



## An Analysis of Cash Liquidation in Housing Redevelopment Process - With a Focus on Incheon Metropolitan City Redevelopment Projects -

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### ABSTRACT

**Purpose:** Cash settlements in redevelopment projects did not emerge as a big problem during the invigoration period of the housing market when profit margins could be earned through pre-sale. However, changes in development conditions are causing constant conflicts. Therefore, this study analyzed current matters concerning cash settlements with the cash liquidators as subjects. A field survey was conducted on various interests and requests calling out for improvement to criticize the cash settlement issue and formulate methods to resolve it. **Method:** Field surveys were carried out among cash liquidators and frequency analysis was conducted on the survey data. The study consisted of four steps: literature review, case study, field survey, and analysis and results. **Results:** Drawing from the comprehensive content cited above, this study investigated cash settlement issues involved in redevelopment projects with the cash settlers as subjects and analyzed various interests and requests for improvement. In conclusion, compensation for land and for properties that are obstructions along with a transparent redevelopment process should be scrutinized. In addition, incorporation of an evaluation method centered around cash settlers and revision of the compensation structure is considered necessary to increase compatibility with reality.

### KEYWORD

Cash Liquidation  
Redevelopment Area  
Concession Notification  
Relocation Expense

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## 1. Introduction

### 1.1. Research Background and Objectives

Recently, interest in research on residential areas in sustainable cities has been growing. Particularly, rapidly distributed houses in the past as the government's effort to increase the housing distribution rate [1], have aged and are on the verge of change. Therefore, as part of the new governmental redevelopment project that increases the housing distribution rate by replacing aged houses with new ones, a cash settlement system has inevitably emerged. This study seeks to identify the causes of the problems resulting from this system by carrying out an in-depth analysis of each stage in the existing cash settlement system.

Once an area is declared for redevelopment, its residents are incorporated as cooperative members by the Urban Residential Environment Improvement Act (Urban Redevelopment Act). This is when external entities such as investors purchase real estate in the area at a low price and form cooperative memberships. The termination condition (30% approval) for the project becomes nearly impossible to satisfy as numerous non-residents obtain cooperative memberships; the national average rate of residents that are in favor of the cooperatives

forming in their residential spaces is less than 24% [2]. The rest of the members that oppose the redevelopment become eligible for cash settlements. This problem is found across the nation excluding Seoul, where real estate prices are high. Cities outside Seoul, including metropolitan areas, have higher incidences of conflict due to low profitability [3]. In particular, numerous redevelopment projects were carried out in Incheon Metropolitan City in the past 20 years and many are in still in progress [4].

The cash settlement system was implemented to compensate cooperative members that renounce their ownership of the property. In the current Urban Redevelopment Act, the conditions for application of cash settlements are insufficiently defined, and conflicts are resolved in court. Consequently, people suffer losses, and redevelopment is slowed down [5].

Incheon is a city of high-value added tourism in combination with its international airport and logistics center. It is a geographically and economically advantageous region that can help boost local economies, which is a major objective of the national government. Therefore, various urban renewal projects occur in this region. However, the aging housing in the redevelopment areas occupies 62.66% (allowance 40%) of the city, and redevelopments require 17.5 years on average [4]. This study interviewed cash liquidators to analyze the cause of cash liquidation conflicts and delays in projects and understand cash liquidator rights.

This study investigates problems related to cash settlement faced by cash liquidators in redevelopment projects in Incheon city. Field research was conducted to gather data on the interests and demands for improvement. Issues regarding cash settlements were analyzed to draw implications for future redevelopment area policies.

1.2. Methods

This study consisted of four steps: literature review, case study analysis, field survey, and devising measures for improvement based on the results. Literature on domestic redevelopment project cash settlements (academic theses, reports, laws/systems, etc.) was collected in the first step to examine the current circumstances. Case studies were scrutinized, and problems in each procedural step of the cash settlement were identified.

A face-to-face interview and a questionnaire survey were carried out in parallel for the field conditions research. Cash liquidators' reasons for settlement fee application and methods of cash settlement were analyzed. Several categories (cooperative, appraiser, Local Land Acceptance Committee, Central Land Acceptance Committee, the National Tax Administration, and local government) were created to characterize and distinguish the interests involved in cash settlements and draw improvement measures for each stake.

2. Cash Settlement System and Literature Review

2.1 Cash Settlement System

Redevelopment projects demolish old houses and aesthetically disruptive buildings and construct new housing to recover city function.

