changdeokgung Palace area regeneration project, commercial gentrification is a bigger challenge than residential gentrification. Policy measures to prevent and respond to such commercial gentrification, with the goal of supporting small businesses and preserving local industry, are examined in this study.

The Seoul City Comprehensive Plan for Gentrification (2015) uses various policies, public support, and urban planning regulations to manage gentrification and promote shared prosperity.

Public support includes financing for commercial rental space and a strategy to capitalize stores. Public rental shops established by the public sector offer space to commercial tenants to rent for long periods of time at lower rates, reducing their risk. Capitalization of stores is a strategy to help tenants get their own stores by providing them with long-term loans at low-interest rates. Additionally, landlords and tenants are encouraged to reach win-win agreements that maintain rental rates and premiums at an acceptable level (Seoul City, 2015a).

District unit planning regulations do not allow large-scale shopping malls or franchises to enter the area. This measure also limits the maximum size of the development scale (330m² and below) to protect the local commercial area.

Land and buildings in the Hanok preservation area were largely owned by individuals. Because large-scale commercial capital is likely to be invested in this preservation area with a variety of benefits for Hanoks, concerns arose that the commercial streets might lose their attractiveness due to gentrification. To preemptively address such concerns, Seoul City established the district unit plan,¹⁶ which defines and restricts land usage that can potentially induce gentrification within the district.

The restrictions prohibit land use for multi-unit dwellings, sports centers, and adult entertainment outlets. In addition, restaurants, cafés, and bakeries operated as chain stores or franchise businesses as defined by the Korean national government *Fair Transactions in Franchise Business Act* and *Franchise Business Promotion Act* are restricted in this area.

¹⁶ Seoul City (2018), Ikseon district unit plan area and planning decision.

Exhibit 14

Aerial Photograph of Ikseon District Unit Area



Source: Seoul City Aerial Photograph Service, as of 2019

Protection of Cultural Assets

The Ikseon district unit plan specifies not only gentrification countermeasures but also establishes policies to preserve cultural assets of the region. The plan designates a Hanok preservation area, prohibiting the construction of structures other than Hanoks to maintain the historic landscape. It is necessary to consider the development of the region to understand how the plan came to designate the Hanok preservation area.

Hanoks, built since the Joseon Dynasty, are concentrated in this area. Because this Hanok village was established well before contemporary concepts of urban planning were adopted, Hanoks were constructed on narrow parcels with poor infrastructure. Located near the central business district, this commercial area experienced economic growth requiring large-scale demolition and redevelopment.

To that end, Seoul City designated the area as an urban environment improvement district in 2004, and community residents established a committee to execute the Ikseon urban environment

improvement project in 2005. The execution committee proposed demolishing Hanoks in the Ikseon unit district plan area (now the Hanok preservation area) and replacing them with a 14-story mixed-use complex.¹⁷ See exhibit 15 for a rendering of the proposed complex.

Exhibit 15

Rendering of the Proposed Ikseon Urban Environment Improvement Area



Source: Jangno-gu Council (2010)

Rejecting the proposal, the Seoul City Urban Planning Committee recommended that the district unit-level planning be revised to preserve Hanoks rather than construct high-rise buildings; this recommendation was to consider the unique characteristics of the area where a number of historic assets are located. As the interests of the public sector and residents clashed, the district unit-level planning and urban environment improvement project were delayed. During this period of nearly a decade of dispute over plans, the area continued to experience neglect and decay. The execution committee for the project was voluntarily dissolved in 2014 and the public sector intervened.

¹⁷ A development plan combining residential, office, tourism, and commercial functions was put forward by the execution committee of community residents.

While the improvement plan was at a standstill, the land value of nearby tourist attractions¹⁸ including Bukchon Hanok Village and the Insa-dong shopping and dining district increased, bolstering strong cultural and tourism functions in Ikseon-dong.

Seoul City began to explore how to preserve the historic identity of the region while revitalizing deteriorated areas. With these goals in mind, the city developed an urban regeneration policy using historic and cultural assets in the Ikseon district (Hanok preservation area) to enhance the attraction of the region with Hanoks and vitalize the area as a commercial destination, while avoiding construction of modern buildings defined as a high density and vertical development (Seoul City, 2018).

The infringement of individual property rights was a controversial policy issue because restraining redevelopment could prevent potential capital gains of individual owners. The city provided various incentives including grants and interest-free loans for building or repairing Hanoks and reduced property taxes for Hanoks.

