

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 FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
445.4	9,729.0

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	98.5	122.2	+23.7
2. Government revenue (payments to the government, etc.)*	-4,408.4	-4,317.7	+90.8
3. Opportunity cost of capital investments, etc.	459.7	399.6	-60.0
Total (1+2+3=policy cost(A))	-3,850.2	-3,795.8	+54.4
Analysis period (years)	80 years	80 years	-

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

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	-3,850.2	-3,795.8	+54.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	483.6	427.8	-55.8
2) Policy cost expected to be newly accrued during the analysis period	-4,333.9	-4,223.7	+110.2
Government expenditure (subsidies, etc.)	98.5	122.2	+23.7
Government revenue (payments to the government, etc.)*	-4,408.4	-4,317.7	+90.8
Opportunity cost of surplus, etc.	-24.7	-28.2	-3.5
Opportunity cost of capital investments, etc.	0.8	0.0	-0.8

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	-3,850.2	-3,795.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)	Real fluctuation (2-1)
		-3,848.0	-3,596.5	+251.5

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Decrease in Government revenue, etc. due to decrease in rental housing revenues, etc. (+205.2 billion yen)

- Increase in subsidies, etc. due to implementation of new operations, etc. (+51.1 billion yen)

○Factors behind policy cost decrease

- Decrease in opportunity cost due to decrease in retained earnings at the beginning of the analysis period (-4.8 billion yen)

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-3,795.8	-2,019.1	+1,776.8	-3.5	+1,613.0	+167.3

(A) Policy cost (previously cited)	Case for cutting transfer revenue by 10%	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-3,795.8	-3,747.3	+48.5	-	-	+48.5

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

* 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.

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 FY2019 operation plan, in addition to the operations initiated before the end of FY2018.
- 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 FY2019 are supposed to be completed by the end of FY2029.
- 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								
		2017	2018	2019	2020	2021-2030	2031-2040	2041-2050	2051-2060	2061-2070	2071-2080	2081-2090	2091-2098
Project expenses	Projects to renew urban functions expenses	37.7	93.2	85.0	89.7	408.6	-	-	-	-	-	-	-
	Land activation project expenses	7.0	62.8	9.7	0.5	11.6	-	-	-	-	-	-	-
	Disaster-prevention parks and blocks development project expenses	2.9	5.8	2.4	3.3	2.4	-	-	-	-	-	-	-
	Residential environment development project expenses	39.8	75.7	59.4	63.4	284.8	-	-	-	-	-	-	-
	Reconstruction expenses	28.9	3.5	2.5	-	-	-	-	-	-	-	-	-
Project income	Incomes from urban renaissance	73.2	216.0	93.1	217.1	960.4	114.5	58.2	146.9	22.4	9.8	-	-
	Incomes from management of rental housing	727.1	661.0	641.9	640.8	6,482.2	7,940.7	5,855.4	3,626.1	3,125.4	1,350.9	237.8	118.5
	Incomes from reconstruction	40.8	-	4.4	-	-	-	-	-	-	-	-	-

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 Government and local governments 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 (1) of the Agency 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 that are revised by the said paragraph relevant to the final FY of the period of the mid-term target set out in the Agency Act Article 29, Paragraph 2 (1), hereinafter referred to as “Mid-term Target Period”. Subsequently, the Agency, where reserve remains due to the clause 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 (1) of the Agency 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 Incorporated Administrative Agency 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 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 and local governments 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 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 and local governments.

3 The amounts of capital investment stipulated in the above paragraph shall be the amounts of capital investment received from the Government and local governments 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 local governments 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 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, on April 1st 2019)
 - 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 18,800 people (surveyed 2018)
- 2) Increase of customer-attracting power by Yokohama Minato Mirai 21
Annual visitors of about 0.38 million people (surveyed 1985) → About 83 million people (surveyed 2018)
- 3) About 35,000 houses were built for renting, etc., in 23 wards in Tokyo, Osaka-city, and old town areas in Nagoya (from 1998 to 2018)
- 4) About 720,000 houses for renting are managed nationwide, and about 1.4 million people live in them.
- 5) Acquirement of land in 145 parcels (141.5 ha) for the purpose of promoting land liquidity, and transfer of 118 parcels of land (109.5 ha) (FY1998 to FY2018)

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 1,023.1 billion yen by a cost-benefit analysis based on investment after FY2019 with assumed discount rate of 4%. The effect is estimated to be 2,339.7 billion yen with assumed discount rate equal to that of the cost analysis.

