

**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 FILP**

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
500.0	8,930.7

**3. Estimated policy cost analysis of the project**

**(1) Policy cost** (Unit: billion yen)

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	83.6	73.8	-9.8
2. Government revenue (payments to the government, etc.)*	-2,147.1	-1,223.8	+923.4
3. Opportunity cost of capital investments, etc.	321.2	607.0	+285.8
<b>Total (1+2+3=policy cost(A))</b>	<b>-1,742.4</b>	<b>-543.0</b>	<b>+1,199.3</b>
Analysis period (years)	80 year	80 year	-

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	-1,742.4	-543.0	+1,199.3
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	348.0	535.9	+187.9
2) Policy cost expected to be newly accrued during the analysis period	-2,090.4	-1,079.0	+1,011.4
Government expenditure (subsidies, etc.)	83.6	73.8	-9.8
Government revenue (payments to the government, etc.)*	-2,147.1	-1,223.8	+923.4
Opportunity cost of surplus, etc.	-27.0	70.9	+97.9
Opportunity cost of capital investments, etc.	0.1	0.1	-0.0

**(4) Sensitivity analysis (cases where assumptions change)**

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			-543.0	271.1	+814.1

(A) Policy cost (previously cited)	Case of a 1% decrease in rent income	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			-543.0	-456.7	+86.4

(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.

**(3) Year-to-Year comparison analysis**

(Computing any fluctuation from previous year)

(Unit: billion yen)

		FY2022	FY2023	Simple fluctuation
Policy cost	Simple comparison (before adjustment)	-1,742.4	-543.0	+1,199.3
	Past year comparison (after adjustment)	-1,761.3	-1,378.6	+382.7

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Decrease in payments to the government due to a decrease in income from the rental housing business, etc. (+369.6 billion yen)

- Increase in subsidies due to the implementation of new businesses, etc. (+12.9 billion yen)

- Increase in opportunity cost due to a rise in retained surplus at the beginning of the period, etc. (+0.3 billion yen)

○Factors behind policy cost decrease

- Decrease in opportunity cost due to decrease in the amount of interest-free loans received, etc. (-0.1 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 FY2023 operation plan, in addition to the operations initiated before the end of FY2022.
- 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 FY2023 and later.

##### [Project prospect]

- 1) Newly started or ongoing projects in FY2023 are supposed to be completed by the end of FY2033.
- 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									
	2021	2022	2023	2024	2025-2033	2034-2043	2044-2053	2054-2063	2064-2073	2074-2083	2084-2093	2094-2102	
Project expenses													
Projects to renew urban functions expenses	27.1	47.7	75.2	55.1	398.0	-	-	-	-	-	-	-	-
Land activation project expenses	19.3	5.2	25.2	1.3	2.1	-	-	-	-	-	-	-	-
Disaster-prevention parks and blocks development project expenses	2.3	1.1	1.9	1.9	1.4	-	-	-	-	-	-	-	-
Residential environment development project expenses	44.1	65.4	62.4	63.5	311.8	-	-	-	-	-	-	-	-
Reconstruction expenses	0.6	0.1	0.2	-	-	-	-	-	-	-	-	-	-
Project income													
Incomes from urban renaissance	109.0	57.8	86.8	257.7	753.5	95.1	57.4	143.9	18.8	13.0	-	-	-
Incomes from management of rental housing	733.8	636.5	641.0	642.1	5850.0	7894.4	5037.0	3482.6	3038.4	929.1	277.7	137.2	-
Incomes from reconstruction	-	-	-	-	-	-	-	-	-	-	-	-	-

#### 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:

- 1 Promoting urban renewal, etc. with high policy significance
  - (1) Promoting urban renewal that contributes to resolving urban policy issues
  - (2) Providing support for recovery/reconstruction from disasters
  - (3) Providing support for overseas expansion of urban development projects
- 2 Realizing housing and cities (mixed communities) where diverse generations can continue to live dynamically in
  - (1) Developing an environment where diverse generations can continue to live with peace of mind
  - (2) Promoting sustainable and vibrant regional/town development
  - (3) Realizing safe, secure, and comfortable living in UR rental housing
- 3 Implementing services related to recovery from the Great East Japan Earthquake