There are three main regulations related to cash settlements for such projects. First, the scope of cash liquidators is defined in Article 47, Paragraph 1 of the Urban Redevelopment Act: those who did not claim ownership, those who withdrew ownership, and those excluded from ownership by the management and

disposition plan. Cash liquidators are also defined in Article 44 of the articles of association laid out by the Ministry of Land, Infrastructure, and Transport. Paragraph 5 of Article 44 includes non-contractors of ownership as cash settlement subjects after the approval of management and disposition. Second, the payment period of the cash settlements is regulated. Article 47 of the Urban Redevelopment Law differentiates the payment period according to the reason for cash settlement. The executor must settle the payments to those who do not claim ownership and those who withdrew ownership within 150 days after the ownership application deadline. Meanwhile, the payment period for non-contractors according to Article 44, Paragraph 5 of the articles of association is not regulated. According to precedents, the day after the ownership contracting period (specified by the management and disposition plan) was the standard date of cash settlement. Third, the settlement fee calculation method is regulated. Article 48 of the Urban Redevelopment Act lists the procedures for the cash settlement. The fee is calculated through consultation between the executor and the holder of cash settlement rights. Additionally, the average amount of the settlement fee determined by two or more appraisers recommended by the mayor/governor is taken into consideration.

2.2 Literature Review

Research trends regarding cash settlements are organized in Table 2.

Despite the continuous research on cash settlements and related conflicts, the number of studies on this topic remains low. A study closely related to cash settlements investigated the legal decisions concerning the conflict of the New Town Project (Kim, 2010). The proposed resolutions from the study were considered. In addition, an in-depth analysis was carried out to find a solution to the fee allocation issue and propose a better method. Jang (2017) indicated the necessity for research on the legal

Table 1. Research Methods

Category	Content
Literature Review	Review literature on domestic incidents Review the legal system analysis
Case Study	Select cash liquidators as subjects (study subjects) On-the-spot survey in cash liquidators' residence area
Field Survey	Reasons for application of cash settlement Cash settlement process analysis Analysis of interests for each step in the process
Analysis and Results	Formulate improvement methods for the cash settlement system

Table 2. Research Trends

Category	Title
D. Kang (2019)	Legal Study on the Determining Amount of Liquidation Money in the Redevelopment and Reconstruction of Cash-Settlements
H. Jang (2017)	A Study on the Cash Settlement System under "The Act on the Maintenance and Improvement of Urban Areas and Dwelling Conditions for Residents"
B.Y Kirk (2011)	A Study on Environmental Planning Factors for Urban Regeneration of Traditional Residential Area Based on Locality
D. Ki (2010)	A Study on Disputes in the Urban Renewal Projects
D. Kim (2008)	Need for Important Plan of Multi-family Rental Housing in Regeneration Area

nature of the cash settlement system and analyzed the distinguished cash settlement methods (settlement method of the maintenance cooperative, the cooperative member, and the tenant) found in the Urban Redevelopment Act. Jang (2017) distinguished the cash settlement method of the tenant for analysis, but the improvements are considered to be limited to the content from the Urban Redevelopment Act. Kang (2019) considered the reasons for a cash settlement to be the following: 1) unapplied and withdrawn ownership, 2) uncontracted ownership, 3) re-selection as owner in heavily invested areas, and 4) exclusion by the management and disposition plan. This study focused on the cash settlement calculation criteria to identify practical issues and find solutions for settlement amounts.

Considering the above literatures, current research on cash settlements tends to be conducted on legal interpretations and practical affairs. In contrast, cash liquidator surveys in this study were conducted by both indirect and direct (visiting the redevelopment area) methods. The cash liquidators' opinions on the persons concerned were investigated to analyze the reason for the delay in the progress of redevelopment projects. These aspects differentiate this study from previous studies.

### 3. Research Area Selection and Field Conditions Research and Analysis

#### 3.1 Research Area Selection

A redevelopment district located in Incheon Metropolitan City

was selected as the research area. The recolonization rate or the cash liquidator ratio appeared to be similar across the nation [6]. This is because cash settlements are administered by the same methods for all domestic redevelopment districts. It is considered that both traits of redevelopment in the capital area and other local areas are observed in Incheon.

Currently, 107 districts in Incheon are redeveloping. Their distribution across lower-level local governments are as follows: 4 districts in Gyeyang-gu, 15 in Namdong-gu, 8 in Dong-gu, 32 in Michuhol-gu, 42 in Bupyeong-gu, 1 in Yeonsu-gu, 5 in Jung-gu, and none in Seo-gu, Ganghwa-gun, and Ongjin-gun. Consequently, a total of 16 areas were selected for field condition research in proportion to the number of redevelopment districts: 1 in Gyeyang-gu, 2 in Namdong-gu, 2 in Dong-gu, 4 in Bupyeong-gu, 6 in Michuhol-gu, and 1 in Yeonsu-gu.

