Communal Entrepreneurship in Old Neighborhood Renewal:
Case Studies of Shanghai Tianzifang Shopping District

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Abstract
The rise of Tianzifang Commercial Street was rooted in Jugaifei, or conversion of residential buildings for commercial use. Initially isolated instances of Jugaifei quickly diffused into a collective Jugaifei in the whole neighborhood, when the local government tacitly consented to and provided support for such practices. This tacit protection led to the success of Tianzifang, as it satisfied the livelihood demands of residents, enabled experiments with creative businesses, revitalized a historical district, and thus transforming a form of collective illegality into a collective business that partook in both urban revitalization and new community-building. This form of “communal entrepreneurship” represents a new path of urban renewal that is fundamentally different from “entrepreneurial governance” where the state and the private sector collectively engaged in large-scale demolition and construction projects. However, the continued development of Tianzifang failed to live up to its initial prospects. In the absence of a sustained entrepreneurial fabric, appropriate rent-control mechanisms, or institutional arrangements in support of creative industries, the popularity of Tianzifang gave rise to rent speculation, thus hurting the community, as well as cultural vitality of Tianzifang.
The Lively Local in Global Shanghai

The study of global cities is becoming endlessly richer and more complex. Depending on how and where a researcher looks in a dynamic global city like Shanghai, one is likely to encounter a piece of urban life that puzzles, intrigues and then begs the question of why. The underlying phenomenon or process that triggers the question is often so deeply contextualized and layered that it defies the use of an established theoretical or analytical framework, especially if the latter has originated out of context. This challenge directs the investigation back to a deeper probe into the local phenomenon for more inductive insights that may in turn lead to new theoretical development (see Hall, 2011).

A rapidly globalizing and transforming megacity, Shanghai offers a myriad of fascinating urban phenomena for in-depth study; the city is indeed a paradise for urbanists. However, much of the existing work on Shanghai exhibits three tendencies: 1) looking from the structural perspective and macro-scale down; 2) privileging the role of the state in large-scale urban redevelopment; and 3) paying little attention to the intersections between economic, cultural and spatial dynamics in the remaking of places. We attempt to redress these deficiencies through an in-depth case study of Tianzifang that provides countervailing and alternative evidence for filling a large vacuum in research on Shanghai. Despite being a confined shopping street or district, Tianzifang can stretch our theoretical horizon regarding globalization, migration and gentrification and extend useful comparative references to other shopping streets covered in this book and beyond.

The first section introduces how Tianzifang came into existence and the changing circumstance that have facilitated its early evolution. Section 2 looks at both the willing and go-along support from the local state for Tianzifang, and how this support has steered small global investors and local entrepreneurs to sustain the area’s relative vitality. The next section examines the scaling of individual residents leasing to merchants to a sort of communal or collective entrepreneurship.

Section 4 focuses on the growth and development of street merchants in Tianzifang and the increasing diversity and complication of this growth that has challenged its original artistic orientation and continued economic vitality. The next section examines the impact of globalization on Tianzifang through the entry and business practices of varied overseas business owners. In conclusion, we make sense from Tianzifang’s development for how it may fare in the future.
A Spontaneous Birth

Located in an old community of central Shanghai, Tianzifang has grown from the inside of its defining streets outward. With abandoned factories and traditional Shikumen (stone gate) houses as its built environment, Tianzifang is a combined commercial/residential area, with cultural industries, upscale dining, and fashion consumption as its main commercial activities. It used to be an ordinary Shanghai lane (longtang) 15 years ago, but has become one of the most renowned commercial streets in Shanghai. At the same time, Xintiandi in Shanghai, another world-class shopping zone with a high-end residential community, also came into existence, located just one or two kilometers away from Tianzifang. These two simultaneously emerging urban landmarks mentioned in all of the Shanghai travel guides have many similarities. First of all, they were both redeveloped from dilapidated old housing (lilong), which has emerged as a new urban renewal model for preserving the city’s historical and architectural heritage, even though large-scale demolition and reconstruction has been mainstream in Shanghai. Secondly, both Tianzifang and Xintiandi involve foreign private investment with little government financial support. In contrast to heavy state investment supporting the redevelopment of commercial streets and construction of commercial centers in Shanghai over the last twenty years, Tianzifang and Xintiandi are somewhat exceptional in using foreign private investment for these two districts’ commercial development. Thirdly, both Tianzifang and Xintiandi are not only commercial areas but also tourist attractions in Shanghai due to the fact that they have created a new urban landscape.

The differences between the two areas are also of great importance. Built on land sold by the municipal government, Xintiandi is a formally planned renewal project, developed and independently operated by the Shui On Group in Hong Kong. It has changed the dilapidated neighborhood into a diversified international commercial community. All the buildings and streets in and around Xintiandi, whether the Qiyetian office building or the Cuihutian residential buildings, were financed and managed by the Shui On Group as the sole real estate company. Since it only leases and never sells its office buildings, the Shui On Group determines the standards of market access. It only accepts leases by large companies such as those on the Fortune Global 500 list in order to guarantee the grade and quality of its official buildings. Xiantiandi is a typical example of urban redevelopment based on government-business cooperation.

In contrast to Xintiandi, Tianzifang has not involved a large corporation. The generally small merchants started businesses by renting the residential houses from the local residents or the idle plants via real estate market intermediaries. It has not involved general planning
and therefore not been able to select businesses into the market environment. The entry and exit of the shops depends on negotiations and bargains about rents between hundreds of proprietors and landlords who are local residents or other organizations. According to local information, Tianzifang currently has 671 residential dwellings, 500 of which have been leased to small businesses. This reflects a much broader transformation of residential areas to commercial districts in Shanghai. The most recent cases are Xintiandi or Sinan Mansion. However, it is not common that almost all the residents in a neighborhood are the landlords of businesses and generate direct and significant economic benefits for the commerce street, particularly against a dominance of state-owned businesses and government-business cooperation. This raises two questions: 1) How does the redevelopment of old neighborhoods become possible in Shanghai without general planning and a real estate developer? 2) Since it is illegal to lease residential housing to proprietors for the purpose of businesses without the government’s permission, how is it possible that Tianzifang residents have collectively violated the regulation? These two questions suggest that the development of the Tianzifang Commerce Street has occurred along a non-mainstream and socially spontaneous path with grassroots residents directly participating in the renewal and redevelopment process. Answering the questions above helps illuminate the real factors that have brought the Tianzifang Commerce Street into existence and prosperity.