(Breakdown)

(Unit: billion yen)

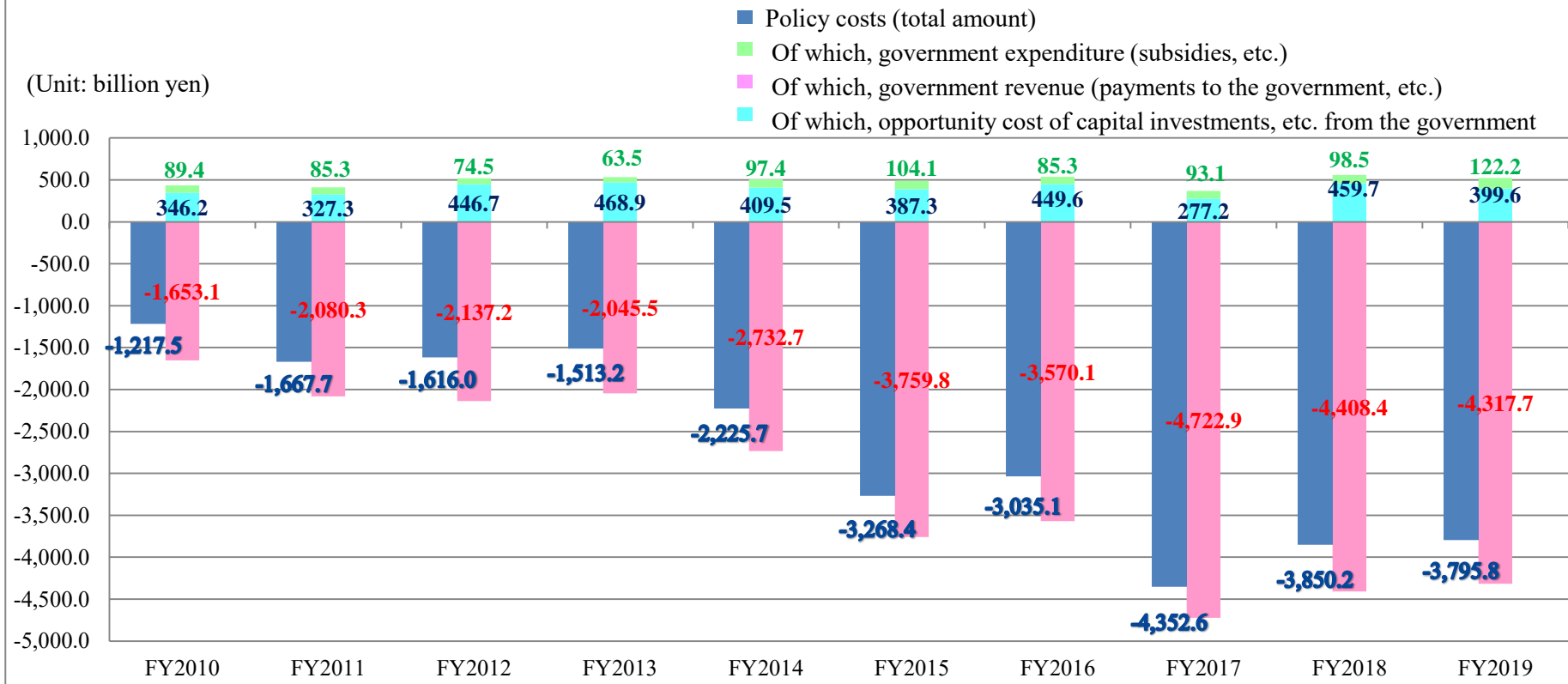
	4%	Discount factor equal to that of the cost analysis
Projects to renew urban functions (land readjustment)	196.1	476.1
Projects to renew urban functions (urban area redevelopment)	548.3	1,277.6
Residential environment development project	278.7	586.0
Total	1,023.1	2,339.7

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 FY2019 (about 2.2 trillion yen including private investment).

(Reference) Changes in Policy Costs by Component

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



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

(Point)

- Government revenue (payments to the government, etc.) is high as the effect of interest payment drops through decreases in fundraising interest rates and as interest-bearing debt improves the balance sheet and boosts payments to the Government.

(Reference) Financial Statements

Balance Sheet (Urban Renaissance Account)

