Policies on Urban Squatter Areas in Korea:

1) Soon-Suk Bae*

< 요 약 문 >

The Korean government has adopted various programs since the late 1950s and many of squatter areas have been replaced with modern apartment complexes. As a result, the squatter residents were scattered to similar areas even though some of them were housed in the public rental housing. But, no one believes that ‘the problem’ was solved.

This paper explains the background of squatter area formation, general characteristics of such areas and people. Also the policies and programs adopted in the past are introduced and are evaluated briefly with their accomplishments and negative effects. In the final section, fundamental limitations of current efforts concentrating on physical environments while neglecting socio-economic situations of the residents are discussed and new policy directions are suggested.

* Senior Research Fellow, KRIHS
I. Introduction

Large cities in Korea are occupied by squatter settlements in some parts. In the squatter areas, most of buildings does not meet the housing codes and related standards. The buildings tend to be structurally unsafe, not allowing enough sun light and ventilation, vulnerable to fire, violating minimum lot size and so on. The squatter areas also lack adequate road and sewage systems.

Squatter settlers can afford only such substandard housing. More than a half of the residents in squatter settlements in Korea are tenant households renting only one or two rooms sharing some facilities such as toilets with other families.

The Korean government has adopted various programs since the late 1950s and many of squatter areas have been replaced with modern apartment complexes. As the result, the squatter residents were scattered to similar areas even though some of them were housed in the public rental housing. With the efforts, the total squatter area get reduced, but no one believes that 'the problem' was solved.

This paper explains the background of squatter area formation, general characteristics of such areas and people. Also the policies and programs adopted in the past are introduced and are evaluated briefly with their accomplishments and negative effects.

In the final section, fundamental limitations of current efforts concentrating physical environments while neglecting socio-economic situations of the residents are discussed and new policy directions are suggested.

II. Characteristics of the Squatter Areas and People in Korea

The background of squatter (or slum) formation were different among countries depending on their socio-economic situation. However, in most of the third-world
countries, the rural poor migrating to major urban centers formed much parts of squatter areas. Some of migrated urban poor could manage to get jobs in the formal sector. But many of the migrants got low-paid informal sector jobs or could not make earnings at all.

Korea was not an exception. From the 1960s and the 1970s, the country became industrialized and urbanized very rapidly. The urban population jumped from 39.1 percent in 1960 to 68.7 percent in 1980, and to 79.6 percent in 1990. Such migration was most important cause of squatter formation in Korea. The Korean civil war(1950-1953) was another important factor to form squatter areas because a large number of war refugees from the northern part of the Korean peninsular needed places to settle.

In Korea, there are two typical types of squatter areas. The first type is mostly located in hilly areas around the city center. Inner roads are very irregular and narrow, and emergency vehicles such as fire engines can not reach many parts of such areas. Also the accessibility from arterial roads are poor because this type of squatter areas are located mostly at or near the top of hills. The ratio of public owned land is high in squatter areas both in this type areas and in other type areas.

The second type of squatter areas are relocation sites for inner city squatter residents in the process of urban clearance in the past. The relocated squatters were given the right to use(lease without fee) a parcel of relocation sites. The settlements of this type were initially located at relatively remote areas from the city center, but now became the part of central city areas as the result of city growth. Another characteristic of this type areas is that they are located at mostly flat areas. Initially such areas were divided into rectangular lots but became irregular form as original lots became subdivided. This type of squatter areas usually have worse living environments with less sun lights and poor ventilation than the areas located at hilly areas. Most of housing are single-family units and some are two or three story multi-family units in both types of areas.

Socio-economic characteristics of such areas are not much different between two types. About 30-35% of the households do not earn the minimum living cost announced by the government.1) A large portion of them do not have stable income sources either.
III. Evolution of Policies Since the 1950’s

1. Slum Clearance, Relocation and Citizen Apartment Construction
   (late 1950s~early 1970s)

   In order to cope with the urban squatter problems, the Korean government has adopted various approaches since the late 1950s. The first approach adopted in the late 1950s was the urban clearance program, through which urban squatters were relocated to the unserviced land. At the initial stage of relocation policy, squatters were relocated to the sites within or near city boundaries. In some cases, relocated squatters were provided with small-sized public rental apartments near the city center. However, the public land for relocation ran out and the relocation sites became very far from the cities and employment opportunities. Relocated squatters’ anger burst into a riot and the relocation policy was stopped.