A Spontaneous Experiment
A sub-district level government -- the lowest level of government in Shanghai -- initiated the development of Tianzifang as an informally planned project. Due to the decentralization reform, lower-level governments have gained much autonomy. At the same time, competition for achievements in local growth became the primary motive for the promotion of government officials. Since all officials strive to accomplish things in their municipal jurisdictions, the Tianzifang project originated partly from the dream of some local government officials to turn Taikang Road into an art street. Due to the Asian Financial Crisis in 1997-98, the progress of large-scale real estate demolition and reconstruction, led by district governments, was put on hold. Located on the edge of Luwan district, Tianzifang was unlikely to receive a comprehensive renovation project, which gave the sub-district level government an opportunity to carry out street-level renewal. Although Tianzifang could not be redeveloped, the district government did not oppose and even supported the sub-district’s attempt to transform the idle neighborhood factories to be used by cultural industries. Hence, the Tianzifang project was legitimate even though it was not formally planned initially. In a way, the project was a blend of romanticism and idealism. Since few government
officials are romanticists in terms of governing on apolitical feelings, the project was not expected to be a success at the very beginning.

The renewal of Tianzifang, sanctioned by the sub-district government officials, had the objective of “cultural development.” The pros and cons of redeveloping the main roads and side lanes were weighed during site selections. The main roads are “vital” that “do not keep people,” which was not beneficial to the gathering of “static” cultural industries, so it would be better to “select a lane that is unrelated to traffic” in order to create cultural spaces. Mr. J suggested Taikang road right away. At that time, the residential area was packed with compact old lilong houses and several idle neighborhood factories on both sides of Taikang Road. There was also a 50- or 60-year-old street food market, which was dirty and messy and with which the cultural space could not coexist. The sub-district government rented the idle factories and moved the street market indoors. Consequently, the development of Tianzifang took off.

As part of Tianzifang’s development, the district government was key to establishing Taikang Road Art Street. The sub-district government supervised the management committee and the chief sub-district government officials, Mr. Z, served as the director. There was little doubt at the very beginning that the sub-district government also offered and leased rent-free stores along the main road to merchants dealing with arts and crafts, although the Taikang Road Art Street was not very attractive. Mr. Z attained a crucial input from his friend Mr. J, that it was really a “neighborhood economy” that needed to be fostered. This was the turning point of the Tianzifang renewal for converting an along-the-road commercial street to a neighborhood-like commercial space. More than half of the lilong community, which once occupied the majority of the land in downtown Shanghai, was leveled during the large-scale urban redevelopment at the beginning of the 1990s. This ironically helped focus on “protecting and renovating with high quality” as a high priority for Tianzifang.

Mr. J’s proposal reflected the status quo of Taikang Road, which was that “streets are the main issue and space is compact.” In addition, he advised “taking advantage of streets to attract the small amount of government funds to displace a certain number of houses, which will gradually penetrate from the streets to the neighborhood, thereby developing the cultural industries” (Interview Record 12). Mr. Z agreed with Mr. J’s suggestion and saw two other important problems. The first problem was that the old administration was not feasible for the development of cultural industries, so that the market mechanisms must be introduced. Mr. J recommended Mr. W who had a good sense of how market works. Mr. Z sublet 10,000-square-meter idle factories, rented by the sub-district government, to Mr. W at the
original price. This meant that the commercial development of Tianzifang was not dominated by the sub-district government and Mr. Z as before, but was supervised and supported by Mr. Z. The second problem to Mr. Z was that the cultural industries would need real intellectuals. With the arrival of Yifei Chen and other top artists in China, Tianzifang began to take on a flavor of an art street. This was another turning point for Tianifang, when spontaneity and creativity from the grassroots and government-society cooperation replaced the government-dominated approach to redevelopment.

The government’s unwillingness or inability to run Tianzifang led to its success. At the utilization stage of the neighborhood factories during Tianzifang’s development, the government’s laissez-faire attitude had two implications. First, it was a non-government experiment where decentralization led the district government to neglect the Tianzifang project. Second, the sub-district government encouraged rather than interfered with the creativity and spontaneity of local and neighborhood players without which Tianzifang would not have been successful.

*Planning plays catch-up*

As Tianzifang became commercially vibrant, it began to encounter more pressure for more planned growth from the local government. This led to a new shift from the residential to non-residential use of the commercial spaces in Tianzifang. In 2000, the sub-district government leased the idle factories in the lanes to a sole proprietor, Mr. W, who managed and operated them. At the end of 2001, all the neighborhood factories were leased out. Businesses at Tianzifang became well known and the commerce street that combined art exhibitions with commercial sales was growing. Thanks to the recovery of the real estate sector, Tianzifang, which was ignored by government officials, had more opportunities to innovate and renovate. The district government leased the land in the neighborhood to large developers for real estate projects and ceased the earlier, spontaneous Tianzifang experiment. In order to put the relocation project into effect, the government issued demolition orders, which were resisted by the Tianzifang initiators.

