
Osaka Renaissance News

NO.1 December 2003

Welcome to “Osaka Renaissance News”! - A new email newsletter from the Osaka City Government’s “Urban Revitalization Task Force”.

The Osaka Urban Revitalization Task Force

We are the first *City Task Force* established in Japan to address urban regeneration and revitalization. For this we are also collaborating with the central government’s “Urban Renaissance Program”. The role of our task force is to coordinate and promote the set of initiatives that taken together form the Osaka Revitalization Plan.

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The Newsletter

This is a monthly newsletter, which is distributed through the International Business Promotion Center Osaka (includes World Trade Center Osaka). We use as well all available channels to spread the word about Osaka’s revitalization. If you know someone who may be interested please pass this on to them or let us know. By doing so we hope to give as many people as possible insight into a major market, which is undergoing intense change, and opening up opportunities in the process for foreign know how and capital to participate. We hope you will enjoy discovering the possibilities with us.

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The Osaka City Blue Print for Urban Revitalization covers:

- Urban regeneration
 - Business stimulation (notably through technology clustering)
 - Tourism and life-style services
 - Education – especially professional and life-time learning
 - Foreign direct investment
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CONTENT OF NEWSLETTER

NO.1 November 2003

- ❖ **(1) The need to re-think Osaka** - Government Urban Renewal Plans
- ❖ **(2) The catalyst is the redevelopment of the North Umeda freight yard** – a unique focus for urban regeneration in downtown Osaka
- ❖ **(3) A co-ordinated urban revival plan** – the key initiatives to revitalize Osaka
- ❖ **(4) Visitor potential of Midosuji Avenue** – the future “Champs Elysee” of Kansai
- ❖ **(5) Plan for more education facilities** – bring more know how and youth downtown
- ❖ **(6) Re-birth of Osaka as a lifestyle city** – the coming lifestyle revolution
- ❖ **(7) Challenges ahead** – developing new town areas

Author's Introduction

I write with some passion about Osaka because I see a city with great potential, even though the centrifugal forces of Tokyo seem often to be sucking the lifeblood of it dry. Tokyo, however, is not the whole problem. I look beyond the loss of the Sumitomo Group headquarters to Tokyo, since it is only a natural development: how can Osaka really expect to keep the head offices of global-focused businesses in a regional city. Osaka does not need to look back anyway to the great mercantile days of Sumitomo, Marubeni, or Itochu. It can look forward to how it can use its magnificent assets to remake itself. I see the potential all around me, as I go into Central Osaka to work each day. As a commercial city it may be past its peak, but as a life-style city it is just beginning to emerge. Populated among the office blocks and condominiums numerous small businesses, boutiques, restaurants,

and cafes are sprouting up, like wild grasses in the concrete cracks. Steadily Osaka is moving towards a generational change, from grey suits to Italian dress sense. It is becoming stylish, more independent, and more confident. A very different world away, this could be the beginnings of what happened in Manchester, UK, which developed its own “scene” or alternative life-style to London. Kansai is much bigger than the Midlands of England, so the impact on Osaka can be much greater still. When cities like Manchester or Glasgow have an image change, it spills over into property development, inward investment, and economic revival. Osaka I believe is at the beginning point of such a revival. The urban regeneration program, which the task force is spearheading, will help to stimulate these latent forces, and thereby generate

property investment, inward investment, and economic growth.

Alex Stewart

OSAKA RENAISSANCE NEWS

NO. 1 NOVEMBER 2003

The Osaka City Revitalization Task Force has commissioned Alex Stewart to author this newsletter series based on his work in assisting the British Consulate-General in Osaka to promote urban regeneration. He is the president of Alexander Capital Access Co., Ltd., an investment catalyst and communications company based in Osaka. He is also an Executive Adviser to the Osaka City Revitalization Task Force. Questions about these articles can be directed to him at: alex@ac-access.com

OSAKA'S URBAN RENAISSANCE STORY IS JUST BEGINNING

This article provides the setting for the Osaka City's "Renaissance" Plans and the impact they will have on the Osaka economy.

(1) The need to re-think Osaka

Osaka up to now has perhaps sought a larger role than its position in the Japanese economy merits. It cannot claim to be a major international business center, although it has a GDP larger than Hong Kong's. In a borderless world it understands that it has to open up in order to compete for investment. As a first step it has to change how people think about it. Then it can more successfully attract inward investment.

