Downtown Revitalization
Through Public Private Partnerships:
The Case of Minato-Mirai 21, Yokohama, Japan

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Takayuki Suzuki

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Advisor: Professor. Weiping Wu

Reader: Dr. Lorlene Hoyt
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By Takayuki Suzuki

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ABSTRACT
This thesis examines the importance, growth, and effects of public-private partnerships (PPPs) in urban revitalization specifically through the case study of Yokohama Minato-Mirai 21 (YMM) – an organization in Japan that has been managing the development project in the district since 1984. A significant contribution of YMM in PPP is the creation of a forum for the city government and the private sector to collaboratively make decisions for local plans and projects. The keys to sustaining the momentum of the partnership and development are the strong leadership from the private sector, financial support from the public sector, and their shared visions. The paper concludes by emphasizing that organizational transitions need to be aptly timed and this requires early and constant communication. This research contains lessons for cities, particularly those seeking for new developments, such as areas that were affected by the Great East Japan Earthquake and the subsequent tsunami in 2011.

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Downtown Revitalization
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Chapter 1. Introduction

Background

Japan has been facing population decline since 2005. Especially in cities, this trend has been significant; 36 out of the 47 prefectures have decreased their population from 2005 to 2010. The exceptions are the mega-cities such as Tokyo, Osaka, Kanagawa, and Aichi. Therefore, it is now a huge issue to revitalize those declining cities (MIAC, 2012). Unlike the United States, Japan has a centralized national urban planning system. This has caused the municipal governments being controlled by the central government, such as by subsidies. When the economy is on the rise and developing, this would be an efficient way to apply policy decisions made by the national government, and enable everybody to benefit from the growth. However, as facing the declining phase, each city now has to consider its local planning with involvement from the private sector, being independent from the national government subsidies and making it attractive compared to other cities.

Figure 1-1. Downtown Yonago, Tottori.
For a local revitalization plan, it is important to have an organization that manages various stakeholders to reflect the public interest. Also it needs to have community-based businesses so that profits return to the community, rather than spilling out to other major cities or abroad. In revitalization projects in Japan, there have been two main problems in organizations and community-based business. First, they have lacked planning that the local organizations and residents could act independently. Therefore, it is necessary that the municipal government does not rely on the national subsidy, and make a long-term plan that enables local organizations, residents, and the municipal government to cooperate. Second, in terms of the projects, they tended to involve physical planning and lacked the methodology to provide non-physical or human-based planning. These include managing the vacant stores or advertising the shopping district to other communities. This human-based perspective is important for urban revitalization because the central district is a place where residents can gather, and has the potential for local business to emerge.

In order to find a solution to these problems, the Japanese government has made efforts. A primary one is that many cities have aimed to create local revitalization plans through public private partnerships (PPPs). Existing cases are in Takamatsu (Kochi Prefecture), Hakata (Fukuoka), and Dai-Maru-Yu (Tokyo) (MLIT, 2012), and many cities are attempting to follow these cases. On the other hand, revitalization and development are a long process, and unexpected changes could occur on the way. Many cities in Japan have vacant lands which developers refuse to take on, or depart without completing the project, mainly because of
economic reasons (Inohara, 2010). Local governments are probing for solutions through partnering with the private sector and managing downtown areas by involving various stakeholders (MLIT, 2012).

Japan has not had many successful PPP cases for downtown revitalization. PPPs have been used for revitalization since the 1980s (Ohno et al., 1992). One example was Town Management Organizations (TMO), which were implemented in 1998 through the Plan for Urban Revitalization. However, TMOs’ projects were biased towards local or national governments’ needs, which were physical improvements using government subsidies. This led to few successful cases in the Japan, and cities are looking for partnerships involving non-governmental organizations.

Research Questions

The goal of this research is to contribute to PPP establishments for downtown revitalization in Japan. There have been number of cases in Japan, from small to large projects. A report by the Minister of Land, Infrastructure, Transport and Tourism in 2012 introduces 30 cases of these projects. Among the cases, a project in Yokohama Minato-Mirai 21 was selected for this research. The reason for this selection will be explained in the ‘Methodology’ section.

This research seeks to answer three main questions. The first question is: what is important about PPPs in revitalizing downtowns? Specifically, I am planning to focus on PPPs in community and economic development projects. The sub-questions are: what are the motivations to create PPPs?
The second question is: how does PPP happen? In other words, I want to find the critical conditions and institutional forms that create a partnership. Before building a partnership, there may be some disagreements or different concerns among stakeholders. However, as they come with an agreement, there needs to be some shared values. My goal in this second question would be to find out each sector’s position, barriers between them, and the keys to overcome those obstacles. In addition, I aim to observe the actor(s) that plays the pivotal role.

Thirdly, I would like to examine what the effects of the partnerships are for the area. In particular, the local plans as the outcome of PPPs, the relationship with the surrounding communities, and the change in network of the residents in the district, including office workers. PPPs would have a certain impact on the sectors and companies involved, but in order to revitalize the intended district as well as the entire downtown, further impact is required.

In addition, this research would aim to provide implication to the disaster areas in the Tohoku region (Northeast Japan), where a lot of vacant lands remain after they were hit by the tsunami in March 2011 (Figure 1-2). In the next 20-30 years, these lands are expected to be redeveloped through collaboration between public and private sectors (Sato et al, 2011).
Figure 1-2. A Former Downtown in Rikuzen-Takata, Iwate. Photo taken by author in December, 2011.

Methodology

This research consists of two components: a review of existing literature and a case study of what based on interviews and secondary sources. The literature review will attempt to introduce the historic and current situation of public private partnerships in urban revitalization, and properly set up a stage for my case study. The sources of the review would be mostly from the United States, where extensive research has been conducted. Other sources come internationally: United Kingdom, Australia, and Japan.

The main part of this thesis is the case study of an organization that is realizing downtown development through PPP in Yokohama, Japan. The organization is called Yokohama Minato-Mirai 21 (YMM), which has been working on a project in Minato-Mirai21 (MM21) since 1983. This case was selected for two reasons. Firstly, it has been operating for more than 30 years, and thus has enough experience to be investigated. Still, the project has not finished and the organization is in its transitioning phase, so has potential in the future.
Secondly, for the intent of searching for implications for the Tohoku region, this case of YMM has several aspects in common: geography, startup stage, and funding. This will be explained in more detail in subsequent chapters.

To answer my three research questions for this case study in YMM, I conducted interviews in order to directly reflect people’s opinion involved. Since my research question involves context and description, or the “story” behind the organization and city, interview is an appropriate methodology to answer my questions (Kvale, 2007). I decided to interview two officers from YMM, two from one of the major landowners, Mitsubishi Estate, two from the City of Yokohama, one from the Nishi Ward, and one from a new landowner (which I call “Company A” in this thesis for confidentiality). All of the interviewees are familiar with YMM and the district where the project is held, and one thus their information and opinion would be reliable. I also interviewed one resident who lives near the district, but not a lot of data was included in the analysis.

The interview process was divided into two phases. For the first one, one of the officers from YMM and the two officers from the City of Yokohama were interviewed by phone. This was a semi-structured interview, where I asked questions in the conversation. I had five basic questions that needed to be answered: (1) the motivation of establishment and transition of YMM; (2) important aspect of managing the area; (3) how public and private cooperate; (4) the value of YMM’s rootedness, to be there for 30 years; (5) future goals.

I first conducted an interview with an officer in YMM. He was transferred temporarily from the City of Yokohama in April 2012, and also worked in YMM
for a few years about ten years ago. The interview was done on November 6th, 2012. The second interview involved two officers from the City of Yokohama, Urban Development Bureau, Minato-Mirai 21 Division. One of the officers was familiar with the planning perspective of YMM, and the other knew a lot about the administrative part. This interview was on November 13th, 2012. Both interviews were about 60-70 minutes.

Based on the results of the first set of interviews, the second set of interviews, this time face-to-face, were held in January 10-15th, 2013. Although these were interviews, they were held in groups. The first group of interviews, on January 10th, was with two officers from YMM and two from Mitsubishi Estate. This happened because the officer I interviewed in November invited the other three officers to the interview. Here, it seemed that they wanted to do the interview together. This was again a semi-structured interview, with more specific questions related to the research questions. The second group was on January 11th, with the City officers and the officer from Nishi Ward. Here again, the officers wanted to do the interview together. The first two interviews were about 2 hours long. The third was an interview with an officer Company A, who was introduced from a YMM officer. This was on January 15th, and the interview was about an hour.

![Figure 1-3. The Nine Interviewees.](image)
In analyzing the interviews, through coding and categorizing the main themes, I particularly looked for words or phrases which describe motivation, values, and goals. During the interviews, I also paid attention to the attitude of the interviewees - what kind of words and intonation are used when talking about other sectors.

Interviews mainly demonstrated perspectives of the stakeholders, and some specific information, such as history or plans, was not obtained from them. I also used secondary sources such as documents published by YMM, websites of main landowners, and newspaper articles in order to glean information about those I could not obtain from interviews.

**Outline**

The thesis contains six chapters. This introduction is followed by the literature review, investigating the theories of PPPs. I first introduce the broad concept of PPPs, and then focus on city revitalization in specific. Here, I examine the history, definitions, and motivations of forming PPPs for downtown revitalization, and look over the importance of PPPs in revitalizing downtowns. The next part views how PPPs are created from four perspectives: financial feasibility, political and economic feasibility, negotiation, and sharing. The final section is about PPPs for city revitalization in Japan, how it has emerged and the potentials for the next steps.

The next three chapters are based on the case of YMM in Yokohama, Japan. Chapter 3 shows what PPP is in the case of YMM. It first introduces the history of
the district, and the motivation of creating a public private partnership
organization, YMM. Then the current situation between the members is discussed.
Chapter 4 explores how PPP in YMM is accomplished from three main aspects:
governance, finance, and concept sharing among stakeholders. Chapter 5
examines three effects of the PPPs in YMM: creating local rules, relationship with
adjacent communities, and a new effect among the workers to create a network in
the district. This part also shows how different stakeholders perceive and act in
YMM.

At the end, Chapter 6 summarizes the key findings from the case study,
provides recommendations and discusses the potential for applying the knowledge
to the Tohoku region.
Chapter 2. Literature Review

Public private partnerships (PPPs) have gained importance since the late 18th century. Today, PPPs are considered “creative alliances” formed between a government entity and private entities to achieve a common purpose. Other actors have joined such partnerships, including nongovernmental institutions such as health care providers and educational institutions; nonprofit associations such as community-based organizations; and intermediary groups acting as the center of communication for stakeholders, such as business improvement districts (Corrigan et al., 2005; The LA BID Consortium, 2009).

One of the first examples of the use of PPPs to meet a wide variety of public demands in the United States was the Lancaster Turnpike, a toll road built with public sector oversight and rights-of-way. It was opened in 1793, connecting Pennsylvania farmers with the Philadelphia market and immensely reducing the travel times. The Erie Canal, completed in 1825, and the first Transcontinental Railroad, finished in 1869, are other early examples of PPPs (Corrigan et al., 2005).

Today, PPPs are used not only in transportation but also for other purposes such as water and wastewater systems, technology development, prison facilities, delivery of social services, and school construction (Corrigan et al., 2005; Grimsey, 2004). They also have been studied in several research fields: political sciences, legal sciences, planning, and international business, finance and relations (Clerck et al., 2012). The concept is widely known around the world, but
there is a lot of disagreement about the definition of this concept (Clerck et al., 2012).

PPP projects can take a number of forms, but typically involve a long-term contractual relationship between government agencies and private sector partners for the provision and operation of an infrastructure asset (Walton et al., 2008). Here, I would like to introduce a definition by the National Council for Public-Private Partnerships:

“A public-private partnership (PPP) is a contractual agreement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards potential in the delivery of the service and/or facility.”

Grimsey (2004) adds that the broader framework encompasses both ‘policy level’ partnerships and ‘project level’ partnerships. Policy-level partnerships coordinate public sector and private sector inputs into decision making about the design and formulation of policy initiatives. Project-level partnerships, by contrast, focus on specific sites or situations, such as the development of a new urban transit terminal, with the aim of drawing private capital and management into the project. These policy-level and project-level partnerships have always gone hand-in-hand in the United States (Grimsey, 2004).