2. Self-Help Rehabilitation (1968~Present)

   In 1968, the government allowed official permits and legal titles to squatter housing in many of squatter areas in Seoul. For the permits and legal titles, however, it was required that squatters should take 50 percent of the financial burden of infrastructure provision as well as 100 percent of housing rehabilitation costs. This self-help approach could be applied to limited number of sites due to financial inability of squatters and most of projects failed to achieve what were intended.

   In 1973, "A Provisional Act to Promote Housing Rehabilitation" was introduced to make self-help rehabilitation more effectively implemented. According to the Act, the planned project areas were required to be designated in the city plan. The Act also

1) The minimum monthly living costs estimated and announced by the government is 1,090,000 Won (equivalent to 840 US dollars) for the families with 4 members.
stipulated the provision of infrastructure and community services by local governments. Instead, the nationally owned land in project areas were transferred to the local governments to finance infrastructure provision. With such increased public contribution, however, squatters could not afford costs of housing rehabilitation. This self-help rehabilitation program was moved to the Urban Renewal Act enacted in 1976 and still remains until now in the Act. However, the method has been applied to limited number of areas.


To alleviate financial problem, the government borrowed the AID loan. But AID required unrealistic conditions for the Loan. The AID’s requirements were that at least 70 percent of the project area land must be owned by the public and no more than 10 percent of squatter housing should allow to be demolished. As the result, only limited sites were improved by the method until 1980.


As the efforts to rehabilitate squatter housing by squatters individually failed, the government devised a program to build multi-family housing after demolishing squatter housing and merging small sized lots together. Most of squatter housing were cleared and redeveloped even though some housing units on larger lots were allowed to be rehabilitated. The construction works would be done by the private developers (constructors). However, residents took initiatives through the process redevelopment and also must have taken most the financial burden of redevelopments. This method was devised partly because small multi-family housing became popular at that time and because building multi-family housing could be a solution to the small lot size problem. But this method could not be successful due to affordability of squatter residents and insufficient public assistance. The opposition against demolishing squatter housing instead
of rehabilitation was another reason that made this program stopped.

5. The Cooperative Housing Redevelopment Program (1983~Present)

Until the 1970s, nothing worked right as long as the urban housing renewal was concerned in Korea. In the late 1970s, however, a new approach, so called the Cooperative Redevelopment Method was devised. The method is a private initiated urban renewal method in which the cooperative formed by the residents initiates renewal projects in cooperation with private developers. With the method, the cooperative changes squatter areas to modern apartment complexes without significant contribution by the government. It further allows substantial capital gains to the occupants of squatter areas. In the Cooperative Redevelopment projects, participating developers take active roles including financing. This new method worked very efficiently compared with the programs adopted earlier.

If a Cooperative Redevelopment project is to be implemented, the local government designates a urban housing area according to the criteria enlisted in the Urban Renewal Act. And the local government prepares a master plan, which is a very rough sketch of the site boundary and road system. From the next stage, however, almost everything depends on the residents’ spontaneous actions. The first thing that the residents should do is to reach consensus about urban housing renewal among themselves. By the Urban Renewal Act, it is required that at least two thirds of the residents must agree with the urban housing renewal project. Once residents reach consensus, they organize a cooperative and elect a representative body of their cooperative, and get approval from the local government. In the next stage, the cooperative makes contacts with several private developers and negotiates the contract conditions to select one developer which offers the best.

Then a selected private developer and the cooperative prepare a development plan and get an approval from the local government. The next stage is to purchase public land from the central government and the local government within the boundary of the project area.
The portion of the land owned by the government ranges 40 percent to 60 percent in the urban housing renewal areas. The occupants of the public land are responsible for the payment for the land purchase. Then the value of the properties owned by each cooperative member is evaluated by the appraiser and the amount of the appraised value becomes each cooperative member’s contribution to the project. After that, the developer demolishes old buildings and build high-rise apartment buildings. In the process, the developer finance all the costs needed including construction costs.

To figure out each cooperative member’s share in newly developed apartment complexes in terms of apartment floor space, the cooperative sums up all the costs to demolish old structures and to build new apartment units. The next step is to divide the total costs by the total floor space of the new apartment buildings. And the share of each cooperative member is calculated in the new apartment buildings according to the value of original property. For example, if the value of original properties owned by a person is 30,000 dollars and the value of the new apartment per square meter is 1,500 dollars, the person’s share, without additional payment, is 20 square meters. But, the cooperative members usually take the apartment units with the sizes larger than their share based on the value of original properties. In most of cases, the cooperative members must make substantial amounts of additional payments to take larger units which they prefer. Although some surplus units are left over to be sold in the housing market and it reduces financial burden of cooperative members, most of squatter settlers still cannot afford additional payments, let alone the payment to purchase the public land.

