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A Review of the Law of Land Value Change under Different Urban Renewal Models

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Abstract:

With the continuous evolution of urban spatial structures, urban renewal has become a key path to improve land use efficiency and enhance urban quality. This paper systematically sorts out the mechanisms through which three typical urban renewal models influence land value. The government-led model drives significant increases in land value through large-scale spatial reconstruction; the market-led model, oriented toward efficiency and return on investment, facilitates rapid land appreciation; and the community participation model, which emphasizes cultural preservation and social integration, contributes to a gradual and sustained rise in land value. The results show that the impact of different renewal models on land value is significantly heterogeneous due to the difference in goal orientation and driving force, and it is difficult for a single model to take into account multiple development goals such as economy, society and culture. Therefore, it is necessary to further consider promoting the collaborative governance of multiple subjects and the integration of models to achieve the overall optimization of land value and the sustainable development of urban renewal.

Keywords: Urban renewal model; land value; government-led; market-led; community participation.

1. Introduction

As urban development enters the stage of "stock optimization", urban renewal has become the key to the sustainable development of cities in China and even around the world. The concept has evolved across countries and stages of development. In the early 20th century, physical demolition and reconstruction were first implemented in Western countries, with an emphasis on upgrading infrastructure and eliminating slums; However, with the increasing complexity of urban challenges, since the 70s of the 20th century, the connotation of urban renewal has gradually expanded, turning to emphasize comprehensiveness and organic character, and pay more attention to people-centered, involving community environmental improvement, economic reconstruction and neighborhood co-construction with the participation of residents, aiming to build a sustainable development model. In China, the concept of urban renewal originated from the highly dominated government during the planned economy period. After the reform and opening up, it gradually turned to the pluralistic co-governance of the government, enterprises and so-

ciety. China's urban renewal has undergone a transformation from focusing on material scarcity to renovating old cities, and then entered a period of large-scale expansion driven by the dual drive of the land system and the fiscal tax system. Since the beginning of the new century, China's urban renewal has entered the era of stock planning, and the focus has shifted from the pursuit of speed and scale to connotative development, quality improvement, and intensive land use [1].

In this context, urban renewal is not only a physical transformation, but also an organic redevelopment to strengthen urban resilience, upgrade residential conditions, and stimulate economic vitality. In the practice of urban renewal, land value has always been at the core, and its changes can bring fiscal revenue and investment, and affect the well-being of residents, which is an important criterion for measuring the effectiveness of renewal. However, the practice of urban renewal is diverse, with different intervention methods and goals, and the impact on land value may also show different patterns, which is complex and multi-dimensional. For example, while urban renewal brings value enhancement, it may also lead to problems such as gentrification, which leads to the exclusion of indigenous peoples, resulting in heterogeneity and complexity in the change of land value [2]. Although a large number of studies have provided valuable insights for the understanding of the field of urban renewal, and generally acknowledged its impact on land value, there is still a lack of systematic explanation and comparison of how different urban renewal models specifically affect land value, and the resulting differences in the law of land value change. In view of this, this paper aims to explore the law and internal mechanism of land value change under different urban renewal models through a systematic review and comprehensive analysis of the existing literature, so as to provide theoretical support and practical enlightenment for formulating more targeted urban renewal policies and optimizing land use patterns. It is also worth noting that other researchers have proposed similar classification frameworks, such as Cao and Deng, who divide urban renewal into government-oriented, production-oriented, and consumption-oriented [3]. This indicates that the classification based on dominant forces has certain universality and analytical validity in urban renewal research.

2. Literature Review

2.1 Government-led

In the pluralistic practice of urban renewal, the government-led model has attracted much attention because of its unique operating mechanism and significant impact on land value. At the heart of this model is that the government plays a decisive role in the reconstruction and functional optimization of urban space with its strong administrative power, policy-making capacity and control over key resources. As planners, investors and managers, the government usually has absolute control over the primary land market, closely combining urban renewal with land value appreciation, thereby directly or indirectly reshaping the value base of regional land. This dominance has enabled it to systematically intervene to drive rapid increases in land values.

