

Management of Land for Industrial Buildings During the New Urbanization Process

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Abstract

The purpose of this study is to locate the problems of the management of the land for industrial buildings during the process of new-type urbanization and new-type industrialization, and to find out the reasons behind as well as to put forward countermeasures. The results show that problems such as non-standard land supplying for industrial buildings, change in the use of industrial land, illegal sales, and low efficiency of land use are prominent during the construction and development of industrial buildings. These problems are caused by a lack of legal constraints, lure of economic interests, land rent-seeking behaviors, unclear regulations for settle-in enterprises, poor supervision on land use, and weak awareness of law when managing and using land. Based on the results, effective countermeasures to improve the management of land for industrial buildings are suggested including perfecting the laws and regulations, clarifying the development direction of industry, establishing linkage office system, refining the supervision on the ways of using land and strengthening the publicity of legal use of land.

Key words: Land; Industrial buildings; Management of land

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INTRODUCTION

The basic connotation of the new-type urbanization is to put humans first, regard new-type industrialization as the driving force, and make overall plans and take all factors into consideration, is to promote urban modernization, urban agglomerations, urban ecology, and rural urbanization, is to fully enhance the quality of urbanization, and to take a scientific, intensive, efficient, functional, environment-friendly, socially harmonious, and distinctive road where urban cities, rural areas, medium and small cities, small towns could enjoy coordinated development (Xin, 2013). Since the connotation of new-type urbanization emphasizes the “new-type industrialization as the driving force”, the transformation and upgrading of industries and technologies is the theme of the new period.

The new-type industrialization refers to drive industrialization by informationization and to promote informationization by industrialization, which is characterized by high technology, high economic efficiency, low resources consumption, low pollution, and maximization of the advantage on human resources (*Reference Book for the Report of 16th National Congress*, para.3, 2002). New-type industrialization contains gives new requirements, among which small and medium enterprises are required to be taken as the backbone of Chinese economy, and the vast majority of them belong to labor-intensive industries as China’s comparative advantages (Lin, Fang, & Zhou, 1996; Qian, 2003, pp.297-333). Industrial buildings refer to the buildings, structures and attachments built on industrial land and to be used for industrial production (including research and development) (Chongqing Municipal People’s Government Network, 2005), providing high-quality environment for small and medium enterprises to design various products, develop technologies, and manufacture products. Therefore, industrial building meets the needs of new-type urbanization and new-type industrialization, and caters to the demand of resource conservation

and intensive use of land. It is the basic carrier of the development of new industries in urban cities (Xie, Xing, & Hu, 2008).

1. CASE ANALYSES

1.1 Shanghai

In 1998, Shanghai formally proposed the concept of developing urban industry (Wang, 2011). The construction of urban industrial buildings began in 1999, spearheaded by the city of Shanghai. By the end of 2002, more than 180 urban-industrial parks had been built in 10 down-towns in Shanghai, with a total construction area of 5.8 million square meters or more. These parks made good advantage of state-owned assets which were worth over 80 billion RMB. More than 5,000 enterprises were introduced in, creating more than 1.5 billion yuan rent taxes, and providing more than 100,000 jobs.¹ By the end of 2012, there was 219 urban-industrial parks in Shanghai.²

Distinctive features of industrial buildings could be seen in Shanghai's urban industrial parks. From the perspective of layout, these buildings are mainly located in the central city or down-town; from the perspective of industry categories, industrial parks and industrial buildings mainly attract industries such as electronics products processing, software development, advertising and printing, apparel, food processing, diamond handicraft industry, and others. All these provide supporting services to high-tech industries, to pillar industries, and the city's comprehensive facilities. Also, they provide services to residents with multi-level needs. In this sense, they are in full compliance with the development of urban industry. Among them, the ones located in the north parks are mainly labor-intensive and capital-intensive processing and manufacturing industries, while others in the south are dotted with technology-intensive industries. The vast majority of enterprises in the parks (buildings) are private enterprises, joint-stock cooperative enterprises, joint ventures and others, which are mostly medium and small enterprises featured by entrepreneurship, science and technology, and employment. These enterprises are suitable for the survival and development of people living in down-towns.³ Meanwhile, the Shanghai Municipal People's Government has formulated documents such as *Some Suggestions to Speed Up the Construction of Urban Industrial Parks (Buildings)* and *Standards of and Management Guidelines for Constructing Urban Industrial Park (Buildings) (Trial)* to guide the development of urban industrial parks or buildings.

