
Osaka Renaissance News

No 8 August 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: Osaka’s Major Waterfront Development: Cosmosquare

“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 how Osaka is developing a 154 ha waterfront area as an R&D-based lifestyle zone.

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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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COSMOSQUARE WATERFRONT PROJECT

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AUTHOR'S INTRODUCTION

Driving along the elevated Bay Area Expressway over the Osaka waterfront you see below enormous industrial facilities that evoke an image of England at the height of the industrial revolution. Then breaking into this giant landscape erupt fantasies, such as the Universal Studios Japan, the largest such resort park outside the US, with its village of hotels and attendant leisure facilities crowding around. Opposite Universal is a tall ferris wheel at Tempozan where you are likely to see a large cruise liner drawn up. Looking past and out to sea you notice islands so flat they seem to be hovering over the water. This is where a new waterfront is taking shape, beyond the constraints of the port. It is here too that the main focus of the city's waterfront development plans are concentrated.

The main infrastructure around Cosmosquare on the main man-made island of Sakishima was completed in

1995. It now has 154 hectares of prime land left to sell, part of which is zoned for commercial development. The vision for the site is that it will host the premier 24x7 work space, ideal for knowledge workers in the new economy, complete with leisure, shopping, residential and office facilities.

Cosmosquare has the space to accommodate the vision. The existing infrastructure is of a high quality. What is still needed is one or more developers with the ability to translate the vision into reality and make Cosmosquare a by word for innovative waterfront development in Japan. This is going to happen and in the mean time there is excellent real estate available for companies which need space to expand or a green field site on which to build a custom-designed headquarters or research centre.

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

COSMOSQUARE WATERFRONT DEVELOPMENT PROJECT

In this issue we look at the plans to develop a major waterfront area in the port of Osaka.

(1) Background

Osaka port traces its beginnings to the end of the nineteenth century. In 2002, it ranked after Tokyo, Yokohama, Kobe, and Nagoya in terms of total number of container cargo handled. In the 1960s, as pressure for land increased, Osaka began to build artificial islands off the port area to receive landfill. As this happened, the function of the port began to change too, from a trade zone to a waterfront urban zone.

The first island, Sakishima (1,048 hectares), became operational in 1969, although final reclamation work was not completed until 1985. The second island was Maishima (224 hectares), though it is still not fully developed. A third island, Yumeshima (391 hectares), started partial operations this year. The area for a fourth island is now under preparation. The existing three islands all have wharf and harbour facilities. They are also planned as waterfronts, which can or will provide residential housing, offices and commercial facilities.

In terms of infrastructure, the three islands are connected by bridges; there is a road and subway tunnel connecting the largest island, Sakishima, to the mainland. By 2008 there will also be an undersea tunnel connecting Sakishima to the newest island, Yumeshima. The Bay Area Expressway (Hanshin Expressway) completed in 1994, connects the port areas to Kobe in as little as 15 minutes, and Osaka to the Kansai International Airport in around 45 minutes.

Osaka is located at the top of Osaka Bay, and along with Kobe forms a Super Gateway Port. The distance between the port of Osaka and the port of Kobe is about 25 km. Between Kobe and Osaka lie the coastal cities of Ashiya and Amagasaki. Ashiya is a smart residential area, with a yacht harbour and small beaches. By contrast, Amagasaki is one of the most concentrated areas of industry in Japan.

There is a development plan for the whole bay area, which was first formalised in 1987. Overall

coordination of the plan is carried out by the Osaka Bay Area Development Organisation, O-Bay for short. In particular it is coordinating the development of a total of 17 projects selected for priority development around the Bay Area. Two of these are in the Osaka city waterfront zone: one is the urban zone called Cosmosquare on Sakishima; the other in the area around Universal Studios Japan, which is located in the Konohana area of the port.

(2) Idle land for sale

From a foreign investor's point of view the amount of idle land available is striking. According to Fumihiko Nakano, Director of Research and Planning at O-Bay, there is a total of 3,000 hectares of empty or unused land around the coastal area. It is now possible to build factories within Osaka city after the law restricting factories from within built-up areas was abolished in July 2002. In May this year, for example, Osaka-based Matsushita Electric announced it would lease coastal land belonging to Kansai Electric Power in Amagasaki, across the Yodogawa River from Osaka for the location of its next-generation PDP display factory. There are several similar investments likely to follow as Japanese companies in the advanced consumer electronics field, where Osaka-based companies excel, decide to locate more state-of-the-art facilities nearer to home.

It is the consolidation of production by heavy industry into fewer sites or their move offshore which has created an opportunity to re-cast Osaka as a waterfront city rather than simply an industrial port. For example, the 54 hectare site of Universal Studios was previously owned by Sumitomo Metal Industries and Hitachi Zosen. Next to the site lies another large lot of vacant

land, belonging to Sumitomo Metal Industries, Hitachi Zosen, and Osaka Gas. On this site, the city hopes to develop a waterfront complex, comprising residential, business and recreational facilities which will take advantage of the proximity of USJ.

Universal Studios Japan (opened March 2001) is the most obvious sign of this emergent waterfront. Nearly opposite USJ, on the other side of one of the many rivers which empties out through the port area, is an earlier leisure development, called Tempozan, where the port of Osaka started. It was redeveloped as a waterside entertainment zone in 1990 when several warehouses belonging to the city and a private warehouse company were moved. It became connected to the artificial island of Sakishima by tunnel in 1997.