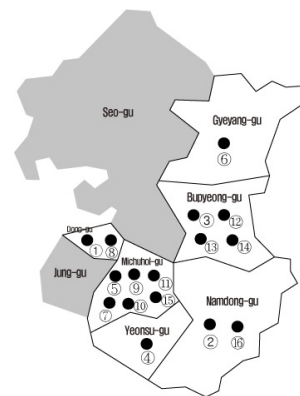


Fig. 1. Map of Incheon

Table 3. Survey List

#	Redevelopment Project Name	Land Area(m <sup>2</sup> )	Elapsed Year	Current Step	Num. of Surveyee
①	Geumsong District	162,623	2004.11.11(17)	management and disposition	3
②	Sipjeong District 3	34,271	2006.08.24(15)	management and disposition	3
③	Sangok District 5	88,025	2006.08.24(15)	management and disposition	5
④	Okryeon Daejin Villa	8,548	2008.06.05(13)	management and disposition	3
⑤	Michu District 8	118,242	2008.08.10(13)	management and disposition	7
⑥	Gyeyang District 1	122,432	2006.11.15(15)	migration	3
⑦	Juan District 10	50,011	2007.02.14(14)	migration	3
⑧	Songnim District 5	5,169	2005.08.25(16)	construction	3
⑨	Juan District 1	129,323	2008.08.10(13)	construction	4
⑩	Juan District 3	96,034	2006.08.16(15)	construction	5
⑪	Hakik District 1	71,364	2006.08.16(15)	construction	4
⑫	Baegun Housing District 1	32,366	2006.08.23.(15)	construction	4
⑬	Baegun District 2	57,947	2006.08.24(15)	construction	4
⑭	Cheongcheon District 2	219,134	2006.11.22(15)	construction	3
⑮	Juan District 7	57,853	2007.02.21(14)	construction	3
⑯	Ganseok Elementary School District	55,705	2010.02.17(11)	construction	2

Project progress from 2004 to August 2021 in the selected 16 areas showed that five areas are under management and disposition in 2021, two areas are under migration, and nine areas are under construction. The lot areas are distributed in the 5,169–219,134 m<sup>2</sup> range. One district was in the management and disposition phase even after 17 years since the redevelopment phase, and one other was in the construction phase even after 11 years. Therefore, the impact of cash liquidators on the project progress was systematically investigated in this study.

### 3.2 Research Outline for Cash Settlement Field Conditions

Only residents in the litigation process and objections based on the valuation of assets were surveyed, therefore, the areas currently in the management and disposition approval phase, migration phase, and construction phase were selected for this study. The residents (cash liquidators) under the litigation process from these areas were selected, and the subjects for the survey were recommended by the members of the Emergency Response Committee. Questions regarding the current status and directions for future progress were addressed, countermeasures were intensively consulted, and data were collected. The survey lasted about 65 days (January 10 – March 15, 2021), and a 1:1 visiting survey was conducted to collect detailed information. A total of 69 questions (9 related to the cash liquidator, 31 to relevant cooperatives, 12 to appraisers, 5 to the Local Land Acceptance Committee, 5 to the Central Land Acceptance Committee, 4 to the court, and 3 to the National Tax Administration) were surveyed. In total, 4,071 items were surveyed through 1:1 interviews with 59 subjects.

The cash liquidators were distinguished into objecting residents and litigating residents. The age groups of the 59 survey participants were as follows: 5 in their 50s or younger,

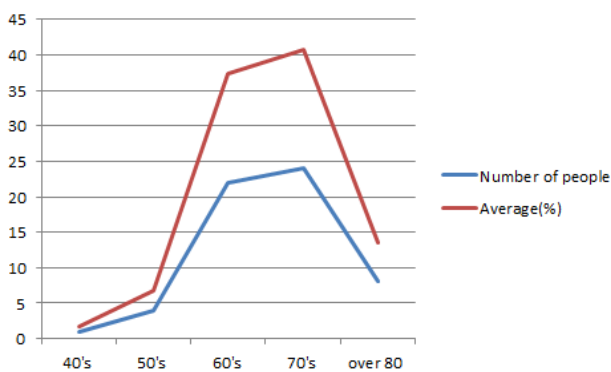


Fig. 2. Age Distribution of 59 Subjects

22 in their 60s, 24 in their 70s, and 8 in their 80s or older. There were 46 participants between ages 60 and 80, accounting for 78%. Instead of the actual price, an assessed value which is 125~180% of the declared value (depending on the building area) is announced after notice of project approval. Most assessed values are arranged to be lower than the current market price, therefore, many survey participants were dissatisfied with the compulsory execution of the system. They complained for over an hour about their inevitable relocation to underdeveloped areas with the settlement fee they receive. They hoped for more detailed measures from the cooperative or the government, and wanted their opinions to be heard.

### 3.3 Reasons for Cash Settlement

The survey began with a question regarding the current status of the survey participants and the redevelopment area they belonged to. To pay the monthly rent for their subsequent place of residence, many elderly subjects chose to settle with cash rather than lose ownership of their houses.

