

Urban Renaissance Agency (Incorporated Administrative Agency)
(Urban Renaissance Account)

https://www.ur-net.go.jp

1. Summary of operations implemented using FILP funds

Based on a partnership with local governments and private enterprises, the Urban Renaissance Agency works to improve urban districts and assists in the supply of rental housing in urban areas, with focus on major cities and regional society. At the same time, the Urban Renaissance Agency helps revitalize cities through advancement of city functions and improvement of living environments. By appropriately managing rental housing and other properties it has inherited from the former Urban Development Corporation, the Urban Renaissance Agency is working to steadily secure rental housing with favorable living environments as well as stable living for residents. Based on local governments' request, the Urban Renaissance Agency also implement carries out construction of public housing for victims in the Great East Japan Earthquake in order to promote providing of public housing for victims.

Note: Operations not eligible for FILP include projects with complete capital appropriation and consignment.

Deferred and accrued accounts for creation of housing sites, etc., are ineligible for FILP and are therefore excluded from analysis.

2. Amount of lending under FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
492.7	9,542.9

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	109.9	105.3	-4.6
2. Government revenue (payments to the government, etc.)*1	-3,040.3	-2,379.5	+660.8
3. Opportunity cost of capital investments, etc.	105.1	222.8	+117.7
Total (1+2+3=policy cost(A))	-2,825.2	-2,051.4	+773.8
Analysis period (years)	80 years	80 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	-2,825.2	-2,051.4	+773.8
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	235.4	293.4	+58.0
2) Policy cost expected to be newly accrued during the analysis period	-3,060.6	-2,344.8	+715.8
Government expenditure (subsidies, etc.)	109.9	105.3	-4.6
Government revenue (payments to the government, etc.)*1	-3,040.3	-2,379.5	+660.8
Opportunity cost of surplus, etc.	-130.3	-70.7	+59.6
Opportunity cost of capital investments, etc.	0.0	0.0	+0.0

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-2,051.4	-1,019.1	+1,032.3	-0.1	+711.7	+320.7

(A) Policy cost (previously cited)	Case of a 1% decrease in rent income	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-2,051.4	-1,944.3	+107.1	-	+107.2	-0.1

(Note) Components in each column may not add up to the total because of rounding.

*1 Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

*2 Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost	Comparison	FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	-2,825.2	-2,051.4
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	-2,830.2	-2,326.8	+503.4
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)			Real fluctuation (2-1)

【Real fluctuation factor analysis】

○Factors behind policy cost increase

-Decrease in payments to the government due to lower rental housing revenue, etc. (+472.2 billion yen)

- Increase in subsidies due to implementation of new operations, etc. (+18.1 billion yen)

- Increase in opportunity cost due to increase in retained earnings at the beginning of the analysis period (+13.1 billion yen)

○Factors behind policy cost decrease

-None

4. Outline of estimation and project prospect employed in the analysis

【Outline of estimation】

- 1) The estimation covers all operations of the Urban Renaissance Account excluding operations which capital investment will be allocated to and which will be left to trusts.
- 2) The estimation is made where new operations are implemented based on the FY2021 operation plan, in addition to the operations initiated before the end of FY2020.
- 3) The length of the analysis period is 80 years, during which the above operations will be completed, and then the depreciation period will end.
- 4) Paragraph 5 of Supplementary Article 12 of the Urban Renaissance Agency Act stipulates that profit that is generated in the Urban Renaissance Account shall be transferred to deferred and accrued accounts for creation of housing sites, etc., within a monetary limit to be approved by the Minister of Land, Infrastructure, Transport and Tourism. However, said stipulation shall not be considered in the calculations presented here.

【Project prospect】

- 1) Newly started or ongoing projects in FY2021 are supposed to be completed by the end of FY2031.
- 2) Operation costs for each FY are measured in such a way that housing and lands for housing will steadily be provided, taking progress in each district into consideration.
- 3) Operating revenues are estimated based on the budget plan prepared in accordance with prospective operation investment per district, taking mid-term plans into account.
Rent revenues from housing that has already been provided will be estimated based on the current rent for said housing, and rent revenues from newly provided housing will be based on the cost-price rent for said housing. In addition, rental property is estimated with the land sold at book value upon full depreciation.

