

# New Urban Area Projects

## A Major Solution for Housing Development in Hanoi

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### Introduction

Hanoi is the capital of Vietnam with a total area of 927.39 sq.km and a population of 2.7 millions people. Through nearly 1,000 years of foundation and development, Hanoi embedded many vestiges and the Ancient quarter as well as French colonial quarter, which need to be reserved. Being the center of politics, culture, technology and economy together with auspicious position, Hanoi has much advantage to become a modern and civilized metropolis.

After 15 years of Renovation (since 1986), the economy of Vietnam in general and Hanoi in particular has created remarkable achievements. Incomes and living - standard have been visibly improved. In 1999, per capita GDP of Hanoi was 720 US\$ in comparison with 625 US\$ of 1996. Together with the socio-economic development is the increase in population mainly caused by the rural-to-urban migration. This has resulted in an increasing pressure on housing demands: In 1996, per capita living land was 22.75 sq.m. but in 2000, it reduced to only 14,1 sq.m. It is forecasted that up to the year 2010, the population of Hanoi will be 3.9 million. The sharp increasing in population and fast growth of economy has caused a so-called "Spontaneous boom of housing construction". This has caused many difficulties for urban development and management. Renovation and new construction of houses are mostly carried out by households with their own funds and are based on their own preferences. These construction activities have not often complied with the overall planning and regulations. This results in a visual cacophony in the overall architecture of the city and the waste of land. These problems require the Municipality of Hanoi for a good policy on land and housing development.

In 1998, a Housing development programme to 2000 was formulated. Within 3 years implementing it, up to now, total area of newly built houses had reached over 1.2 millions sq.m., equals to 83% of that of 7 years before. The 1999 general population and housing census revealed that the per capita living area in Hanoi was around 8 - 10 sq.m. and doubled over the past 10 years.

To avoid unplanned housing development, a new policy of housing development through new urban area projects has been set up. New urban area is a quite new concept in Hanoi, which refers to the site developed with synchronized infrastructure system and public facilities mainly for residential land and housing. After a long experimental period with some projects, this model of housing development through new urban area projects has been widely applied and became a major part of the Housing Development program of Hanoi from 2000-2010. It is also considered to be an adaptable solution for the Municipality to overcome the housing shortage as well as to realize and manage the plan of the City.

However, through some projects have being carried-out recently, shortcomings have been started to expose:

- Risk of over supply, for the lack of market research.
- Inadaptable policy for vacant possession and compensation.
- Inadequate concern in affordable housing for low -incomes.
- Poor planning and building management system.
- Inadaptable house model.

With some years experience working for Housing and Urban Development Corporation (HUD), in this paper, I would like to present and discuss on the policy for housing development through new urban area projects of Hanoi and use some of our projects for illustration. Its positive results as well as shortcomings will be

analysed. Finally, I will conclude with some proposals concerning the process of legalisation and some measures to improve the policy of housing development in Hanoi.

## The Policy for Housing Development through New Urban Area Projects

### New Urban Area Project:

As defined as above, New Urban Area Project are implemented by developers with synchronized infrastructure system (road, sewage, water supply, electricity, etc.) and public facilities (sub-district committee, police station, kindergarten, market, health centre, etc.). Public facilities are the major difference of new urban areas in comparison with new living quarters, which are invested only for residential land and housing.

Beside residential land and housing, other kinds of service buildings are included, such as: commercial building, hotel, leisure centre, etc. or even non-toxic industrial areas. These should be planned in accordance with the detail plan of the locality, where the new urban area projects are located.

### Classification

- Small scale: Less than 20 ha
- Medium scale: From 20 - 200 ha
- Large scale: Over 200 ha

### The Implementation Procedure

The municipality appoints the developer (governmental or private sector) to invest in the project. The developer is responsible to pay for the land-use-fee and rental fee in accordance with existing laws and regulations. After receiving the Approval for planning, Building permit and other relevant documents, the developer can start the construction works, such as: levelling the site, building infrastructure system, etc in the first phase.