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	701,935	660,685	635,046	Current liabilities	1,092,612	1,153,766	1,140,607
Cash and bank deposits	86,000	30,114	35,843	Current assets collateral subsidy	31,634	41,877	46,848
Uncollected administrative revenue	57,044	55,223	53,145	Deposited subsidies	1,378	1,213	653
Allowance for possible loan losses	-58	-52	-45	Expected redemption within one year urban renaissance bonds	28,000	29,400	36,700
Transferred bonds (installments, etc.)	134,494	128,071	120,087	Discount on bond (-)	-1	-1	0
Allowance for possible loan losses	-1,758	-1,741	-1,724	Long-term loans to be repaid within a year	591,285	615,071	631,247
Property for sale	26,684	26,684	26,684	Accrued administrative expenses	81,562	81,562	81,562
Account for property for sale in progress	383,616	409,505	389,840	Accrued finished assets unfinished costs	7,990	6,680	6,680
Disbursements for uncompleted construction	3,876	3,050	1,568	Guarantee fees received	117,089	114,606	111,903
Other current assets	12,039	9,832	9,649	Reserves			
Allowance for possible loan losses	-2	-1	-1	Reserve for bonuses	1,877	2,007	2,006
Fixed assets	11,464,760	11,404,969	11,348,579	Other current liabilities	231,797	261,351	223,009
Tangible fixed assets	11,397,965	11,338,083	11,281,507	Fixed liabilities	9,916,543	9,763,234	9,682,231
Buildings	3,006,814	2,975,471	2,936,925	Asset collateral liabilities	112,537	119,329	124,238
Structures	301,492	291,690	281,699	Long-term deposit of subsidies	1,866	653	-
Machinery and equipment	4,813	4,717	4,620	Urban renaissance bonds	311,100	400,700	484,000
Vehicles and transportation equipment	7	3	0	Discount on bond (-)	-11	-7	-6
Tools furniture and fixtures	8,018	5,897	3,968	Long-term loans payable	9,404,675	9,157,960	8,991,169
Land	8,016,345	7,981,434	7,922,859	Reserve			
Construction in progress	60,477	78,872	131,437	Reserves for retirement pensions	49,031	49,491	49,733
Intangible fixed assets	40,812	40,764	40,716	Guarantees for long-term acceptance	25,251	25,401	25,551
Investment and other assets	25,983	26,122	26,356	Asset retirement obligation	2,752	2,813	2,875
Investment securities	500	500	500	Other fixed liabilities	9,344	6,895	4,671
Affiliated companies stock	7,051	7,051	7,051	(Total liabilities)	11,009,155	10,917,000	10,822,838
Bankruptcy or rehabilitation claims, etc.	16,809	16,744	16,680	Capital	987,079	988,079	988,079
Allowance for possible loan losses	-14,733	-14,668	-14,604	Financing by the Government	985,079	986,079	986,079
Security deposit and guarantee	16,355	16,494	16,728	Local government investment	2,000	2,000	2,000
Other assets	1	1	1	Capital surplus			
Allowance for doubtful accounts	0	0	0	Capital surplus	41,354	41,361	41,431
				Retained earnings	129,107	119,214	131,277
				Reserve carried forward during former medium-term target period	-	-	119,214
				Reserve fund	79,804	129,107	-
				Unappropriated retained earnings or unappropriated loss for the period (-)	49,303	-9,893	12,063
				(of this, gross profit or loss (-))	(49,303)	(- 9,893)	(12,063)
				(Total equity)	1,157,540	1,148,654	1,160,787
Total assets	12,166,695	12,065,654	11,983,625	Total liabilities and equity	12,166,695	12,065,654	11,983,625

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	FY2017 (Result)		FY2018 (Estimated)		FY2019 (Planned)	
	Ordinary expenses		778,622		865,256	
Urban renaissance expenses	33,929		156,680		126,079	
(Transfer cost)	(26,417)		(147,481)		(116,410)	
(Depreciation cost)	(134)		(56)		(56)	
(Other urban renaissance expenses)	(7,378)		(9,142)		(9,613)	
Rental housing administrative expenses	446,427		472,349		474,897	
(Depreciation cost)	(86,621)		(86,926)		(88,180)	
(Other rental housing administrative expenses)	(359,806)		(385,422)		(386,717)	
Reconstruction administrative expenses	43,674		207		4,609	
Consignment expenses	114,066		108,936		79,782	
General and administrative expenses	17,081		21,096		18,075	
Finance expenses	121,092		104,167		97,571	
(Interest costs)	(120,721)		(103,544)		(97,160)	
(Other financing costs)	(371)		(623)		(410)	
Miscellaneous losses	2,354		1,821		2,078	
Ordinary income		884,760		940,243		856,474
Incomes from urban renaissance	47,790		167,077		119,597	
Rental housing administrative income	649,032		643,676		624,893	
Reconstruction administrative income	42,743		-		4,418	
Trustee income	115,831		108,936		79,782	
Revenues from subsidies, etc.	24,620		16,786		24,788	
(Revenue from national treasury subsidies)	(21,750)		(12,111)		(16,186)	
(Revenue from local government subsidies)	(2,870)		(4,675)		(8,602)	
Contributions	137		97		97	
Financial revenues	3,858		3,671		2,899	
Miscellaneous income	748		-		-	
Ordinary profit		106,139		74,988		53,384
Temporary losses		67,880		38,184		41,344
Loss on sale of fixed assets	1,202		-		-	
Impairment loss	66,679		38,184		41,344	
Temporary profits		49,696		24		23
Gain on sales of fixed assets	14,003		-		-	
Reversal of allowance for doubtful receivables	29		24		23	
Gain on return of public portion of employee pension funds to the Government						
Net profit		87,954		36,828		12,063
Transfer to deferred and accrued accounts for creation of housing sites, etc.		38,652		46,721		-
Gross profit or loss (-)		49,303		-9,893		12,063

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.