This paper focuses on PPPs in the field of urban economic development and city/community revitalization, by far the fastest growing arena for the use of PPPs (Corrigan et al., 2005). The second section will review the history, nature, and motivations for PPPs in downtown revitalization. The third section will examine
how those PPPs are established, and the final section will briefly explain PPPs in Japanese downtown revitalization.

**PPPs in Downtown Revitalization**

**History**

Rebuilding downtown has been one of the longest campaigns of local governments (Friedman and Sagalyn, 1989). Historically, real estate development, which is an important component of downtown revitalization in the U.S.A., has been primarily a private function. Government agencies were also involved, typically to control the type of use through zoning regulation, to solve concerns of public health and safety, and to oversee the public’s interest in the redevelopment process (Witherspoon, 1982; Brodie, 1995). However, the figure of public sector that it performs only these traditional roles have been removed from any vision of partnership (Brodie, 1995).

In the reaction to the post-WWII exodus of business and families from many of America’s central cities to the suburbs, the federal urban renewal program, first legislated in 1949, provided the foundation for a more pro-active public sector role (Brodie, 1995). Cities sought to encourage business investment in blighted areas by combining public powers with the private purse (Witherspoon, 1982). In these cases, nearly always a new public sector vehicle, the urban renewal agency, was created to implement the program. Sometimes it was part of local government and sometimes it was a more independent entity. This extended the public sector role in terms of time. For instance, use covenants, often for 40 years, were
imposed on private development. The basis of this additional public involvement in real estate was in the benefits the public actions provided to the private sector, which could almost be considered a partnership (Brodie, 1995).

A number of researchers mention the Urban Development Action Grant (UDAG), which was passed by the federal government in 1976, as the key catalyst in creating PPPs. The concept, while built on the urban renewal experience, was significantly different from the previous ones. It outlined a set of criteria so that a locality could compete for federal funds on a regular basis. The criteria were ratio of public-to-private financing, job retention and/or creation, and estimated increase in property tax revenues (Brodie, 1995).

As such, during the 1970s, the federal government terminated the urban renewal program and cut back the flow of federal aid to local government. It was the movement of neoliberalism, starting from the Carter administration (1977-‘81), that made city officials in the US move toward closer, more productive development relationships with the private sector (Frieden and Sagalyn, 1986). The federal aid budget for states and local governments peaked in real dollars in 1978, midway in the Carter administration, and declined further during the Reagan administration. Many cities cut municipal services but continued to bear high tax burdens, which provided room for the private sector to involve (Frieden and Sagalyn, 1986).

This reduction in the direct title of the government and the increased dependence on the private sector to help solve economic development problems became conceptualized as a movement toward “PPP.” They began to adopt joint
public-private approaches for downtown redevelopment projects, and a number of more complex tools and sophisticated PPPs were devised, with the public sector’s participation extending to every phase of development (Witherspoon, 1982; Sagalyn, 2007). As a result, some entrepreneurial local governments emerged as more equal partners in development projects by taking the initiative and adopting more businesslike behavior, including sharing in the profits (Witherspoon, 1982).

The 1977 Inner Cities White Paper began the process by advocating a partnership between state agencies in order to improve service delivery, while at the same time working more closely with the private sector and local communities.

Over the subsequent years, a series of experiments and policy initiatives advocated different combinations of partners and interests. These movements led to a paradigm shift in the 1980s in that the federal government promoted a greatly increased role for the private sector in urban regeneration (Bailey, 1994). Under the Reagan administration (1981-‘89) a new term, “private sector initiatives,” emerged to replace this original concept. It indicates a move beyond a concept of shared roles to a position which depends upon the private sector to initiate the proposals, programs, and policies (Bradford, 1983).

**Nature of PPPs in Urban Development**

This section observes the different natures of PPPs introduced in the literature. Although dozen of phrasings could be found, I digested them into three features: true partnership, contract, and subsidy relationship. Usually, a PPP
would boil down to one of the attributes, but a certain PPP could have overlapping characteristics of these three.

**True Partnership**

One of the essential features of PPPs is that it provides for a true partnership rather than a client-supplier relationship. Thus, this perspective sees that PPPs differs both from a contract, in which the client dictates what is to be done, and a grant, in which the grantee theoretically has complete discretion as to how to proceed with a very generally defined task. The key is joint decision making according to criteria formally embodied in the agreement instrument (Brooks, 1984).

Each sector has its own function: public sector identifies the needs, and entrepreneur in the private sector invents a market of a customer so the needs can be met at least partially through private modes of delivery (Brooks, 1984). Bailey (1994) presents top-down and bottom-up approaches as the “mobilization of a coalition of interests” drawn from more than one sector in order to prepare and oversee an agreed strategy for regeneration of a defined area (Bailey, 1994). In this cooperation, private partners cannot be solely profit maximizers; they must have a strongly developed social conscience in combination with an eye for profitable business. The grounds on which they defend their decisions to investors or creditors may properly be different from their own motivations in embarking on the activity. In this sense neither social benefits nor private profit alone suffice to justify the activity (Brooks, 1984).
2. Literature Review

**Contract**

Bradford (1983) gives a perspective of PPPs more as a contract. In his case study of City Venture Corporation, he sees that, although PPPs offer new economic development potentials for sharing community, government, and private sector resources, to the extent that the private sector sees these partnerships as profitable business opportunities, governments and community residents will have to respond as consumers and clients rather than as partners. Bradford (1983) also introduces a statement from Donald Fraser, the Mayor of Minneapolis: “In a sense, what the city did was to give a charter to City Venture to go out and plan and then to implement. Neither the city nor the neighborhood found itself defining what was to be done” (p326).

The City Venture Corporation case indicates that many governments and their agencies often have difficulty in defining their own roles in partnerships like contracts. In some cases, this has led governments to give up some of the functions that are essential to the government role, and failed to hold the private sector accountable for its performance (Bradford, 1983). On the other hand, Sagalyn (2007) insists that formal contracts also set the terms under which they share risk and responsibility for mutual financial gain and social benefit.

**Subsidy Relationship**

As stated in the previous section, UDAG played a catalyst role in creating PPPs. Sagalyn (2007) describes this relationship as a “conventional subsidy relationship involving a one-way flow of money, tax incentives, and eased or enhanced regulatory entitlements from government to the private entity” (p8).
program rules gave local governments discretion over how to use federal funds to attract private investment, but the private dollars had to be ready to commit (Frieden and Sagalyn, 1986). According to Frieden and Sagalyn (1986), the public share of public-private development projects ranged from 3% to as much as 81%, with a median of 30%.

Motivations and Rationales of Partnerships

Synergy

One major motivation for the public sector and private sector to partner is the combined effort it creates. More can be achieved by two or more sectors working together than separately (Bailey, 1994). Public officials and private developers who enter into these types of joint ventures typically have development ambitions that they could not complete alone (Sagalyn, 2007). The solution to complex and difficult social problems is sought through a combination of public and private energies (Haar, 1984).

PPPs offers city officials a hard-to-beat blend of flexibility and efficiency in the use of resources, brought to bear skills not available in the public sector, and provided private financing, thereby allowing governments to limit their financial exposure (Sagalyn, 2007). In addition, local authorities keen to enter into partnership agreements in order to achieve additional social benefits such as affordable housing, community facilities or linked training projects (Bailey, 1994). This becomes possible because PPPs encourages private sectors to considerate public objectives in the long term, in addition to their own (Witherspoon, 1982; Mackintosh, 1992). For the private sector, development may become feasible
through partnership in that some profit to commercial advantage is ceded to the non-profit sector in return for risk-minimization, capital subsidy or the provision of land at below market rates.

These synergies become a motivation because there are some gaps between the two sectors. Practitioners often comment on the difficulties of achieving a degree of consensus in the early days as partners confront the stereotypical views that they have of each other. For example, the public sector is often looked upon with suspicion and is often accused of being inward-looking, over cautious, and caught up its own internal procedures. On the other hand, private sector is likely to be risk-averse, committed to short-term profit-making and lacing in a wider social perspective (Bailey, 1994).

**Finance**

One of the most common justifications for entering into partnership is budget enlargement, whereby a public sector institution with limited resources and a private company seeking subsidy or risk reduction constructs a joint venture dependent on funding from a third party, such as UDAG program or Tax Increment Financing. This has been a common method of funding major developments within the private sector and has involved increasingly complex funding agreements between sectors (Bailey, 1994). No longer can private capital be relied on to pay the high price of assembling and preparing appropriate sites for redevelopment. Neither can local governments bear the full burden of paying the costs of requisite public infrastructure and facilities (Corrigan et al., 2005).
The value of budget enlargement through PPPs becomes clearer compared with the conventional subsidy style. Budget enlargement requires negotiation in the structuring of a wide range of development proposals. The federal government has responded to the trend by linking capital expenditure, grants and loans to the need to obtain matching or partial funding for projects. Government allocates resources on a competitive basis to those agencies best able to make a strong case for funding. For example UDAG requires evidence of matching public or private sector commitment (Bailey, 1994; Brodie, 1995). As such, it may well be that the most important role of partnerships is to become adept at accessing contribution from government and other public sector sources by building commitment through leverage (Bailey, 1994).

**Place Marketing and Promotion**

In the 1960s and 1970s in the USA, the approach to economic development transitioned from the managerial to the entrepreneurial (Harvey, 1989). This has much to do with the decline of influence of local governments and the growing alliance between segments of private capital and central government. Bailey (1994) explains that in circumstances where investment decision are frequently made on a global basis, many cities have discovered that it has become essential to devise a marketing strategy and that PPPs have become the most effective way to access central government cooperation and infrastructural investment. This is because public-private projects and marketing campaigns are a convenient way of launching initiatives where all parties foresee benefits over and above more traditional investment opportunities. By developing inter-agency consensus, the
attributes of particular localities can be promoted and marketed, such as in the form of cultural centers or location for sports and leisure facilities (Bailey, 1994).

**Development Opportunities**

An important motivation for the establishment of partnerships throughout the 1980s had been the need to unlock the complex patterns of land ownership in inner city areas and to prepare large parcels of land for redevelopment. In addition to this, in situations where citizen participation complication exists, private developers were unwilling to venture much beyond the most favorable sites in or near city centers (Bailey, 1994; Brodie, 1995). Partnerships thus became one of the few options available for the public sector to promote development, which would otherwise be impossible to achieve, and to provide a weak and risk-averse private sector with administrative supports (Bailey, 1994).

Bradford (1983) provides an example through a case of City Venture, a private sector entity in PPP economic development. He maintains that City Venture’s strength is in its ability to formulate specific strategies to address problems, and its capability to manage the implementation of development for an entire community’s benefit, by functioning as a catalyst. Corrigan et al. (2005) also asserts, “in many instances PPPs make possible the completion of projects that would be impossible using more traditional methods of economic development” (p. iv) through its extensive case studies.
How does PPP happen?

Financial Feasibility

Frieden and Sagalyn (1986) insist “assembling a mix of local and private resources to complement available federal funds” (p147) as one of the elements of PPPs for downtown retail projects. The public sector has tools, such as tax abatement, tax increment financing, fee waivers, zoning, and even eminent domain, to bring to the table to incentivize the private sector and help make sure the project is financially feasible (Corrigan et al., 2005). Also, projects can look for, and need to identify public and nonprofit sector funding mechanisms, such as community development block grants, transportation funds, and local revolving loan funds (Corrigan et al., 2005). However, with the increasing scarcity of public sector funds, the complexity of the financial package will necessarily increase. It is, therefore, essential to be imaginative and forward thinking to capitalize on all and any funds that might work (Witherspoon, 1982; Corrigan et al., 2005).

