

Innovative Financing Mechanism for Preserving Traditional Housing (Machiya)

The case of Kyoto city

Japan Project Brief

Background and Objectives

Machiya is a general term referring to traditional low-rise workplace-cum-dwelling townhouses across Japan and their characteristics are as varied as their locations. In 1864, many houses in Kyoto were destroyed by a fire caused by the Hamaguri Rebellion. The construction of the Kyo-machiya, or machiya in Kyoto began shortly afterward. The wooden architecture provides a special nostalgic atmosphere to the city's landscape.



Source: Kyo-Machiya Net



Source: Kyoto City



Source: Machiya Inn Co., Ltd.

Figure 1: Typical Machiya housing in Kyoto
Source: Kyo-Machiya Net, Kyoto City, Machiya Inn Co., Ltd

Typically, machiya has a small façade facing the street, but the building is large in depth and extends to the back. The traditional towns in Kyoto would have many machiya packed tightly and neatly along the streets, thus creating a dense and lively community. The façade, inside, and the building layout is shown in Figure 1. Kyo-machiya, are known for their lavish use of relatively elaborate and delicate materials and their light, supple construction. The building technique of placing columns on cornerstones is an ancient one commonly used for shrines and temples. Although not permitted under the current building standard act, this construction technique has been proven to offer superior seismic resistance according to recent studies, which confirm that the columns absorb the seismic power as the quake displaces them out of the cornerstones. Larger kyo-machiya houses are made up of multiple structures such as a front section, principal house, storehouse and an annex. The storehouse is made of clay and is extremely fire resistant. In the past, people used the storehouse to store their valuable kimono and obi (traditional dress).

Machiya are disappearing, and so is the truly traditional townscapes of Kyoto. The total number of machiya in Kyoto is approximately 40,000, but every year, the city loses 700-800. To preserve this traditional culture and pass it on to the next generation, Kyoto City and its partners have recently set up several initiatives utilizing innovative financing mechanisms. This project profile shows how the various financing schemes are helping in preserving machiya.

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Project Overview: Innovative Financing Schemes

Machiya Development Fund

Together with the Kyoto Center for Community Collaboration, Kyoto City established the Machiya Development Fund in 2005. This fund aims to promote the preservation, restoration, and utilization of machiya based on donations from residents, companies, and external supporters in addition to financing by both the

national and local government. Another important aspect of this fund is that it is complementary to Kyoto City's efforts to preserve machiya and the historic urban landscape. The number of machiya the local government can support is limited due to budget constraints. Currently, around 3,000 machiya are supported by Kyoto City. As illustrated in Figure 2, the Machiya Development Fund provides support to machiya at the bottom of the pyramid and attempts to pull them up to a higher category, which is then considered for public support by the city.

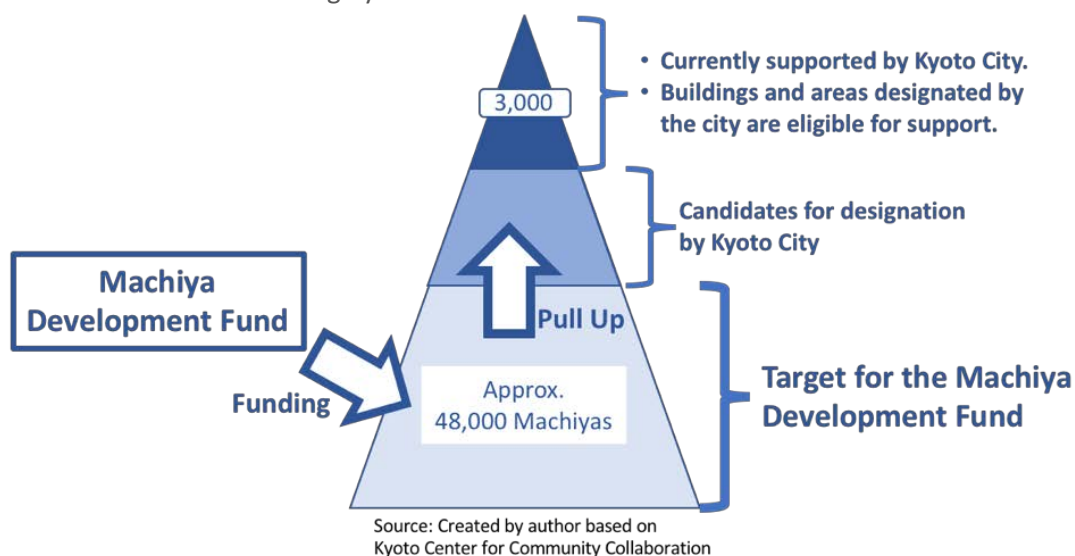


Figure 2: The Machiya Development Fund

Source: Produced by author based on Kyoto Centre for Community Collaboration

The Machiya Development Fund began with 150 million JPY in 2005. By March 2016, the Machiya Development Fund supported a total of 76 renovations and restorations of Kyo-machiya. The number of inquiries is recently increasing, and currently it is around 500 every year. Figure 3 shows the example of a machiya before and after a project supported by the Machiya Development Fund.



