
Osaka Renaissance News

No 7 July 2004

Welcome to “Osaka Renaissance News” - the email newsletter of 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 at the same time. For this we are also collaborating with the central government’s “Urban Renaissance Program”. The role of the task force is to coordinate and promote the set of initiatives that taken together form the Osaka Revitalization Plan.

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This Issue: Japan’s Next Largest Redevelopment Project

“Osaka Renaissance” is distributed through multiple email channels to spread the word about the new and most important initiatives taking place in Osaka. This month’s issue is about the plans for the largest downtown redevelopment in Japan.

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The Osaka City Blue Print for Urban Revitalization covers:

- Urban regeneration
 - Business stimulation (notably in knowledge industries)
 - Tourism and life-style services
 - Education – especially professional and life-time learning
 - Foreign direct investment
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KITA UMEDA REDEVELOPMENT PROJECT

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AUTHOR'S INTRODUCTION

In 2005, a seven-hectare wedge of land will be sold in Osaka that will signal the start of Osaka's transformation from city of heavy industry and commerce a regional service and knowledge capital.

The area is the freight yard north of the main JR station in Osaka, occupying a total of 24-hectares, more than double the area of the famous Roppongi Hills development in Tokyo completed last year by Mori Trust. The second stage of development will begin after the remaining parts of the freight yard move. The goal is to create a "knowledge capital" in the heart of Osaka, next to the largest rail and transport hub in western Japan, with connections to international airports nearby.

The city hopes that the Kita Umeda site will become the new "Knowledge Capital" of the region by encouraging leading high-tech industries to establish industry and academic partnerships in areas like advanced

robotics and artificial intelligence, where Osaka and the Kansai region have particular strengths.

The area around the station hub is already a natural meeting place for business people and casual visitors to the city. Once the Kita Umeda site is developed it will be the unrivalled location for meetings and exchanges, not only in Osaka, but the whole of the Greater Osaka area, which counts a total of some 14 million people.

The area itself will differ markedly from other large-scale developments in Osaka by emphasizing greenery and water. There is a shortage of open space, greenery, and truly state of the art urban facilities available in Osaka, in comparison with Tokyo, which the new development will help to rectify. The impact of this could be nothing short of electric, signalling that Osaka is the focal point for business and information exchange in the Kansai region.

Alex Stewart

OSAKA RENAISSANCE NEWS

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The Osaka City Revitalization Task Force has commissioned Alex Stewart to author this series of newsletters. He is the president of Alexander Capital Access Co., Ltd., an investment catalyst and PR 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

KITA UMEDA REDEVELOPMENT PROJECT

In this issue we look at the plans to redevelop the largest redevelopment site in Japan.

(1) Kita Umeda Freight Yard

The single most strategic piece of real estate in Osaka is the JR freight yard, a 24-hectare site, located adjacent to Osaka central station in an area known as Umeda, and described as “the last major downtown redevelopment in Japan”.

The freight yard has been located on the northern side of the station, called Kita Umeda, since 1928. After JR was privatized in 1987, ownership was transferred to the Japan Railway Construction Public Corporation. The new owner began negotiations to relocate the freight yard and sell the land for redevelopment. Opposition from local residents frustrated it, and with the economy weakening efforts to sell the land weakened too.

(2) Role of government

A new opportunity to sell the land arose after the decision by the Koizumi government in 2001 to focus on urban regeneration as a way to stimulate economic activity. The government established an Urban Renaissance Task Force in July 2002 under the Prime Minister, and passed an “Urban

Renewal Law” which relaxed planning requirements in designated areas, and provided central government subsidies to facilitate development. One of the key designated areas was Kita Umeda Yard.

The city of Osaka set up its own Urban Revitalization Task Force in April 2003, becoming the first in Japan to do so. The group coordinates the different activities related to the revitalisation of the city, including urban regeneration (notably Kita Umeda Yard). It is the key point of contact inside and outside the city regarding the flow of information about these developments.

The focus on city centre development in Osaka however predated these initiatives, since the city began around five years ago moving from a focus on suburban development towards focusing on the renewal of the city centre. It did so because the population had stopped growing, and it also recognized that regeneration strategies in cities like Barcelona, Manchester and Chicago, with which it had close links, had resulted in effective economic revitalisation.

(3) Strategic value

As they say in the real estate industry, there are three important points for selling real estate: location, location, and location - and Kita Umeda has all three. The main reason is that it is located next to the busiest rail hub in western Japan. Furthermore, once it is redeveloped it will enable the transformation of the whole surrounding area, making it a genuine city centre, rather than, as it is now, a patchwork of industrial and office buildings without proper focus.