(Unit: billion yen)

FY		Result	Estimated	Decision	Trial assumption								
		2019	2020	2021	2022	2023-2032	2033-2042	2043-2052	2053-2062	2063-2072	2073-2082	2083-2092	2093-2100
Project expenses	Projects to renew urban functions expenses	79.1	95.5	70.0	132.0	298.0	-	-	-	-	-	-	-
	Land activation project expenses	6.7	72.0	7.7	5.2	7.6	-	-	-	-	-	-	-
	Disaster-prevention parks and blocks development project expenses	2.3	2.0	1.5	1.3	1.9	-	-	-	-	-	-	-
	Residential environment development project expenses	39.7	65.6	46.9	49.8	399.0	-	-	-	-	-	-	-
	Reconstruction expenses	1.6	3.8	0.5	-	-	-	-	-	-	-	-	-
Project income	Incomes from urban renaissance	106.0	162.5	96.1	159.6	906.9	98.6	56.2	136.2	17.4	9.0	-	-
	Incomes from management of rental housing	653.4	645.3	634.8	640.1	6484.5	8061.7	5176.0	3529.7	3088.6	923.8	224.7	111.4
	Incomes from reconstruction	-	4.2	-	-	-	-	-	-	-	-	-	-

5. Reasons for granting of subsidies, mechanism and underlying laws

Development and improvement of urban areas are implemented through organizing and integrating divided plots of land, and developing sites for construction in unity with public facilities by methods of an urban renewal project, land readjustment project, etc., for which capital investment and subsidies from the national treasury are received.

(Underlying laws and regulations)

【Provisions on capital】

“Urban Renaissance Agency Act”

Article 5

- 2 The Urban Renaissance Agency may increase its capital on approval by the Minister of Land, Infrastructure, Transport and Tourism.
- 3 The governments and a local government may invest in the agency when it increases its capital according to the above provisions.

【Provisions on payments to the Government】

“Urban Renaissance Agency Act”

Article 33: In relation to the application of the conditional clause provided in Article 44, paragraph 1 of the Act on General Rules for Incorporated Administrative Agencies (hereinafter as the General Rules Act), the said paragraph states that “where appropriated to the use determined according to the provisions of paragraph 3.” This is amended as “where the amount computed according to the Government Order is paid to the national treasury or the local authorities that invested in the Agency or where appropriated to the use determined according to the provisions of paragraph 3.”

2 The Agency sorts out the accounts for the purpose of Article 44, paragraphs 1 or 2 of the General Rules Act that are revised by the said paragraph relevant to the final FY of the period of the mid-term target set out in Article 29, paragraph 2, item 1 of the General Rules Act, hereinafter referred to as “Mid-term Target Period”. Subsequently, the Agency, where reserve remains due to the item 1 of the said article, may allocate portion of such reserve approved by the Minister of Land, Infrastructure, Transport and Tourism to the operations set out in the Article 11 for the mid-term plan (when modification due to the provisions in the said article is approved, the modified plan will be applicable.) approved under Article 30, paragraph 1 of the General Rules Act relevant to the next mid-term target period.

3 The Agency, where balance remains after the deduction of the amount approved under the said paragraph from the amount of the reserve set out in the preceding paragraph, shall repay such remaining amount to the national treasury and the local authorities that invested to the Agency.

“Enforcement Order of the Urban Renaissance Agency Act”

Article 15: The amount calculated in cabinet orders of the provisions of Article 44, paragraph 1 of the General Rules Act as it is applied by Article 33, paragraph 1 of the act (hereinafter referred to as “amount to be paid to the National Treasury, etc., in each fiscal year”) shall be the amount obtained after deducting the amount indicated in item 2 from the amount indicated in item 1.