Typically, the private developer is concerned primarily with financial feasibility (return on private investment) (Witherspoon, 1982). Developers can access short-term capital, but being in business to make money, they generally need a quicker and significantly higher return on their investment than government. If it can see a return to its investment over a protracted period, it can often be interested in financing that covers a longer term (Corrigan et al., 2005). Brodie (1995) adds to this point that for a successful public-private project, a private developer should appreciate long-term asset development and value as more important than short-term profit and be able to commit the necessary
resources of time, energy and funds to overcome known obstacles. On the other hand, a failure is an over dependence on public finance to compensate for weak private market economics.

**Political and Economic Feasibility**

Establishing political and economic feasibility during early stages of project planning is a key for public-private partnerships (Frieden and Sagalyn, 1986).

The public sector, which is concerned with economic feasibility, needs to develop a deep and clear understanding of the economics of both private and public sides of the development process, the costs and benefits and the risks and rewards for each party (Witherspoon, 1982; Brodie, 1995). Here, the developer needs to make an internal assessment of the resources for assessment of risk, potential deal structures, and political community leadership and working relationships with others. From case studies from the Baltimore Inner Harbor and Washington’s Pennsylvania Avenue, Brodie (1995) adds characteristics critical to the success of public-private ventures: a thorough and realistic assessment of the costs and benefits involved, and the ability of the parties to articulate these elements to elected public leaders, the public and the media. Also, there could be some critical mistakes that lead to failures of public-private projects. One of them is an overly optimistic view of market demand, which is most often predicated on a belief that success from one project can transfer to another location with different conditions. Another is when public-sector demands for more benefits than the development economics can support.
Gordon (1997) focuses on the life cycle of a project and provides three insights. First, because public-private development projects take such a long time to execute, the structure of the startup should allow the project and its politics to change. This requires substantial local control, lodging sponsorship in a quasi-independent authority capable of insulating the capital project from fractious local development politics, and putting in place a board of directors with connections to other levels of government, a necessity when political conditions change (Sagalyn, 2007). Second, expect different political issues to emerge over the course of implementation, from building political consensus for economic development during the start-up phase to allocating the benefits of development later on. Third, local officials and developers must be willing and able to adapt over the decades it takes to implement large-scale public-private development projects.

**Negotiation**

Brodie (1995) points out that incomplete negotiation, such as inexperienced public-sector staff who lack understanding and negotiating experience with the private sector, or private-sector unwillingness to share the rewards of a successful project with the public sector, could lead to PPP failures. Negotiation of business deals involves cities, developers, local business leaders, citizens, and other participants in the public-private development process (Witherspoon, 1982).

Corrigan et al. (2005) emphasizes that negotiating a fair deal structure does not begin at the point attorneys begin documenting the transactions, but rather it is a cumulative process with a clear and rational decision-making process, and early and frequent communications. The public sector needs to create conditions for a
relationship based on understanding and mutual trust that would survive the transactions of time (Brodie, 1995). By the time transactions are documented, a clear understanding of the deal structure should already be in place. Both parties should have already done their homework and evaluated their respective risks and returns (Corrigan et al., 2005). What is critical is to establish a process and a structure that allows all partners to be dealt with fairly and professionally and where the product meets both public policy goals and the test of the marketplace (Brodie, 1995).

Public and private players rarely have, and do not need, equal bargaining power if risk is proportional to each partner’s investment. A public official’s bargaining power is usually greatly affected by the strength of the local market and the real estate cycle. To get the best possible deal, government officials must cultivate or hire the expertise to position their development offering appropriately and negotiate effectively with private developers (Sagalyn, 2007).

**Vision**

All successful projects start with a vision. The vision is the framework for project goals and serves as the benchmark to ensure the realization of joint ventures. Ideally, property owners, residents, and area anchors such as churches, colleges, and hospitals will have “buy-in” because they have a stake in the outcome. The public sector should develop fair, open and professional methods to select partners for the project (Brodie, 1995). Tools for creating visions are public hearing, charrettes, visioning exercises, and involving the media. It involves a strategy for implementation, which includes funding mechanism (public and
private), potential partners (and their responsibilities), and an agenda or time frame for achieving the vision. An important component of the vision is specifying the scale of the project or projects that provides people with and understanding of what is going to happen. The most important component of a vision is ensuring that it can endure the test of time (Corrigan et al., 2005).

**PPPs for City Revitalization in Japan**

PPPs have been used for revitalization in Japan since the 1980s (Ohno et al., 1992). The movement gathered attention in the 1990s. One example, Town Management Organizations (TMOs), with the Business Improvement District (BID) in the USA as its model, were implemented in 1998 (Yasui et al., 2013). However, TMOs were mainly composed of Chambers of Commerce, and thus their projects were biased towards local or national governments’ needs, which were physical improvements using government subsidies. This led to few successful cases in the Japan, and cities are looking for partnerships involving non-governmental organizations (MLIT, 2012).

Another reason TMOs were not successful is that the structure of BID taxes or assessments as seen in Western countries has not yet been introduced into Japan. As a result, TMOs and other organizations were maintained through public funding either from the national or local governments (Yasui et al., 2013). On the other hand, some organizations have begun to create a new mechanism: self-sustaining businesses utilizing local resources have started in order to give profits back to support district management activities without depending on a
government subsidy. Accordingly, a number of cases have been reported to show that those challenges have been encouraging changes in public-private relationships or strategies of urban space utilization (Yasui et al., 2013).

After the decline of TMOs, there has not been a lot of research done on PPPs in downtown revitalization. Instead, many cases of PPPs in Japan had been for smaller scales, such as managing facilities through Private Finance Initiative (PFI). The main purpose of PFI is to reduce the maintenance cost of a facility for public use by utilizing the private sector’s management skills, and to take advantage of innovative ability of the private sector. For example, the City of Yokohama has been using PFI for water sewage facilities since 2004 (CAO, 2012).

Meanwhile, in terms of downtown revitalization, in 2006, the enforcement of the New Central City Invigoration Law practically put an end to TMOs. Instead, a new organization, “Central Town Area Activation Meeting” (CTAAM), was established. Unlike TMO, CTAAM was a form of partnership organization that aimed to get local management stakeholders such as merchants, local government, and land owners involved (CTAAM Supporting Center, 2013). CTAAM had become a means of sharing a future vision of a local district with stakeholders over local amenity creation, but the challenges as to how to effectively put it into practice still remained unanswered (Yasui et al., 2013).

Under the circumstances, private district management organizations began to form, supported independently by the membership of property and business owners in the urban, commercial and business districts that developed a sense of crisis under inter-city competition and globalization. Those organizations started
to carry out continuous district revitalization activities. Another characteristic of these projects was the proactive self-involvement of property owners in revitalization projects which previously had been led by merchants (Yasui et al., 2013).

One example in which a district took a leadership role includes the business area around Tokyo Station and the neighboring commercial district (MLIT, 2012). A council was created in 1988, which began with 59 property owners at first, and now comprises 69 organizations. Some of these are leading Japanese financial institutions, real estate companies, communication-related companies, and trading companies. It is also well-known for including many Mitsubishi Group companies (Yasui et al., 2013). Although there has been remarkable progress in the development of district management and PPPs in Japan, where local property owners proactively get themselves involved, major challenges still exist. The largest challenge is the issue of securing equal and stable funding by local stakeholders and the lack of a solid management structure (Yasui et al., 2013).

In sum, PPPs in city revitalization in Japan is still under development, but individual cases are emerging. As the population in many cities is declining and the economic growth in cities uncertain, it is becoming important for local land owners and business owners to collaborate or network by utilizing the local public space, buildings, and infrastructure. Creating these collaborative projects continuously will, in the future, lead to the revitalization of central urban areas of Japan (Yasui et al., 2013).
Chapter 3. The Importance of PPPs in City Revitalization

The next three chapters will investigate what a PPP is, how it is formed, and its effect, from a case in Yokohama, Japan. The organization I focus on is Yokohama Minato-Mirai 21 (YMM), which has been realizing PPP for nearly 30 years. This chapter aims to explain the organization through history, motivation, and the current situation.

Overview of Yokohama and MM21 Project

The city of Yokohama is the second most populated city in Japan after Tokyo, with approximately 3.8 million residents. It is located on the periphery of Tokyo, about 30 minutes away both by train and car (Figure 3-1). Yokohama’s high accessibility from Tokyo makes it part of Tokyo, which effectively means the center of Japan. However, economically, Yokohama is a ‘subordinate’ of Tokyo.
The symbol of Yokohama has been its port. The Port of Yokohama opened in 1859, and since then it has been the engine of Yokohama as well as the entire Japan. This was seen especially after World War II, when Japan’s economy was mainly fuelled by its manufacturing industries. Resources such as petroleum, coal, and iron ore were imported and in return, steel, cars and machines were exported (The City of Yokohama, 2008). Today, world renowned manufacturing companies such as Nissan Motor and Kawasaki Heavy Industries are still located around Yokohama. It is still the second largest port in Japan, and 30-40th in the world (Japan Port and Harbour Association, 2010), but the city is also seeking other avenues of growth.

Another characteristic of Yokohama is its international linkages. At a time when ships were still the major mode of transportation for transatlantic travel, Yokohama became the landing spot that welcomed many foreigners when they first arrived in Japan. These foreigners subsequently established many foreign settlements within Yokohama, which is why Yokohama has one of the largest Chinatowns in East Asia and a lot of Western-style buildings. Its legacy as an international port has made the city very progressive and innovative (The City of Yokohama, 2008).

As seen in Figure 3-2, the history of Yokohama is encapsulated in its history of land reclamation. This has been a major project for the city since 1870. One reason for this is that the port needed newer wharfs as ships gained greater popularity. For example, in the early 20th century, as the number of ships increased rapidly, more and more wharfs were built. In the later period of the 20th
The Importance of PPPs in City Revitalization

century, cargos started using containers for transporting goods. Containers standardized the conveying process and required ships and ports to be larger, resulting in the need for new land. Another reason that prompted Yokohama’s land reclamation efforts is the need to construct roads and railways to transport goods from the ports to factories nearby. For these reasons, the port area in Yokohama gradually shifted away to the south part of Yokohama, where larger rejections were possible. This transition left the old wharfs obsolete, thus prompting a new revitalization plan (The City of Yokohama, 2008).

One of the six main projects for revitalization was to strengthen the central business district, which was later called “Minato-Mirai 21” project (Tamura, 2006). Since the project and district bears the same name, the project will be described as MM21 in this thesis, and the district as Minato-Mirai 21, for easy distinction. This was a plan to redevelop the land that housed Mitsubishi Heavy Industries’ (MHI) dock. When this project was planned, Kannai District and the area around Yokohama Station have been developed, but MHI dock was separating them. Due to the fact that there was not a lot of potential here for MHI to grow, the City of Yokohama urged MHI to relocate its dock. In 1983, MHI left

![Figure 3-2. Transition of Land Reclamation and Development in Minato-Mirai 21. Photo credit to: http://www5b.biglobe.ne.jp/~a-uchi/haibutu/index4k.html](image-url)
this district and land redeveloped was implemented in stages (MHI, 2012). As could be seen in Figure 3-2, additional land reclamation was made by 1988, five years after MHI’s departure. Minato-Mirai 21 District is located near Yokohama Station and Kannai District, as seen in Figure 3-3.

![Aerial View of Minato-Mirai 21 District](image)

Figure 3-3. Aerial View of Minato-Mirai 21 District.

Figure 3-4 summarizes the role of the three districts. Yokohama Station is the terminal station in the city, where many commercial facilities are located. Kannai is the government center of the City of Yokohama and Kanagawa Prefecture, and contains many historical sites. Both districts have some businesses, but not enough to serve as a main engine of growth. Data from the City of Yokohama shows that the number of workers per office in Minato-Mirai is 40.2, which is as many as one of the centers in Tokyo (44.8), while Yokohama Station and Kannai are 19.5 and 17.7 respectively. This indicates that offices located in Minato-Mirai 21 are large offices, and thus endowing Minato-Mirai 21 the potential to become a
business center. Although the specific numbers could not be found, the major employers in the three districts are shown on Table 3-1.