There are several factors that make such projects economically feasible. The main factor to allow economic feasibility is that new apartment buildings are built with very high FAR(Floor to Area Ratio). The FAR of redevelopment sites reached 400% and the height of new buildings usually ranged 15 stories to 25 stories regardless of their locations and surrounding environments. In such a way, surplus units can be secured to reduce their financial burden. Also by maximizing FAR, they could take larger units which can be sold at high prices to the middle income people in the market. The larger units the cooperative members get, the more capital gains they can make by selling them. Since they cannot
afford additional payments needed to get large units, more than 90% of original squatter settlers sell their units before the new apartment construction is completed. As the result, squatter areas are changed to apartment complexes for the middle-class households. And many hilly areas, originally zoned as the green area, the forest area or the low-density residential areas at most, are changed to high density, high story apartment complexes.

The curve in the graph below shows the amount of additional payments for each cooperative member to get a new unit depending on the FAR. As FAR gets larger, additional payment to take new units becomes smaller. In drawing the graph, it was assumed that a cooperative member, who originally owned a unit of 73 \text{m}^2, took a new unit of 142 \text{m}^2.

![Additional Payments by FAR](image)

The urban housing renewal contributed the stability of housing market in large cities in Korea where land resources are very scarce. Also, they contribute to replacing old and structurally unsafe residential buildings with new modern buildings.

However, the Cooperative Redevelopment Method has been criticized, for example, that it replaces all the poor squatters from urban renewal areas and destroys their social networks.

By replacing squatter settlements with middle and upper middle income apartment units, the squatters manage to get capital gains. But, it is common that only about 10 percent original residents could settle down in their neighborhood after projects are completed. Most of residents move into other squatter areas and, in some cases, to better
### Urban Renewal Statistics by the Method (1999. 12.31)

<table>
<thead>
<tr>
<th></th>
<th>Cooperative Redevelopment Projects</th>
<th>Self-Help Projects, Others¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Areas</td>
<td>220</td>
</tr>
<tr>
<td></td>
<td>Area (㎡)</td>
<td>10,249,340</td>
</tr>
<tr>
<td>Total</td>
<td>Building Renewed</td>
<td>85,909</td>
</tr>
<tr>
<td></td>
<td>New Units Built</td>
<td>225,539</td>
</tr>
<tr>
<td>Completed</td>
<td>Number of Areas</td>
<td>136</td>
</tr>
<tr>
<td></td>
<td>Area (㎡)</td>
<td>4,637,612</td>
</tr>
<tr>
<td></td>
<td>Building Renewed</td>
<td>38,146</td>
</tr>
<tr>
<td></td>
<td>New Units Built</td>
<td>95,918</td>
</tr>
<tr>
<td>Under Construction</td>
<td>Number of Areas</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>Area (㎡)</td>
<td>5,611,727</td>
</tr>
<tr>
<td></td>
<td>Building Renewed</td>
<td>47,763</td>
</tr>
<tr>
<td></td>
<td>New Units Built</td>
<td>129,121</td>
</tr>
</tbody>
</table>

* Note 1: “Others” means the project implemented by the local government or the Korea National Housing Corporation.

* Data Source: the Ministry of Construction and Transportation

neighborhoods than before. In the process of urban housing renewal, squatters sell their new apartment units to outsiders with premiums. In many cases squatters sell their properties with premiums even long before construction works start.

Some theorists argue that no one is losing in the game of the Cooperative Redevelopment and the current approach must not be blamed. However, as a whole city, the housing units for low income households decrease. It, in turn, causes the increase in the price and the rent of housing for the low-income households. Seeking immediate solutions for urban problems, sustainability and long term impacts are apparently ignored.