Umeda is the main terminus for JR, as well as two major private railways, Hankyu and Hanshin, and three subway lines. There are 1.5million passenger movements daily, which after Shinjuku and Shibuya in Tokyo, makes it the busiest rail hub in Japan. It is also the hub for the Kansai region, connecting Kobe and Kyoto. The Kansai region has a population of 21million people, and an economy equal in size to Canada's. Much of this is within one hour's train ride of Umeda.

(4) Rising land prices

The potential impact on real estate prices became clearer in 2001 after Yodobashi Camera opened its first electronics mega store in the Kansai on a corner of land next to the freight yard. Despite its poor position at the time, the store was an instant hit. At street level, tables from two internet cafes spill out, attracting foreign students and travellers. The lively scene with its international colour previews what the city hopes Kita Umeda will become: a place where people from all over the world, not just the Kansai, congregate and connect with one another and the outside world.

Before the store opened prices of real estate around Kita Umeda did not reflect the strategic location next to the station hub because of the lack of coherent development. In the last two years however land prices around Yodobashi Camera have become the highest in Osaka, according to Ikoma Data Services.

(5) International Competition

Because of the Kita Umeda's strategic significance, the city held an international concept competition to define what the area could look like. Entrants were asked to visualise the site as an intellectual gateway, as well as a physical gateway; as a "Knowledge Capital"; and to utilize water and greenery as much as possible. The competition attracted a total of 5,190 entries, 43% from overseas. The winning entries were announced in April 2003.

The vision of making it a green area is highly desirable given the over-built nature of Osaka now. In contrast however to the concrete downtown the city is surrounded by mountains on three sides, bounded by the sea, and intersected with wide rivers. These are assets Osaka can use to balance the overbuilt city centre. The city was also fortunate that sitting on the panel of judges was the Osaka-born and based architect, Tadao Ando, whose hallmark is the sensitive interplay of modern materials with the natural environment. The judges' choices reflected the opportunity to correct the imbalance of nature within the city centre. One entry, "Mother Forest", consisted of a dense planting of trees through the centre of the site, placing the buildings in a high wall along one side. Another, called "Knowledge Core", covered the site in a matrix of waterways, while "Hill Project" half-buried the buildings under an artificial hill-side to create

what the designers called a “zero-emission city”.

(6) Basic infrastructure plan

The redevelopment plans prompted JR West to announce at the beginning of the year a total reconstruction of the JR Umeda station, which will complement and enhance the new Kita Umeda site. The key elements are to build a wide pedestrian flyover above the tracks under the cover of a huge dome of glass, 160m high. The flyover will emerge onto the site of the Kita Umeda development through a huge gateway that will provide a symbolic expression of the area’s function. Additionally, a group of high-rise buildings is planned over the station, one of which will house a Mitsukoshi department store. This will add to the concentration of high-grade properties in the area and ensure that it becomes the focal point of the city.

Soon after the concept competition the city began work on establishing a basic infrastructure plan. Additionally, a Kita Umeda Yard Development Group was formed, chaired by the Mayor of Osaka, bringing together representatives of the leading parties interested in the revitalization of Osaka, notably: local governments, agencies of the central government, the JR group, industry associations, and academics.

The group helps to advise on methods to purchase the land, develop the site, and integrate it into the city’s wider plans; the basic infrastructure is decided by a sub-committee responsible for land use planning. It has been decided that a new public plaza will be built opposite the station, next to the Yodobashi Camera store; there will also be two major avenues, each 40 metres wide, intersecting the site, east and west, north and south.

After the freight yard relocates the one remaining line will be moved underground and a new station built. The line connects Kyoto, Shin-Osaka station (where the shinkansen bullet train arrives) and crosses the city via the city’s circular line, south to Kansai International Airport in the south. This will help to upgrade the site’s access to the outside world.

The goal of the development plan is to create a people-oriented area. To achieve this, through traffic will be diverted into roadways outside the area. The two avenues will be designed as stroll boulevards. Trees and waterways will be prominent features. Since there is nowhere in the central parts of Osaka which offers such an environment, it is almost certain to become the focal point for information exchange in the city.

The Station Plaza area will set the pattern for the way the area facilitates information exchange. Hence it is the most sensitive area for development. The planned site of the Plaza is next to the Yodobashi Camera store. Since this is already a crowd drawer, it is easy to see the Plaza becoming the new focal point of the city.