Actual examples of these include:

- 1 Promoting urban renewal, etc. with high policy significance
  - Number of project coordination and implementation districts: 267 districts (FY2021)
  - Construction investment induction effects related to urban renewal projects, etc.: 1.3 trillion yen (FY2021)
  - Economic ripple effects related to urban renewal projects, etc.: 2.6 trillion yen (FY2021)
- 2 Realizing housing and cities (mixed communities) where diverse generations can continue to live dynamically in
  - Number of rental houses managed: Approx. 710,000 units, Number of residents: Approx. 1.4 million people (end of FY2021)
  - Percentage of houses with barrier-free initiatives: 60.8% (end of FY2021)
  - Percentage of quake-resistant UR rental housing: Approx. 95% (end of FY2021)
  - Formation of housing complexes developed as medical and welfare hubs: 8 complexes (FY2021, cumulatively 120 complexes)
- 3 Implementing services related to recovery from the Great East Japan Earthquake
  - Development of disaster-resilient public housing: 5,932 units (end of FY2021)
  - Delivery of building lots, etc. related to urban district reconstruction projects in tsunami-hit areas: 1,314 ha (end of FY2021)
  - Delivery of building lots, etc. related to urban district reconstruction projects in nuclear disaster-hit areas: 106 ha (end of FY2021)

among others.

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 999.1 billion yen by a cost-benefit analysis based on investment after FY2023 with assumed discount rate of 4%. The effect is estimated to be 1,890.8 billion yen with assumed discount rate equal to that of the cost analysis.

(Breakdown)

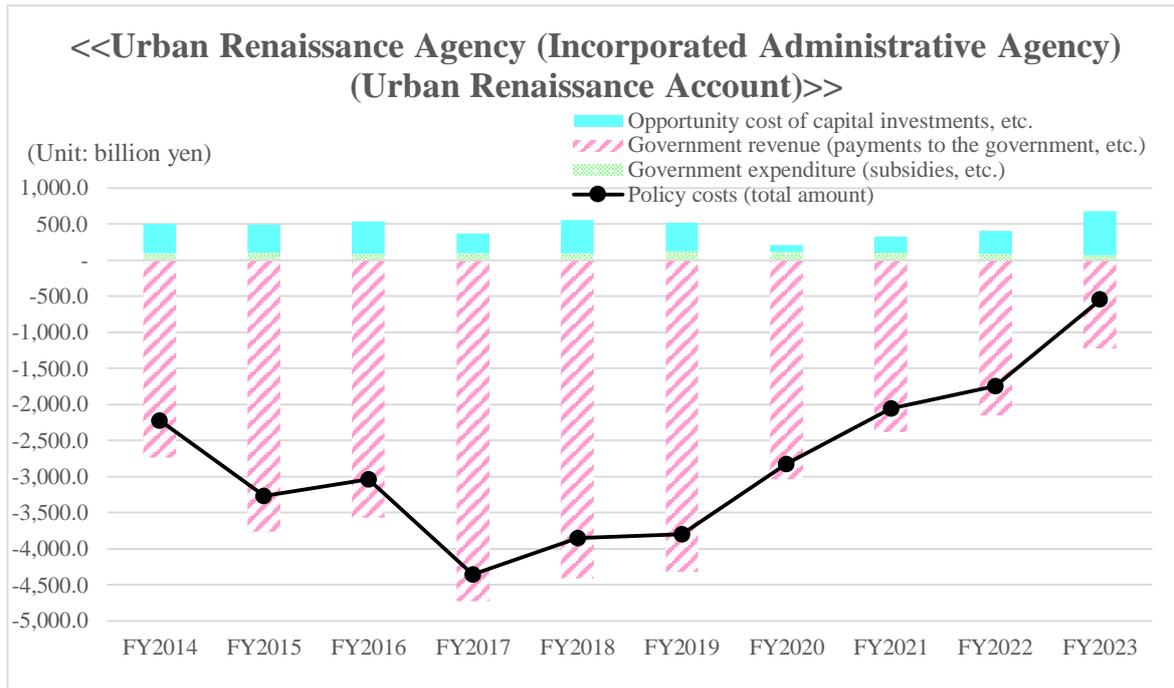
	4%	(Unit: billion yen) Discount factor equal to that of the cost analysis
Projects to renew urban functions (land readjustment)	319.5	623.8
Projects to renew urban functions (urban area redevelopment)	367.8	691.9
Residential environment development project	311.7	575.1
Total	999.1	1,890.8