In order to protect the industrial space filled with artists, the initial developers planned to expand the renovation to reach some adjacent residential areas. Their reason was that at that time the eastern section of Lane 210 had been developed to be high-rise residential areas such as Yuanshui Residential Area and Sinan Garden. If the western section also became high-rise residential areas, the old neighborhood factories would be trapped by these tall buildings, thereby losing the space and vigor for development. In addition, as demonstrated by Professors Yisan Ruan and Shiling Zheng at Tongji University, the colorful Shikumen
architectures would disappear, and the creative industry cluster effect advocated by Professor Wuwei Li of the Shanghai Academy of Social Sciences, would lose its spatial carrier. Hence, the overall development of the entire Tianzifang neighborhood including the factories and residential areas would need to be considered. Most importantly, if the residents were allowed to participate in the process, they would be able to continue to resist the district government’s redevelopment project.

In November 2004, after resident Mr. X voluntarily leased his own housing for commercial use without government permission, the Tianzifang Commerce Street started the process of changing residential housing to non-residential use. Starting with the opening of a Han-style clothing store in a dwelling located on Lane 210, near Er’jin Lane of the old and idle factory zone, the ultimate Tianzifang model would involve most of the residents becoming landlords, which we label communal entrepreneurship. “The opening day was very busy and the famous artist Yifei Chen was the person who cut the ribbon at the ceremony. The merchants also invited a lions’ dance team for the celebration. The crowd all applauded even though the dance was not as good as expected due to limited space as recalled by landlord Mr. X. During several interviews, Mr. X mentioned that all the factory spaces were leased out, which led a tenant directly contacting him, so he leased his own housing to the merchant. The recollections of both Mr. Z and Mr. X show that it was not a coincidence that Mr. X was the first landlord of residential housing.

Prior to Liberation in 1949, Mr. X’s father, one of the first graduates in Tangshan Railway College, came back to the mainland from Hong Kong to contribute to the national construction. Since childhood Mr. X has been living in this neighborhood, playing games such as jumping rubber bands and hitting marbles. He is very familiar with these twisted, old-fashioned lanes and can walk around all the lanes even with his eyes closed. During the 1950s-1960s, there were more than ten factories along the Tianzifang lanes including MSG, machinery and leather factories. When summer came, Mr. X always asked a worker at a MSG factory for some gluten so that he could catch cicadas in the trees. In 1964 he graduated from high school and left for Xinjiang. He retired and returned Shanghai in 1994, receiving a pension of 300 RMB each month. Despite some monetary help from his sons and daughters, Mr. X still lived in poverty. At that time, it was common for him to “petition” the government for help and even became a “leader” among the group of people who returned Shanghai from Xinjiang. In the second half of 2004, Mr. W persuaded him to lease his house to merchants. This action seemed unintentional but was actually discussed between Mr. Z and Mr. W. Mr. Z, who used to be a municipal government official and knew all the residents in the district very well. Every level of the governments was very cautious of the
sensitive “maintenance of stability” problem. Mr. X, who always led petition about problems, was actually on some kind of “black list.” However, the Tianzifang experiment needed someone like Mr. X, who sincerely tried to improve his life chances and had some courage and organizational skills. Thus, among all the residents, he became the first candidate who was invited to “eat crabs,” (a Shanghainese phrase meaning taking on a major challenge). As a result, Mr. X received Mr. W’s proposal and spent 30,000 yuan (about $5,000) of his own money to renovate the living room on the first floor. He also made some modifications to his residential space based on the tenant’s requirements. A 32-square-meter old house without a bathroom brought him a monthly rent of 3,500 yuan, from which he spent 1,000 yuan renting another idle room upstairs as his bedroom. Overall, he netted a profit of 2,500 yuan, while the tenant also paid him 10 yuan a day for taking care of the shop.

There was some “illegality” about Mr. X voluntarily leasing his own housing for commercial use. For historical reasons, most of the housing units on old lanes in central Shanghai were state-owned, which means that the majority of the residents there such as Mr. X did not own their houses. According to Shanghai’s Urban State-owned Housing Regulations, it requires the permission from the state-owned property companies that represented the government to manage the houses for residents to “convert the residential houses for non-residential use” and “change state-owned houses and its affiliated facilities.” Prior to the onset of the district government’s approved renewal project, Mr. X’s changed residential housing to non-residential use without apparently getting approved through the legitimate procedure. The sub-district government officials who have tacitly consented to and even encouraged such conduct apparently disobeyed the government regulations as well. However, inspired by President Hu Jintao’s instruction in the 17th Congress Report to “create conditions so that common people can gain property income,” Mr. Z translated the central government’s discourse into political legitimacy in initiating the Tianzifang model of commercial activism by residents. Tianzifang’s expansion from “neighborhood factories” to the “neighborhood for residents” took place with this inspiring idea. For the sake of the residents’ welfare, Mr. Z supported the original inhabitants to lease their houses to merchants in order to increase income and create welfare, which in turn caused a political trouble for the authorities. The tacit permission of “changing residential housing to non-residential use,” which could be prevented at the outset, not only benefited Mr. X but also encouraged many of his neighbors to follow suit.

Over the past eight years, there have been more than 200 households who converted their houses to non-residential uses. Adhering to the principle of voluntary work, Mr. X never received a cent from any landlords and tenants. Now we can answer the questions raised
previously. As this residential conversion to commercial use indicates, between the balance of power of the superior and the subordinate, the disadvantaged party must rely on the public’s participation to increase its own power. That the public was able to “defy the law” in improving their economic well-being was tacitly sanctioned by the sub-district government. In the Chinese political environment, this is a tale about the local state forming an alliance with local residents to circumvent the rule that prohibits “changing residential housing to non-residential use.”