Tenant households were put in the worse situation in the past. Each of tenant household was given a right to buy a room out of a two or three room apartment unit. Almost all tenant households sold their rights to real estate brokers, who bought the rights to make sets of the rights for complete units of apartment housing. Real estate brokers sold the sets of rights to outside demanders. In reality, it is almost impossible for a tenant household
to share an apartment unit with two or three other households. So, the Seoul Metropolitan government has been providing rental housing for the tenants in the renewal sites since the early 1990s. The construction of rental housing units has been financed by the Seoul Metropolitan Government. The City allocated the city’s general budget for rental housing construction and also sold city owned land in the urban renewal sites to cover the costs.

The Cooperative Redevelopment program has other defects too. The method only works where and when the projects allows capital gains or profits both to the squatters and developers. The conditions of squatter areas or squatters are not the key factors. Instead, the housing demand for the middle-income households, the land price are critical factors. Due to such mechanism, the Cooperative Redevelopment projects were implemented mostly in Seoul. And a few more projects were implemented in some other large metropolitan areas. But the system did not work in other cities at all.

It is also blamed for distorting the cityscape and the skyline by building 15 to 20 story high-rise apartment buildings at the top of hills, where many of squatter areas are located in Korea.

Recognizing these problems, more strict regulations were imposed recently to the urban housing renewal by the Seoul Metropolitan Government. As one of the regulating methods, the maximum FAR standard was lowered to 250% from 400%. But the problem still remains.

Other problems of this program revealed include the following:

• While the whole process of the project is very complicated, squatters without specialized knowledges take the responsibilities of project implementation. As the result, private developers could take advantages of the cooperatives
• While the projects depend on the real estate market, the government does not take due responsibility in provision of financial subsidies, planning and implementation.

6. The Residential Environment Improvement Program

The government enacted, in 1989, “Provisional Act for Residential Environment
Improvement Program” designed to improve the quality of the residential environment without replacing the low-income squatters. The program mandates the local government to improve the residential infrastructure such as roads, water supply, sewerage and other related facilities. Substandard housing can be either rehabilitated or reconstructed by the residents. And reconstruction can be undertaken by local governments or the KNHC(Korea National Housing Corporation). The government provides a housing improvement loan for 20 years with one year grace period at a rate much below the market rate.

For reconstruction, a NHF(National Housing Fund) loan is provided for 10 years with one year period also at the low interest rate. This program allows relaxation of the building regulation, legalization of squatters and use of public owned land.

Unlike in the Cooperative Redevelopment based on the Urban Renewal Act, the public authority take initiatives throughout the whole process and take much of financial burden needed. This method was mostly applied to the sites where the Cooperative Redevelopment could not work. So, many areas in provincial cities were designated as well as the squatter areas in Seoul.

This program substantially contributed to improving low-income squatter residents owing to the active intervention of the public authorities. As the end of June 2000, a total of 580 areas were designated for the program.

But the public support was not enough and the lowest income people could not take the benefits after all. Another serious defect of the program has been that it ruined urban environment by relaxing various building regulations.

7. Recent Developments

The urban renewal and related programs certainly contributed to improving some conditions of urban dilapidated areas or squatter areas. They improved conditions of unhealthy, unsafe and unpleasant residential environments. Despite their accomplishments, however, they are criticized due to various negative effects discussed earlier. Coupled with the defects of each program, inefficiency of running different programs on the similar kind
of areas in different principles based on different acts became a policy issue on debate.

So, Korean government is now preparing enacting a new act encompassing improved version of existing programs. The act is expected to pass this fall in the national assembly.

IV. Limitations of Current Programs and Needs for Comprehensive Measures.

The policies on squatter areas in Korea obviously improved in one way or another during last decades. However, the public interests were mostly on how to remove bad looking squatter buildings without much troubles. Policy makers did not pay serious attention to the affordability or socio-economic situations of squatter settlers. Of course, compared with the past, the contribution of the government for the low-income squatter families increased. An example is the provision of public rental housing for the squatter tenant families by the Seoul Metropolitan government since the early 1980s. The financial contribution of the central government to finance new infrastructures in the residential improvement areas since 1989 could be another example. However, their contribution was limited to the houses and infrastructures despite that the root causes of squatter formation are rather social and economical ones. It can not be the remedy for the squatter problems only to improve houses or infrastructures.

Social and economical aspects of poverty and its structures must be tackled. What the squatter settlers may need are the measures to increase their income earning abilities, for example, through job training and employment information services. What the squatter settlers really aspire to get could be the community services such as public day-care services and youth programs, that could provide better chances to escape from the structural poverty as well as improving their quality of life. In fact, no systematic study was done on the poverty structure of the squatters.

