

SUBMISSION
To
LegCo Panel on Planning, Lands and Works
on

COMPENSATION ARRANGEMENTS FOR
LAND RESUMPTION FOR URBAN RENEWAL PROJECTS

Mee Kam NG
Centre of Urban Planning and Environmental Management
The University of Hong Kong

A Broader Perspective

I am writing to urge the honourable Legislative Councilors and perhaps Government and citizens alike in Hong Kong to look at the compensation issues for affected residents in urban renewal projects from a broader perspective. Projections on the gross development cost and value of two hundred odd projects in 20 years' time will be anybody's guess and will depend on the assumptions used in the calculations. If we could not foresee the Asian Financial crisis and the consequent collapse of our property market, and we are not sure if the property sector will boom gain in the future, we should be cautious of the magic figures presented by Government officials in their financial calculations on pages four and five of the LC Paper No. CB(1) 630/00-01(01).

In any case, the calculations are bound to be showing just part of the picture because urban renewal will affect everyone in Hong Kong, not just the owners and tenants of the affected buildings. Hence it is not adequate to look at just the acquisition and rehousing costs. Below are some impacts urban renewal may bring to different parties:

- Changes to people living in the area such as excitement about improved living conditions, worries about the breaking up of social networks, anxiety about moving, changing schools or jobs....
- Changes to people working and making a living in the area. For example, they may face unemployment and loss of livelihood...
- People living in the vicinity of the projects: their overall living environment may change in the longer run though they may suffer from the demolition and construction activities...
- People in Hong Kong: if renewal is done properly, we can have a city that we can relate to and be proud of. Property owners of 5 to 10 years old flats have higher likelihood of reselling their flats....
- Taxpayers in Hong Kong: have to bear some of the costs and make sure that the money is spent wisely.
- URA and Government departments or quasi-government agencies such as Housing Authority: hopefully, they will work together to facilitate the redevelopment projects and consequent logistics in rehousing and providing other social services.

- Private developers: some of them may join the redevelopment projects. In general, they will benefit as there is a guaranteed market for private residential units in the coming 20 years.

Hence, the financial calculations of the development value and development cost done by the Government are **grossly inadequate** to show the **real costs and benefits** of the redevelopment projects to our society. **A proper cost-benefit analysis** is required. And cost-benefit analysis, planning balance sheet or impact assessments are standard planning evaluation tools used in many other countries and cities. We need a better picture of how various options perform with reference to different stakeholders.

A Historical Perspective

As we all know, Hong Kong has all along adopted a market-led approach in redevelopment. Public-private partnership is the basic approach adopted by the Land Development Corporation in their redevelopment efforts and the Government has never been active in initiating urban renewal. This model had worked in the past because many projects were profitable. Or to put it in another way, the Land Development Corporation especially when it was first established, had only taken on those projects that were financially viable. However, financially viable projects are now not easy to find and together with the property slump, private developers are not interested in taking on redevelopment projects.

If the Government is not going to intervene into the situation, those old buildings reaching the end of their useful life may never be redeveloped. It is because the owners do not have the resources and the market does not have the interest.

Looking at the whole issue from this historical perspective, we as a society need to consider carefully about how to tackle the whole thing. We can:

- Do nothing: we can leave the problem as it is and bear the possible results of falling concrete, urban ghettos....
- Market-led approach: we can try to inject Government resources to provide more incentives for the private sector to do something about the situation...
- Innovative approach: we can try other creative and innovative means to see how we can redevelop the old urban areas with the cheapest costs possible and yet retaining their local characters and meeting the needs of the local people.

In the whole debate of the compensation package, the Government seems to argue that we only have the option of “doing nothing” or taking the “market-led approach”. This is not quite true. Urban renewal in Hong Kong now is no longer a profitable business. It has become a social concern and we should employ different means to tackle the problem. Indeed, this is how the problem is perceived in many other capitalist societies. As a capitalist society, it does not mean that we have to use the market to allocate all our resources. Many cities in America or Europe are trying to garner resources from the Government, the private sector and the third sector (NGOs, communities etc.) to tackle regeneration needs. Can we think along this line?

In any case, Hong Kong is not a free market economy especially when it comes to the housing sector. As the Government is already providing public housing, home purchase loan

scheme, etc., the paying of a large sum of money to affected property owners to buy flats in the market will reinforce the Government's dominant role in the housing market.

The argument on the building age of the replacement flat diverts us from **a more fundamental issue. Our society as a whole should ask how we could renew our old urban area in a most cost-effective manner.** Can the Government build transitional housing for affected owners so that they can move back to their redeveloped properties? Can the Government work with its other agencies such as Housing Authority to build flats for the affected owners? If replacement housing provided this way is cheaper, why can't we go for it? There are surveys showing that a lot of property owners prefer the "flat for flat" arrangement. Can we be more creative in rebuilding our urban fabric?

Finally....

If the Government would grant land to the URA at nominal premium as an incentive for private sector involvement in redevelopment, could URA provide loans for owners themselves to carry out their own projects? We can certainly learn a lot from land readjustment schemes in Japan and Taiwan or co-operative housing in Western countries. Why should the benefits always go to the private developers? If the Government have the capacity to provide replacement flats within its existing institutional framework, why can't the various agencies work together? Why should we opt for more expensive options, which will only benefit the developers and add costs to the taxpayers?

We need to get the URA going and personally, I think that using a 7 years' old replacement flat as the basis for the calculation of the Home Purchase Allowance is a fair deal especially if the affected properties are 40 to 50 years old. Redeveloping "less old" and structurally sound buildings for economic returns, of course, is another story. Here, we would like to urge the parties concerned (Legislative Councillors, Government, community members) to address the more **fundamental issue: how can we undertake renewal in an effective manner?** This cannot be done by just doing the financial calculations. We need **a proper, more sophisticated cost-benefit analysis of different options and their impacts on different stakeholders in our society.**

Lastly, planning and regenerating a place is a learning process and no one knows the perfect answer. If the old model does not work, "we have to uncover new ones and leave behind the old ones". This requires creativity and imagination, on top of courage to admit past mistakes. Our society as a whole has suffered from perceiving various socio-economic and environmental issues from a single and narrow financial perspective. Let us not travel that path again.