Figure 3: Project supported by the Machiya Development Fund

Source: Kyoto Centre for Community Collaboration


Machiya Crowdfunding

In 2016, Kyoto City and the Kyoto Center for Community Collaboration launched a crowdfunding program for machiya aiming to tap into a wider range of funding sources. Eligible projects are renovations and utilization proposals of machiya, and since machiya are

more than half of the target amount of money, the program fills in the financial gap by maximum 3 million JPY. In fiscal year 2017, Kyoto City announced that the program will accept up to four project proposals. As of March 2018, there is one ongoing project that

Modern Machiya “Kuraya”

- To Pass on Traditional Machiyas to the Next Generation -

	Package Price	54,000 JPY
	Achievement	6,300,000 JPY
	Supporters	66
	Project Owner	Nakakura Co., Ltd.
	Category	Tourism / Accommodation
	Area	Kyoto City, Kyoto
	Open thru	From Oct 28, 2016 To Jan 31, 2017
	Series	“Tsunagaru” Machiya Fund
	Rewards	Supporters with 1-4 packages: One of the below <ul style="list-style-type: none"> • Cultural experience tour • Traditional factory tour • One traditional lunch Supporters with 5+ packages: <ul style="list-style-type: none"> • One free night at Kuraya hotel

Source: Securite

Figure 4: Overview of a recent proposal under Machiya Crowdfunding scheme

Source: Securite

often used as lodgings or restaurants, projects in this program are mostly interior renovations for hotels and restaurants. Initially, the program provides a maximum of 1 million JPY to cover costs for preparing a crowdfunding proposal. Once the proposal has gathered

proposes to renovate a machiya into a traditional-style hotel and to create an open factory next door where visitors can experience the making of traditional goods. Figure 4 shows the overview of the proposal as displayed on the crowdfunding platform.

Kyoto Machiya Matching Project: MATCH-YA

27 organizations including experts on machiya preservation, NPOs, NGOs, and Kyoto City gathered to form the Machiya Heritage Network. Their flagship initiative is a matching project called “Match-Ya”. Match-Ya is a platform connecting machiya owners and potential residents or business owners

interested in the utilization of machiya. From the supply side, the current situation is that many machiya are already unused and empty, but their owners are not sure what they can do with their machiya and whose advice to seek. From the demand side, many business owners are interested in utilizing machiya for new

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businesses, often combining traditional values and modern industries. By reaching out to Match-Ya, both owners and potential buyers or tenants can access consultation services and support from the Machiya Heritage Network members in areas such as real estate, law, financing, building regulations, public subsidies, etc. They can further collaborate with designers to create business plans, advertisements, and public relation strategies. If the requirements of the owners and the aspirations of the tenant matches, then the machiya can be utilized for a new purpose. To date, several successful matchings have already been made.

Special Loan Products for Machiya

Recently, the Kyoto Center for Community Collaboration created and issued “Machiya Karte”s, imitating the clinical records used in

medical care. By documenting the uniqueness and value of each machiya building in a tangible form, the liquidity of machiya as a tradable good increased significantly. As a result, as of March 2018, three local banks have started special loan products for machiya renovation or utilization. For example, Kyoto Credit Bank provides both consumer (accommodation) loans and corporate loans. The former offers 1-100 million JPY at the interest rate of 1.8-2.0%, as opposed to the normal housing loan requiring 2.675%. The latter offers 30 or 50 million JPY at the interest rate of 1.2-2.3%, depending on the period and whether collateral is provided. From 2011 to 2017, the consumer loan product won 123 contracts, and the corporate loan product won 7 contracts. These loan products, combined with other initiatives by Kyoto City and its partners, are expected to further boost the preservation, restoration, and utilization of machiya.

Project Impacts

Economic Impact:

Application of innovative financial schemes to preserve Kyo-machiya has not only significantly decreased the demolitions of machiya since 2010, saving Kyoto’s culturally irreplaceable cityscape from imminent destruction, but the restoration endeavor has provided the ancient city with new financially rewarding prospects.