![Figure 3-4. Roles of the Three Districts in Minato-Mirai 21.](image)

<table>
<thead>
<tr>
<th>Yokohama Station</th>
<th>Minato-Mirai</th>
<th>Kannai</th>
</tr>
</thead>
<tbody>
<tr>
<td>Okamura</td>
<td>Accenture</td>
<td>Utoc Co.</td>
</tr>
<tr>
<td>Tokyo Electron Device</td>
<td>Nissan</td>
<td>SC Johnson</td>
</tr>
<tr>
<td>Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keikyu Kensetsu Co.</td>
<td>Lenovo Japan</td>
<td>Fancl</td>
</tr>
<tr>
<td>Nomura Research Institute</td>
<td>Fuji Xerox</td>
<td>Minth Japan</td>
</tr>
</tbody>
</table>

Table 3-1. Major Employers in the Three Districts

Source: the City of Yokohama, Economic Affairs Bureau

Let us look closer at the Minato-Mirai 21 district. As can be seen in Figure 3-3, Minato-Mirai 21 is comprised of three districts: Shinko, Central, and Yokohama Station East. Shinko District is contains Block number 1 to 17, Central District contains 18 to 67, and Yokohama Station East District contains Block number 68. Most of the new businesses are located in the Central District. We could see from the map that the Central District is flanked by Yokohama Station to the West and Kannai District to the East.

The main objective for the Minato-Mirai 21 project was to alleviate economic centralization in Tokyo: to promote headquarters of private companies, and attract vital small businesses and new entrepreneurs. Tokyo, which contains Japanese
business and government centers, was under the threat of natural disasters, such as earthquakes or typhoon. Yokohama was considered as a good alternative location for companies because it is far enough to avoid major damages from disasters, but still within the periphery of the Tokyo metropolitan area, enabling regular contact with businesses in Tokyo.

**Motivation of Yokohama Minato-Mirai 21 (YMM)**

MM21, as a national project, was supported by the national government in policy and finance to encourage cooperation among public, private and non-profit sectors. The main planning was done by the City of Yokohama, the infrastructure was built by the public sector (city, prefecture etc.), and the private sector developed the lands (City of Yokohama Urban Development Bureau, 1988). In order to keep the momentum of the project, public-private partnership was essential, and that became a motivation to create a non-profit organization. An organization was established in 1984, a year after the redevelopment began, and was named Yokohama Minato-Mirai 21 (YMM). Although this company had stocks and the City and other companies owned them, the profit was used for only public purposes. Therefore, as a non-profit stock company, its main role was inviting businesses, promoting, creating and managing local plans, and managing facility maintenance (Kishida and Uzuki, 2009).
Table 3-2. Main Events Surrounding YMM.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>Yokohama City Development Co. established</td>
</tr>
<tr>
<td>1980</td>
<td>Decision made to relocate MHI’s Yokohama shipyard</td>
</tr>
<tr>
<td>1983 (Mar.)</td>
<td>MHI’s shipyard relocated</td>
</tr>
<tr>
<td>1983 (Nov.)</td>
<td>Start of Project MM21</td>
</tr>
<tr>
<td>1984</td>
<td>YMM established as a non-profit stock company</td>
</tr>
<tr>
<td>1988</td>
<td>Minato-Mirai 21 Basic Agreement on Town Development concluded</td>
</tr>
<tr>
<td>1995</td>
<td>District MM21 holds first joint disaster-preparedness drill</td>
</tr>
<tr>
<td>2009 (Feb.)</td>
<td>YMM transformed into a general incorporated association</td>
</tr>
<tr>
<td>2009 (Aug.)</td>
<td>Nissan global headquarters opens</td>
</tr>
</tbody>
</table>

Source: YMM (2012)

After 26 years of operation, YMM was transformed into a general incorporated association in 2009. This is because, as the district was developed, the number of landowners increased, and therefore an organization composed of diverse entities became necessary (MILT, 2012). According to Tsukada, an officer in the City of Yokohama, YMM as a general incorporated association enabled constituents in the district involve more voluntarily and thus the area management process became efficient (Energy Labo, 2008).

As of October 2012, 115 organizations cooperate with YMM. When YMM was a stock company (1984-2009), this number was 8, which were the original members of YMM. Although YMM is composed of members from these 115 organizations, only 63 of them, who are “full members,” can attend the committee, where the main discussions are held. YMM consists of four committees, which will be explained in the next chapter. Full members are those who own a land or a building in the district, and the City of Yokohama. Furthermore, according to the YMM official, 15 “main members” of the full members take part in the main meetings of the committee. The main members are the ones that have been in the district for a long time. Each meeting for a committee is held once in month or
two, which means there is one meeting of some sort in YMM approximately once a week.

The other members are “associate members,” who own a building temporarily, and “supporting members,” tenants or those who have some sort of relation with the district. There are 13 associate members and 39 supporting members. These members cannot attend the committee meetings, but have opportunities to have their voices heard and provide inputs to the plans before and after meetings. Summary of different member types could be seen on Figure 3-5. Members of YMM as of October, 2012. Figure 3-5. The decisions made by the committees are sent to other members by email. All the officers I interviewed, both from YMM and the City, did not point out any disagreements occurring through this process.

<table>
<thead>
<tr>
<th>Full members (63)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Landowners, building owners</td>
<td></td>
</tr>
<tr>
<td>• Can attend committee meetings</td>
<td></td>
</tr>
<tr>
<td>Associate members (13)</td>
<td></td>
</tr>
<tr>
<td>• Temporal owners</td>
<td></td>
</tr>
<tr>
<td>Supporting members (39)</td>
<td></td>
</tr>
<tr>
<td>• Tenants</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 3-5. Members of YMM as of October, 2012.*

When YMM was a stock company, it was funded by the stock owners. In addition to that, YMM had its own projects, such as leasing space in a historic warehouse, or managing parking spaces, and used their profits as funds. As more businesses came in, YMM wanted to be an organization that is supported by the
entire city, and manage the area together. Therefore, since YMM became a
general incorporated association, it has been collecting annual fees from all the
members. This will be explained in more detail in the next chapter.

Following this overview of Yokohama and a brief look at what YMM is, the
second half of this chapter aims to examine deeper into YMM and its members.
Although I introduced three types of members that are officially announced, there
could be another way to categorize them: “originals” and “newcomers”. Different
perspectives of these two groups are presented below.

**Dominance of the “Originals”**

YMM was first composed of eight original landowners when it was
established in 1984. All of them still remain in YMM. This structure lasted for 25
years until 2009, when it became a general incorporated association. Currently,
YMM has expanded its number of members to 115.

One of the “originals,” Mitsubishi Estate (ME), referred itself as “the largest
private landowner”. The beginning of its activity in MM21 was when it bought
20ha (1ha = 2.47 acre) out of the 110ha land in 1983. Since then, it has been the
leading developer in MM21. An officer from ME said, “We have been partners
with the City of Yokohama in developing MM21, and installed organizations such
as YMM together.” His behavior showed pride of his company’s contribution to
this gigantic project. To a question of how ME’s relationship with the city and
YMM changed in the past 30 years, he simply answered that nothing has changed
that we are “the largest private landowner.”
What is the main reason that YMM has lasted for nearly 30 years? A common theme that was raised was “sharing the same goal.” YMM and ME officials agreed that no one disagrees with the goal of trying to revitalize the district. The City of Yokohama also owned 14ha of the land when the project started, and needed the private sector’s support to develop the land. Therefore, the intention of the public and private sectors linked well, and that became a motivation to maintain YMM.

Overall, it seemed that YMM and ME were comfortable with their relationship with each other. This situation probably makes them less inclined to change dramatically, or be opened for new perspectives from different members. This could be seen from the interview when I asked how YMM and ME officers thought about other cities. They seemed uncomfortable about this kind of questions. For example, I asked whether they knew any case which made an organization like YMM but did not succeed. They answered, “There is probably no case that failed; YMM is continuing because it still has not completed its mission.” Also, I asked whether YMM had looked into other cases in project management, but all of the officers did not think there was such a study.

It appeared that the City officials are feeling a different way. One of them pointed out that although YMM has opened up its membership structure, the new landowners are not really involved in decision-making. This is because the original landowners, including the City, know each other very well. Therefore, discussions among them can be done easily and efficiently without
misunderstandings. This could be a value for both the City and YMM, but the city official framed this as something to improve in the future.

“The committee meeting is a place for reporting, rather than discussion,” an officer from Company A says. Company A is a new landowner, and manufactures precision machines. The main “original” members create a plan beforehand, and present it in meetings. He said there is “basically no discussion” in meetings.

The dominance of the “originals,” especially the Mitsubishi Group, has been a concern even when YMM was being established back in 1983. The forerunner of YMM was Yokohama City Development Co., whose stock was owned more than 80% by the Mitsubishi Group. Yokohama City Development Co. was working on city planning and management around the area from 14 years before YMM started. It was in charge of redeveloping the land that housed Mitsubishi Heavy Industries’ (MHI) dock, which eventually became the site of District MM21.

When Project MM21 was working out in the early 1980s, the City was expecting that this project would be larger and longer than ever before, and therefore needed a larger organization that would have financial strength and more employment but still would remain under the City’s control. On the other hand, the City did not want to take over all of the company’s work because the City wanted to involve the private sector, so that the plan and project would not be too rigid. As mentioned earlier in this chapter, the City’s decision was that a single private company is not enough for this, and a non-profit organization is necessary, which is supported by the City and some landowners.
In this process, the City of Yokohama wanted to make Mitsubishi Group’s effect as small as possible. What they did was to expand the revenue base of Yokohama City Development Co., which was 200 million yen at that time, to 800 million yen. The increased 600 million yen was funded by the City (250 million yen), Kanagawa Prefecture (125 million yen), local financial circles (200 million yen), and other landowners such as Japan Railways or public corporations (25 million yen) (Figure 3-6). It was the local financial circle’s desire to have at least half the share by non-Mitsubishi Groups, and a neutral leader.

![Diagram showing investments made on YMM Establishment](image)

**Figure 3-6. Investments Made on YMM Establishment**

**Newcomers Welcomed?**

The number of businesses entering MM21 has been increasing constantly.

When the project started in 1983, it was planned that all parcels of land would be developed by 2000. However, the economic crisis in the early 1990s changed the situation. The pace of development slowed down from the level expected. Now, the development is done by the City selling a parcel one at a time. Under this circumstance, the City, YMM and ME officers agreed that it is better to
strategically develop rather than trying to do it all at once. Some private landowners use the land temporarily, by leasing to a shop. How this is done will be explained in subsequent chapter.

Along with Nissan, more and more businesses are coming into MM21, and joining YMM. However, the City of Yokohama feels YMM is not making best use of the new businesses. As landowners have increased, the officer from the City said it is important to make more opportunities for them to participate in discussions, since they pay the annual fee. Through the attendance of more private landowners, YMM will benefit from their adaptability as well as from the comprehensiveness of public. He emphasized the importance of being open to new social trends and technology, because those are hard for cities to keep up with. For example, the proper height and color of a building changes from time to time. In the 1960s, when the economy was growing, taller buildings were preferred, which is not necessary now, but creating a beautiful skyline is still desirable. These adjustments are not possible only by the city government.

However, he feels that YMM is not doing a good job at accepting new and interesting ideas of these new companies. One reason could be explained from the previous section; it is just comfortable for the “originals” to work by themselves. The City officer also admitted that the proposals or plans the “originals” make are well-made, that other landowners do not need to disagree with.

How are the new businesses thinking? In short, most businesses are not as aggressive in getting more involved in YMM. An officer from Company A said there is not a lot of motivation for them because their main business is in the
global market, with other companies around the world. His impression of the meetings in YMM is that there are not a lot of discussions, but he does not really care about it, as long as it does not harm their business. He added that some businesses care about what is going on around the area, such as shop owners or hotels. One voice could be heard from a “supporting member” of YMM. He acknowledges that his company cannot participate in meetings, which is only allowed for “full members.” However, since the company is same as other landowners in the sense that it is susceptible to changes in MM21, so he hopes for the right to at least observe meetings.

Conclusion

The City of Yokohama wanted to alleviate economic centralization in Tokyo, and one of the projects for that was to strengthen the central business district. As the project started in 1983, it seemed to become a larger and longer project than ever before, and a public-private partnership became to be essential, which motivated to create a non-profit organization, YMM, in 1984.