¹ Urban Industrial Park. (2012). <http://www.stats-sh.gov.cn/tjfw/201103/94578.html> 2013-01-31.

² Ibid.

³ "2.5 Industry" and Case study of Urban Industrial Parks in Shanghai. Retrieved from <http://wenku.baidu.com/view/c90ffbafd0a79563c1e72c8.html>

1.2 Shenzhen

With the rise of economic development in Shenzhen, and with the emergence of creative industry, industrial design industry, industrial research and development, computer software industry, product packaging industry and other industries, the division of industries is more refined, and these industries gradually begin to aggregate in specialized parks. After the upgrading of industries, the need of service industry and emerging industry for land increases, while old plants are abandoned and unused because of the withdrawal of low-end industries. The construction of industrial buildings is an important strategy of Shenzhen City to upgrade and transform industrial parks. It can improve the efficiency of industrial land, and can effectively solve the problem of shortage of land resources. To promote the market-oriented operation of industrial buildings, Shenzhen has revised the document *Management Guidelines for Transferring Industrial Building in Shenzhen (Trial)* so as to regulate the transfer of industrial buildings, thus moderately liberalizing the range of splitting and transferring industrial buildings, establishing systems including timing control of transferring, examining permitting qualification, as well as making full use of the stock resources in terms of industrial buildings.

1.3 Chongqing

By the end of 2010, Chongqing City had established 94 industrial parks (buildings), with a total construction area of 7,516,500 m². There were more than 2,200 enterprises settling in the parks, providing 152,000 jobs. Among others, 90 urban industrial parks (buildings) were located in main nine districts of Chongqing and in six regional city centers like Wanzhou, Fuling, Qianjiang, Yongchuan, Hechuan, and Jiangjin. The land used for building industrial parks was mainly abandoned land which was caused by bankruptcy or decreased production of state-owned businesses. Some of the land was also the idle land of some township enterprises, the idle houses of real estate developers, and the newly-built houses invested by the local government or enterprises.

Small and medium-sized enterprises such as processing enterprises, employment-type enterprises, and entrepreneurial enterprises mainly settle in Chongqing's industrial parks (buildings), whose products meet the daily needs of urban residents as well as provide goods and services for large enterprises. To be more specific, mechanical manufacturing (the processing of automobile and motorcycle parts), mechanical and electrical equipment manufacturing and processing, advertising and printing, clothing / apparel, food processing, and textiles could be seen in industrial parks, but most of the products do not have a high level of technology, and the added value is not high. Up until now, Chongqing Municipal People's Government has published a series of documents to guide the development of urban industrial

parks (buildings) including the *Notice of Implementing the Measures to Further Promote the Development of Small and Medium-sized Enterprises Advocated by the State Council* (Chongqing Municipal People's Government [2010] No.105), *Opinions on Promoting the Construction of Urban Industrial Parks (Buildings)* (Chongqing Municipal People's Government [2005] No.20), "Long-Term Development Plan of Chongqing's Non-Public Economy", and "The 12th Five-Year Plan of Chongqing's Three Economies".