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 FY2023 (about 2.2 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	-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	-543.0
Government expenditure (subsidies, etc.)	97.4	104.1	85.3	93.1	98.5	122.2	109.9	105.3	83.6	73.8
Government revenue (payments to the government, etc.)	-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	-1,223.8
Opportunity cost of capital investments, etc.	409.5	387.3	449.6	277.2	459.7	399.6	105.1	222.8	321.2	607.0

### **[Explanation of policy cost trends]**

- From FY2014 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 FY2023, the policy cost increased due to a decrease in government revenues (payments to the government, etc.), brought about by anticipation of significant repair costs aimed at establishing a sustainable management foundation for the rental housing business, an increase in interest payments accompanying the rise in assumed interest rate, and other factors.

### **[FILP agency's self-assessment of policy cost analysis results (FY2023)]**

- "(1) Policy Cost" shows an increase of 1,199.3 billion yen in the policy cost in FY2023 compared with FY2022, and "(3)Year-to-Year comparison analysis" showed an increase of 382.7 billion yen in the policy cost in FY2023 compared with FY2022. The main reason behind these changes is a decrease in payments to the government due to an increase in interest payments accompanying the rise in assumed interest rate for the former, and a decrease in rental housing business income for the latter.

- In (4) Sensitivity analysis, policy cost increases by 814.1 billion yen when estimations are prepared based on assumed interest rate + 1%. The main reason for this is the decrease in payments to the government due to an increase in interest payments accompanying the rise in assumed interest rate.

An estimate assuming a 1% decrease in rent income showed an increase of 86.4 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 the rise in assumed interest rate and fall in rental housing business income on future finances was recognized.