In the second phase, the developer can sell the land-use-right to buyers, who can build their houses on the land they bought. The developer can also build up houses on the land and sell them then. Whether the houses built by the developer or buyers, the construction must in compliance with the planning regulations of the project. With service buildings (commercial buildings, hotels, etc), the developer can build them for business or sell the land-rent-right to other investors.

After finishing the project, the developer will transfer the infrastructure system as well as the land for public facilities to the Municipality. The developer can also use the land-use-right fee as a State budget source to build some essential public facilities if it is accepted by the Government.

### Capital Mobilization

Capital for a new urban area project is usually much higher than working capital of the developer. To mobilize enough capital, the developer can make use of different financial sources, such as: State budget source, preferential loan, commercial credit loan, project bond and other types of mobilization. Each kind and their proportions are decided depending on situations. However, mobilization by advanced payment of buyer is the most important. Advantage of this kind is that the developer can mobilize a large sum of money but he does not have to pay the interest. In the projects that have been implemented by my corporation, this kind of capital mobilization often makes up more than 70% of the total capital.

### House Types in New Urban Area Projects

In recent new urban area projects, there are three types of house as follows:

- Row house: This type of house usually takes a largest proportion of housing in these projects with 4 – 5m in width, 12 – 16m in length and 3 – 4 stories. It is the most preference of Hanoian in present.
- Villa: only affordable for high-incomes with average area from 200 - 300 sq.m.
- High-rise condominium: 9 – 12 stories high, equipped with elevators, this type of house is gradually applied and popularised in new urban area projects. To avoid from shortcomings of former types of apartment building in the centrally planed

period, the apartments in these condominium are designed to be adaptable for a modern life of people. The ground floor is used for parking and public services.

## New Urban Area Projects and Housing Development Program 2000-2010 of Hanoi

The Municipality - Hanoi People's Committee and other authorities have defined a Housing Development Program for the period of 2000-2005 and 2000-2010 based on the Master plan of Hanoi. Housing development through New Urban Area Projects is considered to be the major solution for the implementation of this program.

In accordance with the Master plan of Hanoi City to the year of 2020 approved by the Prime Minister, Hanoi is divided into 3 parts for developing: restricted development zone, extended development zone and new development zone.

The restricted development zone is the Centre of the City, embedded by the ring road N<sup>o</sup>2 and the right bank of Red river. This zone has an overcrowded population. At the same time, its infrastructure system is weak and insufficient. Moreover, this zone covers the Ancient quarter (also called 36 streets quarter) and French colonial quarter, which need to be preserved. The main target for this zone is to decrease the living density of this area by creating new housing areas outer to attract people to move out. There are also many living quarters with hundreds of rundown apartment buildings. Some of them are dangers for people living in. Renovation or new construction for such apartment buildings is one important task in the Housing Development Programme of Hanoi.



Figure1: Plan of New Urban Area Projects of Hanoi (2000 - 2010)

The extended development zone is on west and south of the city and lies along the ring road N<sup>o</sup>3, which will be built in this year. In this zone, tens of average and small scale New Urban Area Projects are in process of construction or are being planned such as: Linhdam lake development project (184 ha), Hanoi Ciputra

Westlake (400 ha),etc. The most popular are projects with average scale varying from 10 - 50 ha like Dinhcong (35 ha), Mydinh (26 ha), Thanglong International Village (10.2 ha), Trungyen (37.05 ha),etc. The most distinguished characteristic of this zone is that there is much agricultural land in between the existing living quarters. It is suitable for new urban area projects of average scale.

The new development zone is on the left bank of Red river includes the Red River North New City (8,800 ha) and other projects of outer districts with a view to form a new city of 1,000,000 people by using ODA (Overseas Development agency) capital source funded by Japanese government. Land-base of this zone is mostly agricultural land but some industrial and processing zone have been developed.