Inevitably the site draws comparisons with the 31-hectare redevelopment at Shiodome in Tokyo, also a former JR freight yard, which is due to be completed in 2006. But Shiodome is being developed to meet continuing strong demand for high-class office space, whereas Osaka does not have such strong demand, hence the use of land is likely to be different. A better comparison, and one that appeals more to people in Osaka, is the 11-hectare Roppongi Hills site, developed by Mori Trust and opened last year. It has a strong community focus, with a balance of office, high-class residential,

shopping and cultural facilities. Neither, however, is likely to influence directly how Kita Umeda develops because not only are the economic conditions in Osaka different but the people too: Osakans are more gregarious, they even call themselves the “Latinos” of Japan. Additionally, there is a strong emphasis on making the Kita Umeda development a place that attracts knowledge industry clusters, especially advanced robotics, software and life sciences. Hence what the city calls building a Knowledge Capital. If it is successful it will serve as one of the focal points in the post-industrial landscape of Kansai.

(7) Sale of land

The city’s problem is how to steer development so that it fulfils its own high expectations of creating a Knowledge Capital. To achieve such a master plan, the city would like the site to be sold under a single ownership. However, this is difficult because the site will be sold in two stages due to the time it will take to relocate the entire freight yard.

In the first phase, the plan is to sell a seven-hectare wedge of land directly opposite the JR station, which will include the Station Plaza along its southern edge. The expectation is that the land will be sold next year. It is dependent on reaching an agreement on how to develop and fund the basic infrastructure, as well as to ensure that the city can retain some continuing influence on the direction of development.

The sale of land for the second phase will take place once the final relocation of the freight yard occurs. This is probably four years away. By this time the first stage of the development will be almost completed.

(8) Buyers for the land

The land will be sold in a public auction by the Japan Railway Construction Public Corporation. Several groups are now preparing to bid for the land.

International financing and know how is welcomed. In Tokyo, it played an important role in the redevelopment of Shiodome, where for example the largest building, 43-storey Shiodome Center, was developed in a joint venture between Alderney Investments Pte, established by the investment arm of the City of Singapore to manage the building, and Mitsui Real Estate.

The goal is to attract companies to locate at least part of their operations in Japan in the Umeda area. There is one good example already, the major pharma company, Astra-Zeneca, which occupies nine floors of the futuristic Umeda Sky Building on the edge of the site, where 800 people work.

The buyer will have to agree first to the infrastructure plan, which sets aside parts of the site for public facilities. The method for sharing responsibility for how land is developed is decided under the terms of what is called the “Land Readjustment System”. This requires owners of land to donate a portion of their landholding for the development of public facilities, such as new roads and parks. The new facilities make more efficient use of the former land which enhances the overall value of the land, thereby compensating the landowner for the land donated.

(9) Multiplier effect of development

The value of Kita Umeda extends well beyond the immediate site because of the numerous multiplier effects it will generate in the surrounding area. Previously the location of the freight

yard and railway lines impeded development over the wider area, but once the area is opened up, the land values in the surrounding area are likely to increase, benefiting the downtown economy even more.

The least integrated part of the Umeda bloc is called Shin Umeda, or New Umeda, which was developed in the early 1990s when it was believed the freight yard would move. It features one of Osaka's most remarkable landmarks, the Sky Umeda Building, and includes the Westin Hotel. This area will be integrated with its surroundings for the first time since 1928 once the east-west avenue across the Kita Umeda site is completed, and the railway line moved underground.

On the southern side of JR, below Shin Umeda, is an area called Nishi Umeda, or West Umeda, which is mostly owned by the Hanshin Railway group. It has been undergoing redevelopment since the construction of the elegant Hilton Hotel in 1985. The first phase of development of an up market office and hotel development, called Herbis Plaza, was completed in 1997. The prestigious Ritz-Carlton Hotel occupies part of the site, serving as a sophisticated landmark. The final phase of development is due to be completed this year. The Hanshin Nishi Umeda development will then provide a suitable complement on the southern side to the planned development across the tracks in Kita Umeda.

East of the freight yard is an area belonging mainly to the Hankyu Railway Group, which has not developed so quickly, partly due to the difficulty of consolidating land from small landowners, and partly because it is more affected by the inconvenient location of the freight yard. Like Shin Umeda it will finally be integrated with the whole area once Kita Umeda is developed. As if to celebrate, in May Hankyu Department Store announced it is going to undertake a major redevelopment of its flagship store in Umeda.

When a large new development occurs there is always a risk that it will divert demand from other parts of the city. However, in the case of Kita Umeda this risk is mitigated by two factors. The first is that Osaka's supply of quality office building is relatively limited, and prestigious residential addresses downtown are in even shorter supply. The second is that downtown development is a city priority, which is drawing more people to live downtown and boosting tourist visitors as well. Hence there is likely to be a continuing demand for residential, office, and tourist facilities. Rather than an over supply of properties leading to weaker real estate prices, Kita Umeda will accelerate investment into Osaka and as a result Osaka will consolidate its position as the leading business and visitor hub of the Kansai region.

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