**Communal Entrepreneurship**

Both the Tianzifang development team and residents clearly understood that “changing residential housing to non-residential use” was illegal after all. Therefore, that the residents’ were tacitly permitted to lease houses could only be conducted “underground” or informally. Such a surreptitious practice offered Mr. Z and the development team a good reason and effective means to standardize how the merchants should lease the properties. For example, feet-washing and massaging services were not allowed to operate in Tianzifang; otherwise, the sub-district government would not offer any help if the Administration for Industry and Commerce discovered any problems and tried to impose penalties. Meanwhile, the local residents knew that voluntarily “changing residential housing to non-residential use” violated the law, and without the help of the sub-district government, they would not be able to receive any rental profit. During the expansion of the Tianzifang commerce street into the surrounding residential lanes, the entry of every shop was the result of independent negotiations with every residential landlord. This built in some selectability and control for what merchants were able to set up shops. While the commercialization of residential areas was a spontaneous process, it could not have happened without the government’s supervision. The development team, which violated the regulations from the superior
government’s perspective, represented the government’s legal authority in the eyes of local residents. For their own interests, the residents obeyed the sub-district government officials who did not conform to the superior’s orders. Only after 2008 when the superior government took over the Tianzifang Commerce Street to legitimize its development, did the somewhat anarchic practice come into being, which we discuss below.

The tacit permission of the residents’ “changing residential housing to non-residential use” is only half of the Tianzifang story, and the other half is why and how a variety of businessmen have been attracted to this traditional area in Shanghai, chasing their entrepreneurial dreams. The income from a monthly rent of 3,500 yuan ($600) improved Mr. X’s standard of living, as his pension was only 300 yuan a month, while the rent of several thousand yuan a month was reasonable and affordable to the merchants from Japan, France and Taiwan. The merchants such as the ones who operate “Urban Villagers” (a clothing store) and “Dan” (a coffee shop) found the original Tianzifang rent quite reasonable. The Taiwanese proprietor who owns “Shiyiji” chose Tianzifang after comparing the rent at Tianzifang and Xujiahui. The authors’ interviews with some Tianzifang landlords also show that at the beginning stage of “changing residential housing to non-residential use,” the rent was mostly between 2,000 and 3,500 yuan a month. In addition to the reasonable rent, the major attraction of Tianzifang was its unique space in the Shanghai traditional lanes as well as its rich cultural ambience:

I chose Tianzifang because of its creativity. Designers with great potential fit in this environment very well and customers generally have a vision and taste to appreciate artworks (owner of Urban Villagers).

Tianzifang is a tourist attraction and relatively liberal. There are high-end customers. The place has a very relaxing shopping environment. I think Tianzifang can beat Nanluogu Lane in Beijing and wide-narrow lanes in Chengdu (both are somewhat similarly renewed shopping areas).

Tianzifang is a place where you can make something unique that can’t be seen in other places. It attracts customers who come back again and again.

There are high-end customers and the shopping environment is very pleasant and comfortable. I think Tianzifang is more distinctive than Xintiandi, which is too commercialized, completely business and eating (owner of Xu’s Accessories Shop).

Tianzifang is full of culture because its houses can’t be found anywhere else. It has a relatively high grade and lots of foreigners (owner of Jinyuan Restaurant).

Most of the proprietors consider Tianzifang a unique and emotionally appealing environment, which can attract high-end people, and foreigners appreciate Tianzifang as well.
Artists view it as a conducive environment for cultivating creative ideas, while those who come for dining and shopping like its appeal as a glamorous entertainment zone unlike anywhere else in Shanghai.

Either attracted by the rent or the people, most of the earliest merchants liked Tianzifang’s space and understood that its natural old Shikumen alleys were most attractive. The majority of the merchants paid lot of attention to refurbishing and modifying the rented houses in order to fulfill its commercial needs as well as preserve its stone gate characteristics, harmonizing with the general lilong environment or even making it more appealing.

The legitimization of Tianzifang

Since 2007 the commercialization of residential areas has accelerated (see the graph below). Despite the conflict between the Tianzifang development team and the district government regarding the survival of Tianzifang, there emerged a favorable turn that would help preserve Tianzifang. Tianzifang’s name was first cleared academically and then politically. People beyond the cultural elites loved Tianzifang, and more officials in higher positions also liked it, for reasons such as satisfying their own nostalgic feelings, or acknowledging the renewal model that has brought people benefits but no disturbance. This also constituted reminders from superior officials to subordinates that this approach makes all kinds of sense including the protection of historical and cultural heritage. The increasing awareness of preservation, popularized by SOHO and the successful demonstration of Xintiandi, led to growing efforts to preserve Tianzifang. In this case, the district authority had to consider the appreciation of higher authorities for Tianzifang, the public impact of academic elites’ discourses, and of new fashions in Shanghai like the renaissance of Shikumen. The mixed use of historical blocks and the perception of historical, commercial and tourist values could be easily understood by officials who aimed at development as the first principle. Although the government authority generally does not yield to foreign intervention in domestic affairs, it is very sensitive to international trends, because such conformity is crucial for the validity and legitimacy of its power. Over the past three decades of reform and opening-up, local governments in China have gained more autonomy to adapt and imitate international standards. Most people held some opposition before because they didn’t see the catch of Tianzifang clearly or farsightedly. In their eyes, there was only the discount value of large-scale demolition and reconstruction. Not until in 2008 did it become obvious that Tianzifang could be made a highlight in the performance of government leadership and a glorified business card of Luwan District. So what was the big deal if we had to lose several buildings of ASE? 2) In this way the dominant development concept and the alternative renovation
concept finally converged. As a result, Tianzifang, the “wild child,” eventually returned to the embrace of the Party and government. Tianzifang was posted on the official website of Luwan District and presented to the world as “a shining start of Luwan.”