In accordance with the Master Plan, land stock of Hanoi will be 22,807 ha in 2010, equals to 131% in comparison with that of 2000. This also means that, Hanoi's housing stock will increase more than 10 millions sq.m.

However, the existing City is covered by agriculture land and the reserved land for the future use was almost used up. Therefore, for housing and urban development, the Municipality has only one choice to confiscate the agriculture land, which was lent to farmers before and relocate them to other places. This, of course, will seriously affect their life. In order to help the farmers to establish a new life after relocation, the Government and the Municipality have established policies for Acquisition of land, relocation and compensation but in fact, they are not adaptable to the reality.

## Projects carried-out by HUD

HUD was appointed by the Municipality to implement 2 experimental projects: Linhdam Lake Development Project and Dinhcong New Urban Area Project.

Though these projects have not been finished yet but they were highly appreciated for their success both in financial and social aspect. Since then, this model of housing development through New Urban Area Project has been widely applied in Hanoi and other cities.

### 1. Linhdam Lake Development Project (184 ha):

Only 7km to the South from the city centre, Linhdam lake development project is considered to be a nice resort with beautiful landscapes, cultural and historic heritages surrounding and a natural lake with 74 ha wide.



Figure 2: Overall view of Linhdam Lake Development Project

The project has been designed to be a commercial and housing area with high standard infrastructure system, such as: convenient road access, separated drainage and sewage, underground power supply cable, etc. Beside that, green parks round the lake and resident spaces as well as leisure complexes and public service project

were invested at the beginning to enhance the attractiveness of the projects. All forms there a green and beautiful area that can responds to the requirement of a modern urban area.

In the project, there are three types of house: row house, villa and high-rise condominium, with total slab area of 400,000 sq.m. (about 1,000 units). Especially, the type of high-rise condominium takes a fair large ratio of residential area stock of the project (37%). The first 9-stories condominium of Hanoi was built there as an pilot for this type of house. It was equipped with elevators, garbage collecting system, etc. The ground floor is used for public and commercial facilities. Its apartment varies from 60-96 sq.m. with 1-3 bedrooms. Structure and spatial of the apartments were designed to be adaptable to modern life-style of Hanoian and to overcome the shortcoming of former styles. As a result, all apartments were quickly consumed by people.

In Linhdam Lake Development Project, at the first time, the land-use-fee has used as State budgeted capital source to build public facilities, such as: sub-district people's committee, police headquarter, kindergarten, etc... This mechanism has helped the developer to build the most important public buildings as well as to speed up the progress of the project.

*Major figures of Linhdam Lake Development Project*

N	Items	Area (m <sup>2</sup> ) (ha)	Density (%)	Ave floor number	Total slab area (m <sup>2</sup> )
1	Lake	732.600			
2	City road	36.000			
3	Access road	203.700			
3	Parking area	10.500			
4	Public area	72.800	30.18	13.45	
5	Cultural places	16.800	40.10	2.23	
6	Vestige	12.800			
7	High-rise condominium	78.100	24.30	14.16	268,700
8	Villas	65.200	26.65	3.00	52,100
9	Row house	68.100	43.98	2.43	72,700
10	Kindergarten	4.700	24.83	2.00	
11	School	9800	19.76	2.91	
12	Training center	2.200	30.98	9.00	
13	Communal buildings	3.800	29.74	3.00	
14	Greenpark	283.800	2.98	1.15	
15	Existing village	239.100	2.98	1.15	
	<b>Total</b>	<b>1 840.000</b>			



*Figure 3: Green park and the 9-story condominium in Linhdam lake development project*

## **2. Dinhcong New Urban Area Project (35 ha):**

Located in an area with high velocity of urbanization in the South and 5 km away from the city centre, the project is very favourable to become a modern residential area.

There are three types of house in the project: row house, villa and high-rise condominium with total slab area of 330,000 sq.m.