Osaka's struggle to attract overseas investment is part of a wider Japan problem, and was a reason why Prime Minister Koizumi established the Urban Renaissance Headquarters in May 2001 under the Cabinet Office. In July 2002, the government designated 17 sites in four main metropolitan areas for promotion under special measures drawn up to simplify planning consent and building regulations. Of the 17 sites,

eight were located in Osaka Prefecture, and four in the city itself.

Designated sites for urban regeneration in Osaka City:

- 1) North Umeda, West Nakanoshima, Midosuji – the main business district and transport hub
- 2) Namba, Minatomachi – a main entertainment area and transport hub
- 3) Abeno – the third main transport hub
- 4) Cosmosquare – waterfront properties on reclaimed land in the port area

All four areas are strategically located at key points in the city. The city government also owns significant land holdings in all four areas, and therefore can serve as a major redevelopment force. Osaka City government's record of investment during and since the Bubble period has not been good. But the pain of several failed property developments has also made it much more flexible and pragmatic about

undertaking land development and joining up with the private sector.

Of most importance for the likely success of the city's revitalization program is the way events have cohered to support the direction in which the city's urban renaissance plan is going. The first is having the support of the central government, which in practical terms means availability of funds up to around 50% of the whole for spending on public facilities, such as roads and access. Secondly, the program is supported by moves to deregulate planning rules and usage restrictions on buildings and facilities. As a result it will allow more building of downtown residential units and educational facilities, both of which are high priorities of the city government's urban revival plan. The most important fact however is that Osaka has notably attractive land available to redevelop. One major reason is that swathes of the downtown are overdue for refurbishment.

(2) The catalyst is the redevelopment of the North Umeda freight yard

The key piece of land, which could catalyze redevelopment projects throughout the city, is a railway freight yard belonging to Japan Railway Construction, Transport and Technology Agency (the yard is being relocated partly outside the city and partly to another location inside the city). It is in the north section of the Umeda area. This is the main transport hub of Osaka where the three major railway lines - JR, Hankyu and Hanshin - converge with the main subway lines. In Tokyo terms the value of the location corresponds to Tokyo Station, Marunouchi and Ginza combined. Besides its unrivalled location, its sheer size of 24 hectares

makes it the largest piece of downtown real estate available for redevelopment in Japan.

The first section of the North Umeda site will be sold for development in the latter half of next fiscal year (we will be writing on it separately later). The development of the site has attracted support from across the business community, and retains the advice of Osaka's most famous native-born architect, Tadao Ando. All agree that it has the potential to become the most attractive destination for visitors to the Kansai after Universal Studios Japan. As such it represents a huge opportunity for Osaka, capable of attracting people not only from around the Kansai region, but from all over Japan, and abroad as well. Broadly this is the aim of its sponsors, who lack neither vision nor optimism in regard to its potential.

The recent spate of large-scale downtown city redevelopments in Tokyo attests to the fact that there is a boom underway for developing "mini-cities" within cities. One development, akin to the North Umeda project, is Shiodome, since it is also the site of a former JR freight yard. However, a much better example is Roppongi Hills. This is more like the kind of redevelopment that Osaka wants, with an emphasis on space, greenery, culture and life-style. The success Roppongi Hills and other "castle towns" have had in attracting visitors is drawing developers into the market. This is also what offers the best hope that North Umeda will attract a top flight developer too.

(3) A co-ordinated urban revival plan

The Urban Revitalization Task Force's blue print for the local economy goes

well beyond urban redevelopment to address a collection of interlocking issues which form the whole of a major economic revival plan. The role of the task force is to co-ordinate the various initiatives which flow from this. The opportunity to pursue significant urban development projects provides however an excellent platform on which to promote all of these initiatives simultaneously. The key initiatives center on: tourism, education, lifestyle (which includes attracting more people to live in downtown areas) and new business creation. The various initiatives under way we will be arguing in this newsletter series will produce a series of “mini-bangs”. Taken together they have the potential to create a much bigger “big bang”.

(4) Visitor potential of Midosuji Avenue

As regards tourism, the success of USJ has emboldened Osaka to develop itself as a visitor city. This is a radical step for a city only known until now for its commercial achievements. It has two major tourist assets to exploit. The first is Midosuji Avenue, a broad, tree-lined street, which makes even Tokyo’s famed Omotesando seem provincial in scale. Midosuji has the presence and potential to change the image of Osaka from a commercial capital (of which until recently Midosuji stood as a representative) to a life-style one (once the avenue undergoes its transformation from a line of head office buildings into a cosmopolitan boulevard).

