

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. In local communities affected by the Great East Japan Earthquake, the Urban Renaissance Agency implements the development of reconstructed urban zones and the construction of public housing for victims, supporting their reconstruction.

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
512.4	9,263.0

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	105.3	83.6	-21.7
2. Government revenue (payments to the government, etc.)*1	-2,379.5	-2,147.1	+232.3
3. Opportunity cost of capital investments, etc.	222.8	321.2	+98.4
Total (1+2+3=policy cost(A))	-2,051.4	-1,742.4	+309.0
Analysis period (years)	80 years	80 years	-

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	-2,051.4	-1,742.4	+309.0
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	293.4	348.0	+54.6
2) Policy cost expected to be newly accrued during the analysis period	-2,344.8	-2,090.4	+254.4
Government expenditure (subsidies, etc.)	105.3	83.6	-21.7
Government revenue (payments to the government, etc.)*1	-2,379.5	-2,147.1	+232.3
Opportunity cost of surplus, etc.	-70.7	-27.0	+43.7
Opportunity cost of capital investments, etc.	0.0	0.1	+0.1

(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.
-1,742.4	-979.0	+763.4	-0.1	+524.6	+238.9

(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.
-1,742.4	-1,639.9	+102.4	-	+102.5	-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	Simple comparison (before adjustment)	FY2021	FY2022	Simple fluctuation
		Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	-2,051.4
2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)	-2,061.7		-1,912.4	+149.3

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Decrease in payments to the government due mainly to a rise in rental housing operation cost (+144.1 billion yen)

- Increase in opportunity cost due mainly to a rise in retained surplus at the beginning of the period (+6.1 billion yen)

- Increase in opportunity cost due mainly to a rise in the amount of interest-free borrowings (+0.1 billion yen)

○Factors behind policy cost decrease

- Decrease in subsidies due mainly to a decline in government subsidies' ratio to direct construction costs (-1.0 billion yen)

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 FY2022 operation plan, in addition to the operations initiated before the end of FY2021.
- 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 for FY2022 and later.

[Project prospect]

- 1) Newly started or ongoing projects in FY2022 are supposed to be completed by the end of FY2032.
- 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	Planned	Assumptions for calculation									
	2020	2021	2022	2023	2024-2033	2034-2043	2044-2053	2054-2063	2064-2073	2074-2083	2084-2093	2094-2101	
Project expenses	Projects to renew urban functions expenses	57.1	79.0	46.2	103.8	425.9	-	-	-	-	-	-	-
	Land activation project expenses	22.4	63.2	4.7	4.1	2.0	-	-	-	-	-	-	-
	Disaster-prevention parks and blocks development project expenses	3.0	1.5	0.7	0.7	1.3	-	-	-	-	-	-	-
	Residential environment development project expenses	50.7	47.5	60.1	49.9	332.3	-	-	-	-	-	-	-
	Reconstruction expenses	3.5	0.5	0.1	-	-	-	-	-	-	-	-	-
Project income	Incomes from urban renaissance	182.8	96.1	57.8	261.9	970.6	88.1	59.1	133.8	20.5	-	-	-
	Incomes from management of rental housing	701.2	634.8	636.5	640.4	6537.3	8059.5	4896.2	3485.6	3021.8	831.9	274.0	102.8
	Incomes from reconstruction	3.4	-	-	-	-	-	-	-	-	-	-	-

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 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)
 - Providing sites for building temporary housing (about 8 ha)
 - Dispatching personnel supporting for temporary housing construction (184 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 19,300 people (surveyed 2021)
- 2) Increase of customer-attracting power by Yokohama Minato Mirai 21
Annual visitors of about 0.38 million people (surveyed 1985) → About 61.50 million people (surveyed 2021)
- 3) About 37,500 houses were built for renting, etc., in 23 wards in Tokyo, Osaka-city, and old town areas in Nagoya (from FY1998 to FY2021)
- 4) About 710,000 houses for renting are managed nationwide, and about 1.4 million people live in them.
- 5) Acquisition of land in 152 parcels (142.2 ha) for the purpose of promoting land liquidity, and transfer of 119 parcels of land (110.7 ha) (FY1998 to FY2021)

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 1,087.8 billion yen by a costbenefit analysis based on investment after FY2022 with assumed discount rate of 4%. The effect is estimated to be 2,706.5 billion yen with assumed discount rate equal to that of the cost analysis.