Those dependent on a fixed income from leasing commercial and residential spaces were fearful of receiving apartment ownership in exchange for their 99,17~231.41 m<sup>2</sup> real estate. The survey results regarding the reasons for cash settlement showed that no need for housing was the most common (33.9%, 20 cases) response.

Additionally, eight subjects (13.6%) responded that it would be difficult to afford living in an apartment without fixed income, which reveals their fear of change. Those who did not respond

Table 4. Survey Results Concerning Reasons for Cash Settlement

Content	Frequency (case)	Ratio (%)
No housing necessary	20	33.9
Financial difficulties with no income	8	13.6
Additional financial burdens	13	22.0
Detached housing preferences	13	22.0
Questionnaire unchecked	5	8.5

Table 5. Survey on Direction of Cash Settlement

Content	Frequency (case)	Ratio (%)
Moving out after compensation agreement	8	13.6
1st Local Land Committee objection	1	1.7
2nd Central Land Committee objection	7	11.9
Administrative litigation	36	61.0
Questionnaire unchecked	7	11.9

accounted for 8.5%, which indicates that some residents are conflicted.

Among those entitled to cash settlements, the most frequent response to the furthest objection stage (among the designated objection methods of the Urban Redevelopment Act) was administrative litigation (61%, 36 cases). Many subjects inquired whether additional fees were receivable for each phase and sought advice on minimizing losses and the optimal stage for migration.

### 3.4 Survey Analysis on People of Interest to the Cash Liquidator

The survey content on relevant organizations consisted of a question regarding the cash liquidators' appraisal upon receiving and inquiring about the redevelopment cooperative's official documents. After the project approval, the first appraisal value of the cooperative's selected appraiser (one), local governments' recommended appraiser (one), and the cash liquidators' recommended appraiser (one) become basic data for the redevelopment project. The deviation of each appraisal value must be within 10% to qualify for submission to the cooperative. The appraisal is adjusted by the three appraisers before the delivery, and the cooperative pays the appraisers. The survey questioned the subjects' appraisal on the difference in satisfaction levels towards this basic data and on eviction suits after depositing valuated assets with the court following the adjudication of objection. The appraisers' method of visiting the fields to calculate the appraisal value based on obstructions, building appraisal values, concession, and migration cost calculations were questioned. The first objection to the Local Land Acceptance Committee's calculated appraisal value was administered, and the appraisal towards the two appraisers appointed by the local government visiting the field was questioned. The same method of having two appraisers appointed by the local government for the Central Land Acceptance Committee was also questioned. Questions were asked regarding the administrative litigations (1st, 2nd, and 3rd trials) to the court, the re-appraisal of the current assets by the court-appointed appraiser, and the evaluations made after the demolition of existing buildings and obstructions being fundamental. Finally, the transfer and income tax must be voluntarily declared to the National Tax Administration and the local governments within 60 days from the date of payment receipt. The questionnaire asked about tax incentives for the area of relocation and business relocation after the making deposit.

#### 1) Redevelopment Cooperative

Questions were asked about the cooperative's level of

Table 6. Stakeholder Analysis (Cooperative)

	Content (case/%)			
	SD <sup>1)</sup>	D	A	SA
Levels of intervention in asset valuation	27/45.8	20/33.9	6/10.2	2/3.4
Appropriate disclosure period is unclear	24/40.7	25/42.4	6/10.2	4/6.8
Proceeds on a schedule centered around cooperatives	27/45.8	26/44.1	4/6.8	1/1.7
One-sided incorporation of the cooperative's demands	16/27.1	15/25.4	22/37.3	6/10.2
Impossible to communicate	27/45.8	25/42.4	6/10.2	1/1.7
Field review expenditures of the Big 3 corporations paid by the cooperative	14/23.7	31/52.5	12/20.3	1/1.7
Apply arbitrary proportion	20/33.9	27/45.8	12/20.3	0/0
File a lawsuit to exert pressure	15/25.4	26/44.1	11/18.6	3/5.1
Foreclosure in case of the court's deposition	18/30.5	22/37.3	11/18.6	4/6.8
Responsibility for the delay shifted to the settler	18/30.5	25/42.4	11/18.6	4/6.8
Disparity for the announcement time exists	20/33.9	27/45.8	8/13.6	4/6.8
Schedule for the applicants for adjudication centered around the cooperative	27/45.8	23/39.0	6/10.2	2/3.4
Information on settlers' rights cannot be accessed	28/47.5	23/39.0	6/10.2	2/3.4

Table 7. Analysis on the Stakeholder (Eviction Suit)

	Content (case/%)			
	SD	D	A	SA
Proceed on eviction suit after deposit of the first accepted price	19/32.2	17/28.8	13/22.0	3/5.1
Filing an appeal with the Central Expropriation Committee	18/30.5	19/32.2	9/15.3	5/8.5
Filing an appeal regarding the interests of timely adjudication	15/25.4	21/35.6	12/20.3	3/5.1
Filing a lawsuit against the delay on construction to pressurize others	21/35.6	20/33.9	8/13.6	2/3.4
No aid to the settler	22/37.3	18/30.5	9/15.3	2/3.4
Lawsuit centered around the cooperative	21/35.6	18/30.5	9/15.3	3/5.1

intervention in asset valuation, appropriate disclosure period, etc., (total 19 items) and responses were analyzed.