The most distinguished success of this project is the Acquisition of Land and Compensation. We have closely coordinated with local unions and authorities to



find out the most sensible agreement with households, who have their land and houses withdrawn. Further more, beside the compensation rate regulated by the Government, we have also granted these households capital in order to help them to change their economic structure. Fourteen production groups were formed correspondingly to their abilities. The grant was transferred to and managed by local authority on the basis of supporting program, which was discussed and agreed by households. By that sentimental and reasonable policy, the Acquisition of land in this project was done promptly.

Major Figures of Dinhcong New Urban AreaPproject

N	Items	Area (m <sup>2</sup> )	Density (%)	Ave floor number	Slab area (m <sup>2</sup> )
1	City road	43,044			
2	City public area	11,328			
	- Hotel	6,038	33.5	10.9	
	- Terminal	3,070			
	- Petrol service	2,220		1.0	
3	Offices	7,276			
	- Office building	2,276	42.8	3.1	
	- Health care center	5,000	40.5	3.1	
4	Non-toxic light industrial area	11,848	33.3	3.1	
5	Parking area	7,497			
6	Living area	156,150	45.1		
	- Row house	76,720	46.2	3.0	106,300
	- Villas	21,450	30.0	3.0	19,300
	- High-rise condominium	57,980	35.4	10.2	210,000
7	Public service building in residential quarter	269,007			
	- School	16,340	20.0	2.5	
	- Kindergarten	14,978	23.5	2.0	
	- Market	6,379	39.2	3.0	
	- Communal office	2,686	29.4	2.1	
	- Club	2,342	38.2	1.5	
	- Greenpark	12,350			
	<b>Total</b>	<b>350,000</b>			





Figure 4: Views of Dinhcong new urban area project

## Actors

Although all sectors are stimulated to participate in Housing Development program of Hanoi, but up to now, only the Government and local authorities as well as state-owned companies are the major actors taking part in this.

### The Government

The Government is the only landowner in accordance with Land Law (approved in 1992). It plays a role as a general manager, facilitator and stimulator in housing development with specific functions:

- Evaluate and approve for master plans of the City.
- Evaluate and approve for large-scale project.
- Promulgate general policy for land and housing, degrees and laws, which are relevant to housing and land matters.
- Set up priority policy, including taxation, land-use-fee, and subsidy in order to stimulate other actors taking part in housing program for low-incomes.

### The Municipality - Hanoi People's Committee

As result of decentralisation, municipalities and Hanoi People's Committee have the right to set up housing development program, manage and provide measure for its implementation through following activities:

- Define housing development orientation and policy.
- Appoint developers and provide land for them to implement new urban areas in compliance with the Master plan and Housing development program of the City.
- Manage the planning of the City and housing development activities.

- Stimulate and co-ordinate other actors involving in housing development activities.

## Housing Development Board (HDB)

HDB plays a role as a consultant for the Municipality in setting up and managing the implementation of Housing Development Program and Housing policy. At each 2 weeks, HDB arranges meeting with the developers of new urban area projects in order to discuss on problems appeared and work out extricable solutions.

## Architect in Chief Office of Hanoi

Architect in chief's Office was set up with major task is to establish and manage the master plan and detail plan of the City. It also assists the Municipality to manage the implementation of the New Urban Area projects by:

- Introducing location for the project
- Evaluating, approving and supervising for the plan of the New Urban Area Projects

## Developers

All developers including state-owned organisations and private sector are stimulated to engage in Housing Development Program with specific activities:

- Carrying out the vacant possession, relocation and compensation for households, whom have land and houses confiscated.
- Implementing the project: building infrastructure and housing as well as service buildings.
- Selling resident land and houses to people.
- Managing the planning of the project.

However, due to poor ability in management and economic potential, private sector is not able to invest in new urban area projects. They can only take part in design process and construction activities for that.

## Foreign partner

Affected by the Asian economics crisis in 1997-1999, Foreign Direct Investment (FDI) on housing as well as other sector has visibly reduced. Recently, there are some foreign partners engaging in by funding like JICA (Japanese Investment Cooperation Agency) and KOICA (Korean Overseas Investment Cooperation Agency) in the Red River North New City Project or by investing like Ciputra Corporation (Indonesia) in Hanoi Ciputra Westlake project.