Item 1 Surplus amount indicated in Article 44, paragraph 1 of the General Rules Act for the relevant fiscal year

Item 2 Amount obtained after deducting the provisional fund accumulated until the relevant fiscal year from an amount equivalent to one-half the total amount of capital investment received from the Government or a local government by the last day of the relevant fiscal year.

2 When the Institution intends to pay the amount to be paid to the National Treasury, etc., in each fiscal year to the National Treasury and local government body that invested in the Institution in accordance with cabinet orders of the provisions of Article 44, paragraph 1 of the General Rules Act as it is applied by Article 33, paragraph 1 of the act, the amount to be paid to the National Treasury, etc., in each fiscal year shall be distributed in accordance with the amounts of capital investment supplied by the Government or a local government.

3 The amounts of capital investment stipulated in the above paragraph shall be the amounts of capital investment received from the Government and a local government on the first day of the fiscal year in which the amount to be paid to the National Treasury, etc., in each fiscal year is generated (in the event that the Institution receives capital from the Government or a local government during the relevant fiscal year following said first day, an amount obtained by multiplying said capital by the number obtained by dividing the number of days from the day said capital was invested to the last day of the relevant fiscal year by the number of days in the relevant fiscal year shall be added to each amount).

6. Special remarks

Besides the subsidies, etc., from the government, 2.0 billion yen in capital investments has thus far been received from local governments.

(Reference) Outcome and social and economic benefits of operations

The Urban Renaissance Agency is contributing to sound development of cities and to stable improvement of citizens' living through the following approaches:

- Promotion of urban renaissance
 - Large-scale reorganization of land use in line with shifts in the industrial structure
 - Formation of bases for daily living, exchange, and economic activities in cities
 - Enhancement of disaster preparedness in cities and improvement of densely-populated urban areas
 - Formation of agreeable residential urban areas through assistance in supply of private-sector rental housing
 - Establishment of centers for regional living that utilize existing rental stocks
- Provision of affluent living spaces (management of rental housing, etc.)
 - Realization of residences in the city center and shorter distance between work districts and residences
 - Support of lifestyle in an aging society
 - Establishment of suitable environments for child-raising
 - Consideration for the environment
- Response to the Great East Japan Earthquake
 - Providing victims with UR rental housing (970 housing, as of April 1, 2020)
 - Providing sites for building temporary housing (about 8 ha)
 - Dispatching personnel supporting for temporary housing construction (181 personnel in total)
 - Support for reconstruction in stricken municipalities.

Actual examples of these include:

- 1) Increase in residents' population as a result of revitalizing Tokyo seaside areas
Okawabata River City 21 and surrounding areas: About 5,600 people (surveyed 1985) → About 19,400 people (surveyed 2020)
- 2) Increase of customer-attracting power by Yokohama Minato Mirai 21
Annual visitors of about 0.38 million people (surveyed 1985) → About 60.40 million people (surveyed 2020)
- 3) About 37,400 houses were built for renting, etc., in 23 wards in Tokyo, Osaka-city, and old town areas in Nagoya (from FY1998 to FY2020)
- 4) About 710,000 houses for renting are managed nationwide, and about 1.4 million people live in them.
- 5) Acquisition of land in 150 parcels (141.8 ha) for the purpose of promoting land liquidity, and transfer of 119 parcels of land (109.5 ha) (FY1998 to FY2020)

Out of the social and economic benefits of these projects, those which can be understood in quantitative aspect are estimated with certain presumption as follows:

- Social and economic benefits of projects
Operational effect on the improvement of city functions and improvement of living environment is estimated to be 1,003.6 billion yen by a costbenefit analysis based on investment after FY2021 with assumed discount rate of 4%. The effect is estimated to be 2,485.0 billion yen with assumed discount rate equal to that of the cost analysis.