The majority responded "strongly agree" (45.8%, 27 cases) to the item about the cooperative's deep involvement in asset valuation. Respondents strongly agreed (45.8%, 27 cases) with the statements about schedule proceeds being centered around the cooperative, and the schedule for the adjudication applicants. The subjects agreed that they were burdened with the redevelopment delay responsibilities (42.4%, 25 cases). They agreed regarding the existence of a time gap between the evaluation and the announcement (45.8%, 27 cases). Many

strongly agreed (47.5%, 28 cases) that cash liquidators' rights were inaccessible.

There was a redevelopment cooperative that filed the eviction suit after the first acceptance fee deposit. It also filed a lawsuit for the delayed payment of interest based on non-timely re-determination. The respondents felt pressured by the lawsuits.

Many survey respondents had sensed that the cooperative's operational behaviors leave the impression that they wish to exclude the cash liquidators. Sharing information about each redevelopment site, compliance to the Urban Redevelopment Act, and arriving at a compromise in order to coexist was difficult. Therefore, consultations begin with lawyers who provide specialized advice on redevelopment, as they are hired for the cases. Most cash liquidators terminated on the 1st trial as various pressure lawsuits for prolonged litigation periods were difficult to handle. Furthermore, the lawyers claim that further trials are not profitable.

2) Appraiser

On the topic of appraisers, 6 questions including those on the credibility of land for evaluation and transparency in the evaluation method were asked, as shown in Table 8.

Strong agreement (44.1%, 26 cases) on distrust towards appraisers' sample area was observed, and more than half (55.9%, 33 cases) of the participants strongly agreed on the need for transparency in the evaluation method. The majority (47.5%, 28 cases) suspected differences in methods of the evaluation and the compensation evaluation. Most strongly agreed (54.2%, 32 cases) on the field evaluation being too formal, and they strongly agreed (57.6%, 34 cases) that no compensation is offered for the decreased real estate values. Lastly, many strongly agreed (59.3%, 35 cases) on implementing a qualitative evaluation method.

Significant authority is commissioned to appraisers in redevelopment areas. The three appraisers, each appointed by the cooperative, local government, and cash liquidator, evaluate according to Article 48, Paragraph 1, Article 4 of the Urban Redevelopment Act, where the "date of value begins on the day of the project approval notice". The evaluation method for bank loans and "applying the Act on Acquisition of and Compensation for Land" is different, so appraisals are undervalued. The Act on Appraisal and Certified Appraisers mandate the appraisals and evaluations to be within a 10% error range and the three appraisers negotiate for adjustments. Once this appraisal and evaluation fee is notified to the cash liquidator, this basic data becomes strongly effective in all stages. Therefore, the actual asset value realization is nearly impossible even with objections, since two objections and three lawsuits resulted only in a minor increase.

There was no consideration of qualitative assessment, whether the company had or had not operated in one location for more

than ten years based on the three years divided by three months for small businesses, corporations, and retained earnings. For general small businesses on the first floor, compensations of 16,000,000~50,000,000 KRW accounted for the majority of cases. Those that were located on the second floor and above only had received payment for moving.

There was no standard consideration for businesses operating in one location for over 10 years. The compensation value is dependent on the retained earnings from financial statements

Table 8. Stakeholder Analysis (Appraiser)

	Content (case/%)			
	SD	D	A	SA
Impossible to put faith on the officially announced land	26/44.1	23/39.0	6/10.2	2/3.4
Method must be transparent	33/55.9	23/39.0	2/3.4	1/1.7
Laws on loan evaluation and compensation evaluation differ	28/47.5	20/33.9	7/11.9	1/1.7
When the evaluated price is disclosed, it proceeds across the board	21/35.6	24/40.7	10/16.9	1/1.7
Actualization of the evaluation method	37/62.7	13/22.0	6/10.2	2/3.4
The 10% error range is open to dispute	26/44.1	28/47.5	5/8.5	0/0

Table 9. Stakeholder Analysis (Buildings Declared as Obstruction)

	Content (case/%)			
	SD	D	A	SA
Perfunctory field evaluation	32/54.2	19/32.2	7/11.9	0/0
Impossible to improve the Fire Services Act	24/40.7	17/28.8	15/25.4	3/5.1
Does not reflect the expenses on interior design	22/37.3	23/39.0	12/20.3	2/3.4
Does not reflect personal demands	21/35.6	21/35.6	15/25.4	2/3.4
Reflects the building owner's opinion	13/22.0	12/20.3	24/40.7	7/11.9
No compensation for the decreased rent	34/57.6	20/33.9	4/6.8	1/1.7
Qualitative evaluation needed	35/59.3	15/25.4	5/8.5	2/3.4