Development of Merchants

The legalized Tianzifang commercial street

In April 2008 the Tianzifang Management Committee was officially established, which symbolized that the Tianzifang Commercial Street, in a legal sense, returned to be under the government’s supervision. The biggest event related to legalization was that the district government invested 20 million yuan ($3 million) to upgrade the power supply, sewage, firefighting infrastructure and public utilities, which were originally put in for daily living only, to meet the industrial, commercial and catering needs. The owner of Dan Coffee Shop mentioned that the opening of her shop was very successful, as the rent was lower than anywhere else and no business license was required. After the government’s takeover, residential power supply was improved to be commercial graded, so that ammeters were no long tripped. The government also provided the smoke control devices and other infrastructure devices so she did not need to spend any money on them. Previously, it was because of someone’s protection, there was no need for a business license. Without the protection from the sub-district government officials who were on the development team, the district Administration for Industry and Commerce would immediately stop the business operations in Tianzifang. When Tianzifang was sort of “illegal,” the commercial street had an infrastructure that could merely satisfy the needs of residential dwelling. Previously residents and merchants fought for water and power supply every single day even when there were no business operations. The legalization of the commercial street could lead to more severe conflicts between the residents and businesses, if electricity, water and sewerage facilities were not upgraded to meet the needs of the commercial community. Legalization
implies the government’s overall responsibility for the operating environment. The biggest beneficiary of the 20-million-yuan investment is merchants and the second biggest is residents.

The second major development was the legalization of merchants’ business operations and residents’ “changing residential housing to non-residential use” conduct. The District Housing Administration Bureau introduced The Procedure of Handling Temporarily Changing Housing for the Integrated Space in Tianzifang (2009), and the District Administration for Industry and Commerce put forth the Procedure of Applying to Business Licenses in Tianzifang and the Procedure of Industrial and Commercial Registration in Tianzifang (2009). While the Tianzifang experiment could have failed if the government reacted normally to illegal activities, the Dan Coffee Shop and other businesses have been successful under a set of favorable circumstances. The rent was low at the beginning and there were no other fees and taxes. Although merchants were anxious about and petitioned against relocation sometimes, they were not affected. The government ended up providing a favorable operating environment, legalizing business operations and improving the infrastructure and public goods. In this case, the government’s regulation and non-regulation both benefited Tianzifang’s commercial rise.

The government’s takeover largely improved the infrastructure environment in Tianzifang but did not lead to the full regulation of the commercial street’s commercial activities. The secret of Tianzifang’s success was a spontaneous experiment with grassroots entrepreneurship that became broadly communal, under some tacit government protection. This protection has shielded the business vitality and artistic creativity in Tianzigang from the powerful force of large-scale redevelopment. The second protective function was to encourage the entrepreneurial development of the shops with cultural originality in Tianzifang. The bureaucratic management committee did not know these two functions. The district government took over the legalized Tianzifang Commercial Street and dissolved the team that used to dominate Tianzifang’s development. Even though Mr. W and Mr. X continued to play a landlord role in mediating with the neighborhood factories and residential areas, the organization that planned and coordinated the overall Tianzifang development does not exist anymore. The management committee became the nominal management agency and its role in Tianzifang was actually reduced to be like an ordinary property company. Once leasing as a profit-making behavior was legalized, it was inevitable that market entry would depend on the rent. If one asks who controls the commercial activities in Tianzifang nowadays, the answer is that it is in the hands of residents in the rental market, especially those residents and businesses who control more properties and premises. In a word, the
governmental management committee, which abandoned the planning, support and coordination responsibilities, no longer controls either the merchants or the residents. The legalization of the commercial street led to an unexpected disorder, higher rents and lower market entry requirements. The original premium placed on businesses of high cultural and commercial values has yielded to a copy-cat mentality and behavior. More and more shops began to sell goods wholesale from small commodity markets, and even though they became popular, the quality of the goods began to decline:

The Tianzifang development faces a bottleneck due to the problems of higher rent and cheapening commercial activities. Some merchants wholesale goods instead of creating their own. (I am) afraid that quality is suffering. After quality is ruined, a lot of interesting people would not come. Bad money drives out good (owner of Caifeng Craft Workshop).

The development of Tianzifang has deviated from my original idea and the customers are becoming different too. Initially, Tianzifang had relatively high-end customers, the turnover rate was high and prices were high as well, which were different from the current situation. Simply speaking, most people are merely spectators. As people understand it, Tianzifang does not have a high-priced strategy any more but has become a tourist attraction. More and more shops have been less faithful to their original orientation. These changes make it difficult for Tianzifang to sustain itself as the original community and that sense of belonging (According to Dongchengxijiu of Shanghai).

After our store’s opening, to be honest, our business was very good for a long time. Later, lots of other stores (cashmere shops) sprung up using the same signs for their stores as ours (owner of Yifan Cashmere).

In the past, Tianzifang emphasized a cultural atmosphere with relatively high standards for arts and merchandise. But now it gives a feel of the City Temple, selling widgets and those goods for one, five or eight yuan, which attracts lots of people with low consumption as well as tourists (owner of Jinyuan Restaurant).

When Tianzifang was first established, most people were not optimistic about its development. After eight years, people saw its potential and more and more merchants started businesses there. Meanwhile, some existing merchants have left due to the rising rents. Nonetheless, the Tianzifang Commercial Street becomes more and more popular and attracts more and more tourists. The concept embodied by SOHO in New York City contributed to the creation of Tianzifang as an experiment in a small traditional neighborhood in Shanghai. Maybe its ultimate fate is to be completely commercialized. If so, when discussing Tianzifang in the future, would people say that it used to be a SOHO-like place in China?
Artists initially built up Tianzifang as SOHO in Shanghai and the first old factories did attract entrepreneurs, the majority of which were painters, photographers, artists and all kinds of designers. After extension into the residential areas, there were more and more restaurants and tourist-related shops. The graph below shows the composition of commercial activities in 2010. In such a limited space, all kinds of merchants have found their niches.

**The diversity of merchants**

Artists initially built up Tianzifang as SOHO in Shanghai and the first old factories did attract entrepreneurs, the majority of which were painters, photographers, artists and all kinds of designers. After extension into the residential areas, there were more and more restaurants and tourist-related shops. The graph below shows the composition of commercial activities in 2010. In such a limited space, all kinds of merchants have found their niches.