2.1.1 Reshaping the value of location under the guidance of planning and policy

With its planning approval and policy-making powers, governments can make significant adjustments to the nature, intensity and use of land in a given area. For instance, the government can significantly alter the expected returns of land by converting inefficient land into high-value commercial or residential land, or by substantially increasing the floor area ratio of existing plots. This will directly enhance the potential value and market price of the land. The scope of this government-led increase in land value is often planned, systematic, and large-scale, rather than the spontaneous evolution of scattered land plots. Wang and Tsai's research further confirms that the government's urban renewal incentives, especially those for floor area ratio, can effectively increase housing prices, reflect the positive impact of policy guidance on land value, and accelerate the renovation process of old houses, so as to achieve regional land value improvement in a relatively short period of time [4]. At the same time, the superposition and interaction of multi-level spatial policies also have a profound impact on urban renewal and the changes in land value. As pointed out by Shen et al., the government, as a key promoter of the renewal of old residential areas, should improve relevant policies and clarify property rights in order to enhance cooperation among stakeholders and facilitate the revitalization of these areas [5].

2.1.2 Value-added capture under land bank and supply control

Under the government-led model, the government often strictly controls the supply of land through expropriation, reserve and transfer. This monopoly supply mechanism enables the government to effectively guide market expectations and convert the expected value added from renewal into fiscal revenue when land is transferred. Hu et al. further pointed out that under China's public leasing system, the government's value capture in industrial land renewal is not only realized through explicit land transfer benefits, but also innovatively introduces a "value constraint mechanism" [6]. By imposing restrictions on land use, planning conditions and transaction links, this mechanism indirectly captures and guides value-added benefits

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while ensuring that industrial land achieves public goals such as industrial upgrading. This centralized allocation of land development rights can quickly realize the manifestation and centralized improvement of land value, and provide financial support for the subsequent development of the city. In this regard, Land Readjustment (LR), as an important government-led land management tool, has effectively improved the developability and utilization efficiency of land through the integration and replanning of scattered land plots, and has shown the potential to reshape land value, especially in the upgrading of informal settlements [7].

2.1.3 The combined effect of financial investment and socio-economic development

Direct government investment is an important driver of changes in land values. In addition to infrastructure construction, the government may also guide social capital into specific renewal areas through financial subsidies and preferential policies. These inputs not only improve the regional environment and land material conditions, but also attract more market players to participate by creating a favorable investment environment, thereby further pushing up the market value of land. For example, Transit-Oriented Development (TOD), as an intensive and efficient urban development strategy, lies in the government's investment in transportation infrastructure, which can significantly increase the land value and capture value in the areas along the route, effectively supporting subsequent urban development [8]. In addition, government spending on culture, such as investment in cultural facilities, artistic activities and the preservation of historical heritage, can also have a profound impact on the socio-economic development of cities. The study of Zhou et al. revealed the positive correlation between cultural investment and urban socio-economic development, showing that cultural investment can enhance regional attractiveness and stimulate creativity, which in turn indirectly promotes the growth of land value and the overall vitality of the region [9]. The rapid improvement of the city's appearance and the economic agglomeration activities brought by this comprehensive government investment, as well as the socio-economic development and urban resilience improvement achieved by optimizing the urban structure and improving the level of public services, will ultimately be reflected in the continuous growth of regional land value, reflecting the reshaping of value at the macro level.

2.1.4 Risks and challenges

The government-led model also faces significant risks and limitations in the practice of urban renewal. A high degree of centralization of power may lead to a lack of sufficient market flexibility and public participation in the decision-making process, which in turn affects the ultimate benefits and social equity of the project. Shen et al., in their study of the interaction between civil affairs in China's urban renewal, pointed out that local governments often do not respond in a timely manner when dealing with administrative matters such as "information disclosure" and "livelihood issues", which affects the efficiency of government response [10]. This lack of administrative efficiency and slow response may not only reduce the transparency and accountability of urban renewal management, but also delay the resolution of the problem due to cumbersome procedures and bureaucratic obstacles, thereby triggering public dissatisfaction and increasing the social costs and risks of project implementation. In addition, over-reliance on administrative power can lead to rigid planning, reduced investment efficiency, and damage to the urban fabric and community culture in the pursuit of economic efficiency.