Table 10. Stakeholder Analysis (Goodwill Declaration)

	Content (case/%)			
	SD	D	A	SA
Consistency on the evaluation standard needed	27/45.8	17/28.8	3/5.1	2/3.4
Calculation regarding the compensation law must be actualized	28/47.5	17/28.8	4/6.8	0/0
Calculation of the cost for moving out must be actualized	23/39.0	22/37.3	3/5.1	1/1.7
Expenses for newly opened stores must be paid	29/49.2	15/25.4	6/10.2	0/0
Incurring cost for the delay transferred	23/39.0	19/32.2	6/10.2	1/1.7
Qualitative evaluation method needed	32/54.2	13/22.0	4/6.8	1/1.7

Table 11. Stakeholder Analysis (Migration Cost Calculated)

	Content (case/%)			
	SD	D	A	SA
Migration cost calculation needs to be actualized	39/66.1	12/20.3	6/10.2	1/1.7
Appropriateness of the migration cost	14/23.7	13/22.0	26/44.1	5/8.5
Migration period after the money transference short	26/44.1	18/30.5	14/23.7	1/1.7
Not enough time to settle in and secure one's place of living	30/50.8	18/30.5	9/15.3	1/1.7
Transparency on the exact period for payment ensured	32/54.2	22/37.3	3/5.1	2/3.4
Guidelines need to be announced	31/52.5	17/28.8	9/15.3	2/3.4

submitted to the National Tax Administration. Therefore, small business owners see the damage caused by COVID-19 in compensation evaluations as well.

Migration costs were investigated on cash liquidators registered as residents. The costs were paid on the cooperative's terms, and payment periods could not be estimated. After adjudication of an objection and deposition of the amount of valued asset in the court, the right to register is transferred to the cooperative that pressures cash liquidators to pay rent before they migrate. In the absence of time for the adjudication of objection on the amount of valued asset or the time to acquire the assets of the new location, cash liquidators may feel that they are being evicted when pressured by lawsuits and demanded to pay rent.

### 3) Local Land Acceptance Committee

The Local Land Acceptance Committee re-appraises and notifies the objecting cash liquidator. The local government jurisdiction appoints an appraiser to evaluate according to the local system. Two other appraisal companies commissioned by the Local Land Acceptance Committee visit the field to evaluate. Here, the evaluated objects of the initial three appraisers are re-evaluated. The estimated time to review one field object is 10~20 min, and hence, the entire asset of the cash liquidator cannot be evaluated. Given this limitation, the cash liquidators' views on the evaluation methods and suggested improvements were discussed in the survey. The evaluation methods of the appraisers are the same in South Korea. Cash liquidators hope to have the sample area of three initial appraisers evaluated in-depth and based on the blueprint and the features of the building. However, in reality, the evaluation is performed only as a formality. Only omitted obstructions are reconsidered, and cash liquidators have no way to comment on the appraisals. The evaluated amount is notified via post, and only two options remain for the cash liquidators: accept the cash settlement based on the evaluation or adjudicate an objection to the Central Land Acceptance Committee.

Table 12. Stakeholder Analysis (Local Expropriation Committee)

	Content (case/%)			
	SD	D	A	SA
Limit on increasing the first achievement assessment price limited	29/49.2	18/30.5	5/8.5	1/1.7
Perfunctory appraisal assessment	28/47.5	18/30.5	5/8.5	2/3.4
Long declaration period for the appraisal	25/42.4	18/30.5	9/15.3	1/1.7
Methods for compensation evaluation must be improved	30/50.8	18/30.5	4/6.8	1/1.7
Issuing objections	22/37.3	21/35.6	7/11.9	3/5.1

Table 13. Stakeholder Analysis (Central Expropriation Committee)

	Content (case/%)			
	SD	D	A	SA
Limit on increasing the price	22/37.3	22/37.3	5/8.5	1/1.7
Appraisal evaluation perfunctory	22/37.3	20/33.9	7/11.9	1/1.7
Long declaration period for the appraisal evaluation	20/33.9	21/35.6	7/11.9	2/3.4
Price on the appraisal assessment is low	24/40.7	20/33.9	4/6.8	3/5.1
Administrative litigation carried out	23/39.0	19/32.2	6/10.2	2/3.4

### 4) Central Land Acceptance Committee

The Central Land Acceptance Committee is the last resource for adjudicating an objection according to the Urban Redevelopment Act. Similar to the Local Land Acceptance Committee, two appraisers appointed by the central government visit the field for the appraisal. However, under the current law, an increase in asset value is difficult without omitted assets. The principle of maintaining the already used evaluation methods from the first and second appraisal is applied unless they were problematic. The value increase potential from the Central Land Acceptance Committee is high (within 1~5%). Therefore, one of the cash liquidators we surveyed is demanding a realistic increase and searching for a competent legal agency and lawyer.

