

**LEGISLATIVE COUNCIL
PANEL ON PLANNING, LANDS AND WORKS**

Work of the Urban Renewal Authority

INTRODUCTION

The purpose of this paper is to report on the work of the Urban Renewal Authority (URA) in 2002/03 and the work plans of the URA for the future.

BACKGROUND

2. The URA was established in May 2001. Under the Urban Renewal Authority Ordinance, the purposes of the URA include the redevelopment of dilapidated buildings, promoting the rehabilitation of old buildings and the preservation of buildings of historical, cultural or architectural interest.

URA'S WORK IN 2002/03

3. The URA's annual business plan (BP) for 2002/03 comprises eight new projects. By mid-March 2003, the URA has announced eight projects as scheduled. All are among the 25 uncompleted projects of the former Land Development Corporation (LDC). They are as follows –

- (a) a development scheme* at Johnston Road, Wan Chai;
- (b) a development proposal# at Fuk Wing Street/Fuk Wa Street, Sham Shui Po;

* A development scheme is a project which requires amendment to the land use zoning of the project area on the relevant outline zoning plan.

A development proposal is a project which requires no amendment to the land use zoning of the project area on the relevant outline zoning plan.

- (c) a development scheme at Cherry Street, Tai Kok Tsui;
- (d) a development proposal at Po On Road/Shun Ning Road, Sham Shui Po;
- (e) a development proposal at Reclamation Street, Mong Kok;
- (f) a development scheme at First Street/Second Street, Western District;
- (g) a development proposal at Queen's Road East, Wan Chai; and
- (h) a development scheme at Wing Lee Street/Staunton Street, Sheung Wan.

In 2002/03, the URA also continued to implement ten on-going projects inherited from the LDC.

4. In December 2002, the URA and the Hong Kong Housing Society (HKHS) signed a Memorandum of Understanding to take forward a strategic partnership in urban renewal. The URA will pursue some of the projects in the urban renewal programme in association with the HKHS. Whilst the URA will exercise its various statutory functions, the HKHS will be responsible for various aspects of the projects from planning, acquisition to construction, and the HKHS will meet all the costs and expenses involved.

5. In addition to undertaking some of the urban renewal projects, the HKHS is one of the URA's rehousing agents and provides rehousing units for accommodating tenants affected by urban renewal projects. The HKHS will also, on a non-exclusive basis, provide the URA with

professional services in various areas, for example, project management, estate management, building maintenance and building surveying.

6. A fuller report provided by the URA on its work carried out in 2002/03 is in paragraphs 4-16 of the Annex.

FUTURE WORK PLANS

7. In March 2003, the Financial Secretary approved the URA's corporate plan (CP) for April 2003 to March 2008 and BP for 2003/04.

8. The approved CP comprises 59 new projects, including all of the remaining uncompleted projects of the LDC. These 59 projects include redevelopment, preservation, rehabilitation[⊕] and revitalisation[∇] projects. Among them, seven projects will be taken forward under the strategic partnership between the URA and the HKHS. Taking into account the ten on-going projects taken over from the LDC and eight redevelopment projects started in 2002/03, the URA has a rolling programme of 77 projects during the next five years. The approved BP consists of 19 projects that will commence in 2003/04. They include ten redevelopment projects, and nine rehabilitation and revitalisation projects.

9. The new redevelopment projects included under the CP will affect some 6 000 property interests and 8 000 tenant households. The net housing supply (after the deduction of the number of demolished flats)

[⊕] Rehabilitation projects promote and facilitate the proper repair and preventive maintenance of buildings with the aim of extending their useful life.

[∇] Revitalisation projects are street level projects which seek to improve the environment and management of an area through measures like pedestrianisation, landscaping and provision of street furniture so as to strengthen and revive the socio-economic and environmental fabric of the area.

is estimated at around 14 000 – 15 000 flats. These projects are expected to produce over 1 000 000 m² of domestic gross floor area (GFA) and over 200 000 m² of non-domestic GFA. Together with one preservation project, they cover a total area of around 14 hectares, and will provide corresponding public open space and Government/ Institution/ Community facilities, such as residential care homes for the elderly, public toilets and refuse collection points. The implementation of these projects will bring about improvements to the environment in the built-up urban areas which will serve the overall benefit of the community. The resultant regeneration of older districts will also help instil economic vigour in the once depressed and deserted areas.