## (Reference) Financial Statements

## Balance Sheet (Urban Renaissance Account)

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Current assets	521,112	541,223	581,323	Current liabilities	1,098,873	1,096,845	1,110,362
Cash and bank deposits	52,126	49,768	50,871	Contra-accounts for current assets funded by subsidies	37,251	41,748	39,682
Uncollected administrative revenue	10,675	8,641	7,144	Subsidies, etc. received	295	254	375
Allowance for doubtful accounts	-81	-70	-59	Current portion of urban renaissance bonds	20,000	10,000	30,000
Transferred bonds (installments, etc.)	73,305	61,576	36,951	Current portion of long-term borrowings	636,754	640,790	625,670
Allowance for doubtful accounts	-1,672	-1,583	-1,444	Accrued administrative expenses	63,444	63,444	63,444
Property for sale	31,790	31,790	31,790	Accrued finished assets unfinished costs	54,538	52,466	49,751
Account for property for sale in progress	339,814	376,101	440,959	Guarantee fees received	111,668	111,715	112,517
Disbursements for uncompleted construction	151	35	185	Provisions	2,892	2,682	2,720
Other current assets	15,006	14,966	14,926	Provision for bonuses	2,697	2,682	2,720
Allowance for doubtful accounts	-3	-2	-1	Provision for project loss	195	-	-
Fixed assets	10,982,576	10,943,719	10,888,485	Other current liabilities	172,031	173,746	186,203
Tangible fixed assets	10,860,081	10,799,490	10,726,734	Fixed liabilities	9,136,564	9,113,450	9,080,064
Buildings	2,806,633	2,764,500	2,725,908	Contra-accounts for assets	121,294	128,892	134,365
Structures	280,639	257,386	235,564	Long-term subsidies, etc. received	2,341	2,086	1,711
Machinery and equipment	4,727	4,190	3,821	Urban renaissance bonds	570,000	670,000	750,000
Vehicles and transportation equipment	19	12	5	Discount on bond (-)	-3	-2	0
Tools furniture and fixtures	11,972	10,120	6,947	Long-term borrowings	8,360,759	8,232,626	8,117,212
Land	7,706,337	7,664,849	7,632,981	Provisions			
Construction in progress	49,754	98,433	121,507	Provision for retirement benefits	39,797	40,134	40,200
Intangible fixed assets	46,107	66,802	83,828	Guarantees for long-term acceptance	26,766	26,766	26,766
Investment and other assets	76,387	77,427	77,923	Asset retirement obligation	3,259	3,262	3,329
Investment securities	500	500	500	Other fixed liabilities	12,351	9,685	6,481
Affiliated companies stock	54,500	54,500	54,500	(Total liabilities)	10,235,437	10,210,295	10,190,426
Bankruptcy or rehabilitation claims, etc.	10,980	10,148	9,373	Capital	988,079	988,079	988,079
Allowance for doubtful accounts	-10,980	-10,148	-9,373	Government investment	986,079	986,079	986,079
Security deposit and guarantee	16,899	17,939	18,435	Local government investment	2,000	2,000	2,000
Other assets	4,488	4,488	4,488	Capital surplus			
				Capital surplus	46,605	47,782	48,377
				Retained earnings	184,168	189,388	193,527
				Reserve fund carried over from the previous Mid-term Objective period	99,969	99,969	99,969
				Reserve fund	69,597	84,199	89,419
				Unappropriated retained earnings for the period (of this, gross profit)	14,601	5,220	4,139
				(14,601)	(14,601)	(5,220)	(4,139)
				Total valuation differences and translation adjustments			
				Affiliated companies stock valuation differences	49,398	49,398	49,398
				(Total net assets)	1,268,250	1,274,648	1,279,382
Total assets	11,503,688	11,484,943	11,469,808	Total liabilities and net assets	11,503,688	11,484,943	11,469,808

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	FY2021		FY2022		FY2023	
	(Result)		(Estimated)		(Planned)	
Ordinary expenses		689,890		651,778		668,410
Urban renaissance expenses	89,307		35,594		44,306	
(Transfer cost)	(77,670)		(28,270)		(33,562)	
(Depreciation cost)	(28)		(26)		(26)	
(Other urban renaissance expenses)	(11,609)		(7,297)		(10,717)	
Rental housing administrative expenses	488,930		513,518		514,244	
(Depreciation cost)	(90,405)		(142,676)		(141,257)	
(Other rental housing administrative expenses)	(398,525)		(370,842)		(372,987)	
Reconstruction administrative expenses	504		112		112	
Consignment expenses	8,214		14,139		17,921	
General and administrative expenses	24,196		22,256		18,838	
Finance expenses	70,942		64,127		71,492	
(Interest costs)	(70,423)		(63,453)		(70,813)	
(Other financing costs)	(519)		(675)		(679)	
Loss on valuation of property for sale	6,027		-		-	
Miscellaneous losses	1,770		2,033		1,498	
Ordinary income		782,114		703,262		721,714
Incomes from urban renaissance	79,183		43,758		50,715	
Rental housing administrative income	655,633		622,170		625,781	
Reconstruction administrative income	0		-		-	
Trustee income	8,245		14,139		17,921	
Revenues from subsidies, etc.	35,861		21,474		25,878	
(Revenue from national treasury subsidies)	(33,820)		(17,566)		(12,956)	
(Revenue from local government subsidies)	(2,041)		(3,908)		(12,922)	
Contributions	99		99		99	
Financial revenues	2,674		1,622		1,320	
Miscellaneous income	418		-		-	
Ordinary profit		92,224		51,483		53,305
Temporary losses		95,797		46,363		49,318
Impairment loss	95,797		46,363		49,318	
Temporary profits		18,174		100		152
Gain on sales of fixed assets	18,174		-		-	
Reversal of allowance for doubtful accounts	-		100		152	
Net profit		14,601		5,220		4,139
Gross profit		14,601		5,220		4,139

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.