2.2 Market-led

The market-led model takes private capital and market mechanisms as the core driving force, which is different from the government's direct planning and administrative intervention. It is mainly initiated by landowners, developers and investors, and aims to maximize economic benefits and rapid increase in land value through urban space redevelopment, renovation or functional upgrading. In this model, the role of government shifts to that of policymaker, market regulation, and infrastructure provider, indirectly guiding market behavior through regulations, tax incentives, and land supply. This model is prevalent in areas characterized by mature market systems and market-oriented land elements, which in turn facilitates the effective deployment and improved efficiency of land resources through competitive dynamics.

2.2.1 Value maximization driven by private capital

In a market-driven model, private developers and investors are the main implementers of urban renewal projects, and the core drivers of their decision-making are profits and return on investment. By evaluating the location advantages, development potential, market demand and policy dividends of the plot, they select the most economically valuable renewal projects for investment. This profit-seeking nature allows capital to flow quickly and efficiently to areas that generate high value and returns. In the process of urban land redevelopment in China, land price (i.e., the "Rent Gap" between the potential value of the land and the existing value) has proven to be a key factor influencing the choice of redevelopment land by market players. Developers will give preference to those land plots with high land price potential and high value conversion to maximize profits [11].

2.2.2 Market-oriented allocation and efficiency improvement of land elements

The market-led model also shows significant characteristics in terms of the growth rate of land value, which is mainly due to the market-oriented allocation of land elements and the ultimate pursuit of efficiency. Under the perfect land market mechanism, as a factor of production, the flow and allocation of land follow the laws of the market. Private developers acquire land use rights through land transfers, mergers and acquisitions, or cooperative development, and develop according to market demand and their own strategies. This market-oriented circulation mechanism helps to shift land resources from inefficient uses to high-efficiency and high-value-added uses, thereby promoting the intrinsic improvement of land value. Wang et al. pointed out that in transition economies such as China, the market-oriented land governance model effectively improves the performance of urban land redevelopment and optimizes the efficiency of land resource allocation by introducing the principles of competition and efficiency [12]. This efficiency improvement is not only reflected in the speed of physical space transformation, but also in the economic output of land and the driving role of regional development, injecting strong market vitality into urban renewal.

2.2.3 Risks and challenges

Although the market-led urban renewal model has shown significant advantages in driving economic growth and increasing land value, its over-pursuit of economic benefits also brings a series of risks and challenges that cannot be ignored, especially in terms of social equity and public interest. The study by Xiao et al. clearly shows that urban renewal involving market mechanisms is significantly positively correlated with gentrification [2]. This means that in order to maximize economic returns, private developers often tend to renovate existing low-income communities, resulting in sharp increases in property prices and rents, forcing indigenous residents to evict because they cannot afford it, thus severely undermining the diversity, social equity, and cultural fabric of the community.

2.3 Community Participation

The community participation model views urban renewal as a bottom-up process. At its core, it is about empowering local residents and community organizations to be key actors in planning, decision-making and implementation. Rather than being led by the government or the market, the model is people-centered and focuses on the socio-cultural values of the community, the well-being of residents and sustainability, with the government playing the role of coordinator and supporter.

2.3.1 Core values and benefits of community participation

At the heart of the community participation model is to empower residents to transform from passive recipients to new active actors and decision-makers, so that the solution can accurately respond to real needs and build a more humane and belonging community space. This model serves not only as a democratic instrument but also as a fundamental challenge to, and restructuring of, the traditional urban renewal paradigm, which has long been dominated by economic-efficiency-first logic and top-down decision-making structures. It activates endogenous community forces to generate social and communal values that go beyond mere economic gains, such as strengthened neighborhood ties, cultural preservation, and enhanced residents' sense of identity. For example, residents' participation in the design of the built environment can significantly improve the social sustainability of a project [13]. At the same time, the community participation model is often carried out in the form of "Micro-regeneration ", and its core characteristics are small-scale, gradual, focusing on cultural heritage protection and the deep participation of residents. Wang et al. discuss in depth the practice of "Micro-regeneration" in the Chinese context, emphasizing how it can achieve the revitalization and regeneration of a specific area in an old urban community through fine-tuned operations and resident participation [14]. This small-scale, highly focused approach to regeneration means that its direct land value enhancement may be relatively limited in spatial extent and the rate is usually more moderate. However, although the economic value added may not be as significant as in large-scale regeneration projects, the contribution of this model in enhancing the livability of the community, preserving the local character and enhancing the well-being of the residents is unique and far-reaching, and gives the land a richer social and cultural value, reflecting its very high value density and sustainability in a specific area.