At present, sound development of enterprises in urban industrial parks or buildings could also be seen in China's cities like Tianjin, Guangzhou, Wuhan, Dalian, Ningbo, Hangzhou, Chengdu and other places. Practice has proved that the development and construction of industrial buildings is the only way to avoiding industrial hollowing out in central urban areas, is the only way to optimizing and upgrading the industrial structure of the city, and to accelerating the process of the new-type urbanization and industrialization. The rational development of industrial buildings as well as showing support to the development of industrial buildings is conducive to the upgrading of regional industrial structure. It can promote the optimization of industrial layout, enhance the intensive and efficient use of urban land, and can effectively deal with the social problems such as the difficulty in using land by small and medium-sized enterprises, and the difficulty in landing a job by the great masses. However, in the process of exploring the development of industrial buildings, there are some problems in terms of the management of government and other relevant departments.

2. PROBLEMS AND REASONS

2.1 Problems

Firstly, the land supplied for industrial buildings and the admittance of enterprises in industrial buildings is not standardized, for there is no unified standards to classify old and new industrial land, and nonstandard management has been found in supplying and using land at different times. For example, although two versions of "Classification of Urban Land and Standards of Regulating Construction Land" have been published in 1991 and 2012 respectively, there are disagreements on the definition of land for educational research and design. Nevertheless, in fact, a lot of industrial land include the land for educational research and design. So, enterprises admitted into the land for educational research and design is mixed up.

Secondly, there are unauthorized changes in the use of industrial buildings. Land users use non-operating real estate land to engage in business activities such as operating restaurants, hotels, and entertainment, which seriously disrupts the order of the market. In particular,

buildings used for scientific research (for industrial use) have been used as commercial office buildings, affecting the healthy development of the office building industry in the city (Yang, 2006).

Thirdly, there is the illegal sale of industrial buildings. After the completion of industrial buildings and before the buildings are put into use, land users cannot determine how to use them yet. But there are illegal sales of the industrial buildings, that is, the former owners of the buildings sell them as office buildings. Although the sales price is different from that of the buildings for commercial use, there is a huge gap between it and that of the original land. For example, the price of the land for industrial buildings cost only 268.94 RMB per square meter, while the price could increase to 4,332.64 RMB per square meter if used for commercial purposes. However, the price of the office buildings nearby over the same period is about 5,000 RMB per square meter. In this sense, industrial buildings have been sold at high prices but developed at low prices, which disrupts the real estate market, resulting in unfair competition in the market. We have to admit that loopholes exist in the laws of supervising the sales of industrial buildings. There are a limited number of binding clauses and penalties to deal with the relevant behaviors.

Fourthly, the efficiency of using the land for industrial buildings is relatively low. When the urban industrial parks are established, regional infrastructure is constructed, and funds floods in, the location and facilities of urban industrial parks will be improved, so that the land value of industrial buildings will change. Therefore, the large-scale construction of industrial buildings and the original pattern of using industrial land could not fully reflect the economic value of the land itself. In addition, the plan of how to use industrial land as well as the price of industrial land fail to be dynamically updated and adjusted, which also results in low efficiency of land use.

2.2 Analysis of Reasons

2.2.1 Lacking Constraints of Laws and Regulations

In accordance with the seventeenth article in "Urban Real Estate Management Law in People's Republic of China", and with the eighteenth article in "Provisional Regulations of the Transfer of Urban State-owned Land Use Right in People's Republic of China, land user shall obtain the consent of the transferor and of the administrative departments of city planning, shall sign modification agreement of the transfer of land use right or re-sign a new grant contract of land use right, and shall make appropriate adjustment in the fee of the land use right transfer, before he is to change the use of land agreed in the grant contract of land use right. Although we have some relevant laws, there is a lack of legal measures to carry out the laws, and the subject of implementing the laws is not specified. Besides, land resources management departments fail to manage the misuse of the land for industrial buildings due

to a lack of theoretical basis. Therefore, the illegal use of the land for industrial buildings is on the go despite being forbidden by laws.