10. The CP also includes rehabilitation and revitalisation as an integral part of urban renewal. The URA is formulating the details of its rehabilitation strategy. As a start, it plans to implement four pilot rehabilitation projects in 2003/04. More rehabilitation projects will be launched in light of experience. The aim is to provide appropriate support and incentives to property owners in order to encourage them to undertake proper repair and preventive maintenance of buildings. The URA also plans to carry out a number of street level revitalisation projects in the five years from 2003/04 to strengthen and revive the socio-economic and environmental fabric of older urban areas.

11. The URA has set out in paragraphs 17-21 of the Annex its planned programme under the BP for 2003/04.

FINANCIAL ASPECTS

12. The URA will have to borrow from the market about \$19 billion over the development period, in addition to the Government's

financial support[◆], to finance its projects. Also, a sum of \$400 million is earmarked for rehabilitation, revitalisation and heritage preservation work. On the basis of the various assumptions adopted in the financial projections in its CP, including a 50:50 joint venture approach whereby the developers would contribute half of the land value of the assembled site at the start of the development stage and share the development costs and profits with the URA equally, and that the HKHS would bear all the costs and expenses for the projects undertaken under the strategic co-operation, the URA estimates that by the end of the development period (in 2016/17), it will achieve a surplus of \$0.4 billion with a cash balance of \$10.4 billion and no liabilities at the end of the development period. This is in line with the Government's policy intention that the urban renewal programme should be self-financing in the long run.

13. The financial forecasts in the CP will undoubtedly be affected by key factors such as movements in the property market, interest rate changes, construction cost fluctuations and the actual implementation mode of individual projects. The Government will keep under close review the performance of the URA in delivering the urban renewal programme and its financial position through the annual examination of URA's CP and BP.

◆ The Government has put in place a package of financial support measures for the URA to facilitate the implementation of the urban renewal programme. The Executive Council approved in principle in May 2002 land grants at nominal premium in respect of urban renewal and rehousing sites. The Finance Committee of the Legislative Council also approved in June 2002 a commitment of \$10 billion for equity injection into the URA by phases in the five financial years from 2002/03 to 2006/07. The first injection of \$2 billion was made in July 2002.

CONCLUSION

14. The URA has made steady progress in its work in the past year. The Government will continue to support and facilitate the URA's work as it takes forward the urban renewal programme.

Housing, Planning and Lands Bureau
April 2003

**Work of the Urban Renewal Authority in 2002/03
and Business Plan for 2003/04**

I. **INTRODUCTION**

The following is a report on the work of the Urban Renewal Authority (URA) since January 2002 and its business plan for 2003/04.

II. **BACKGROUND**

2. The problem of urban decay is an enormous and growing one. Government has estimated that there are over 2,000 buildings of over 30 years old that are suffering from general dilapidation. Given the magnitude of the problem, the URA recognises that redevelopment, i.e. demolish-and-build, alone will not be sufficient as a long-term solution. Thus, it has adopted a “4Rs” strategy comprising redevelopment, rehabilitation, preservation and revitalisation, so that a holistic approach can be implemented for the long term.

3. However, within the parameters prescribed in Government’s Urban Renewal Strategy, the URA began its first year of operation in early 2002 with special priority being given to the 25 uncompleted projects announced by its predecessor, the Land Development Corporation (LDC) in early 1998. It has, therefore, focused on these projects by means of redevelopment in the past year whilst making active preparation also for work to commence on rehabilitation, preservation and revitalisation in the coming years.

III. **WORK OF THE URA IN 2002/03**

Redevelopment Projects

4. During the past year, the URA has commenced

implementation of eight redevelopment projects in five districts, including two in Wan Chai, two in Sham Shui Po, two in Central & Western District, one in Tai Kok Tsui and one in Mong Kok. (All are among the 25 LDC projects.) Seven of them are now in various stages of acquisition or land resumption and the remaining one undergoing the planning approval process. Overall, it is estimated that about 910 property interests are involved and about 1,800 households comprising some 5,700 people are affected.

5. The tentative timing for completion of development of these projects varies between 2008 and 2010. Based on current plans, they are expected to provide an estimated total of 2,268 domestic units and 16,365m² of retail space upon completion. For the benefit of residents and local communities, these projects are also expected to provide 2,363m² of public open space and 4,550m² GIC (Government/Institution/Community) facilities.