Why are the policies and the programs on squatter areas are like this? The reason is
multi-folded.

The Ministry of Construction and Transportation (MOCT) which is responsible for the squatter policies and programs does not have a right concept on squatter issues. Traditionally the Ministry limit itself mostly to physical matters.

The culture of Korean government officials is another factor that hinder preparing comprehensive policy approaches that encompass social and economic measures for squatter residents as well as the physical improvements. It is a long tradition that one department or one ministry should not cross over the given work boundaries. It is usually very difficult to implement policies through interdepartmental or interministerial cooperation. They are extremely defensive on keeping their working boundaries.

Social welfare policies and programs are formulated and implemented by the Ministry of Health and Welfare (MOHW) in Korea. The Ministry is responsible for various social welfare programs under the National Basic Livelihood Security System. Welfare programs such as the income subsidy program, the job training program, the medical aid program and other programs for the disadvantaged are under the control of the Ministry. While MOHW deals with various welfare programs, it does not have the (geographical) area bounded program, for instance, for squatter areas. And their housing related program (a kind of housing allowance) is formulated and operated completely separated from the low-income housing programs by MOCT.

It seems obvious that the socio-economic approach along with physical improvements could be much more effective than the approach pursuing only physical improvements of squatter areas.

United States began to take such a comprehensive approach on their slum areas about twenty five years ago. The Model City Program was introduced in 1968 after they realized the problems of slum areas could not be solve solely by physical improvements. Later in 1974, CDBG (Community Development Block Grant) program replaced the Model City Program and became one of the federal programs with the largest budgets in United States. With the introduction of CDBG, similar programs were merged together and the budgets were also pooled. Under the program, grants allocated to communities could be
used job training, elderly center, youth centers, crime prevention, training, promotion of
businesses as well as on housing and infrastructures.

More recently, the United Kingdom(U.K.) introduced a similar comprehensive approach
through the ‘regeneration’ and its related programs. The Single Regeneration Budget(SRB)
system was introduced merging various program budgets from five ministries together.

I believe that it is time for us to consider a new policy approach seriously as the U.S.
and the U.K did. We need to bring social-economic measures into squatter policies. But,
we have a couple of points to prove in order to persuade policy makers.

For instance, we need a clear logic about why the area bounded welfare programs
should be operated separately from the general welfare programs. If we run the area
bounded welfare programs and general programs with different eligibility criteria, the
equity problem could be raised. A concrete evaluation is needed to prove the benefits of
the package measures pursuing socio-economic and physical improvements together. More
fundamental task would be to interpret the needs of squatters and to suggest things to be
done to solve the structural poverty of the squatters.

In reality, to find a way to merge different programs together from different ministries
overcoming the traditional behavior of government officials is an uneasy task. Also to
invent the procedure and administrative body to implement the new program(s) would be
a subject for future studies.

References

1. Bae, Soon-Suk, Urban Housing Renewal and Roles of the Public Sector: Problems and
   New Directions, Proceedings of International Symposium on Housing, Seoul: Korea
   National Housing Corporation, 1992.
2. Bae, Soon-Suk, Impacts of FAR regulations on Housing Market, Unpublished Paper,
   1996.
3. Bae, Soon-Suk and Hyunsook Chun, Policies for Effective Maintenance and


국문요약

정부는 1950년대 말부터 현재에 이르기까지 다양한 주택프로그램을 활용하여 왔으며 그로 인해 많은 저소득층 밀집지역이 현대식 아파트 단지로 대체되었다. 그러한 결과로 저소득층 밀집지역의 거주민은 그와 유사한 지역으로 흩어졌으며 그중 일부는 정부가 건설하여 공급한 공공임대주택에 입주하였다. 그러한 노력으로 저소득층 밀집지역은 상당부분 감소하였으나 아무도 그들의 주택문제가 해결되었다고 생각하지는 않는다.

본 논문은 저소득층 밀집지역의 형성배경과 그 지역과 거주민의 본질적 특성을 분석하고자 한다. 또한 과거에 수립된 주택정책과 주택프로그램을 시대별 부문별로 분석하면서 성과와 부정적 효과를 평가하고자 한다. 끝으로, 최근 시도되고 있는 주택정책이 물리적 환경에만 치중하고 거주민의 사회경제적 현황에는 등한시하는 근원적 한계를 노정하고 있어 이에 대한 주택정책의 방향을 제시하고자 한다.