(Breakdown)

(Unit: billion yen)

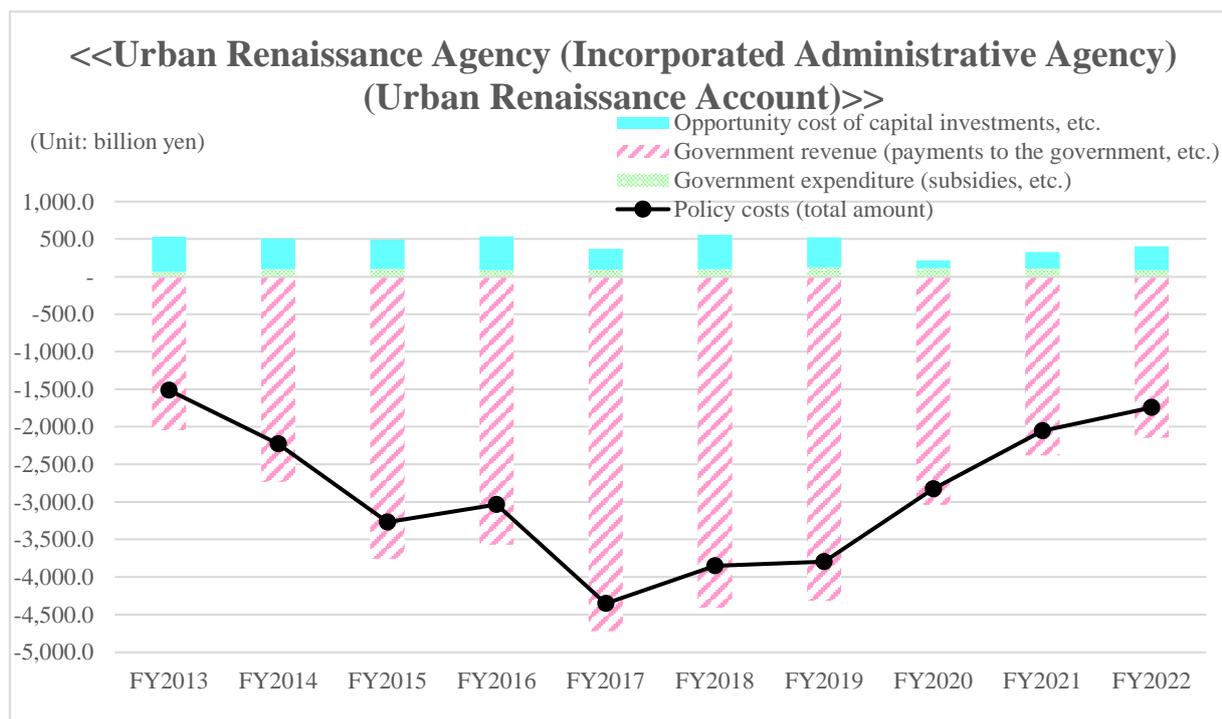
	4%	Discount factor equal to that of the cost analysis
Projects to renew urban functions (land readjustment)	332.5	863.4
Projects to renew urban functions (urban area redevelopment)	392.5	983.8
Residential environment development project	362.8	859.4
Total	1,087.8	2,706.5

Note: The quantitative benefit is estimated by the Agency.

- Demand creation effect from projects (flow effect)
It is estimated to be about 3.4 trillion yen by a multiplier effect based on investment after FY2021 (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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	-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	-1,742.4
Government expenditure (subsidies, etc.)	63.5	97.4	104.1	85.3	93.1	98.5	122.2	109.9	105.3	83.6
Government revenue (payments to the government, etc.)	-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	-2,147.1
Opportunity cost of capital investments, etc.	468.9	409.5	387.3	449.6	277.2	459.7	399.6	105.1	222.8	321.2

【Explanation of policy cost trends】

- From FY2013 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.
- From FY2019 to FY2022, 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.

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

- "(1) Policy Cost" shows an increase of 309.0 billion yen in the policy cost in FY2022 compared with FY2021, and "(3) Year-to-Year comparison analysis" showed an increase of 149.3 billion yen in the policy cost in FY2022 compared with FY2021. A major factor behind these changes is that payments to the government decreased due to a rise in rental housing operation costs including repair expenses.
- "(4) Sensitivity analysis" showed an increase of 763.4 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 102.4 billion yen in the policy cost. The main factor is a decline in payments to the government due to a fall in rent income.
- The impact of a rise in rental housing operation costs including repair expenses on future financial conditions was recognized.

(Reference) Financial Statements

Balance Sheet (Urban Renaissance Account)