(3) Asian Trade Hub

Sakishima is now where the main thrust of the city's waterfront development plans are concentrated, specifically in a zonal area on the island called Cosmosquare, where the plan is to create a 24-hour lifestyle zone which is attractive for research-based businesses, and university-industry collaborations. Cosmosquare covers about 154 hectares, which is about 15% of the total island's surface. The first phase development, which included the key infrastructure, was completed in 1980, which included: a major exhibition hall, INTEX, opened in 1985. Most of the second phase was completed in 1995, including the Asian Trade Centre, opened in 1994; and the World Trade Centre Building, opened in 1995.

The focus of development then was to build a major Asian trade hub. INTEX, for example, is the largest trade exhibition hall in western Japan. The

ATC Building is one of the largest covered areas for trade exchange in Japan, as well as one of Japan's first comprehensive bonded areas. The WTC Building was the second tallest building in Japan when it opened (the largest was the Yokohama Landmark Tower). An international hotel operated by the Hyatt Regency is also part of this core infrastructure.

At the same time several major companies bought land around the trade centre core. They included: Mizuno, the sportswear company, which constructed a purpose-built head office. Most other investors, like IBM Japan, Nomura Research, Sumitomo Life, Fanuc, Hitachi Zosen, and Zenrosai, established back office operations, or research facilities on the island.

(4) Priority Urban Development Area

Finally, the poor economy took its toll on investment, leaving land still unsold. A new momentum developed after the central government designated Cosmosquare a Priority Urban Redevelopment Area under the Urban Renaissance Special Measure Law in July 2002. As explained in previous "Osaka Renaissance" reports, these areas enjoy speedier planning procedures, as well as other special benefits which reduces the time risk for developers.

Investment has picked up recently. Fujisawa Pharmaceuticals completed the biggest investment project this year, a 33,000 square metre centre for training medical representatives. Other recent investments are a communications centre for NTT DoCoMo, and a head office and R&D centre for Seibu Jido Kiki, a private company, with a high market share in

surface grinding machines for advanced materials.

The city incorporated Cosmosquare into its Urban Revitalisation Program, which was finalised in May 2003. Yoshinao Sanada of the Osaka Port and Harbour Bureau is responsible for overall planning development. Currently he explains the plan is to create a more distinctive environment for R&D oriented activities, taking advantage of the site's features, such as waterside location, and various planned leisure facilities.

(5) Leisure Area

There are already several leisure facilities on the island, such as an excellent wine museum and a maritime museum. There is a permanent venue for rock concerts, and the ATC Building itself has a bazaar-like atmosphere with many restaurants and shopping floors. Near to the ATC building, the city recently completed construction of an artificial canal, which is designed to attract new retail and leisure developments along it. A restaurant-café nexus was recently finished at one end, but the site calls for a larger-scale development that gives it a focus and a heart.

The unique feature of Cosmosquare is that there is space and room to breathe. This is a precious commodity inside any city in Japan. It also enjoys a waterfront. The city is trying to capitalise on these qualities by creating a green belt along the shore side. Lastly, since new legislation was passed in February, housing will now be permitted within the zone (previously under the zoning law it was only permitted in an area on the centre of the island). The addition of residential areas will help to create a 24-hour lifestyle, making the area

more attractive for both residents and knowledge workers.

(6) Investment incentives

The city is still holding 23 hectares of land for development. Satoko Sako of the Port and Harbour Bureau is the officer in charge of sales. Special subsidies were introduced in April 2004 to accelerate sale of the land. To qualify companies must be in priority investment fields, such as knowledge industries or industries supporting them. Companies engaged in international trade can qualify. Subsidies are given on minimum lot sizes of 3,000 sq m or 1,000 sq m in the case of R&D facilities. In these cases, the city will subsidise 30% of land acquisition costs up to a maximum of Yen 1bn (\$10mil). The offer applies up to March 2006, while construction must start by March 2007.

Cosmosquare should appeal most to companies which need more space to accommodate an expanding work force. This will apply no less to foreign-affiliated companies, several of which, through acquisition, merger, or simply natural expansion, need to consolidate their operations in a more spacious location, and may want a purpose-built building. On Cosmosquare, companies have such an opportunity at less cost than in the downtown.

Cosmosquare has some similarities with Rokko Island in Kobe, which has attracted the North Asian headquarters of Procter and Gamble. The Bay Area Expressway is fast and convenient, so expats wishing to live in the popular Kobe-Ashiya area can still reach the island by car in the same time or faster than by train or car to the downtown. The downtown is also very accessible from Cosmosquare with the journey by subway taking less than 25 minutes. Access to Kansai International airport

is also only 45 minutes by either train or car.

The one disadvantage Cosmosquare suffered in terms of transport access was the high cost of travel by subway from the city centre due to the separate management of the island section of the line by the Osaka Techno-port System. This doubled the fare which then created a feeling of distance from the downtown. To overcome this the Mayor of Osaka, Dr. Junichi Seki achieved a major success in having the dual fare scrapped. This is due to come into effect before the end of this fiscal year. Psychologically the sense of distance will shrink, which is sure to attract more business visitors, as well as casual shoppers and tourists.

(7) Development Opportunity

What will eventually make Cosmosquare a fashionable location for business and residences is that it will develop into an alternative lifestyle zone for people who want to escape the congested downtown and enjoy a more trendy, cosmopolitan style of living and working. This vision still depends on the successful completion of the whole zone, which is where imaginative international developers with experience in developing new waterfront zones in places like Barcelona, Dubai, or Singapore could introduce their skills to the city. The elements of a successful development plan are in place. The existing infrastructure works well. The ATC building is a buzz place. There are some interesting attractions, including the Osaka Maritime Museum, which is partially submerged under the waters, like some of the more fanciful hotel concepts in Dubai. From the 55th floor observation tower of the World Trade Centre there are superb views of Osaka Bay and

Osaka. All that seems needed is more vision, and more capital to back it.

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