(Breakdown)

(Unit: billion yen)

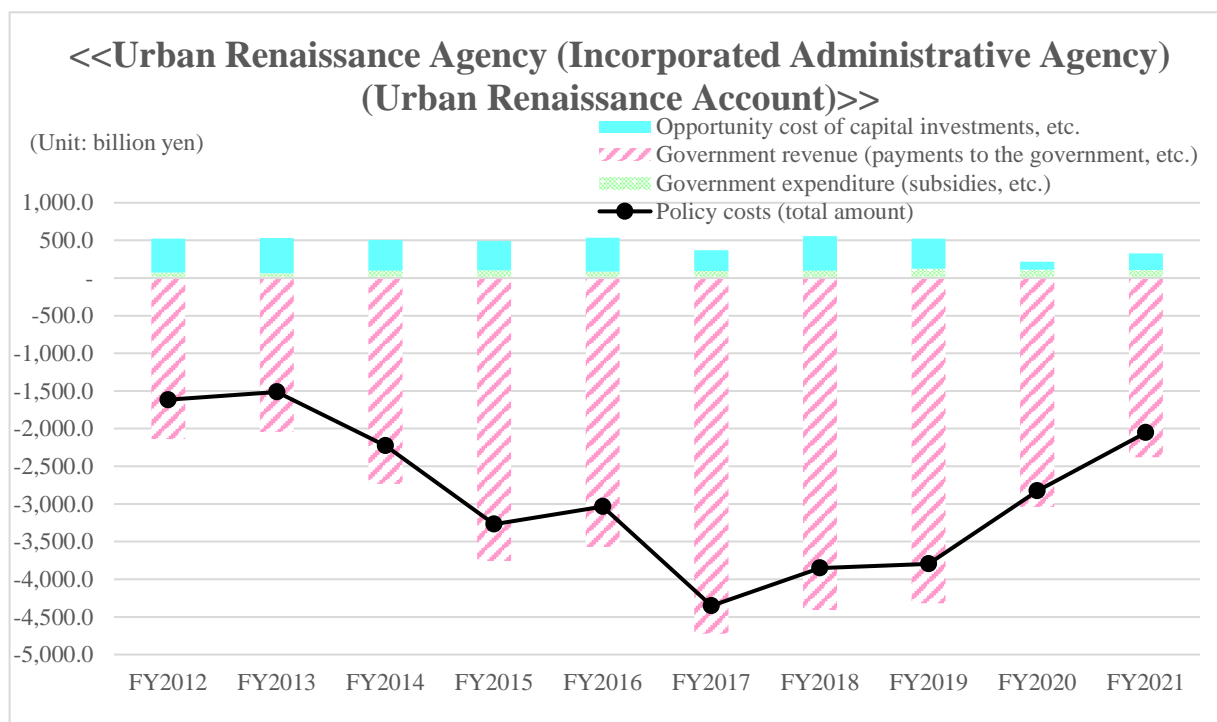
	4%	Discount factor equal to that of the cost analysis
Projects to renew urban functions (land readjustment)	282.2	747.2
Projects to renew urban functions (urban area redevelopment)	367.2	897.4
Residential environment development project	354.2	840.4
Total	1,003.6	2,485.0

Note: The quantitative benefit is estimated by the Agency.

- Demand creation effect from projects (flow effect)
It is estimated to be about 3.3 trillion yen by a multiplier effect based on investment after FY2020 (about 2.3 trillion yen including private investment).

Overview of policy cost analysis results

【Changes in policy costs】



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Unit: billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	-1,616.0	-1,513.2	-2,225.7	-3,268.4	-3,035.1	-4,352.6	-3,850.2	-3,795.8	-2,825.2	-2,051.4
Government expenditure (subsidies, etc.)	74.5	63.5	97.4	104.1	85.3	93.1	98.5	122.2	109.9	105.3
Government revenue (payments to the government, etc.)	-2,137.2	-2,045.5	-2,732.7	-3,759.8	-3,570.1	-4,722.9	-4,408.4	-4,317.7	-3,040.3	-2,379.5
Opportunity cost of capital investments, etc.	446.7	468.9	409.5	387.3	449.6	277.2	459.7	399.6	105.1	222.8