**Merchants in the original design industry.** Most of the proprietors came to Tianzifang originally for its lilong residential buildings. Living in old lilong housing during childhood, some of them had special feelings about “Shikumen.” Some others, with the professional architectural planning background, were attracted to the irregular distribution of Tianzifang buildings and its abundant residential types. Most of them paid more attention to the geographic characteristics formed by the traditional architectural style and the marketplace living atmosphere.

What attracts me to this place is this corner and that corner, because these two corners are semi-circular. It is very rare among Shanghai’s buildings, especially the Shikumen houses, because they all have right angles, except this place with its two semi-circles. This is very unusual, especially for Shanghai’s Jiushili Road, Xinshili Road and Shikumen. There are a variety of different architectural styles in such a small place so that it is really nice. There are old plants, Taiwanese foreign-styled houses and single foreign-styled villas as well. It gives people a warm feeling. These are the most originally ecological things in Shanghai. Therefore, the rise of the entire Tianzifang is not accidental (owner of The Teddy House).

Many people would like to know more about Shanghai but there are no actual ways to do it.
However, people can catch some clues here, with real connections to the Shanghai in the 1920s and 1930s, and even in the 1950s and 1960s. The lingering things here are very interesting and representative of Shanghai (Interview Record 22).

I was thinking of a place, an environment, like different than shopping mall, different than a hotel. I want something more authentic, more special, more identity... get relaxed, get something fresh to drink, then they feel energetic again. So the environment, the neighbors are very important, they need to feel peace, so I don't want to like iron or glass, I like something more organic, like wood like brick...Tianzifang provides you with this environment. (Origin)

Due to their sensitivity to space, shopkeepers have carefully refurnished their shops, integrating their emotions and experiences into it. Because of the dispersion of residents’ property rights and an accumulative rental process, the redevelopment of the space was step-by-step, rich and diverse, instead of being done overnight or with a unified style. If there are any similarities, it is that they all have retained the historical information on these old houses, such as the mottled wall tiles, old doors and steep stairs, as well as the local cultural characteristics. The merchants have converted these spatial qualities into commercial value.

Although I am from northeastern China, I still like this house’s style... I changed the door, which used to be old, and I found the new one on my own (According Dongchengxijiu of Shanghai).

I built up this attic by myself. Anyway, I like details in lighting. The commercial space does not need particular handling. Lighting has been designed and its style integrated with the original one. You cannot make it into very new (space), as the house is old after all (owner of Caifeng Arts Workshop)

We cleaned up the walls in order to reveal the old wall tiles (Interview Record 22). This is your renovation. According to your own thoughts, your style can be materialized, which is rather interesting (Interview Record 25).

Through leasing, the dispersed merchants obtained the right from the residents’ hands to deal with the space and directly participated in the redevelopment of the physical space, so that the enhanced space’s quality further increased the value of Tianzifang development. The merchants who invested effort and capital are closely identified with the space’s destiny in terms of emotions and interests.

Restaurants. After the planning adjustments and being able to apply for business licenses, the restaurant industry that had has higher pre-renovation costs began operations with assurance, prompting and the industry to grow from one in 2007 to more than 60 restaurants in 2010. “In general, restaurants can all make profits. And those who become rich are restaurant owners,” (Mr. X, Interview Record 5) which makes the restaurants become one of
the few industries that can keep a balance between paying for the expensive rent in Tianzifang and making profits. While the emergence of restaurants helped Tianzifang become more popular and attract more tourists, the restaurants themselves have become the focus of competition for living spaces. They also attract illegal renovations, random set-ups and careless disposal of used cooking oil and grease, while the overuse of electricity creates difficulties for converting residential space into commercial space. Controlling the number of restaurants has become the consensus of all parties in Tianzifang so as to form the binding conventions and regulations.

**Copycats.** Recruiting businesses in the residential areas no longer uses “originality, high-end” as the primary principle; instead, the highest bidder wins the entry to the market. Those merchants who enter the market do not necessarily appreciate the neighborhood space, but are speculators who strive for purely economic interests. “The situation of copying is very severe. Other people sell what you sell and do not even think about it. If you have good sales and search desperately for new strategies, other people will copy them right away. Replicating and duplicating people’s business successes has become widespread. They like to walk around in your shops, finding out what you sell very well, and then they can sell that too, often at a lower price. This is a serious problem of intra-industry competition” (owner of Caifeng Arts Workshop).

**Stores operated by natives.** The owner of Jingchan Room, Jiancheng Le, was named the native painter in Tianzifang. After Tianzifang began to grow, he changed the front half of his living room into a studio. Unlike the outside merchants who made large renovations, he simply hangs his own works on the walls. However, many other shops opened by the natives do not carry a special creative value. They do not pay the relatively high rent so that they
can wholesale tourist products from small commodity markets and sell them in front of their houses. That Tianzifang is criticized for being like the old City Temple has a lot to with people’s impression and perception of these natives-owned shops.

**Real estate speculators.** Some merchants have obtained the right to control over some of residential housing through leasing. They renovated the old houses to make them suitable for the commercial use, milking the consumption value of the Shikumen space and differential rents to maximize their profits. They do not have a clear target regarding the general renewal of the neighborhood space but are only concerned about their own small space that they can control, inside the residential areas. Mr. G is a representative of these merchants. He utilized his initially accumulated capital and the advantage of the natives’ social capital to rent a large number of old neighbors’ houses. He then renovated the houses and sublet them. Although the act of housing speculation bid up the housing prices and rent, which is against the original intention of cultural celebrities such as Mr. Yifei Chen of developing cultural industries and creating a supporting place for artists. However, large-scale leasing accelerated and expanded the renewal of the Tianzifang space. The participation of real estate speculators turned more residential houses go into the hands of more people, who supported Tianzifang’s development. The space’s occupancy state tends to be diverse and more residents and merchants become stakeholders. As a matter of fact, “making the situation as you go” is also one of the strategies to sustain Tianzifang.