YMM was at first a stock company, owned by the City and eight main landowners. But as the district got developed, it changed its structure to a general incorporated association after 26 years of operation. The main aim for this was to include the new businesses as a member of YMM so that they can involve more voluntarily and make the management process more efficient.

Although YMM opened its organization to new members, the “original” members are in the core still with the most involvement. This is mainly because
the original members are used to working with YMM, and continuing the same way is more efficient. It seemed that YMM and ME were comfortable with their relationship with each other, which makes them less inclined to change dramatically. The City is concerned about this, and says YMM and the original members should be open and adaptable to the new social trends.

The new members have different perspectives: some want to get involved more, while others do not care as much. It could be because the new businesses’ positions vary, YMM are not urged to change dramatically. YMM is led by Mitsubishi, a national wide conglomerate, as Mitsubishi Estate being in the center of it.

As this chapter demonstrates, there are different perspectives toward YMM from different stakeholders. However, limitation of data still remains. Because the interview with YMM and ME officers was done together, their show mostly the same views. The results could have been different if the interviews were done separately, or if YMM and the City were together. To reveal a more precise opinion, further investigation is necessary.
Chapter 4.
How Public Private Partnerships are Accomplished

In this chapter, we will examine how that the public-private partnership YMM is accomplished from three main aspects: governance, finance, and concept sharing among stakeholders. I first look at the governance structure of YMM, and examine how that is effective for some private landowners in the district. For finance, I introduce YMM’s financial source, and how it has transitioned since its establishment. The second half of the finance section is about how the City of Yokohama provides incentives to businesses for them to choose Yokohama and District MM21 as their office. The final section of this chapter will go into how concept sharing has been important to the original members of YMM.

Governance

Governance is an important part for creating public private partnerships. This is because conventional planning has been mainly done by the public sector. Under this system, there are two times that the private sectors can get involved. Once is when the municipality or prefecture makes the plan, and shows it to the public, which period is two weeks long. The other is when the plan is officially approved by the legislator, and noticed to the public again. The MM21 project aimed to change this situation, and that is why YMM was created. YMM was created as a “place” where the private landowners can take initiative to planning the district. Especially, after YMM changed its form to general incorporated association, the environment for the private sector’s involvement got established.
YMM has three main meetings: general assembly, board of directors, and committees. The general assembly stands at the top, and the board of directors follows. Decisions about activities, development, or budget are first made at the board of directors, and those are approved at the general assembly. Under the board of directors are the committees (MLIT, 2012).

The committee is where the discussions are held, and thus could be considered the most important part of YMM. There are four committees in YMM: advertisement and event space leasing committee, urban development coordination committee, environmental solutions committee, and cultural and promotional activities committee (YMM, 2012). As explained in the previous chapter, only 63 of the 115 current (October, 2012) members of YMM are “full members,” who can attend the committee meetings. Each full member can choose which committee to attend based on its interest and importance to business. The other members, “associate members,” and “supporting members,” cannot attend committee meetings, but can have their voices heard and provide inputs to the plans before and after meetings. The decisions made by the committees are sent to other members by email.

It seems that for some private landowners, this governance system makes them get involved in YMM activities. When a private entity becomes a landowner or a tenant in District MM21, either permanently or temporarily, they can choose whether to join YMM, although they are encouraged by YMM to become a member. According to the YMM officer, it seems that almost all landowners has become members of YMM.
For example, an officer from Company A said he thinks joining YMM is an obligation to do business in the district. Although the company did not know that YMM existed when they selected district MM21 as the site of their new headquarter, they did not hesitate to join YMM after they got to know about it. In fact, the officer I talked to did not know that it is allowed to opt out of YMM. However, he confidently replied that they would join YMM anyways even if they had an option not to. The officer was the only one from Company A to attend YMM meetings. He said he goes to about 60% of the meetings, mostly about developments. He said he sometimes attends meetings of the cultural and promotional activities committee, but not for the other ones.

Why does Company A thinks joining YMM an obligation, even if having YMM does not directly increase the company’s business performance? One reason that came up through interviews is the environment of Minato-Mirai 21. Many companies choose MM21 because of the peace, openness, and internationality the place has. Even though YMM activities do not have direct benefits to some of the landowners, they still acknowledge the importance of maintaining its value. One value the officer mentioned was safety. Thanks to YMM, the area is perceived to be safe, which encourages a lot of future employees to consider applying to Company A.

Another reason would be something more relevant: discussion in developments. For example, Company A is planning to develop a new parcel next to their office. The use of the development needs to be checked and approved in a meeting of YMM, which means the other landowners in the district will have a
chance to put direct input to the plan. Through this system, it is easier for the landowners to get involved in planning the district. If it were not for YMM, it will be through the conventional system of the city, and it will be harder for the landowners to participate. This case implies that by the existence of YMM, landowners get more involved in planning because the relationship with the municipal government changes; it shifts from vertical, with the municipal government in the higher position, to horizontal. This will be examined more later in this chapter.

**Finance**

YMM has one of the biggest funds among similar organizations in Japan. MLIT (2012) introduces 30 non-profit organizations that work for city revitalization through public-private partnerships, and 25 of them provided data on total capital. The capital amount of YMM was 285 million yen (approximately 2.85 million USD), which was 3rd largest capital size among those 25 organizations (Figure 4-1).

![Figure 4-1. Capital Size of Public Private Partnership Organizations in Japan.](image)
For organizations like YMM, which aims for city revitalization through public private partnerships, financing is one of the largest concerns. This is difficult to generalize, since each organization has its own particular situation, and finds its own way to overcome the challenge by finding various sources. In this section, we will observe how YMM has managed its financial condition.

As a Stock Company

Table 4-1. Projects of YMM as a Stock Company (1984-2009).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban development</td>
<td>Planning</td>
<td>Implementation</td>
<td>Implementation</td>
</tr>
<tr>
<td>coordination</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interference</td>
<td>Planning</td>
<td></td>
<td></td>
</tr>
<tr>
<td>prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business invitation</td>
<td>Information provision</td>
<td>Advertising for land selling</td>
<td>Advertising for land selling</td>
</tr>
<tr>
<td>Promotion</td>
<td>Guide map</td>
<td>Malls, underground utilities</td>
<td>IT, events</td>
</tr>
<tr>
<td>Facility management</td>
<td>Malls, underground utilities</td>
<td>Planning committee</td>
<td>Malls, underground utilities</td>
</tr>
<tr>
<td>Committee</td>
<td></td>
<td></td>
<td>Expansion</td>
</tr>
<tr>
<td>Project size [mil yen]</td>
<td>100-300</td>
<td>700-1,000</td>
<td>1,100-1,300</td>
</tr>
</tbody>
</table>

Source: Kishida and Uzuki (2009)

When YMM was a stock company (1984-2009), its main source of money was from assigned projects from the municipal government. This term could be divided in three periods (Kishida and Uzuki, 2009).

In Period 1, YMM had a lot of work on studying the district, for making land use plan and basic planning agreements. YMM was funded by the City for these tasks, and most of YMM’s revenue was from that source. At that time, most officers in YMM were from other companies and the City of Yokohama. For example, at one time when there were 25 officers, only 2 worked full-time. There were 12 from the City of Yokohama. The companies that sent their officers to
YMM varied: Mitsubishi Estate, Bank of Yokohama, Housing and Urban Development Corp, and others. The motivation for the companies to send their officers to YMM was to make their business implemented easier, be exposed to new information, and networking with other companies. Each officer’s position in YMM was did not depend on where they come from, so they were assigned by YMM’s decision, but the time each officer stayed in YMM was decided by the original company.

Then, they were paid by their original companies. Therefore YMM did not need to prepare money for personnel expenses (Kishida and Uzuki, 2009). In the second period, the variation of projects increased, such as electromagnetic interference prevention, promotion, and facility management. YMM also started implementing plans which were prepared in Period 1. The main revenues were still through these assigned projects.

From Period 2 to Period 3, the number of officers in YMM increased and YMM needed to start covering their expenses. Especially, due to a law change in 2000, transferred officers from other companies were no longer able to be paid by the original employers. This meant that YMM would need to pay fully for the transferred officers, and therefore, YMM needed more funding. To cover these costs, after Period 2, YMM started two major assigned projects from the City. The first one was a project leasing spaces to shop owners in a historic warehouse, Aka-renga Soko. Another project was to manage parking spaces in the district (Kishida and Uzuki, 2009).
As described above, until 2009, YMM was financially supported mainly by the City of Yokohama. This was done through assigned projects, by YMM taking some of the City’s role that is particular to district MM21. Of course, I assume that there was support from the eight members of YMM as well, although no data has been found so far. Now, let us see how the financial condition changed after 2009, when YMM became a general incorporated association.

**After 2009**

YMM is financed in three parts, each covering approximately one-third of the total budget: membership fee, subsidy from the City, and project income (Figure 4-2).

![Figure 4-2. YMM Budget in 2012 (in thousand yen)](image)

Firstly, each main member and associate member would pay 100,000 yen (approximately 1,000 USD) to become a member of YMM. In addition, they
would need to pay an annual fee. The amount of the fee depends on the land area and floor area. Details are described in Table 4-2 and Table 4-3.

Table 4-2. Minimum Units for Membership Fee based on Land Area

<table>
<thead>
<tr>
<th>Land area [m²]</th>
<th>Units</th>
<th>Land area [m²]</th>
<th>Units</th>
<th>Land area [m²]</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 ≤ &lt;2,000</td>
<td>2</td>
<td>12,000 ≤ &lt;14,000</td>
<td>9</td>
<td>35,000 ≤ &lt;40,000</td>
<td>16</td>
</tr>
<tr>
<td>2,000 ≤ &lt;3,000</td>
<td>3</td>
<td>14,000 ≤ &lt;16,000</td>
<td>10</td>
<td>40,000 ≤ &lt;45,000</td>
<td>17</td>
</tr>
<tr>
<td>3,000 ≤ &lt;4,000</td>
<td>4</td>
<td>16,000 ≤ &lt;18,000</td>
<td>11</td>
<td>45,000 ≤ &lt;50,000</td>
<td>18</td>
</tr>
<tr>
<td>4,000 ≤ &lt;6,000</td>
<td>5</td>
<td>18,000 ≤ &lt;20,000</td>
<td>12</td>
<td>50,000 ≤ &lt;55,000</td>
<td>19</td>
</tr>
<tr>
<td>6,000 ≤ &lt;8,000</td>
<td>6</td>
<td>20,000 ≤ &lt;25,000</td>
<td>13</td>
<td>55,000 ≤</td>
<td>20</td>
</tr>
<tr>
<td>8,000 ≤ &lt;10,000</td>
<td>7</td>
<td>25,000 ≤ &lt;30,000</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: YMM (2009)

Table 4-3. Minimum Units for Membership Fee based on Building Area

<table>
<thead>
<tr>
<th>Building area [m²]</th>
<th>Units</th>
<th>Building area [m²]</th>
<th>Units</th>
<th>Building area [m²]</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20,000</td>
<td>1</td>
<td>140,000 ≤ &lt;160,000</td>
<td>8</td>
<td>280,000 ≤ &lt;300,000</td>
<td>15</td>
</tr>
<tr>
<td>20,000 ≤ &lt;40,000</td>
<td>2</td>
<td>160,000 ≤ &lt;180,000</td>
<td>9</td>
<td>300,000 ≤ &lt;320,000</td>
<td>16</td>
</tr>
<tr>
<td>40,000 ≤ &lt;60,000</td>
<td>3</td>
<td>180,000 ≤ &lt;200,000</td>
<td>10</td>
<td>320,000 ≤ &lt;340,000</td>
<td>17</td>
</tr>
<tr>
<td>60,000 ≤ &lt;80,000</td>
<td>4</td>
<td>200,000 ≤ &lt;220,000</td>
<td>11</td>
<td>340,000 ≤ &lt;360,000</td>
<td>18</td>
</tr>
<tr>
<td>80,000 ≤ &lt;100,000</td>
<td>5</td>
<td>220,000 ≤ &lt;240,000</td>
<td>12</td>
<td>360,000 ≤ &lt;380,000</td>
<td>19</td>
</tr>
<tr>
<td>100,000 ≤ &lt;120,000</td>
<td>6</td>
<td>240,000 ≤ &lt;260,000</td>
<td>13</td>
<td>380,000 ≤</td>
<td>20</td>
</tr>
<tr>
<td>120,000 ≤ &lt;140,000</td>
<td>7</td>
<td>260,000 ≤ &lt;280,000</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: YMM (2009)

The landowner has to pay at least the required units. For example, a landowner who owns a 6,800m² site, with a building of 52,000m² floor space has to pay 6 units for the land and 3 units for the building. This would mean a total of 9 units (900,000 yen). The maximum a landowner could pay is 40 units (4,000,000 yen).