Osaka’s other visitor asset is water. Osaka was once known for containing almost as many bridges as Tokyo during the Edo period (808 no less). The city now sees that reviving the waterways

will lend the city a more gentle charm which has been badly missing since rapid industrialization turned it into a spaghetti junction of overpasses. Under the “water metropolis” plan, the city is devising various plans to make the best use of its water assets.

Midosuji also serves as the link in the chain connecting the major redevelopment projects underway or planned. The North Umeda rail yard project is at its northern end, and in time will form an imposing gateway into Osaka, especially once the North Umeda freight yard redevelopment is complete.

Below Umeda is Nakanoshima, an island, similar in shape and location to the Ile de la Cite in Paris. Up to now it has been cut off from the heart beat of Midosuji and Umeda because of the lack of a subway service. This is set to change once the extension of the Keihan Railway Line is completed in 2008. The result is that the western end of Nakanoshima will form a whole with Umeda and Midosuji and thereby help to stimulate investment in high-grade apartment blocks, office buildings, cultural facilities, and educational establishments, all of which the city and the local community are very keen to promote.

At the southern end of Midosuji is Namba, another major railway and transport terminal serving people living along the southern edge of Osaka Bay and beyond. It will form the third focus of development along the Midosuji axis. All three are therefore going to undergo a face-lift simultaneously, meaning that it is likely that the face and image of Osaka will change drastically over the next few years.

What is especially exciting is that the link connecting these three points, Midosuji Avenue, is also set to receive a face-lift itself. The city is planning to remodel parts of the avenue so that it can develop more as a boulevard type cafe society. This could be the key to attract a huge visitor population to Osaka, not only from within the Kansai region - which with a population of 22 million rivals an economy the size of Australia - but also from further afield, including overseas.

(5) Plan for more university facilities downtown

Related to the revitalization of the downtown area are plans to attract many more learning institutions into the city center, especially in the vicinity of Midosuji. This will result in a younger, more cosmopolitan population, which has been missing up to now because historically Osaka's merchant class wanted to keep "non-productive" activities outside the city in order to preserve as much space as possible for the "productive" business of commerce. The swing now in the direction of lifestyle and education shows how much Osaka is changing.

(6) Rebirth of Osaka as a lifestyle city

At the heart of Midosuji is Shinsaibashi, an area that has attracted most of the designer brand shops. As a result, it is now firmly established as the shopping epicenter of the Kansai. It has a long retail history, having been the birth place of the department store in Japan, led by Daimaru and Sogo. After the Bubble it began to decline badly. Sogo's collapse a few years ago was indicative of the problems facing the retail sector. However, the Sogo flagship store, which

had become exceedingly tatty, is now being redeveloped. When it re-opens in the Fall of 2005 Shinsaibashi will have its old heart fully restored and a new chapter in his history will begin.

Like Sogo, Osaka had been losing its brand status as a second city over the years, especially after the Bubble, but like Sogo the pendulum is swinging back. This will become obvious over the next few years as redevelopment of the "mini-cities" inside the metro area takes place. Osaka can then expect to enjoy the kind of make-over that cities like Chicago, Manchester, Birmingham, and Pittsburgh have enjoyed.

(7) Challenges ahead

As a major landowner, the city government is an important catalyst. However, it is not the main catalyst. The North Umeda land is owned by JR, and much of the major redevelopments taking place in other areas are by private sector land owners. However, it can provide the necessary infrastructure and urban planning to support the private sector's redevelopment efforts. The city is a major landowner in all of the areas proposed for re-development, so it will also benefit financially from improvements in land values and lettings.

However, the final challenge is whether the city can develop (not re-develop) the land it owns around Cosmosquare, a greenfield site created from reclaimed land in the port area. After a reasonably good start before the Heisei Recession, it has struggled to attract tenants and new investment, especially after the failed bid to hold the Olympic games, which would have helped to pay for the development of the entire related infrastructure. It will be a mark indeed of

Osaka's full-fledged revival if this outlying area, with strong industrial links, can revive as well. This brings us back to FDI. The area's location is in many ways ideal for a large headquarters building, being near enough to the city center, yet much less expensive to locate. It also has excellent transport links, notably by car to the Kansai

International Airport or to Kobe, using the bay area highway. Furthermore, an investor in Osaka, as these articles intend to show, could become part of what may be one of the success stories of urban regeneration in Asia.

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