

# **DEVELOPMENT OF NEW URBAN AREAS**

## **LESSONS LEARNT AND SOME PROPOSALS**

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It can be affirmed up to now that developing synchronous and modern new urban areas is the main direction of urban development in Vietnam. This is also considered to be the sustainable development trend.

HUD Corporation under Ministry of Construction has, over the past few years, successfully implemented a number of new urban area development projects and accumulated valuable experience. Participating in the 4<sup>th</sup> Asia Forum Conference, HUD would like to share the lessons learnt from its urban area development practices with member countries of the Forum.

### **1. Urban development situation in the past years**

Early 1990s when the government removed housing subsidies, a large part of housing areas was built by civilians. The prominent feature of houses during this period was that almost all of them were constructed spontaneously, without following any master plan. This housing practice resulted in a motley picture of urban architecture and insufficient infrastructure to meet the needs of the civilized and modern life. Biggest challenges to housing development enterprises in these years included:

- **Market**: Vietnamese economy in the beginning years of the renewal era faced with numerous difficulties, and experienced slow development, which led to low people's income and purchasing power. Therefore, in spite of huge demand, housing market was still viewed as a challenging one. Besides, enterprises had yet brought forward appropriate demand-pushing measures.

- **Capital**: This was the common difficulty of all domestic firms. Financial capacity of local enterprises was still limited. Their available capital resources were limited. Getting loans from banks and credit institutions was a challenge for them. Hence, almost all large-scale construction projects during this period got invested by foreign investors.

- **Policies and mechanisms**: Early after the removal of housing subsidies, no synchronous and appropriate mechanisms existed to promote the development of projects. Policies and mechanisms were gradually supplemented and formulated through practical implementation of projects.

Other difficulties in implementing new urban area development projects during the period may include site clearance, investment procedures, construction technology level, etc.

## **2- Achievements**

Established in the renewal era, facing with a series of difficulties, HUD, from the beginning steps of its development, has defined its main direction as to implement synchronous housing development projects and determined to constantly follow the direction. HUD's direction has been proved to be appropriate through a variety of effectively implemented projects. In these projects, houses, technical infrastructure, social infrastructure, and public service works were synchronously constructed in compliance with the approved master plan. These projects did make significant contribution to the formation of the model for developing modern and synchronous new urban areas. The model is currently studied by many provinces for appropriate application.

It should also be noted that HUD was the first corporation to launch and successfully implement the model whereby development of multi-story tenement houses goes hand in hand with provision and management of tenement services in many new urban area projects in Hanoi. The multi-story tenement model is now accepted by Hanoi city dwellers and widely applied in housing development projects in the city.

## **3- Lessons learned**

HUD has drawn the following important lessons from its practical experiences in implementing projects.

- First, new urban areas should be developed synchronously in accordance with the approved master plan. The new urban areas must sufficiently accommodate housing blocks (both high-rise and low-rise), technical infrastructure, social infrastructure, and public service works, etc., of which infrastructure should be paid top attention to and ensured its modernity. This serves as a crucial measure to make new urban area

projects more appealing and thus, facilitate the attraction of domestic investment as well as the promotion of investment in general and consumption.

- Second, regarding site clearance compensation, project investors need to harmoniously address three types of benefit, namely State benefit, laymen's benefit, and investors' benefit. Among these types, due attention should be drawn to benefits of people whose land has been taken back.
- Third, one of the factors which help differentiate new urban areas from other development areas is the provision and management of urban services. The provision and management activities are conducted right in the implementation process of new urban area development projects. Urban service management includes a wide range of work from maintaining environmental hygiene, and ensuring security and order within the borders of the area to managing master plan, and providing services to multi-story housing blocks (such as operating lifts, pumping water, collecting garbage, ensuring security and order for the blocks, keeping vehicles (bicycles, motorbikes, automobiles), cultivating surrounding trees, and providing sports, cultural, and recreation services, etc.). Managing services in new urban areas aims at creating a well-organized resident community, ensuring the quality of life and the refreshment for urban residents.
- Fourth, the development of new urban area projects always goes hand in hand with the development of multi-story tenements. Therefore, investors should diversify their business methods such as building houses for rent, for payment by installments, etc. to meet the accommodation needs of State civil servants and low-income people.