The ME officer said this is not mandatory, although YMM tries to convince new businesses and landowners to join. He mentioned that there are some landowners that are not joining YMM, but there are no oppositions to that from members who are paying. The officer from Company A thought that this was mandatory, and did not know they had an option to opt out. However, he said he
does not care even if there are free-riders because he thinks these fees are necessary to maintain the area.

There are some different opinions from other businesses. For example, one company is not satisfied with how the fees are calculated. This company thinks there should be a measurement of how each company benefits from YMM instead of by areas, which means the beneficiary should pay more. It seemed that YMM is not thinking of changing this system for a while.

The second source is subsidies from the City. The officer from Yokohama said that their course of action is to reduce this subsidy. The municipal subsidy is about 1/3 of the budget. In addition to this, the City pays the annual fees for the lands it owns. Including the annual fees, Yokohama is paying around 2/3 of the total budget of YMM, and the officer thinks that is too much for them to support. YMM and Mitsubishi Estate (ME) also knew the intention and the situation of the City and anticipate subsidy cuts from them. YMM and ME officials said that they need to “keep on asking for subsidies”.

Thirdly, project incomes are brought from three categories. The first one is advertisement income. The second one is some assigned projects from the City. For example, when the City advertizes for a development on a land parcel, YMM judges which of the applicants is the best. The City of Yokohama and Company A mentioned this process as a unique one. Usually, development biddings are decided by price; the one who pays the most wins. In MM21, it is more about the content of the plan; what is the best development to this site and the district. YMM is assigned this task and is responsible for making this decision. Another
example for assigned projects is radio interference prevention conference. This conference became important in the 1990s as high-rise buildings were built. Although this is part of the City’s job, YMM takes care of the MM21 district.

Financial strength is one of the crucial points to maintain YMM. The City, who is providing the most, emphasized this point. To a question asking how other cities could learn from the MM21 case, the City officer asserted that support from the local government, especially financially, is essential. As I mentioned above, the City is paying nearly 2/3 of YMM’s budget in total, and the City officer thinks it is too much. In fact, when cities have a cluster of vacant land, some of them would just try to sell all their lands, no matter how low the land price becomes, and wait for those to be developed. However, MM21 cannot be like that. Development needs to be done strategically. All the business activities, events held in the district, and promotion of businesses need to be managed, and led to a new development, which they call “area management.” That is what the City is funding for. He added that the City is telling YMM to articulate what makes the organization standout; what duties they really have. YMM will be scrutinized constantly whether they are really acting to improve the district. Therefore, it is necessary for them to investigate each project thoroughly, and sometimes take the risk to quit or start projects.

**Incentives for Businesses**

One of the recent biggest newcomers to the district was Nissan Motors. A City official mentioned that one of the successes of Project MM21 is that they
attracted Nissan’s headquarter in 2009. In order to make this happen, the City provided several incentives

One of the incentives used was “Support system for enterprise zone promotion.” This is applicable to companies that acquire fixed assets for the purpose of establishing their own office or plant in a designated area. This will have tax relief on fixed assets tax and town planning tax at 1/2 rate for 5 years. In addition, subsidies is provided calculated on the invested capital, such as acquisition costs for land or buildings. The rate of the tax reliefs and subsidies depends on the size of enterprise and amount of capital invested. Part of this is shown in Table 4-.

<table>
<thead>
<tr>
<th>Invested Capital</th>
<th>Support Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small and medium enterprises</td>
<td>Support system for enterprise zone promotion.</td>
</tr>
<tr>
<td>100 million to 500 million Yen</td>
<td>✔</td>
</tr>
<tr>
<td>500 million Yen or more</td>
<td>✔</td>
</tr>
<tr>
<td>Large enterprises</td>
<td>Tax relief</td>
</tr>
<tr>
<td>1 billion to 5 billion Yen</td>
<td>✔</td>
</tr>
<tr>
<td>5 billion Yen or more</td>
<td>✔</td>
</tr>
</tbody>
</table>

Source: YMM (2012)

Another significant support is the one for tenants renting office building space to use for head office or research establishment functions in a designated area. This applies to organizations employing 100 or more employees at the site. The city provides subsidies the amount equivalent to the corporate municipal tax, up to 100 million Yen per year, for three years. Other than these incentives, the City of Yokohama has a supporting system for foreign companies, venture capitals, or corporate social responsibilities.
These kinds of incentive were created and used for the first time in order to invite Nissan, and was also used to invite other companies later on. Although the incentives are not as generous as it used to be, it still exists and is inviting many businesses. Nissan’s arrival was a significant accomplishment for Yokohama because they have been promoting manufacturing for a long time and this invitation could be a start of other manufacturing centers coming, most of which went to Tokyo previously. For example, an officer from Company A said that the existence of leading manufacturers such as Nissan or Fuji Xerox was one of the motive powers that made the company’s decision to move into MM21.

The City officer stated several “mutual benefits” of having Nissan in District MM21. First comes from the location of the Nissan office. The building stands as the entrance of District MM21 for people coming from Yokohama Station. For Nissan, they can advertise their technology and products to visitors, and this leads to an image of a “high-tech city”. Second, Nissan is striving to become a global leader in environmental technologies such as electric vehicles. To support them as much as possible, the City of Yokohama acknowledged Nissan to use District MM21 for social experiments. Nissan’s success would benefit Yokohama as being an “environmentally friendly” city.

Nissan appreciated these benefits, as they state one of the reasons they chose MM21 is because of “the symbiotic relationship” with the city (Yokohama Economic Affairs Bureau, 2009). They thought not only the incentives, but the vision of MM21, which is, “internationality, information city, and cosmopolitan cultural city,” is indispensable for the company’s future.
Here, YMM acts as an inspector when companies come into the district. For example when the building is built, it is checked whether the height, design, or color is suitable to the districts’ rule, which is determined by the conventional landowners. If not, YMM guides the developer so that the building will fit the district needs. I asked to YMM and ME how they feel about Nissan’s invitation, but they all said it is nothing notable. They said it is nice to see one parcel being developed, but they do not feel nothing more than that.

**Concept Sharing**

The third key for public private partnership is sharing concepts among the players. The more stakeholders have different opinions, the harder it will be for them to partner with. To a question asking what the key was for YMM to be active for 30 years, it appeared that the officer from ME and YMM both felt concept sharing is important. The ME officer said, “although the landowners and the municipal government have some differences in opinions, it is basically the same. In other words, what the City wants to do and how the landowners want to develop are linked well. That is why everyone agrees that YMM is necessary.”

According to his words, YMM has existed for nearly 30 years because the City and landowners aimed for the same direction. Here, we need to be careful whether the existence of YMM is equivalent to public private partnerships. Since this question is hard to answer, I will frame it in a different way; was an organization like YMM really necessary for partnerships?
4. How PPPs are Accomplished

Based on the interviews with YMM and City officers, the answer would be yes. YMM’s work, such as making plans, holding meetings, or disaster preparation, seems to be the works the city can do. However, the city officers as well as the YMM officer asserted that it would be impossible to do this without YMM. As the City official mentioned, with YMM, the City becomes one player in the discussion. This brings the City to the same level as the private sector. It seems that this creates a platform where businesses can get involved in planning, and thus create plans which the City alone cannot. The effects of having YMM will be discussed more in the next chapter.

Therefore, we can see a circular effect. First, sharing a concept becomes a key for having YMM, and that enforces public private partnerships. Then, the partnership not only enables the making of effective plans, but also provides a platform for cities and private sectors to discuss, which causes concept sharing again.

Conclusion

This chapter has attempted to answer the question, “how public private partnerships are accomplished?” This was examined from three main aspects: governance, finance, and concept sharing. In interviews, different stakeholders had different perspectives. New landowners, who are less familiar with the area, get involved in the partnership by following the administrative process of YMM. The system of YMM went beyond the level of the conventional planning, which the public sector was the main actor. We saw an example that Company A feels
being part of the partnership is an obligation because it appreciates the environment YMM creates, and also the partnerships is necessary for their development.

The City of Yokohama maintained that the finance part is critical for partnerships. The way YMM is funded as a general incorporated association is different from that as a stock company. As a stock company, we examined how YMM has expanded its project size and the officer expenses became an issue as the organization developed. After it changed to a general incorporated association, YMM has been financed in three parts, each covering approximately one-third of the total budget: membership fees, subsidy from the City, and project income. From the past to present, the City has constantly supported the organization. This is because the City expects YMM to play a role of public private partnership and area management. We saw that sometimes the City officer feels that YMM’s performance is not as high as the City’s expectation.

The third key is sharing a concept among the players. According to the officer from ME, concept sharing leads to creating and maintaining YMM, and that is why everyone agrees that YMM is necessary. From this notion, we revisited the circular effect of YMM enforcing public private partnerships, making effective plans, and providing a place for stakeholders to discuss, which leads to concept sharing again.
Chapter 5. The Effects of Public Private Partnerships

In this chapter, we will examine effects of the public-private partnership YMM. The first effect is creating local rules, which YMM has been working on since its establishment. A recent example is the creation of a disaster preparation plan. This is described in the second section and examined through the different approaches stakeholders take. The second main effect, which is more looking into the future, is the relationship with the adjacent communities. I observe the current spatial and psychological separation between MM21 and the Ex-Town, which is the old residential areas in the inner side from the bay, and Nishi Ward’s effort to balance the difference, through projects such as Onkochishin project. I also introduce the attempts the MM21 residents have made to establish a neighborhood association. At the end, I will introduce a new effect that is spreading among the workers in the district.

Creating Local Rules

Thanks to YMM and the partnership it creates, district MM21 has several local rules. The most significant one is the Basic Agreement on Town Development, which was first enacted in 1988, and revised for the eighth time in 2009. This was signed between landowners in the Central District (please refer to Figure 3-3) and other parties. The aim was for landowners to take initiative in building rules for development, and then to share this basic philosophy in order to achieve balanced development. The Basic Agreement on Town Development sets standards for minimum site scale, height, pedestrian networks, and setback of
exterior walls (YMM, 2012). This Basic Agreement on Town Development was conceived with the intention to level the playing field for all businesses by “avoiding the first-come first-served” (MLIT, 2012). For example, one of the rules is to have lower buildings towards the sea, so that each building could have a bay view. This shows the welcoming atmosphere of Yokohama and district MM21, and YMM’s role in creating that culture, which all officers in the interviews pointed out as the value in district MM21. Other than the Basic Agreement on Town Development, MM21 has also made district development plans and guidelines, such as Design Guideline in the Central District, and Streetscape Guideline in the Shinko District.

Along with development plans, plans for temporary use of land are also decided under local rules (Energy Labo, 2008). These plans are mainly made by the City, and YMM is not involved a lot. Temporary use of lands exists because the land is yet to be developed permanently. In 1983, when MM21 was established, the plan was to finish all the development by 2000. However, after the collapse of the bubble economy in 1991, the situation has completely changed; land value and demand for land decline acutely.

For instance, Parcels 42, 43, 46, and 50 were designated as “business promotion parcels,” but they had trouble getting it sold when they got on sale in 1993 (Nikkei, 1993; Nikkei 1995). This happened because the bidding process of land development in this district is unique. Whereas in most cases the developer is decided by price, the one who pays most wins, in district MM21, it is decided by plan. That means the price is fixed, and the City did not make it lower than the
price they think the lands worth. At the end, 14 companies registered for the development, but the fact that there was no registration for the first three months made the City anxious about the upcoming developments.

