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21 September 2001

Mrs Queenie Yu
LegCo Panel on Planning, Lands and Works
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central Hong Kong

Dear Mrs Yu

Consultation Paper on Urban Renewal Strategy

I refer to your letters of 12 September 2001 and would like to put forward the following comments as the Chamber's Real Estate / Infrastructure and Real Estate Services Committees' (the Committees) reaction to proposals set out the Consultation Paper on Urban Renewal Strategy.

1. The Chamber welcomes this initiative by the Secretary for Planning and Lands to consult the public before finalizing the strategy which will define the priorities and the basic parameters to be adopted by the Urban Renewal Authority in its role as instigator and facilitator of urban regeneration in Hong Kong. The Chamber in particular notes the emphasis which is correctly being given to a people centred approach and the strap line - "People first – A Caring Approach to Urban Renewal" - in that the social dimension has not previously received sufficient attention. This is particularly important if support is to be received for the new strategy at local and grass-root level.
2. The Chamber believes that the creation of District Advisory Committees in each of the key nine target areas to give advice and assistance to the URA should materially assist the process. Similarly the newly introduced requirement that social impact assessment studies be carried out, of a preliminary nature before the gazetting of a proposed project and in detail after the proposed project has been published in the Government Gazette, is a significant step forward and reflects an understanding of the disruption and hardship that urban renewal and regeneration can cause.

3. However, the Chamber is disappointed that the Consultation Paper which purports to enunciate a future strategy is not more specific in terms of objectives, targets and goals to be achieved within a period of say 5 years and then subject to review every 5 years thereon. Government should try to identify a shorter term set of clearly achievable objectives in the form of deliverables, which will require setting of short term priorities. This also helps make private sector and public aware of the first steps involved in this process and therefore allows them to think and plan for it. A 20 year horizon is too far for most to understand and comprehend and involves too many assumptions and imponderables and the Chamber considers that the strategy should include a prioritized list of deliverables against which the performance of the Urban Renewal Authority can be measured in the future. Also, in this connection, the paper tends to be rather bland and general in nature, reflecting an element of compromise and the desire to try and appease all parties, which, if this is the case, may unfortunately, stall the process in that, in the final analysis, the interests of the community at large must prevail and drive the process.
4. The scale of the challenge and the potential fiscal burden on the community is huge, involving some 220 projects and some 2,000 ageing buildings and a 20 year horizon. If badly managed, the ramifications could be very serious and similarly if the process is held back through limited resources, either human or financial, progress may only be made very slowly and the programme seriously delayed. For these reasons, the Chamber considers that the Urban Renewal Authority should generally refrain from becoming involved in the development process and, in particular, in development per se and its role should centre around the identification of properties for acquisition, the negotiation of compensation or resettlement and the production of a master plan concept for each assembled site, but thereafter it should bid out each opportunity to the private sector either by auction or by tender. Only in exceptional circumstances, where there is a large social content to the new plans for any area should it go beyond the land assembly stage and even then such projects should be undertaken largely on a turn-key or design build basis with minimum involvement from the Urban Renewal Authority, apart from playing a management and co-ordination role. Property development is a process which is far better left to the private sector and does not fit comfortably with a public service culture. There must be no ambiguity on what the functions of the Urban Renewal Authority are and its brief which is an “enabler” of urban renewal and not a developer. It should not have as its goal to make money.
5. The proposed waiver of land premia is a very heavy investment by the Government at a time when Hong Kong’s economy is struggling to find direction and there are competing demands for financial assistance and support. It has been estimated that the total amount of land premium to be foregone over the 20 year period could be as much as HK\$200 billion, which equates to HK\$10 billion per annum. In addition it would appear that the Government intends to make loans available to the Urban Renewal Authority without disclosing the criteria on which such loans are made or the quantum of such advances. Notwithstanding that these proposals are intended to ensure that the Urban Renewal Authority has sufficient resources at its disposal to achieve its targets, it is important that the use of these priming mechanisms is carefully monitored and that the Authority is accountable for the efficient use of

resources and that the waiver of premia and the grant of loans without conditions is not seen as a blank cheque. The Authority should not be allowed to make use of the waiver of land premia or of loans to develop for profit, but rather should receive funding by way of a share of the funds generated from the disposal of land assembled by the Authority. Also conditions should be imposed on any loans so as to limit the liability of Government and the community. The Chamber is also concerned about the fiscal consequences of foregoing the land premia. Careful consideration should be given to where the replacement revenues are to come from should such an arrangement eventuate, if at all. This needs to be taken into account in the context of government's Medium Range Forecast and projected GDP growth figures especially in the case of the former as it includes a significant value for land sales/premia and the like.

Yours sincerely

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