## Buyer

People can contact directly with the developers to buy the land-use-right of the plots, where they can build their houses. Otherwise, they can buy the houses constructed by the developers. At the beginning of the projects, the buyers can register with payment in advance to have priority to choose the location of the plots or to decide the design of the houses. In this case, they play an important role as capital contributors.

## Analysis

### Positive Results

#### **Large Distribution for the Housing Stock of the City**

It is estimated that, new urban area projects will provide more than 10 million sq.m of slab area for housing stock of Hanoi to the year 2010. This large quantity will be adequate for the increase in habitant of Hanoi (1.2 million in comparison with that of present).

The type of multi-story condominium has gradually been developed and popularised. With modern, self-help contained apartments and equipped with elevators,



parking and service areas on ground floor as well as public services, those new ones has quickly provided a large sum of living stock for the majority of Hanoian.

### **Good Solution for the Municipality to Realize and Manage the Planning of the City**

To develop the City, the Municipality needs to mobilize resources from the developers. In new urban area projects, the developers not only invest for housing but also for infrastructure system and public facilities with up-to-date standard. By that way, the City is developed step by step. Further more, infrastructure system in these projects are synchronously built, so that it is possible to avoid from phenomenon so-called “digging-filling-digging”, what often happens in the existing cities of Vietnam.

Moreover, detail plan of these projects are evaluated, approved and supervised by the Architect in Chief Office. Therefore, the Municipality can strictly manage the development of the City.

New urban areas are also considered to be attractiveness point to decrease the inner city density by offering high living standard and sound environment.

### **Environmental Development and Management**

In new urban area projects, Green Park is always taken into consideration for sound environment. Beside, infrastructure system is designed and constructed with latest standard such as separated drainage and sewage system, water treatment units, etc. This allows people to live in good sanitary conditions.

## **Shortcomings**

### **Risk of Over-Supply**

Housing demand is always rapidly increasing in such capital city of developing country like Hanoi of Vietnam. However, the affordability for buying house is a question. In accordance with the Housing development program of Hanoi, more than 10 million sq.m. of housing will be created through new urban area projects. But who will be able to consume that great amount while the majority of Hanoian cannot afford to buy them? A proper answer has not been given yet. Insufficient market orientation might let to an over supply crisis in the future and the waste of social resources.

### **Inadaptable Policy on Acquisition of Land and Compensation**

The most difficulty for the implementation of the New Urban Area Project is issues of Acquisition of Land and Compensation. As explained above, the existing of Hanoi is covered by agricultural land, therefore, to develop the City, it is not avoidable for the Municipality to acquire the cultivated land from the farmers, although the withdrawal of that land means cutting off livelihood of the farmers. Moreover, compensation rates regulated by the Central Government and local authorities are often far lower than the reality. Therefore, it is difficult to reach a sensible agreement concerning the compensation between developers and farmer households, who lost their cultivated areas. It is the main reason of long delay of almost New Urban Area Projects, which require a large area for the site. This issue has caused many difficulties for the developers.

Life after relocation of the farmers is another serious issue. Relocated in strange areas, they have difficulties in restabilizing or establishing their new life because they do not have land to cultivate or can not find new job unless they are supported effectively.

### **Poor Management System**

Management of planning as well as quality of houses in new urban area projects is still a problem. In many projects, the developers have played a role as main contractor only, for their poor ability and experience in management as well as their weak economic potentials. In these projects, planning and design work as well as management were not paid much attention. In some case, after taking over the sites, they have divided land into plots and sold it right away to people without investment in infrastructure and planning management.

Solution for prevention of speculation is not effective. It is said that, new urban areas are good material for a sound real-estate market, but in fact, there is still a black market, where speculator can earn a lot of benefit by “buying – selling” procedure.