Hundreds of machiya have been turned into shops and restaurants or converted to quaint rental accommodations, attracting more tourism. With the number of visitors to Japan estimated to rise above ten million people, the residents of Kyoto are likely to benefit from the machiya restoration efforts.

Social Impact:

A fusion of old and new Japan, Kyoto’s machiya are testaments to the revered architectural heritage of Japan as well as the capacity for any given culture to protect the monuments of its historical past and retain its sociocultural roots.

Preservation of Kyo-machiya has been successful with mobilizing finances from many stakeholders, including the residents and governments. The restoration has become a case study for many countries aiming to conserve their cultural heritage on how to generate and manage funds, create awareness, and engage people in historical conservation.

Lessons Learned

Innovative Financing: A tool for cultural heritage development

At the end of the day, fate of the projects is decided by the funds. This is truer for heritage conservation projects, which may not always find priority position in the list of infrastructure projects to be implemented. Given the significance of Kyo-machiya, creative financing schemes have been adopted by Kyoto city to preserve their cultural heritage. The schemes included donations from stakeholders, micro-credits for restoring the machiya, soft loans, and others.

Innovation in financing has encouraged the machiya owners to retain the structures and not convert to other businesses or condominiums. This in turn has helped in keeping the heritage of Kyoto downtown intact and impacted the tourism of the city positively. Kyoto case has become a role model, which is being emulated by the machiya all over Japan. Atypical financing mechanisms are also inspiring the heritage conservation in other cities of the world.

The increase in the number of funding options for renovation has increased the momentum in the restoration and use of Kyo-machiya. Innovative mechanisms involving private funds has decreased the dependence on national and municipal taxes, giving Kyo-machiya an independent identity and perhaps longer sustainability.

Stakeholders Involvement

Preservation of Kyo-machiya is a perfect example of coordinated efforts by the local governments, residents, companies, businesses, and private players for cultural development. Process of restoring Kyo-machiya is a participatory and consultative process, and the stakeholders have been forthcoming in contributing resources and taking ownership of the outcomes. It is

noteworthy to understand that mobilizing stakeholders in this manner is critical to the success of the projects, especially those that demand high funding. This is achieved by making them equal partners and giving them autonomy in decision making, while supporting them with legal and financial aspects.

Knowledge Dissemination

Many innovative financing schemes have been launched in Kyoto in collaboration with the governments and private partners. However, the challenge had been to bring those schemes to the knowledge of owners, citizens, and other stakeholders.

To address this, Kyoto Center for Community Collaboration conducts symposiums and workshops to increase knowledge and strengthen capabilities by communication and delivering information to residents, municipal government officers, and professionals. This also acts as the platform to bring various stakeholders together and understand each other's role and capacities in restoring cultural heritage. Social media is a commonly used network for this, including Facebook, and other channels like web portals and newsletters.

Preserving Craftsmanship

Kyo-machiya are unique structures, built with an unusual architectural skills and craftsmanship. For keeping the craftsmanship intact, while renovating a Kyo-machiya, various people and organizations pool in their knowledge, including citizen's groups who take the perspective of the property owner, local financial institutions, and real estate agents.

Community Collaboration University, under the aegis of Kyoto Center for Community Collaboration organized Kyo-machiya Revival Seminars. They provide opportunities to learn more about Kyo-machiya, such as - how it



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constructed, where are the traditionally used materials sourced from, how to manage and maintain it, how to inherit and rent it, and how to make it a better place to live in. These seminars give opportunity to learn about Kyo-machiya as an architectural form familiar to residents and how it can be revived.

Since 2010, public interest in machiya conservation has surged and banks have begun offering tailored restoration loans for these bygone architectural artifacts. Such loans are made possible by the Machiya Machizukuri Fund, a public-private cooperative agency that certifies structures as legitimate machiya, provides banks with estimates of the necessary restoration work, and subsidizes each restoration project.

While such efforts have been arduous, special training from architects and craftsmen well versed in traditional Japanese structural design and carpentry, have helped in overcoming the challenges successfully. The trainings have created a platform for the future generations to learn from the machiya architecture and apply some traditional techniques to contemporary work.

The Tokyo Development Learning Center (TDLC) program is a partnership of Japan and the World Bank. TDLC supports and facilitates strategic WBG and client country collaboration with select Japanese cities, agencies and partners for joint research, knowledge exchange, capacity building and other activities that develop opportunities to link Japanese and global expertise with specific project-level engagements in developing countries to maximize development impact.

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