In addition, the district unit plan provides guidelines for the shape and exterior of Hanoks to manage the streetscape. It allows only one-story buildings to be constructed and also regulates exteriors with special criteria for roofs, building structures, outer walls, fences, and gardens. For example, Korean-style roof trusses and roof tile, called Kiwa, must be used and may not be polished. For Hanoks, only Korean-style wooden structures are allowed.

Impact

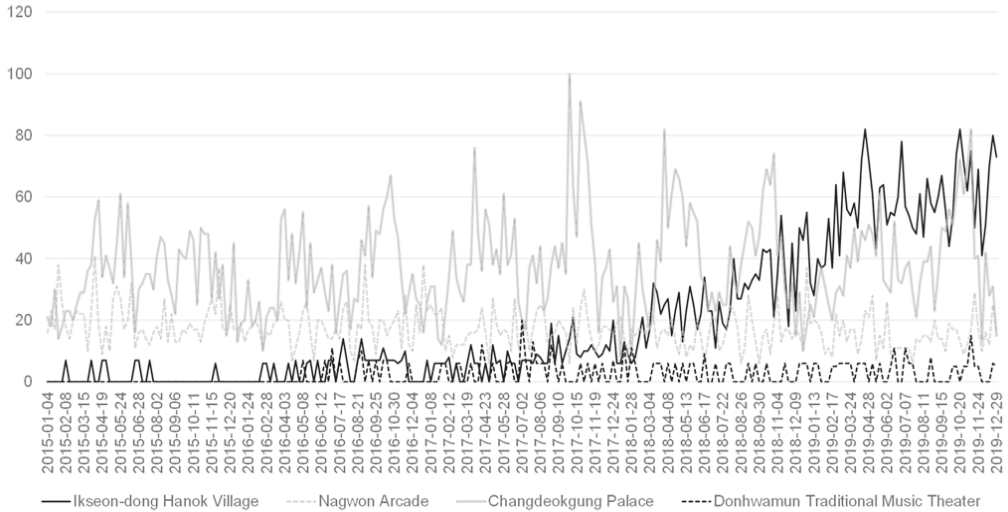
Various socioeconomic indicators were reviewed to assess the effect of public financial support for urban regeneration in the project area considered by this study.

First, interest in the region has changed. Google trends in keyword searches related to the project area, such as Donhwamun Traditional Music Theater, Nagwon Arcade, and Ikseon-dong Hanok Village, reflect changes in interest. Changdeokgung Palace, Nagwon Arcade, and Donhwamun Traditional Music Theater have maintained similar levels of interest. On the other hand, interest in Ikseon-dong Hanok Village has gradually increased from 2015 to 2019 as the regeneration project was implemented.

¹⁸ Bukchon and Insa-dong are tourist attractions that feature traditional Korean culture.

Exhibit 16

Changes in Project Keyword Search Volume (2015–2019)



Source: Google Trends

Another indicator analyzed to assess the effect of the urban regeneration projects is the change in land value. Official census area data¹⁹ published in September 2016 and August 2019 were compared in a before-and-after study. Only identical area data (2,501 area units) were used for the comparison.²⁰

The price per unit area land value is listed in exhibit 17. The summarized value of the data at the time of appraisal is presented in the table.

Exhibit 17

Summary Table (unit: \$/m²)

Date	Min.	1Q	Median	Mean	3Q	Max.
September 2016	0	2,628	3,748	5,236	7,081	33,852
August 2019	0	3,304	5,028	6,584	8,689	38,957
Difference	-53.90%	21.03%	25.73%	25.49%	31.95%	94.98%

$\$/m^2$ = price per square meter.

Max. = maximum. Min. = minimum. Q = quarter.

Source: Seung-Hyun Ha (2020)

The land price changes that appear in the same census output data range from a minimum of -53.90 percent to a maximum 94.98 percent.

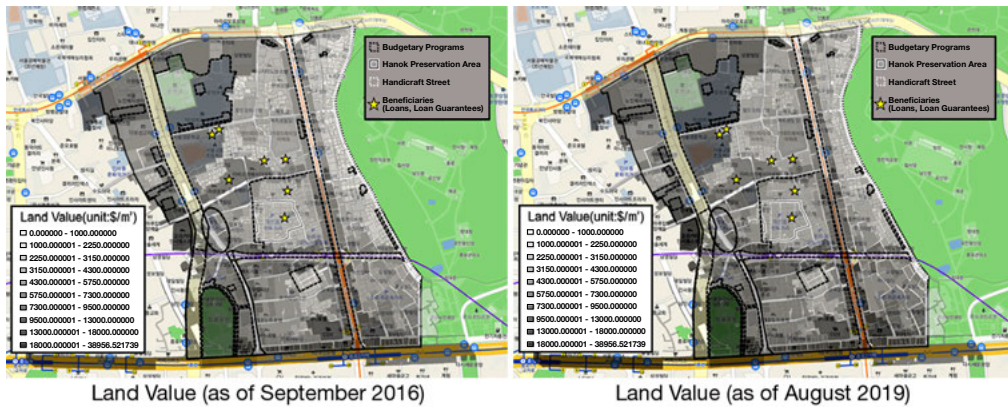
¹⁹ A minimum area unit for statistics set by Statistics Korea.