### 5) The Court

Upon request of a lawsuit, the court's appointed appraisers evaluate in a manner similar to the previous appraisers. Presenting the complaints and the actual value of the assets scarcely have an impact, while deviations are more conditioned to the lawyer's abilities. In every step before a general cash liquidator litigation, about 30% of liquidators quit. Cases delivered to the Supreme Court were rare (less than 0.5%).

Table 14. Stakeholder Analysis (Administrative litigation)

	Content (case/%)			
	SD	D	A	SA
Limits on embracing the achievement assessment standards	21/35.6	15/25.4	9/15.3	1/1.7
Perfunctory appraisal assessment	19/32.2	17/28.8	9/15.3	1/1.7
Long declaration period for the appraisal evaluation	18/30.5	19/32.2	7/11.9	2/3.4
Administrative appeals do not reflect the appraisal evaluation enough	19/32.2	21/35.6	4/6.8	2/3.4

Table 15. Stakeholder Analysis (Taxation System)

	Content (case/%)			
	SD	D	A	SA
Transfer taxation system is excessive	33/55.9	17/28.8	4/6.8	1/1.7
Local tax in accordance to transference is excessive	31/52.5	18/30.5	5/8.5	1/1.7
Restructure the transfer taxation system to increase participation rates	32/54.2	19/32.2	4/6.8	0/0

Table 16. Progress at Each Stage

Classification	Actions of Cash Liquidator at each Stage	Results of Analysis
Redevelopment Association	Objector or coercive member	Forced removal from association
Certified public appraiser	Public announcement of plans and presentation of opinions	Combined submission of basic evidence for asset evaluation by three appraisers
Local Land Acquisition Committee	1st objection	Direct notification to cash liquidator following asset revaluation by two appraisers designated by the local government
Central Land Acquisition Committee	2nd objection	Direct notification to cash liquidator following asset revaluation by two appraisers designated by the central government
Court	Litigation (1st, 2nd, 3rd trial)	Direct notification to cash liquidator following asset revaluation by a court-appointed appraiser
National Tax Administration and local government	Transfer tax and local tax obligations	Payment within 60 days after receiving the principal

6) The National Tax Administration and Local Government

The transfer tax must be voluntarily declared within 60 days of the principal receipt. The date of receipt of the negotiated compensation amount by the cooperative and the date of deposit to court for adjudication of objection are considered as references. Even when the cash liquidator does not receive payment due to

objection, the matter is considered personal and is not subject to the declaration period. However, there is no way to obtain legal relief. This survey revealed the unreasonable taxation system of the cooperative in context of the cash settlements.

Even after forced expropriation, the transfer tax must be prepaid along with local tax. This condition exhibits severe contrast to the condition for cooperative members who gain ownership of apartments and are excluded from transfer tax. In contrast to the general sale of land based on the same evaluations, cash liquidators face issues such as expropriation, prepayment of national and local taxes, and various limits to accumulating one's assets. There is a system in place for gaining exemption from paying registration tax on objects acquired within one year. However, the transfer tax accounts for a relatively larger share than the registration tax and is not proportionally equitable.

4. Cash Settlement Conflict Period Analysis

4.1 Analysis of Required Time by Each Area

The average time required for the redevelopment projects in 16 areas was 14.4 years, which is usual considering the average time required (17.6 years) for Incheon City's redevelopment projects.

No. ① the Geumsoong District founded a steering committee in 2004, and even after 17 years it remains in the management and disposition approval stage, due to numerous conflicts. The project period is extended due to the conflict between the cooperative and the cash liquidators regarding the project. No. ⑥ the Ganseok Elementary School area founded a steering community in 2010 and had fewer types of conflicts compared to other areas. After gaining project approval, conflict elements were rapidly eliminated, and the area is currently under construction. After passing through the cooperative steering committee in three months, the project was cleared by the cooperative establishment within one year and two months. The redevelopment in Incheon proceeded with prospects of obtaining social interest and pride. This area was settled before the drop in real estate prices, which led to reduced conflict.

However, the area size has no relation to the project proceedings. The conflicts are causing delays and cash liquidators play a crucial role in them. The Geumsoong region (162,623 m<sup>2</sup>) is still in conflict and stuck in the process of management and disposition approval, with 2021 year being the 17th. The Orkreyon Daejin Villa (8,548 m<sup>2</sup>) is approving management and disposition and has been in the process of redevelopment for 13 years. In contrast, the Ganseok Elementary School area (55,705 m<sup>2</sup>) with project implementation since February 2010 is currently under construction. The Songnim District 5 (5,169 m<sup>2</sup>), 16 years



in redevelopment, is currently under construction despite its size. These results show that project size, in terms of area, does not have a significant relationship with the speed at which the redevelopment process moves forward.