【Explanation of policy cost trends】

- From FY2012 to FY2019, the policy cost followed a downtrend despite the absence of major changes in government expenditure (subsidies, etc.) and opportunity cost of capital investments, etc., as government revenues (payments to the government, etc.) trended upward due to a decline in interest payments caused by a fall in the assumed interest rates.
- In FY2019 and FY2020, the policy cost increased due to a decrease in government revenues (payments to the government, etc.) because a large amount of expenses for repair intended to establish a sustainable management foundation for the rental house operation was expected to be booked.
- In FY2020 and FY2021, the policy cost increased owing to a decrease in government revenues (payments to the government, etc.) caused by an increase in interest payments due to a rise in the assumed interest rates.

【FILP agency's self-assessment of policy cost analysis results (FY2021)】

- "(1) Policy Cost" shows an increase of 773.8 billion yen in the policy cost in FY2021 compared with FY2020, and "(3) Year-to-Year comparison analysis" showed an increase of 503.4 billion yen in the policy cost in FY2021 compared with FY2020. The main factors behind those increases is that the number of rental houses under management in FY2020, which was excluded from the analysis period of the FY2021 analysis, is higher than the number in FY2100, which was included, resulting in a decline in incomes from the rental housing operation, which in turn leads to a fall in payments to the government.
- "(4) Sensitivity analysis" showed an increase of 1,032.3 billion yen in the policy cost when the assumed interest rate was set at the level before the introduction of the negative interest rate policy. The main factor behind the increase is that while interest payments will increase because of a rise in the assumed interest rates over the 80-year analysis period, rent income is assumed to remain unchanged at the current level because it is difficult to foresee future changes in the income. As a result, payments to the government will decline due to a fall in profits.
- An estimate assuming a 1% decrease in rent income showed an increase of 107.1 billion yen in the policy cost. The main factor is a decline in payments to the government due to a fall in rent income.
- All of the above analysis results are considered to reflect the current situation and be appropriate.

(Reference) Financial Statements

Balance Sheet (Urban Renaissance Account)

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	614,023	664,689	694,687	Current liabilities	1,076,358	1,091,461	1,110,396
Cash and bank deposits	54,565	41,206	46,023	Current assets collateral subsidy	38,558	51,746	45,007
Uncollected administrative revenue	27,514	25,436	23,333	Deposited subsidies	697	-	-
Allowance for possible loan losses	-59	-51	-43	Expected redemption within one year urban renaissance bonds	36,700	35,000	20,000
Transferred bonds (installments, etc.)	104,037	80,135	91,857	Discount on bond (-)	0	-	-
Allowance for possible loan losses	-1,739	-1,668	-1,610	Long-term loans to be repaid within a year	612,447	625,168	640,087
Property for sale	31,357	31,357	31,357	Accrued administrative expenses	78,043	78,043	78,043
Account for property for sale in progress	384,392	474,363	490,533	Accrued finished assets unfinished costs	43,281	43,698	42,242
Disbursements for uncompleted construction	1,135	1,102	441	Guarantee fees received	112,939	112,180	111,624
Other current assets	12,822	12,809	12,796	Reserves			
Allowance for possible loan losses	-1	-1	-1	Reserve for bonuses	2,370	2,403	2,466
Fixed assets	11,224,593	11,171,155	11,128,500	Other current liabilities	151,322	143,223	170,928
Tangible fixed assets	11,160,176	11,102,535	11,035,340	Fixed liabilities	9,606,555	9,553,776	9,505,345
Buildings	2,936,579	2,908,543	2,866,501	Asset collateral liabilities	119,517	124,778	126,277
Structures	292,254	283,045	273,602	Urban renaissance bonds	465,000	490,000	580,000
Machinery and equipment	5,011	4,916	4,816	Discount on bond (-)	-6	-4	-3
Vehicles and transportation equipment	16	12	8	Long-term loans payable	8,942,169	8,862,557	8,725,426
Tools furniture and fixtures	10,177	7,000	3,846	Reserve			
Land	7,869,416	7,835,431	7,795,559	Reserves for retirement pensions	40,042	40,013	40,591
Construction in progress	46,724	63,587	91,008	Guarantees for long-term acceptance	25,700	25,700	25,700
Intangible fixed assets	42,060	45,865	51,976	Asset retirement obligation	3,088	3,155	3,222
Investment and other assets	22,357	22,756	41,184	Other fixed liabilities	11,044	7,577	4,132
Investment securities	500	500	18,500	(Total liabilities)	10,682,913	10,645,237	10,615,741
Affiliated companies stock	5,101	5,101	5,101	Capital	988,079	988,079	988,079
Bankruptcy or rehabilitation claims, etc.	11,769	11,000	10,281	Financing by the Government	986,079	986,079	986,079
Allowance for possible loan losses	-11,659	-10,889	-10,171	Local government investment	2,000	2,000	2,000
Security deposit and guarantee	16,496	16,894	17,323	Capital surplus			
Other assets	150	150	150	Capital surplus	43,437	44,248	44,998
				Retained earnings	124,189	158,279	174,368
				Reserve carried forward during former medium-term target period	99,969	99,969	99,969
				Reserve fund	-	24,219	58,310
				Unappropriated retained earnings for the period	24,219	34,091	16,089
				(of this, gross profit)	(24,219)	(34,091)	(16,089)
				(Total equity)	1,155,704	1,190,606	1,207,445
Total assets	11,838,617	11,835,843	11,823,187	Total liabilities and equity	11,838,617	11,835,843	11,823,187