In 1994, the City made a quick response to the situation and proposed some new strategies to promote business, and one of them was to allow temporary land use (Nikkei, 1995). Temporary land use was defined as, “using a land with a temporary building for 10 years or fewer, before a permanent use is determined”. The difference of permanent and temporary owner could be seen in the buildings. A building that was built through an official bidding process would be a “permanent building”. These buildings would be connected to utility tunnels and district heating and cooling system that is running underground in the district. Therefore, a permanent business, who buys part of the building, would be defined as “landowner”. On the other hand, a “temporary building” is built through a contract between the landowner and the building owner. Here, the building would not be connected to the utility tunnels and the district heating and cooling system.

Such use was assumed to be something that makes the district lively, such as commercial or recreational use. After this movement, according to an officer from ME, the first temporary land use was applied in 1997. “From a major landowner’s perspective, this was helpful because we still need to pay property tax even if the land is not developed” said the ME officer. He said the rent from the tenant compensates for the property tax.

The temporary development has made some successes. For example, a theater for Cats the Musical has located in the MM21 as a temporary use. Although this
was in MM21 for three years (2009-2012), it brought nearly 900,000 visitors during its stay. Temporary land use also helps the district to have diverse types of facilities. MM21 and the surrounding area did not have a musical theater before Cats’ arrival. Another example would be Marinos Town, which is a soccer facility for the soccer club Yokohama F. Marinos, for ten years from 2007.

Although temporary in term, these tenants can join YMM as an associate member, and contribute to the organization and district. However, according to the ME officer, these temporary building owners would have to move out regardless to their intention when the lease term expires. ME officer said that when the time comes, they will ask them to move. As could be seen in Cats Theater and Marinos Town, temporary buildings brings in attractions to the district easily because long term effect need not be considered. When the district becomes all permanent use, it would be a challenge to create short term and flexible attractions.

Creating a Disaster Preparation Plan

One of the newest local rules is the disaster preparation plan. I would like to introduce this plan since each interviewee talked about this plan. After the East-Japan Earthquake in March 2011, many cities in Japan are considering revising their disaster preparation plan. Especially, how to prepare for emergency provisions, where to keep employees overnights, routes to evacuate when tsunami comes, are the issues discussed. Yokohama is no exception as they revised their
plan in March, 2012 (City of Yokohama, 2012). Along with the revised City plan, YMM is also creating its own disaster preparation plan for district MM21.

A disaster preparation plan was first made in 1995, after the Great Hanshin Earthquake. When YMM was a stock company, it had a committee for disaster preparation and was making plans for MM21, independent from the city. This is because MM21 is a peculiar place in Yokohama, all the buildings being high-rise, most being offices, few residential ones. This disaster preparation committee dispersed as YMM became a general incorporated association, but after two years, it came back to action after the East-Japan Earthquake.

From the City’s stand point, it would be helpful if there is an area that can make their own plan like MM21, because the City can pay more attention to other areas. This seems to be particularly true to small municipalities such as Nishi Ward, which needs to deal with the residents more directly than the City. The officer of Nishi Ward grumbled that MM21 and the Ex-Town are “too different” to fit in the same plan. For example, in the Ex-Town, the houses could collapse and people would need to evacuate to open spaces in elementary schools or parks. In those schools, emergency provisions need to be stored, and the capacity needs to be determined. On the other hand, buildings in MM21 are less likely to collapse because they are seismically isolated, so each building itself becomes a place to stay after the earthquake. Furthermore, there are not a lot of open spaces for evacuation. Therefore, each building has to prepare for emergency provisions by itself.
However, some residents in MM21 are worried that their community does not have open space as an evacuation base, and want to have a place for them in the Ex-Town to evacuate to. Now, the residents in the Ex-Town refuse to let them in because the capacity for evacuation base is already limited. This kind of discussion is what YMM is not covering. The city official had a caustic remark that YMM is a group for landowners, who should also be included, but currently it seems to serve only private companies, and very limited ones.

YMM, who is hosting, and ME, who is a core member, told me that meetings on disaster preparation have been held about 8 times since 2011. Some of them were workshops so that participants could discuss in more reality. Officers from both organizations did not report any conflicts in the discussion except cost issues some landowners have. For example, when a standard for earthquake resistance for a building is decided, some would need to spend an extremely high cost for renovation. Those building owners would try to relax the standard, or look for an alternative solution. Other than this, they repeated that everyone is on the same page in the discussion: how to make the district and city, in this case, a safe place.

The City officer said ME has confidence, by pointing at a case in Marunouchi, Tokyo, where ME has had experience in making local disaster preparation plan. Therefore, with their experience, human resources, and fund, the city officer sees that ME has a strong motivation on working on this. However, he thinks that is not enough. He wants to see more collaboration with Nishi Ward, and involvement of residents from MM21 and Ex-Town.
How are other businesses participating in this discussion? The officer from Company A said that his company has not attended meetings or workshops for disaster preparation. He was not sure if he got any invitation or any report about the meeting. He also mentioned that his company itself is trying to prepare foods and rooms for visitors in case they cannot return to their homes, and that way they can contribute to society. The city official referred to the difficulty of making a plan by involving landowners, since each has different levels of energy and budget to spend on the district’s problems. For example, since the tsunami was a once-in-a-thousand-year level, opinions for preparation range from the level that people would survive, to the level of protecting the city as much as possible by strengthening the infrastructure.

Some businesses expect YMM to do more. According to YMM, there was a request that YMM should function as a “window” between municipal government, businesses and residents. He wants YMM to create an environment where companies and residents can cooperate to solve local problems, including disaster preparation.

**MM21 and “the Ex-Town”**

It has been 30 years since the land of MM21 was opened and started its development. Since then, residential apartments have been constructed (Table 5-1). And now, approximately 8,000 residents live in the district. During the same time period, office workers in the district increased to 79,000, which is 10 times
as many as the residents. These workers who come and work during the day and go back to their homes at night are called “enterprise residents”.

Table 5-1. Accommodations in MM21.

<table>
<thead>
<tr>
<th></th>
<th>Complete</th>
<th>Site area [m²]</th>
<th>Floor space [m²]</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.M. Towers</td>
<td>2003</td>
<td>16,300</td>
<td>116,200</td>
<td>862</td>
</tr>
<tr>
<td>M.M. Mid Square</td>
<td>2007</td>
<td>10,000</td>
<td>82,000</td>
<td>650</td>
</tr>
<tr>
<td>Brilla Grande MinatoMirai</td>
<td>2007</td>
<td>8,000</td>
<td>73,700</td>
<td>555</td>
</tr>
<tr>
<td>M.M. Towers Foresis</td>
<td>2008</td>
<td>20,600</td>
<td>155,100</td>
<td>1,206</td>
</tr>
<tr>
<td>Pacific Royal Court MinatoMirai</td>
<td>2008</td>
<td>10,000</td>
<td>91,500</td>
<td>827</td>
</tr>
</tbody>
</table>


The local government mainly working with the residents is the Ward. In the case of MM21, it is the Nishi Ward and Naka Ward. Nishi Ward covers most areas in MM21, and the residential areas in the inner side from the bay, which is called the “the Ex-Town”. Nishi Ward is the smallest of the eighteen wards in Yokohama. According to the Nishi Ward officer, it has been urbanized since right after the port of Yokohama opened, and therefore little green could be seen.

MM21 and Ex-Town are physically and psychologically separated by an elevated former railroad of the Tokyu Toyoko Line. This railroad was used until 2004, when a new rail line called Minato-Mirai Line took over some parts of the Tokyu Toyoko Line. Minato-Mirai Line runs underground of MM21, so the elevated railroad is not used anymore, and how to use this is still being discussed.

In 2014, the Nishi Ward is greeting its 70th year of administration. To utilize this opportunity, Nishi Ward has started a project called “Onkochishin,” which means “learning from the past”. The aim is to enhance relationship among people who live, work and come to Nishi Ward, through events about the history of Nishi Ward and MM21. These people are residents in MM21, the enterprise residents,
the Ex-Town residents, and visitors. Around 2011, when the Onkochishin project was planned, YMM and ME were also starting some festivals using their land. When YMM and ME heard about this project, they invited Nishi Ward to their executive meetings to discuss. Nishi Ward officer says that now, Onkochishin project and the events by YMM are linked very well and it is great to have those in MM21, where many visitors come.

However, there are some people who are not necessarily happy: the Ex-Town residents. The Ex-Town residents are mostly elderly people, who have known the area before the development of MM21, when it was Mitsubishi Heavy Industries’ (MHI) dock. According to an officer in Nishi Ward, there are some residents who worked at the MHI dock, and are proud of what they had accomplished in the district, so they are resistant to see the change of the area and all the attention focused on the new district. For these people, the changes in MM21 are sorrowful, and they feel that the “Onkochishin” project is oriented toward MM21. They claim Nishi Ward should not put too much effort on MM21.

The YMM officer also mentioned the importance of relationships with the surrounding communities. He pointed this out as one of the major topics in YMM’s future. He feels that the MM21 district is “isolated” from others, and events are necessary to get over the boundary. Also, taking other areas into account when making a plan, such as a disaster preparation plan, was raised as a key. To a question asking how YMM and private companies in the meeting could collaborate with other areas in making a disaster preparation plan, a YMM officer indistinctly said that there are various ways to do, like exchanging information.
Now let us have a look at the residents in MM21. According to the officer in Nishi Ward, because the residents are mainly younger generations, how to form a “community” among them is a concern. MM21 does not have a school, so if children want to go to public schools, they need to go to schools in Naka Ward which is about 1km away. Therefore, many families who move in, plan to go to private schools outside the district, or even out of Yokohama. Moreover, the residential area in MM21 is made of high-rise apartments. This could lead to lack of connection among residents, without having anything like a “school district” or a community base.

This seems to have been a concern for the residents in MM21. Here is an example how some of them attempted to overcome. In Japan, every apartment has a homeowners’ association, where issues such as maintenance in common areas are discussed. In addition to this homeowners’ association, at M.M. Towers, after it was built in 2003, residents voluntarily established a neighborhood association. What is different about a neighborhood association is that it has official relationship with the Nishi Ward, and therefore information from the city is handed out directly. Furthermore, it can receive subsidies from the city or ward when community events are held, and also create a common rule of their own. Most importantly, neighborhood association creates the opportunity for residents to form a community. In 2011, multiple neighborhood associations in MM21 allied in order to make it easier to reach out and collaborate with other neighborhood associations in Nishi Ward. The officers did not mention any specific accomplishments so far.
In this section, we saw the efforts the Nishi Ward is making with YMM and ME to overcome the barriers between MM21 and “the Ex-Town” through the “Onkochisin” project. Events are constantly held, but may be too early to evaluate how residents from MM21, the Ex-Town, and enterprise residents are involved in them. At the residents’ level, neighborhood associations are set up in MM21, and they are in the process of developing a closer relationship with the Ex-Town.

As the YMM officer mentioned, this would be an area which YMM could work on. Judging from the officer’s talk, it still could be a long way to go. First of all, I am not sure how serious YMM is considering about collaborating with outside communities. From the conversation, it seemed that although they say collaborating with surrounding communities is important, they are not thinking it as a priority. If so, they would have talked more about this, specifically. Therefore, it is hard to evaluate YMM’s potential here, but recommendations will be made in the next chapter.

In an interview, an officer told an interesting story at the end. It was about Minato-Mirai Community Club (MMCC), a networking club founded by office workers in the MM21 district. People who work in the district can join as long as they pay membership fees. The club holds some events using facilities in the district. For example, they once had a tour at Yokohama Museum of Art with a guide, after the regular operating hours, or went to special concerts at Minato-Mirai Hall. One officer said sometimes better ideas are produced through these events than regular committee meetings. This could be seen as a derivative of
YMM activities, but one of the City officer pointed out that members, especially governmental officers, need to be careful to be exposed to corruptions.