#### **4. Problems to be addressed**

The model of developing synchronous new urban areas has been spread nation-wide. However, some issues in the process of applying the model needs further attention and resolution.

- Master plans: A new urban area with modern and sound master plan will not only embellish the urban architectural picture but also bring socio-economic benefits to the State, investors, and residents. Nevertheless, the current procedure of working out new urban area master plans still lasts too long. Particularly, the outlining of detail plans requires two steps: setting up plans with scale 1/2000, then with scale 1/500. This cumbersome procedure causes the investment preparation phase unnecessarily lengthened.

- Capital: The capital market in Vietnam is still in the fledgling stage, hence, the mobilization of capital to implement urban development projects undergoes great difficulties. Banks and credit organizations have not actively involved in supporting the development of housing and land markets.
- Policy mechanisms: The policies of Vietnam on urban development prove to be appropriate and significantly promote the real estate market. However, the unstableness of policies and mechanisms presents challenges for the implementation of projects.
- Infrastructure: Generally, new urban areas now are constructed on the land sites which were previously used for agricultural purpose. There is almost no infrastructure in existence either on the sites or in the surrounding areas. When new urban areas are developed on such sites, there emerges the problem of infrastructure asynchronism between the project areas and the surrounding areas.
- Housing business: Since the abolishment of State housing subsidy, houses for people have been put in business with trading as the most popular transaction method. Due to the sky price of houses in Vietnam recently, only a small part of the population who enjoy high or medium income can afford houses. Low-income people find almost no possibilities to improve their accommodation conditions. The disparity in housing conditions among different classes of society has been quickly widened.
- Administration: Administrative management in new urban areas cannot keep up with the pace of development of new urban areas. Many new urban areas have been put into operation for several years but yet had an appropriate governmental agency to manage. The issuance of land-using right certificates and house ownership certificates still takes much more time than requested.

### **5. Some proposed measures to improve the model of developing new urban areas**

Based on the lessons learned from practical experience in implementing new urban area development projects and the above mentioned problems, HUD Corporation proposes the following measures to improve the model.

- The government should issue Decree on new urban area development to create a legal framework for the smooth and effective implementation of new urban area development projects.
- The formulation of master plans and detail plans for urban areas should be synchronously conducted to actively set aside land fund for new urban areas to ensure

the synchronization and modernity of the urban areas developed. Also, the formulation procedures of plans should be improved. Particularly, in the phase of formulating detail plans, only the step of setting up plans with scale 1/500 should be requested.

- Financial and banking sector, construction sector, and other manufacturing sectors should actively involve in or support the implementation of new urban area development projects. Special attention should be paid to housing development program for low-income people. Financial policies and mechanisms should be launched to provide housing loans to low-income people, supply investment capital for construction of main infrastructure works, provide long-term loans with low interest rates to investors to help them effectively control the process of constructing and trading houses of two types (i.e. houses for all people sold at business prices, and houses for low-income people sold at preferential prices (allowing for installment payment) or for rent).
- Local functional government agencies related to the new urban area projects such as transportation, electricity, water supply, water sewerage, post and telecommunication, environment, etc. should cooperate with investors of projects right from the start of the projects and work out plans to carry out investment in infrastructure works on the project sites or in the surrounding areas serving people residing in the urban areas at the same pace with the implementation process of the projects. This will help avoid the case where people move in the urban area to reside while the above mentioned infrastructure services are not sufficiently available.
- All government levels and sectors should study to improve investment procedures, especially the appraisal and approval of detail plans, appraisal of basic designs and technical designs. Approval procedures of investment projects should be improved as well to shorten the duration of implementing new urban area projects.

I have presented issues relating to new urban area development projects in Vietnam. I hope that my report could provide you with an adequate overview of the process of urban area development in Vietnam as well as share with you our experience in implementing urban area development projects. Thank you very much for your attention.