²⁰ Due to changes in the shape of some census areas, the number of census areas was 2,598 in September 2016 and 2,552 in August 2019. This study analyzes the 2,501 census areas that remained the same in 2016 and 2019.

Exhibit 18 shows the distribution of the land value, illustrating the increase in land prices from September 2016 (map on the left) to August 2019 (map on the right). To examine the changes in further detail, the fluctuation rate²¹ of the official land value was calculated.

Exhibit 18

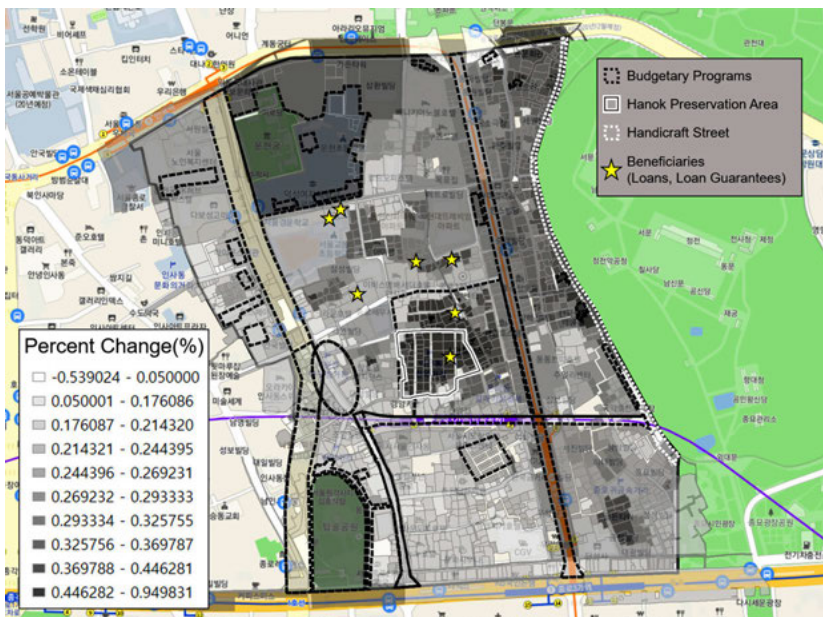
Distribution of Land Value in September 2016 and August 2019



Source: Background maps, Kakao Map

Exhibit 19

Changes in Land Value



Source: Background maps from Kakao Map

²¹ Fluctuation rate indicates (Land Value in August 2019–Land Value in September 2016) / Land Value in September 2016.

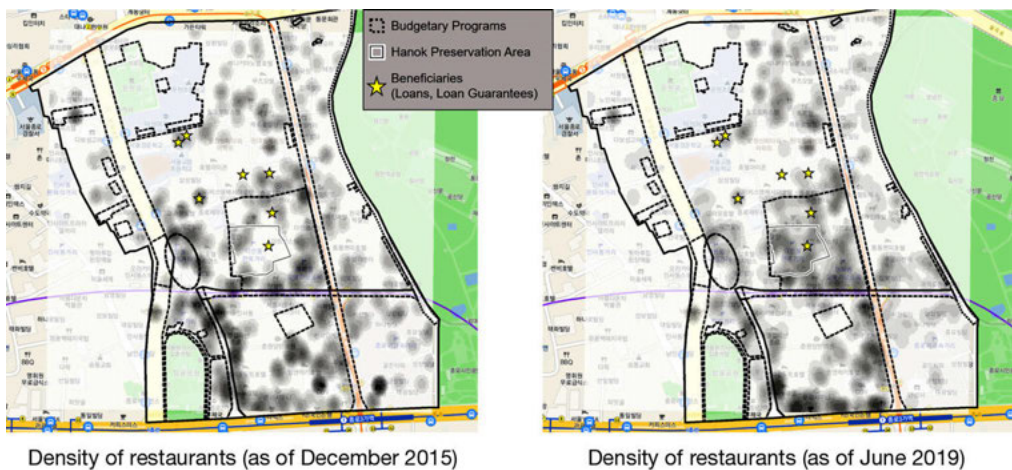
In terms of the land price, projects receiving grants, indicated by the darker dashed line in exhibit 19, have experienced minor positive change. In particular, the Hanok preservation area, outlined by the triple-line, has demonstrated the largest increase in land prices. The long commercial area connected from northeast to southeast, indicated by the dashed white line, is currently being developed as a handicraft street.

