

Legislative Council
Panel on Planning, Lands and Works

Financial Analysis of the
20-year Urban Renewal Programme –
Inclusion of Land Cost in the Financial Assessment

The Urban Renewal Authority (URA) will be tasked to implement a 20-year urban renewal programme consisting of 200 urban redevelopment projects and 25 uncompleted projects of the Land Development Corporation.

2. The estimated income and expenditure using a 10 years' old, a 7 years' old and a 5 years' old replacement flat as the basis for the calculation of the Home Purchase Allowance are as follows :

Table 1. Estimated Income and Expenditure*

(a)	(b)	(c)	(d)	(e)
<u>Building Age of Replacement Flat</u>	<u>Gross Development Cost</u> \$ billion	<u>Gross Development Value</u> \$ billion	<u>(c)-(b)=(d)</u> Profit/Loss \$ billion	$\frac{(d)}{(b)} \times 100\%$ Return on Cost
10 years' old	245.6	254	8.4	3.4%
7 years' old	248.7	254	5.3	2.1%
5 years' old	251.1	254	2.9	1.2%

* At today's value

3. As it is intended that the Government would grant land to the URA for the implementation of its redevelopment projects at nominal premium, land cost has not been included in the above financial analysis. If full market value were to be paid for all these sites, the estimated land cost for the 20-year urban renewal programme would be \$50.1 billion.

4. If land cost is to be included, the estimated income and expenditure for the 20-year urban renewal programme, the estimated development costs and the estimated interest costs are as follows :

Table 2. Estimated Income and Expenditure*

(a)	(b)	(c)	(d)	(e)
				$\frac{(d)}{(b)} \times 100\%$
<u>Building Age of Replacement Flat</u>	<u>Gross Development Cost[#]</u> \$ billion	<u>Gross Development Value</u> \$ billion	<u>(c)-(b)=(d) Profit/Loss</u> \$ billion	<u>Return on Cost</u>
10 years' old	329	254	-75	-22.8%
7 years' old	332.1	254	-78.1	-23.5%
5 years' old	334.5	254	-80.5	-24.1%

* At today's value

Land cost and related interest cost included

Table 3. Estimated Development Costs

<u>Cost Item</u>	<u>Building Age of Replacement Flat</u>		
	<u>10 years' old</u> \$ billion	<u>7 years' old</u> \$ billion	<u>5 years' old</u> \$ billion
Acquisition/ Resumption Cost	84	86	87.5
Construction Cost*	72.3	72.3	72.3
Rehousing Cost	13	13	13
Land Cost	50.1	50.1	50.1
Interest Cost	109.6	110.7	111.6
Total Cost	329	332.1	334.5

* This item does not include the construction cost of Government/Institution/Community facilities. Such cost would be reimbursed by the Government to the URA

Table 4. Estimated Interest Costs

<u>Cost Item</u>	<u>Building Age of Replacement Flat</u>		
	<u>10 years' old</u> \$ billion	<u>7 years' old</u> \$ billion	<u>5 years' old</u> \$ billion
Interest on Acquisition/ Resumption Cost	51.5	52.6	53.5
Interest on Construction Cost	17.1	17.1	17.1
Interest on Rehousing Cost	7.7	7.7	7.7
Interest on Land Cost	33.3	33.3	33.3
Total Interest Cost	109.6	110.7	111.6

Planning and Lands Bureau
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