**Globalization and Tianzifang**

Tianzifang is also a major result of globalization. First of all, it was developed because the artists including Yifei Chen, who have a cosmopolitism vision and an awareness of SOHO in New York City, discovered the aesthetic and historical values of the traditional lanes on Taikang Road. In 1998, the painter Yifei Chen was invited to Taikang Road. He stood on Lane 210 for a quite long time, and remarked, “This is really a nice place. I can’t imagine a nicer place in Shanghai than this.” During the dinner afterwards, Mr. Chen put forward his suggestion on the development of Taikang Road, “This is the place to cultivate future artists, similar to SOHO in New York City, which used to have neighborhood factories, but after renovations and providing spaces for young artists to practice painting, became a renowned artistic space around the world. We should do something for the future Chinese young artists, thereby redeveloping this area well” (Interview Record 1). In January 2000, Yifei Chen moved his studio to Lane 210 on Taikang Road. The studio had five sections, including oil painting and sculpture rooms, a clubhouse and a pottery making room etc., occupying an area of more than 500 square meters in total. Shortly after that, the sculptor Jianling Xie
and the photographer Dongqiang Er also moved to Taikang Road. Only those artists who are familiar with the western SOHO concept could discover the value of the old-fashioned neighborhood factories. And only those accomplished artists, who are familiar with today’s a variety of latest design genres around the world, have such abilities to transform the idle factories ignored by the local government officials into artistic spaces. In the eyes of the local people, the old factories were deserted and useless spaces. As the local residents did not know about SOHO, no one showed an interest in the neighborhood factories, of which Mr. W was in charge. It was not a coincidence that most of the Tianzifang pioneers were artists with overseas living and working experiences. While the modernist approach to large-scaled demolition and reconstruction was prevalent in China, the SOHO preservation redevelopment concept became mature in the West. Given their overseas experience and professional vision, top Chinese artists like Yifei Chen saw the possibility of renovating the traditional lanes that had been ignored by the locals. They also discovered something valuable that was missed by local officials, and created the most cosmopolitan community out of a most localized space.

Secondly, the earliest tenants of the idle plants were primarily foreigners. Because the appreciation and affection of old buildings in developed countries, it has shaped Westerners’ perspective on the traditional built environment. Leasing the idle plants with large and outdated facilities to someone who could appreciate them was once a big headache for Mr. W. But an inspiration came from a foreign friend, “Accidentally, one of my foreign friends liked these old-fashioned factories and held a huge party there with nearly 100 other foreign friends one night (at the end of 2001). Unexpectedly, all the factories were leased out the next day. One reason was the cheap price and the other one was that foreigners liked this environment in traditional buildings. At that time, the factories were completely empty and divided into several sections. I was only responsible for infrastructure redevelopment and recompartmentalization, and the foreigners did all the other designs and renovations” (Interview record 3). Since then, Mr. W repositioned the target tenants of the neighborhood factories and the consumer groups, “Those factories are only offered to foreigners or those who had lived abroad before, and the consumer groups included people with a high purchasing power and a cultural interest. There are three reasons: 1) Chinese people do not like old houses. Although having an ability to renovate, they do not think why it is worth it; 2) The local people who had lived here for a long time could not find a way to recapture its value; 3) Locals still lack purchasing power. On the contrary, foreigners have higher purchasing power and the foreign media has a strong voice for promotion” (Interview Record 3). During the most prosperous period, Tianzifang had merchants from 22 countries
including the United States, Japan, Korea and those in Europe.

The graph above shows the nationality or regional composition of merchants in Tianzifang in July 2008. (Source: Tongji University United Design of Tianzifang)

Thirdly, it was the cosmopolitan consumption culture. On one hand, one of Tianzifang’s attractions was its commercial space that represented the old-fashioned Shikumen lanes with the history of the French Concession as well as the nostalgia of “letting the past survives” (protecting the local cultural heritage). Restoration of the local traditions was formed in the context of globalization of commercialism and consumerism, and it was also linked to a global-style urban renewal. On the other hand, both the merchants and consumers in Tianzifang were exposed to global trends and standards. Take the landlord Mr. G for an example. Mr. G grew up in Tianzifang and went to America at the end of the 1970s, coming back to Shanghai and settling down in 2004. After his return, he went to the place where he grew up one more time and discovered an entrepreneurial opportunity at Tianzifang, which had just started developing. ‘I brought some foreign friends to visit the lanes and they liked it at first sight. ‘There are feelings.’ ‘It is a fun place.’ To foreigners, the original ecological business district mixed with residential life is truly attractive” (Mr. G’s interview in
Mr. G’s thought was the same as Mr. W’s idea related to attracting merchants. The only difference was that Mr. W paid more attention to the space’s producers and preferred oversea merchants or returnees, while Mr. G emphasized the space for consumers, attracting foreigners to visit and consume in Tianzifang. In recent years, with the tide of global consumerism, “Shanghai nostalgia” has gradually become a hot topic and discussion that has extended from the academic field to the field of urban renewal. Xintiandi is another good example of Shanghai nostalgia and has won popularity and a large number of businesses. Some scholars consider the nostalgia in Shanghai’s urban renewal as a collision and fusion of Chinese and Western cultures, and the role of oversea immigrants in this multicultural context cannot be ignored (Jieqiong Wang et al., 2009). When foreigners’ affection met with “Shanghai’s petty bourgeois,” Mr. G saw this place’s full potential. “Once the foreigners drive up the atmosphere here, local consumers will naturally follow it. It is enough to rely on word-of-mouth.” (Interview Record 4)