Lastly, the number of stores and their distribution was calculated to assess the effect of the urban regeneration project on revitalizing the local economy. Statistical data on the number of stores in the area of study in December 2015 and June 2019 were compared. The total number of stores in the case area was 1,756 in December 2015 and reached 1,893 in June 2019, demonstrating an 8.42-percent increase. The number of restaurants grew from 420 to 533, the biggest increase among all types of businesses. Retail stores increased 10.76 percent from 911 to 1,009, but other types of stores such as real estate agencies, laundries, and so on decreased from 415 to 351.

The number of stores has increased as a result of the promotion of the historic and cultural assets of the area, making it a tourist destination. Commercial growth has depended on location. Exhibit 20 illustrates the changes in the density of restaurants. The number of stores in Tapgol Park and Nagwon Arcade located in the southwestern part of the map has decreased. On the other hand, a new restaurant cluster has been formed in the Hanok preservation area.

Exhibit 20

Density Changes of Restaurants (Kernel Density)



Source: Background maps from Kakao Map

Hanoks, which were originally used for housing, have been transformed to all types of use, including restaurants, cafés, clothing and accessory retail shops, and recreation facilities, with the use of grants for Hanok repair and improvement and public financial support. Exhibit 21 shows how urban regeneration projects have changed the streets from March 2016 to January 2020.

Exhibit 21

Hanoks Transformed from Houses to Restaurants and Retail Stores, 2016 to 2020



Sources: NAVER Map (2016); Seung-Hyun Ha (2020)

Implications

Urban decline is caused by a variety of factors, and appropriate policy response requires a deep understanding of local assets and the socioeconomic context of the area. Because such regional characteristics and factors cannot be fully grasped at the national level, the Korean government requires each municipality to designate economically distressed areas and establish appropriate countermeasures for each area.

The urban regeneration revitalization plan seeks to supply anchor facilities and attractions and infrastructure improvements through intervention at the local level. The Korean government is promoting the smooth progress of these projects by providing grants and public financing.

In regenerating the Changdeokkung Palace area, Seoul City established the revitalization plan to enhance the economic vitality of the region while preserving rich historical and cultural assets.

The case study provides a model for overcoming obstacles that often delay or deter urban redevelopment, such as high land prices and conflict of interest among property owners, to achieve successful urban regeneration. The experience also offers an alternative to subsidy-dependent Korean urban regeneration projects in several ways.

First, public financial support removes some of the burden of the initial cost from the private sector. In other urban regeneration projects, public financial resources are dedicated first to

revitalizing the local industry, enhancing the regional asset value, and inducing greater demand for tourism, with the expectation that new investment from the private sector will follow. The approach highlighted in this article addresses the challenge of insufficient public financial resources to cover all costs required for urban regeneration projects and is aimed at ensuring the sustainability of the project.

Long-term loans at low-interest rates, made possible with public funds, expanding credit with loan guarantees for urban regeneration projects, and risk reduction, decrease the burden of the financial costs to the private sector and attract private investment. These policies are intended to share the burden for urban regeneration projects between the private and public sectors.

Second, preventing chain stores and restricting the types of businesses that can obtain permits to operate deters commercial gentrification and helps the area preserve its unique characteristics.

These gentrification countermeasures enable local communities to remain and keep their livelihoods and enable visitors to experience a unique commercial district²² that only this area can provide. In addition, the designation of the Hanok preservation area has enabled the preservation of Hanoks and the historical and cultural assets of the area. The public sector provides grants or loans with generous terms as compensation for potential losses that the private sector may suffer as a result of the preservation regulations.

This study offers a model for balancing preservation of historical and cultural heritage with local economic development, goals which are often thought to be incompatible. The harmony of public investment to revive the vitality of the region, supply financial support to attract private investment, provide proper compensation for private property losses, integrate historic preservation into urban planning, leverage cultural assets, and implement safeguards against commercial gentrification with targeted support for small local business and industry offers an innovative way to regenerate cities.

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Seung-Hyun Ha is a research fellow of the Housing Urban Finance Institute at HUG in South Korea.

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²² Tourists are attracted by restaurants, cafés, and retail shops in Hanok buildings found in narrow, irregular alleys. ("Ikseon-dong alleyway' more special because it is small," <http://opengov.seoul.go.kr/mediahub/11725820>)

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