### **Inadequate Concerns on Affordable Housing for Low-incomes**

According to Hanoi Housing Development Board, about 440,000 sq.m slabs will be provided to low-incomes by new urban area projects in the period of 2001-2005 but their affordability to buy these houses was not mentioned.

In the New Urban Area Projects, housing for low-incomes has not been paid enough attention. Such is reality, that with the per capita annual income at 350 US\$, a normal house in these projects, which cost about 25,000 US\$ (land cost included) is still an unreal dream for the majority of Hanoian, especially for the low -incomes.

In some New Urban Area Projects, a few programs of housing for low -incomes had been designed or implemented but they was not adaptable to the affordability of the low -incomes:

- In program of paying by installment with low interest: People cannot afford to pay both down payment and annual principal and interest.
- Vertical houses for low-income: For these houses, the developers are exempted from land-use-fee and deducted 50% of income tax. But in fact, the average price for 50 sq.m apartment (10,000 US\$) is still expensive for low-incomes.

If, the prices of houses in these programs are still unaffordable for the low -incomes, it is caused by the lack of feasible research for low -price building material and subsidy policy.

### **House Types**

There are many irrational issues on existing house types on the New Urban Area Projects:

- Type of the row house with 4 - 4.5 m in width is very popular and it has taken the largest ratio of living land in new urban projects. This type has continuously caused a great waste of land as well as the visual cacophony of the city.
- Condominium type has been widely popularised, but in practice, there are still many defects in design and building process, such as adaptable sizes of apartment for different households, ventilation and daylight, area for drying, material, etc.

Further more, there is lack of communication between the developers and the consumers about design and construction of the houses or the apartments. Therefore, when people move in, they usually destroy some parts of their apartment to make changes.

## **Proposals**

### **Market Research**

The Municipality should redefine correctly and systematically the market orientation within coming 10 years on housing in order to readjust the implementation of new urban area with different priority to avoid the over supply. Moreover, low income group should be taken into consideration to be not only subsidized group but also a potential market share.

### **Policy on Land Acquisition and Compensation**

The Government should soon promulgate a Degree on Compensation and Vacant possession as well as a new frame on land price, which corresponds to the reality. It is necessary that the Municipality should incumbent local authorities to take responsibility of this work in their localities.

For people, who have their houses or cultivated land withdrawn, relocation and rehabilitation programs should be considered carefully. Resettlement site should be identified before implement ting the project. It also should be equipped with adequate infrastructure, public facilities, social service and job opportunities. If possible, it is better to relocate them right inside the project for their convenience in living.

### **Management**

A Degree and regulations on new urban development and management should be soon established, which classify and regulate the scale of projects corresponding to developer's capacity and help local authorities to strictly manage the implementation of new urban area projects.

### Affordable Housing for Low-incomes

To have affordable houses for low-incomes, the Government and the Municipality should encourage other actors to take part in with favorable conditions, such as exempting from taxes and fees. In some case, they should subsidize for the infrastructure and the land.

Otherwise, the Government should allow local authorities to use the source from selling public rented houses to build low price houses or rental houses for low-incomes.

There is an experience of housing development for low-incomes from Malaysia, where the Municipalities confiscate a sensible percentage of land or housing stock of new urban area projects and use it for building affordable houses for low-incomes. This can be considered to be a condition for any developer, who wants to get the site from the Municipality for his project.

Material as well as housing for low-incomes programme should be studied and applied to the reality in the feasible way, not only on the table.

### House Types

Type of row house should be restricted and eliminated gradually while the development of high-rise condominium should be promoted for urban management and the save of the land stock. Together with it, typical design of this type should be thoroughly researched to conform to the climate, life-style, demands as well as the affordability of the majority of Hanoian.

Medium rise building without elevator is also a good solution to resolve the shortage of house, especially for low and mid incomes.

Type of semi-detached house (garden-house) combining villa and plot house styles with area varies from 90–140 m<sup>2</sup> should be researched for an alternative types. This type can overcome the shortcomings of attached house and enables people to live in good conditions with cheaper price than villa type.

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