2.3.2 Risks and challenges

Although community participation offers many advantages, it also faces numerous challenges in practical implementation. Not all residents have the time or energy to participate, nor can their views always be genuinely represented. This can lead to the voices of only a few activists or specific groups being amplified, while the voices of those who are truly vulnerable are ignored. While community participation sounds positive, sometimes it can also be exploited by powerful external forces, such as governments or developers, as a tool for them to make some financially motivated renewal projects seem more "reasonable". For example, Waymer & Hill's research reveals that what appears to be positive urban renewal propaganda and discourse may actually be accompanied by the displacement of community residents, such as African Americans, exposing how social values can be squeezed by economic interests in the context of unequal power [15]. In the com-

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mercial renewal of old residential areas in China, similar situations often lead to violent social contradictions, and some studies have analyzed the solutions to these conflicts from the perspective of public value, but they also often illustrate the fundamental contradiction between commercial interests and residents' public interests, making it difficult to effectively solve the underlying problems even with the participation of residents [16]. It can be seen that in practice, the community is often relatively weak and may face the challenge of insufficient resources, expertise and organizational capacity. Therefore, in order to give full play to the potential of community participation and overcome these limitations, Lu, Qiu, & Wu emphasized the importance of optimizing the governance of urban community renewal, and advocated that the governance efficiency should be improved through adaptive improvement, especially under the framework of multi-subject collaborative governance, through the effective coordination of government, market, and social forces, in order to better adapt to the dynamic needs of the community and achieve a more ideal renewal effect [17].

In summary, this study constructs a conceptual model diagram as shown in Figure 1 by systematically combing and analyzing the literature related to urban renewal patterns and land value changes. The model aims to visualize how the multiple practices of urban renewal act on the reshaping of land value, and ultimately lead to the optimization and sustainable development of land value.