#### 4.2 Required Time Analysis for Each Stage

The 10 major districts which suffered for long periods in the cooperative steering committee, spent 11 years and one month on the project before the approval of the establishment of a cooperative that rapidly cleared the conflicts. After the approval of the management and dispositions, the time required before the beginning of migration/construction was three years and one month. However, the area is currently entangled in another conflict over construction company replacement. The Cheongcheon District 2 had three years and seven months until their cooperative establishment and had been reducing time spent in conflicts more than other areas. Currently, the conflict between the cooperative and the constructor is delaying the construction, and the management and disposition approval and migration/construction start period was considerably extended. Redevelopment was moving fast in the area and there were few conflicts between cooperative members, but after some time, the settlement fee and cooperative member allocation fees were announced, and conflict has since intensified. The cooperatives that experienced conflicts in the initial stages were quick to comprehend the conflict intensities and cash settlements, but the project is delayed due to another conflict between the cooperative members.

#### 4.3 Project Delay Analysis Due to Cash Settlement Conflict

The project delay depended on the feature and the parties proceeding with the redevelopment project. Here, the appearance of opposing forces and conflicts extend the project delay, as can be seen in Fig. 3.

Every cooperative experiences extension in project periods due

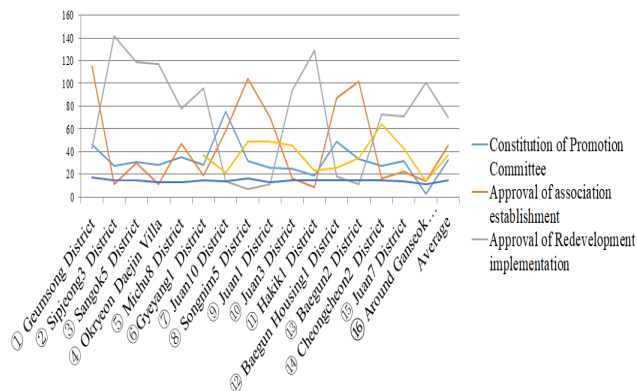


Fig. 3. Required Period of Redevelopment Phase (Months)

to cash settlement conflicts. In particular, the Sipjeong District 3 spent 11 years and 10 months on the management and disposition approval alone. During this time, serious conflicts between cash liquidators and cooperative members led to lawsuits for small fights and a considerable waste of administrative energies. Conflicts that broke out from the cooperative steering committee resulted in lawsuits even after the management and disposition approval phase and the migration/construction start phase, and during the construction phase. The reasons for conflicts include social disagreements, and struggle for power between factions. Each phase has conflicts, and with each progress in the phase, the cash liquidators' forces decrease.

### 5. Conclusion

The national average redevelopment period is more than or equal to 15 years, and the relocation rate in Seoul is 35~40%, and in other local areas it is 22~30%. Since the moment of the cooperative steering committee constitution, cash liquidators participate as members of redevelopment, act based on the case studies of other areas (until cooperative establishment), and exchange information. After approval for redevelopment is acquired, cash liquidators are removed from the cooperative, and intense conflict with cooperatives create more severe conflict relationships. The debate in the redevelopment region become heated after the liquidators receive letters on asset valuation from the cooperative. However, disbanding the redevelopment cooperatives is difficult once the project is approved. The cash liquidators' influence on the condition for disbandment (agreement from more than 30% of members) is weak, and being under-represented leads to conflict. The conflict between the cooperative and its members and between the cooperative and cash liquidators affects the redevelopment project. The point of compromise for the conflicts between the cooperative and the cash liquidators is difficult to find.

Redevelopment projects must proceed with measures for cash liquidators first. The Act on Appraisal and Certified Appraisers must be amended to better reflect reality. The redevelopment cooperative, the Local Land Acceptance Committee, the Central Land Acceptance Committee, and the court are all appraising organizations. Conflicts could reduce if the appraisal method is changed. Additionally, the cash compensation system based on the date of project approval notification should be changed. Despite the project delay, cash liquidators have no guarantee of loss compensation. When the project is delayed for a certain period, a compensation system for the delay must be created. In conclusion, real estate expropriation from cash liquidators should be re-considered.

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- 1) SR:Strongly disagree, D:Disagree, A:Agree, SA:Strongly agree
  - 2) 2021.2.15, See Incheon Daily, “Catalyst for the Decline of the Old Downtown, Urban Developing Projects – 1, the Starting Point for Division Instead of Regional Development”.
  - 3) <https://blog.naver.com/hk100629/220309559489> (Map of Incheon City)