**Conclusion**

This chapter has examined effects of the public-private partnership in YMM. The first effect was creating local rules, such as the Basic Agreement on Town Development. Along with development plans, plans for temporary use of lands are also decided under local rules. This helped landowners to reduce cost for property tax, and make the district lively by bringing in commercial facilities and theaters. Another is a disaster preparation plan. We examined the different positions of stakeholders toward making this plan. For the City, these plans made by an organization like YMM would be helpful because it will reduce their cost and work. In particular, considering that District MM21 is different from other communities, it is really beneficial for the City. YMM and ME, who are leading this plan seemed to be confident with the process, especially with the experience of ME, showing no sign of conflict. Company A seemed ignorant that this plan is going on, but the company is making its own plan for their employees and community members as well.

The second main effect is the relationship with the adjacent communities. There are a lot of potential for YMM to work more with the community, but it still could be a long way to go. District MM21 and Ex-Town are separated both physically and psychologically. We observed efforts from the Nishi Ward through the "Onkochishin" project, but there seems to be some emotional dissonance.
among the Ex-Town residents. From the community level of District MM21, the residents formed a neighborhood organization, which has been a catalyst for networking District MM21 and Ex-Town. For YMM, it will be a challenge how to get involved in this movement. One of the possibilities could be utilizing Minato-Mirai Community Club (MMCC), a network among the office workers in District MM21.
Chapter 6. Conclusion and Implications

Lessons Based on the YMM Case

The focus of this research has been a case in Yokohama Minato-Mirai 21. From this case, we could draw three main lessons for other cities aiming for urban revitalization through PPPs. One of the points which showed the significance of YMM is that the City and the private landowners have “true partnerships.” This could be seen where the city officers and the YMM officer said that YMM brings the City to the same level as the private sector and thus becomes one player in the discussion of creating local plans. This creates a platform where businesses can get involved in planning, and in turn create plans which the City alone would not be able to.

The second lesson from this the strong leadership by the original private members of YMM, especially Mitsubishi Estate. This leadership by the original members has led to one of the main reasons for YMM to continue for nearly 30 years: concept sharing among the private sector and YMM. This prevented less conflict among the original members, the City, and YMM, which allowed for long relationship between them.

Thirdly, YMM was possible to operate under the financial support by the City of Yokohama. Without financial strength by the city government, it would not be possible to create an organization like YMM. Even after YMM started to collect annual membership fees from the private landowners, 2/3 of the budget comes from the City through subsidy, assigned projects, space leasing, and annual
fee. In addition to those, the City provided several incentives in order to invite new businesses, which is a critical part of place marketing and promotion of the district. As a result, we now see headquarters of leading enterprises such as Nissan and Fuji Xerox.

The challenge most cities would face would be involving multiple private entities and make them pay the annual membership fees for the partnership. From the YMM case, we learned that maintaining the value and vision of the area is the key in order for this to happen. One of the main reasons Nissan selected District MM21 for its new headquarter is the vision of internationality, information city, and cosmopolitan cultural city the district has. Company A also appreciated the value and thus considered joining YMM as an obligation.

**YMM's Transition**

One of the striking issues that rose in the interviews was the transition of YMM. The organization already has a history of nearly 30 years. Along the way, it has made changes in various dimensions including governance and financial structure. The district MM21 has also made physical changes, from a vacant land with no infrastructure, now nearly 80% of the land is developed. Furthermore, now there are approximately 80,000 workers and 8,000 residents in the district. It has grown into the business center of Yokohama, and one of the most attractive places in the country.

In the interviews, YMM and ME officers showed little attention to outside of what they are doing. For example, they were uncomfortable with a question
asking whether they knew any case which made an organization like YMM but did not succeed, or whether YMM had looked into other cases in project management when it was established. The main reason for this seems to be the dominance of the “original members.” Out of YMM’s 30 year operation, over 25 years have been an era as a stock company, which only consisted of eight original members. Therefore, YMM and the original members seemed to be comfortable with their relationship and their regular work. The ME officer clearly stated that the relationship with YMM has not changed in a sense that ME is the largest private landowner.

The YMM officer did mention making changes for the organization. He seemed to be reaching out to the other communities in the future, because he thinks that district MM21 is “isolated” from others. He thinks events should get over the boundary, and taking other areas into account when making a plan is necessary, but seemed not exactly sure how to collaborate with them.

However, from the interview with the City officials, a different issue was raised. It appeared that YMM does not have strong connection with the residents in the district MM21. The City officials asserted that since the residents are part of the landowners, YMM should take them into account. Therefore, I believe that before trying to link with outside communities, taking care of residents inside the district should be the priority.

In the first place, I think the contribution of what YMM can do to reach outside of the district is limited. The problems between district MM21 and the Ex-town is physical and psychological because of the elevated former railroad of the
Tokyu Toyoko Line, and the historical relationship with the Ex-town. For example, the Ex-town residents are resistant to see the change of the district MM21 and all the attention focused on the new district. Also, some residents in MM21 want to be able to use the open spaces in the Ex-town to evacuate in case of earthquakes, but some Ex-town residents refuse to let that happen. Therefore, it is about serving different districts and towns equally, which is more of the local government’s, in this case Nishi Ward’s, role.

There are two ways YMM could play a part in this discussion. First, make events held in district MM21 more accessible to the Ex-town residents. We have seen the effort of YMM, ME, and Nishi Ward in this perspective: the “Onkoshishin” project. I believe this has enhanced the bond between district MM21 and the Ex-town. Although this event has a concept of “learning about the history of the area,” it could hold some events that are attractive to the residents outside. One of the interviews in this research was with a resident who lives in Kan-nai, an area part of Ex-town and adjacent to district MM21. She said she goes to music events in district MM21, but not a lot for others. It is hard to make a conclusion with this limited sample size, but considering that residents should have different preferences, knowing the preferences, such as by survey or questionnaire, would lead to events which Ex-town residents would also care. After identifying the needs, YMM could investigate and plan the event based on opinions of the landowners in district MM21.

Second, support MM21 residents in developing their own communities. From the interview with the City officials, we saw after forming a neighborhood
association in the district, it started collaborating with other associations, including outside the district. Therefore, the key to increase relationship with outside the district is to have a stronger community in the district. YMM could definitely play a role in this. Currently, YMM is not collecting annual fees from residents, so if it were to provide any service to the residents, whether to make it duty would be an issue.

Another transition was about having more private landowners involved in the discussion. The City officials wanted to bring in the innovative perspectives and technologies the new companies in the district have. On the other hand, YMM and ME officers did not mention anything about it, and even seemed uncomfortable talking about the issue.

This is because YMM and ME are comfortable with their current relationship, working together for nearly 30 years. If other landowners have stronger voices here, it will become difficult to organize the discussion with more opinions coming in. Furthermore, there is nothing wrong with the current situation. Thanks to established expertise of ME, the plans they make have been effective and not a lot of objections have been raised so far. However, in the future, there might be a time they need new perspectives, and could lose its opportunity unless they get ready for that.

From the interviews, it seemed that not a lot of negotiation was taken place between the City and YMM, but as the City was showing reluctance to invest in YMM unless it makes improvements, there could be some intense talks among YMM, private landowners, and the City. As Corrigan el al. (2005) points out,
negotiation in PPPs is a cumulative process with early and often communication. From this stand point, the movement of informal conversation such as Minato-Mirai Community Club could be effective.

Implications for the Tohoku Region

In March 11th, 2011, a magnitude 9.0 earthquake, also known as the Great East Japan Earthquake, occurred off the east coast of Japan. Following this earthquake, a major tsunami brought destruction along the Pacific coastline of Japan’s northern islands. This wiped out a number of cities and towns along the coast. The damaged buildings included 29,500 structures in Miyagi Prefecture, 12,500 in Iwate Prefecture and 2,400 in Fukushima Prefecture. As of March 2013, after two years, most cities are yet to be rebuilt.

PPPs are considered to be one of the crucial tools for rebuilding towns and communities affected by this disaster. A report by the Development Bank of Japan (2012) proposes an organization that partners public and private sectors for reconstruction. It would have five major roles: business planning, operation instead of the city, industry promotion, renewable energy application, and city planning. In those fields, the organization will act as a liaison between the city, prefecture, and national government, private companies, and non-profit organizations (DBJ, 2012). The roles described here are very similar to that of YMM’s. Therefore, one of the aims of this research is to provide some knowledge for recovering from the tsunami destruction.
6. Conclusion and Implications

YMM is one of the few cases that I believe would be applicable to transfer its knowledge to the Tohoku Region, because of the common features they share: geography, startup stage, and funding. First, both Yokohama and the cities affected by the tsunami face the bay. When the organization makes a plan for revitalization or recovery, taking the geography into consideration would be essential. Even YMM studied different cases in the bay area, including Boston and San Francisco, in order to come up with a concept of utilizing the bay landscape, which ended up being controlling the height of buildings and preserving the environment.

Secondly, now that the cities damaged by the tsunami are wiped out, the lands are mostly vacant. This was also a case in district MM21, where YMM was operating from the development stage. This is unusual, because in most cases, PPP organizations for city revitalization are set up after the development is over, usually acting the management role. Thirdly, they are both national projects, which means that the momentum of the project must go forward. For five years since 2011, the total national budget for the recovery is planned to be 25 trillion yen (approximately 270 billion dollars). For example, the annual budget in Rikuzen-takada city has grown 6 times in 2012 and 10 times in 2013, compared to 2011. This will be supported by the national government (Wakabayashi, 2013).

One of the reasons that YMM has lasted for nearly 30 years without major crisis is the concept members shared. This was possible because there were not a lot of landowners when the MM21 project started, and the number of members of YMM was only 8 for 25 years. Therefore, fair, open and professional methods to
select partners for the project, which Brodie (1995) mentions, were not required. 
Also, in the YMM case, it was easy to acknowledge the vision by specifying the 
scale of the project, as Corrigan et al. (2005) points out as the important 
component of a shared vision.

The tsunami affected area has a lot of complications of land rights. It is hard 
to determine which part of the land belonged to whom. Therefore, some 
researchers are proposing to reorganize and rezone the land parcels. In addition, 
most municipal governments are planning to move most of the housings to the 
high grounds by transferring the property rights of homeowners to the new 
location, in order to avoid another tsunami. In this case, land in the lower level 
near the bay area would be mainly for business and commercial use. In order to 
develop a strong public and private partnership, I would suggest not have many 
landowners coming in at once, based on the experience of the YMM case. This 
could also be said from the fact that complex patterns of land ownership made 
many private developers unwilling to venture in inner city in the USA (Brodie, 
1995).

The difference between the YMM and Tohoku cases is that YMM had a “true 
partnership” between the City and the private landowners, but that cannot be 
observed from the Tohoku case so far. The relationship in Tohoku is closer to 
subsidy relationship or contract. There has been news that because the money is 
subsidized by the national government, its use is restricted under the national law. 
In order to have a financial flexibility and stability, more private funding would 
be necessary.
6. Conclusion and Implications

For Future Research

I would like to point out three limitations of this research and what need to be investigated further for future research. Firstly, as stated in Chapter 3, data obtained from the interviews could be limited since some of the interviews were done together. Because of this some data could be biased. For example, YMM’s response may have been different if the officers were interviewed with the City officers. In order to reveal a more precise opinion of each stakeholder and officer, further interview is necessary.

Secondly, this research does not examine far enough the background of different stakeholders’ opinions. For example, the City wants to have YMM more opened to new landowners, while YMM and ME officers did not show interest. Why do the City, YMM, and ME each think this way? Would it be a similar result in other cases? These would be additional questions to answer for future research.

Thirdly, there could be more diverse interviewees for more information. For example, the only resident interviewed in this research lived a little outside District MM21. Interviewing some residents inside the district would have been valuable to understand their perception on YMM and Ex-Town. In addition, I only interviewed one new landowner, which was Company A. However, since Company A is a company whose customers are global, YMM’s services do not influence the company’s business performance. Therefore, it would be valuable to get data from companies that do direct service to customers in the district, such as shops, hotels, or convention centers.
Bibliography