Notes 1. Figures for projects with complete capital appropriation and consignment, which are not eligible for FILP, are also included.

2. Components may not add up to the total because of rounding.

Income Statement (Urban Renaissance Account)

(Unit: million yen)

Item	End of FY2019 (Result)		End of FY2020 (Estimated)		End of FY2021 (Planned)	
Ordinary expenses		806,091		774,341		700,025
Urban renaissance expenses	158,369		109,685		54,775	
(Transfer cost)	(148,928)		(98,145)		(45,219)	
(Depreciation cost)	(28)		(28)		(28)	
(Other urban renaissance expenses)	(9,413)		(11,512)		(9,528)	
Rental housing administrative expenses	461,828		500,734		514,392	
(Depreciation cost)	(88,386)		(89,334)		(91,097)	
(Other rental housing administrative expenses)	(373,442)		(411,399)		(423,295)	
Reconstruction administrative expenses	443		4,379		113	
Consignment expenses	69,565		58,002		25,535	
General and administrative expenses	18,348		18,969		18,064	
Finance expenses	91,613		80,495		85,044	
(Interest costs)	(91,138)		(80,117)		(84,372)	
(Other financing costs)	(475)		(378)		(672)	
Loss on valuation of property for sale	3,563		-		-	
Miscellaneous losses	2,361		2,078		2,103	
Ordinary income		890,163		854,099		763,038
Incomes from urban renaissance	154,863		154,508		72,400	
Rental housing administrative income	630,604		618,018		630,490	
Reconstruction administrative income	-		4,180		-	
Trustee income	71,094		58,002		25,535	
Revenues from subsidies, etc.	29,581		16,938		32,604	
(Revenue from national treasury subsidies)	(23,605)		(12,628)		(25,756)	
(Revenue from local government subsidies)	(5,976)		(4,310)		(6,848)	
Contributions	97		97		97	
Financial revenues	3,529		2,356		1,913	
Miscellaneous income	396		-		-	
Ordinary profit		84,072		79,758		63,012
Temporary losses		64,029		45,746		46,990
Impairment loss	64,029		45,746		46,990	
Temporary profits		4,176		79		67
Gain on sales of fixed assets	4,155		-		-	
Reversal of allowance for doubtful receivables	21		79		67	
Net profit		24,219		34,091		16,089
Gross profit		24,219		34,091		16,089

Notes 1. Figures for projects with complete capital appropriation and consignment, which are not eligible for FILP, are also included.

2. Components may not add up to the total because of rounding.