Fourthly, it was an urban renewal experiment with a SOHO reference. The Tianzifang experiment did not lack the most cutting-edge and popular concept and discourse. In fact, there was an explicit claim to “build Tianzifang to be SOHO in Shanghai” so that this redevelopment was rare. There was also the effort to seek the so-called “creative industry,” which just became popular in the West and helped legitimize Tianzifang just as it experienced the survival crisis in the face of a push by the superior government for large-scale demolition and reconstruction. In 2004, in order to preserve Tianzifang, the development team invited the renowned economist, Wuwei Li, who in turn used the concept of “creative industry” to define the gathered industries such as art studios, design studios and art galleries in Tianzifang. He not only cleared the name of the Tianzifang experiment but also used an entirely new industry concept to influence the Shanghai local government regarding industrial policies and ensured the inclusion of “creative industry” in that year’s Shanghai government work report. This was also coincided with Richard Florida’s thesis and advocacy for the “creative class.” In 2005, Professor Hai Yu from Fudan University, also the first author of this paper, included one chapter of Florida’s book in his compiled text, “Urban Theory.” It shows Chinese scholars’ concerns and understanding regarding the world’s academic thoughts. The forces of globalization are not only economic. In the case of Tianzifang, through the scholars’ work the world’s advanced concepts put the new development into effect and played a leading role in the process of acquiring legitimacy.

Last but not least, the impact of globalization was also reflected in the authors’ field interviews with Tianzifang’s merchants. Among the 14 shopkeepers we interviewed, there
were eight from foreign countries, Taiwan or with oversea experience. Although this fact could not be used as the general inference, according to the memory of the Teddy House, in 2007, “When Tianzifang was first established, there were foreigners from Taiwan, Japan, Italy and other places in the world.” When the merchants were asked about why choosing Tianzifang, one reason they gave was that they initially wanted to open a window with contacts to the world. For example, the Teddy House did not have a restaurant in the beginning. As a branch of the Teddy Bear Association in Shanghai, its purpose was to have a place in Tianzifang to provide services to the worldwide colleagues from the Teddy Bear Association. Later on, a theme restaurant was developed. Another reason for selecting Tianzifang was that they wanted to do business with foreign consumers. In the case of the wool shops, their reason was, “Customers told us that here (Tianzifang) gathered lots of foreigners (which was suitable to open up wool shops). Chinese people are less likely to appreciate good wool products, but foreigners are more likely. Since pure cotton and wool products are indispensable for foreigners, we think we should reach foreign customers and golden-collar groups. Therefore, we came here to check it out and found it really a nice place.” One more reason is that the buildings here were very attractive. The owner of the Teddy House emphasized his appreciation for the buildings and the neighborhood with its historic look. The rise of Tianzifang Commercial Street as a local gravitational field was part of the broader globalization in Shanghai and China. The success of introducing a new foreign business category, such as theme restaurants into the Shikuman lanes (lilongs) requires a combination of both Western ideas and practices and local tradition and built environment. The wife of the Teddy House’s owner is from Hong Kong, and she knew that many theme restaurants did not operate successfully due to a poor combination of Western and local Chinese ingredients. The reason for the Teddy House’s success is that both he and his wife studied architecture and understood how to integrate something foreign to the Tianzifang culture. As they told us, “Integrated with our Chinese architectural style, it formed another culture, a combination of Chinese and Western cultures.”

**Will the Success Last?**

Tianzifang has come a long way in a relative short period of existence. It came about as a street “miracle” at an unusual conjuncture of a local state willing to let it grow without official or formal planning, the scaling and spreading of individual business activities to an entrepreneurial community and the deep penetration of varied small global investors. The three sets of actors have found more convergent areas and needs of coexistence and cooperation than of conflicts, although the latter have been part of the development process. When the
local state caught up with the early spontaneous growth by exerting more planning influence, it did so more as an entrepreneurial facilitator (Wang, 2011) in upgrading the utility infrastructure. In this sense, it has aligned nicely with the dynamism of communal entrepreneurship through the profitable business of leasing residential spaces to merchants. This relatively easy local environment made it possible for small global investors to enter and thrive with their distinctive advantage of adapting international cultural tastes and standards to the local consumer market.

The above set of key ingredients has made Tianzifang very popular and the “hottest” tourist attraction in Shanghai, which brings about more opportunities and challenges. Opportunities come from popularity that a density of businesses and consumers can always achieve some agglomeration economy in merchandise sales and entertainment spending. However, high popularity has pushed up the need for more shops in Tianzifang. Under market conditions, the owners of those popular shops should be the right rent bidders. But ever rising rents is not good for the survival of the enterprises with originality. In fact, the original and personalized shops in Tianzifang have actually shrunk, and a reduction in the number of shops owned by foreigners is most obvious. The crowding-out effect produced by the rising rents on the original shops would make Tianzifang lose its most appealing attributes, while only brand-name chain stores and stall shops could survive eventually. The departure of the creative proprietors will ultimately lead to the disappearance of specific consumer groups, because the consumers who originally enjoyed Tianzifang’s taste and feelings cannot stand its busy commercial environment today and thereby may stop coming to Tianzifang. During the visit of six urban commercial streets organized by the first author in 2011, our collaborators who saw Tianzifang expressed their concerns about this over-commercialized street.

Nevertheless, there are still a number of stores in Tianzifang that adhere to the original concept of arts and creativity and strive to maintain it. Some merchants who embrace the original ideals continue to open up new spaces to realize their dreams. Many outside people continue to like Tianzifang and do not want to see it slide to the low-end or shift to a direction of luxury business, thus losing its distinctive characters completely. Tourists who come to Tianzifang the first time are still impressed and intrigued by its charming style and greater potential. The final question of this paper is how to develop the Tianzifang Commercial Street sustainably and how to carry forward the initial entrepreneurial spirit featuring creativity, personality and vitality.
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