2.2.2 Lure of Interests

Under normal market conditions, a variety of means of production always flow to industries which enjoy high economic efficiency. Generally speaking, the interest produced by the land for commercial use is higher than that of the land for industrial use. After the completion of industrial buildings when the infrastructure is not fully developed and when the population is not high, it is suitable for labor-intensive industrial enterprises to develop there and to meet the social needs of employment; as the government improves the infrastructure and introduces enterprises and investment in, the land value becomes prominently higher with the increase of population. After obtaining the land bought with the price of industrial land, land users begin to take the risks of illegally changing the use of non-operational land into operation one, in order to grab more economic interests.

2.2.3 Land Rent-Seeking Behaviors

According to the existing land policy, commercial land and industrial land should be obtained by bidding, auction, and listing. However, state-owned enterprises or departments and units still enjoy many privileges in getting the land. As a result, all departments and units have “reserved their land” when applying for using land, and they use their reserved land for commercial renting or to conduct their own business operations. Moreover, various land development companies established by government, land administrative committees, as well as land acquisition and resettlement agencies exercise the power imposed by the government on the one hand; they also engage in businesses as enterprises, seeking to maximize their own interest, on the other. This will inevitably generate rent-seeking behaviors, resulting in unfair market competition, affecting the order of the land market, and damaging the country’s image and credibility of the government. In addition, government makes money on land, sells land at free or low-cost, and tolerate illegal land use, which will also generate a lot of rent-seeking behaviors (Yu, 2008).

2.2.4 Unclear Regulations for Settle-in Enterprises

Low price of the land for industrial buildings (including the land for educational research) as well as relaxed regulations for settle-in enterprises have resulted in illegal change of the use of land by land users who want to pursue high economic profits. Theoretically, the concept of “2.5 industry” put forward by individual scholars from the West who regards the industry built on industrial land as “2.5 industry” has not been accepted by the international economic circles. Based on the classification of the industry, the “2.5 industry” can be divided into three categories: the first category is the one with high added value in the second industry, namely, research and

development industry coupled with marketing and billing (including headquarters economy) industry, as well as some functional industries such as after-sale service and exposition. In the meantime, emerging industries with high value, less pollution, and core technology are also included. The second category is the third industry, but it is primarily aimed at other industries, such as logistics, training and advertising. The third category is the digital network industries represented by IT industry, such as e-commerce and software industry.⁴ It should be noted that the second category is the main cause for the unclear regulations.

2.2.5 Poor Supervision on Land Use

Since there is a lack of mechanism integrating administration and supervision, and of sound cooperation between the land department, the planning department, and the department of industry and commerce in the early period, the majority of cases on illegal use of land have becomes established facts. In this sense, when dealing with the cases, the land management department is thrown into an embarrassed and passive position. Meanwhile, the regulations set by administrative departments at all levels are mutually contradictory, which makes it difficult to carry out (Huang, 2008).

2.2.6 Weak Awareness of Law When Managing and Using Land

Driven by economic profits, governments at all levels have a weak awareness of law. The survey finds that certain government did not realize its behavior is illegal. Instead, the government considered it as efficient utilization of state-owned assets. And it believes the behavior could ensure industrial buildings to reduce operating losses. In addition, there is a phenomenon that the owners of the industrial buildings take the liberty of using the buildings as hostels and restaurants opened to the public. But some governments do not intend to allow the behaviors in the first place. What leads to the phenomenon is that the owners fail to know the related land policies or that the real estate developers intentionally concealed the use of land to facilitate sales of buildings. For example, the original research building was sold as office building.

3. COUNTERMEASURES

3.1 Perfecting Relevant Laws and Regulations

The current policies related to the land use of industrial buildings are limited to documents and regulations, thus there is a lack of binding constraints and effective implementation. As a result, we should refine the rules and regulations of local land management, and strengthen legal constraint and penalties; for instance, the change in the use of construction land should be clarified in terms of the

⁴ Ibid.

suitable conditions and procedures. Strict penalties should be imposed on the violation of laws and regulations, so as to curb land speculation, and to effectively guide the healthy development of industrial buildings.