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	573,740	661,310	680,299	Current liabilities	1,098,818	1,126,428	1,128,861
Cash and bank deposits	46,580	51,413	55,160	Contra-accounts for current assets funded by subsidies	47,720	46,621	45,733
Uncollected administrative revenue	18,808	16,705	14,672	Current portion of urban renaissance bonds	35,000	20,000	10,000
Allowance for doubtful accounts	-63	-52	-41	Current portion of long-term borrowings	625,168	640,087	647,456
Transferred bonds (installments, etc.)	82,069	89,798	78,069	Accrued administrative expenses	66,315	66,315	66,315
Allowance for doubtful accounts	-1,572	-1,465	-1,377	Accrued finished assets unfinished costs	50,245	49,071	46,999
Property for sale	30,318	30,318	30,318	Guarantee fees received	117,663	117,106	117,153
Account for property for sale in progress	378,977	445,468	474,981	Provisions	4,089	2,687	2,623
Disbursements for uncompleted construction	423	11,016	10,498	Provision for bonuses	2,570	2,626	2,623
Other current assets	18,204	18,112	18,021	Provision for project loss	1,519	61	-
Allowance for doubtful accounts	-3	-2	-2	Other current liabilities	152,619	184,541	192,582
Fixed assets	11,133,541	11,092,078	11,059,504	Fixed liabilities	9,358,281	9,362,413	9,340,432
Tangible fixed assets	11,015,641	10,949,639	10,895,331	Contra-accounts for assets	120,887	125,293	130,526
Buildings	2,882,811	2,842,546	2,793,319	Urban renaissance bonds	500,000	590,000	690,000
Structures	286,594	277,039	267,494	Discount on bond (-)	-4	-3	-2
Machinery and equipment	4,870	4,770	4,668	Long-term borrowings	8,657,257	8,575,626	8,450,826
Vehicles and transportation equipment	27	19	12	Provisions			
Tools furniture and fixtures	10,122	6,263	6,040	Provision for retirement benefits	40,079	35,104	35,351
Land	7,788,671	7,750,677	7,709,219	Guarantees for long-term acceptance	26,387	26,387	26,387
Construction in progress	42,547	68,324	114,580	Asset retirement obligation	3,153	3,157	3,160
Intangible fixed assets	43,200	49,311	70,004	Other fixed liabilities	10,523	6,850	4,184
Investment and other assets	74,700	93,128	94,168	(Total liabilities)	10,457,099	10,488,841	10,469,293
Investment securities	500	18,500	18,500	Capital	988,079	988,079	988,079
Affiliated companies stock	53,222	53,222	53,222	Government investment	986,079	986,079	986,079
Bankruptcy or rehabilitation claims, etc.	11,413	10,510	9,678	Local government investment	2,000	2,000	2,000
Allowance for doubtful accounts	-11,413	-10,510	-9,678	Capital surplus			
Security deposit and guarantee	16,928	17,356	18,396	Capital surplus	44,415	45,328	46,087
Other assets	4,050	4,050	4,050	Retained earnings	169,567	183,019	188,223
				Reserve fund carried over from the previous Mid-term Objective period	99,969	99,969	99,969
				Reserve fund	24,219	69,597	83,050
				Unappropriated retained earnings for the period	45,378	13,453	5,204
				(of this, gross profit)	(45,378)	(13,453)	(5,204)
				Total valuation differences and translation adjustments			
				Affiliated companies stock valuation differences	48,120	48,120	48,120
				(Total net assets)	1,250,181	1,264,547	1,270,509
Total assets	11,707,281	11,753,388	11,739,803	Total liabilities and net assets	11,707,281	11,753,388	11,739,803

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 FY2020		End of FY2021		End of FY2022	
	(Result)		(Estimated)		(Planned)	
Ordinary expenses		744,605		691,730		653,786
Urban renaissance expenses	111,827		65,797		38,473	
(Transfer cost)	(100,129)		(56,970)		(31,158)	
(Depreciation cost)	(28)		(28)		(28)	
(Other urban renaissance expenses)	(11,671)		(8,799)		(7,287)	
Rental housing administrative expenses	474,235		518,087		498,405	
(Depreciation cost)	(89,511)		(90,414)		(91,128)	
(Other rental housing administrative expenses)	(384,724)		(427,673)		(407,277)	
Reconstruction administrative expenses	3,964		95		111	
Consignment expenses	43,984		14,139		14,139	
General and administrative expenses	21,658		19,420		19,692	
Finance expenses	79,897		72,088		80,932	
(Interest costs)	(79,457)		(71,437)		(80,258)	
(Other financing costs)	(440)		(651)		(674)	
Loss on valuation of property for sale	6,913		-		-	
Miscellaneous losses	2,127		2,103		2,033	
Ordinary income		865,430		752,165		705,253
Incomes from urban renaissance	158,300		72,350		43,704	
Rental housing administrative income	636,077		630,461		622,172	
Reconstruction administrative income	3,351		-		-	
Trustee income	44,926		14,139		14,139	
Revenues from subsidies, etc.	19,341		33,205		23,519	
(Revenue from national treasury subsidies)	(15,796)		(29,507)		(16,825)	
(Revenue from local government subsidies)	(3,545)		(3,698)		(6,693)	
Contributions	97		97		97	
Financial revenues	2,929		1,913		1,622	
Miscellaneous income	410		-		-	
Ordinary profit		120,825		60,435		51,467
Temporary losses		88,436		47,101		46,363
Impairment loss	88,436		47,101		46,363	
Temporary profits		12,989		119		100
Gain on sales of fixed assets	12,676		-		-	
Reversal of allowance for doubtful accounts	313		119		100	
Net profit		45,378		13,453		5,204
Gross profit		45,378		13,453		5,204

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.