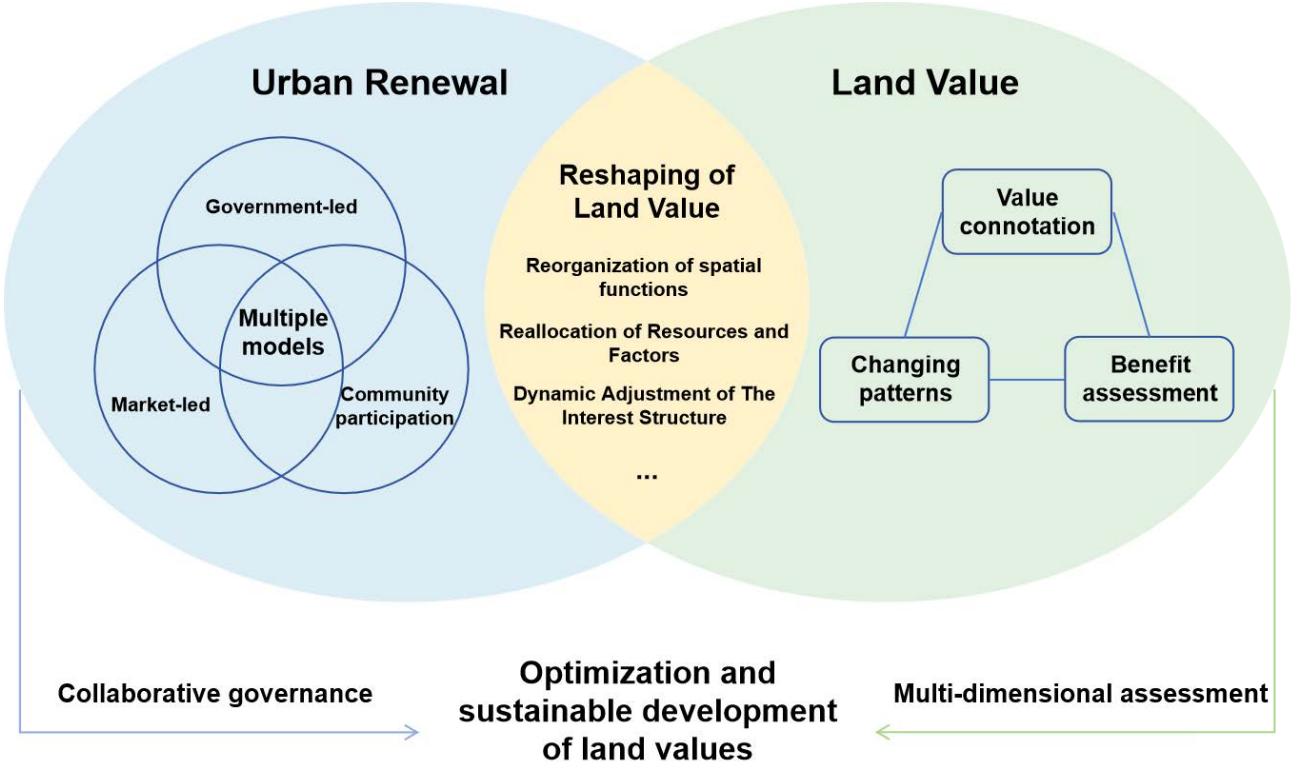

Fig. 1 Conceptual model diagram of urban renewal and land value change research

3. Comprehensive Comparison and Analysis

3.1 The Difference in the Rate of Growth of Land Value between the Three Types

In terms of the rate of land value growth, the market-led model can usually achieve the fastest manifestation and improvement of land value due to its extreme pursuit of efficiency and rapid capital liquidity. Although the government-led model, with its strong administrative power and policy incentives, can quickly start the project and create value-added potential at the initial stage, it may be limited by the administrative approval and fiscal cycle in terms of overall value release efficiency and short-term rate. In contrast, the community participation model is characterized by the small scale and gradual characteristics of "Micro-regeneration", and its value increase rate is usually the most modest.

3.2 The Scope of the Three Types for the Increase in Land Value

The "scope" of land value enhancement under the government-led model shows obvious planning, systematic and

large-scale characteristics, aiming to guide the reshaping of regional value at the macro level. The market-led model focuses more on the value concentration of local high-potential areas, and its scope is driven by the potential of market land prices. However, due to the high focus of "Micro-regeneration ", the community participation model usually has the smallest scope of direct economic value appreciation, and mainly serves the suitability improvement of a specific community.

3.3 Differences in the Three Types of Drivers

There are fundamental differences in the driving forces of the three urban renewal models, which directly determine their renewal goals and implementation paths. The core driving force of the government-led model is its administrative power, planning guidance, and public financial investment, which aims to realize the reconstruction of urban space, optimize functions at the macro level, and provide financial support for urban development (e.g., through land reserve and supply control, and financial investment in infrastructure). The market-led model focuses on private capital and profit maximization, and drives land redevelopment through the pursuit of the "Rent Gap" in land prices, in order to obtain high economic returns. The community participation model is driven by local residents and community organizations, with a core focus on enhancing the socio-cultural values, well-being and long-term sustainability of the community, rather than purely economic benefits.

3.4 Pattern Reflection

In the practice of urban renewal, although various models (government-led, market-led, and community participation) have their own driving advantages and can excel in specific aspects (such as economic efficiency, macro development, or socio-cultural values), the limitations of a single model are also becoming increasingly prominent. Therefore, in the future practice of urban renewal, it is necessary to carefully weigh the benefits, actively explore the path of multi-agent collaborative governance, and establish a comprehensive evaluation system covering multi-dimensional values such as urban function optimization, human settlements environment improvement, and community resilience enhancement, so as to achieve a balance and sustainable development of economic, social and environmental benefits.

4. Conclusion

This study systematically sorts out the changes of land value under different urban renewal models, and finds that the current urban renewal mainly presents three coexisting models: government-led, market-led and community participation, which are driven by administrative resources, capital profit-seeking motives and social demands, reflecting different development goals and value orientations. The impact paths of the three models on land value show significant heterogeneity: although the market-dominated model can bring rapid economic value-added, it is accompanied by social risks such as gentrification. The government-led model is suitable for large-scale systemic transformation, but it faces the problems of efficiency and resource allocation. However, although the value of the community participation model has been slow to increase, it pays more attention to social and cultural sustainability.

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