3.2 Clarifying the Development Direction of Industry

The development direction of industry directly affects the advancement of urban industrial parks, while the industrial development of urban industrial parks will strongly enhance the competitiveness of the industry itself (Hu, Qin, & Li, 2009). In this sense, we should put the strategy of industrial development and urban planning as the top priorities, and formulate a high-key plan for the development of industrial buildings, based on which we should make a detailed planning and actively promote the construction of industrial buildings. Moreover, we should clarify the settle-in of enterprises by centering around the core industry, so as to attract investment and business, manage land supplying, as well as supervise the business management. In addition, we need to promote the recycling economy based on the new-type urbanization. Importance should be attached to the development of local “industrial chain” when enterprises settle in the industrial parks, so as to enhance complementarity and reciprocity between enterprises, give play to the comparative advantages of urban economy, and enhance the viability of the enterprises (Lin, 2008).

The development of “2.5 industry” is derived from the specialization of work, and is represented by market expansion and by the agglomeration of production factors such as land, capital and labor. The specialization of work can bring in increasing returns, while the agglomeration of production factors can produce agglomeration economies. The former could improve production efficiency, which the latter could improve the efficiency of the transaction. Therefore, clarifying the development direction of the “2.5 industry” is the motivation of economic development in the process of industrialization. We should clarify the categories of “2.5 industry” introduced into the urban industrial buildings, based on the characteristics of the city and industry itself.

3.3 Establishing Linkage Office System

We should establish a linkage office system for the development of industrial buildings, and reinforce the coordination and cooperation between departments (planning, construction, industry and commerce, and taxation) when making good use of land. With relation to the attraction of business and investment, development of land, and operation supervision, we should develop an electronic office networking system, determine the relevant authorities and the persons responsible, and jointly identify whether the different land use stages meet the requirements. For example, at the stage of introducing business and investment, and the supplying of land, we should impose strict restrictions on the settle-in enterprises

under the supervision of various departments including the business department, the planning department, and the land department; at the stage of handling business license, the business department should cooperate with the land department and planning department on the internet to examine whether the site selection of enterprises is in line with the requirements of land use. Only after that, the department of industry and commerce could proceed with its work; at the stage of operational supervision, it is the tax department that conducts tax audit on land users. If any illegal behavior is found, the tax department will report the information to the on-line office system and give details. Then, other departments like the land department and the planning department will carry out inspection and settle the matters. Also, the tax department is responsible for auditing the enterprises who are enjoying preferential policies in using the industrial land in terms of their annual business activities.

3.4 Refining the Supervision on the Ways of Using Land

The current supervision is mainly on illegal use of agricultural land as construction land. Great importance is attached to the ways of using industrial land, and relevant departments are encouraged to strictly implement the laws in using the land for industrial buildings. The supervision includes online supervision and offline supervision. The former is on the change of land users and on the change of land use; the latter is on the business activities of enterprises, on the ways of using land, and on the enforcement of land use right.

3.5 Strengthening the Publicity of Legal Use of Land

It is encouraged to carry out activities to publicize the legal use of industrial land, hand out brochures, and guide land users to know laws and abide by laws; besides, the management departments of the land for industrial buildings should uphold the spirit of the law, strictly manage and regulate the settle-in of enterprises, the supplying of land, and the supervision of land use, so that the management personnel will carry out work based on the law and the land users will use the land according to the law.

CONCLUSION

Unscientific use and management of the land for industrial buildings has results in the loss of land assets, has disturbed the real estate market, and has dissatisfied the public. Based on the cause analysis, the writer has suggested countermeasures to deal with the current problems. The writer holds the belief that perfecting laws and regulations, clarifying the development direction of industry, establishing linkage office system, refining the supervision on the ways of land use, and strengthening the publicity of legal use of land are effective means to improving the management of the land for industrial buildings.

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