6. For acquisition of property interests, the URA adopts a similar policy as Government's compensation policy on land resumption but adds a certain amount of incentive for property owners. In principle, the URA offers domestic owner-occupiers a home purchase allowance (HPA) equivalent to the open market valuation of a notional seven-year-old replacement flat in the same general locality. Acquisition offers made by the URA to owners at five of the eight projects have now expired at various times. As at 27 March 2003, the average acceptance rate was above 85%. (Of the remainder, about 5% is not actionable due to problems such as unclear legal titles and untraceable owners.) The acceptance rate is considered satisfactory, as the URA's policies and procedures were relatively new and being practised for the first time. In

the light of experience, the URA will look for improvements to ensure that its policies are more financially prudent and procedures more efficient and cost-effective.

7. Insofar as Government resumption action is concerned, resumption gazette notices were issued for 19 property interests of the Johnston Road, Wanchai project on 17 January 2003, 65 interests of the Cherry Street, Tai Kok Tsui project and 20 interests for the Fuk Wing Street, Sham Shui Po project, both on 7 March 2003. Meantime, resumption of unacquired properties at two other projects at Po On Road, Sham Shui Po and Reclamation Street, Mong Kok is being processed by Government.

8. For projects in which acquisition work has largely been completed, the URA has begun to process the affected tenants for either re-housing or compensation in cash. For re-housing, arrangements have been put in place with both the Housing Authority and the Housing Society to make available a maximum of 2,000 units a year.

9. Based on a set of assumptions in formulating the first Corporate and Annual Business Plans in 2001, the total development cost of the eight projects is estimated at \$5.46 billion, of which about \$2.4 billion or 43% is for acquisition and re-housing, which together form the land assembly cost. The remaining 57% comprises interest cost and development cost. A breakdown is shown at the Appendix.

Community Relations

10. The URA appreciates that some owners and tenants, especially the elderly, might face difficulties in vacating their premises and setting

up new homes elsewhere. In line with its people-oriented approach, its front-line staff are trained and equipped to provide personal care and assistance to every family genuinely in need of help. Practical assistance would include providing a special 30% down payment instead of the normal 10%, helping to arrange a bridging bank loan, gathering market information on home-buying and mortgage, organising visits to vacant Home Ownership Scheme flats, helping out with house moving and providing temporary storage for large household items. In addition, the URA has appointed, through open tender, four district-based social service teams (SST) to provide affected residents, who needed special help, with counselling and advice services on various issues. As at the end of March 2003, the SSTs have provided assistance to about 1,100 households.

11. At the local planning and management level, the URA has established four District Advisory Committees (DAC) in target areas where the redevelopment projects are situated. The DAC members consist of local residents, professionals, social workers, District Council members, academics, etc. They have proved to be valuable in providing advice and assistance from a local, third party perspective to the URA for the planning and implementation of projects. More DACs will be set up as and when projects in other districts are launched in the future.

Cooperation with the Housing Society (HS)

12. On 12 December 2002 the URA and the Housing Society (HS) signed a Memorandum of Understanding (MOU) that provided for a strategic partnership between the two bodies in implementing urban renewal projects. In essence, the HS undertook to implement seven URA redevelopment projects, in accordance with current URA policies and

procedures, within the next four years. Details of a formal agreement are now being finalised with a view to the HS commencing the first project around the middle of this year. It is envisaged that each project will be covered individually by a formal agreement laying down the specific parameters for that particular project.

Corporate Plan and Annual Business Plan

13. Sections 21 and 22 of the URA Ordinance require the URA to prepare a five-year Corporate Plan and an annual Business Plan for approval by the Financial Secretary. They were approved by the Financial Secretary on 28 March 2002. And, in accordance with the target set in the Business Plan, the URA has commenced a total of eight redevelopment projects as reported above.

Cost Control

14. During the past year, the URA has remained highly vigilant to the need of maintaining a very prudent financial position, given the fact that it did not have a strong financial position to begin with. A number of cost reduction and productivity enhancement measures were implemented, including:

- re-location of the URA headquarter offices to achieve a saving of about HK\$20 million per year;
- introduction of a variable pay system that links wages to personal performance of staff;
- re-alignment of salary levels for about 25% of its staff to be in line with prevailing market levels;
- Close monitoring and stringent control of expenditure and deployment of resources.

Corporate Governance

15. In March 2002 the URA set up an Internal Audit department that was tasked to conduct a thorough review on all business systems and procedures. The aim is two-fold - to help streamline the procedures for higher efficiency and to ensure that they are fully consistent with the URA's statutory functions and obligations. Up to now, the review has produced positive results on various procedures such as public tendering and internal systemic controls. The review will continue in 2003/04.

16. During 2002/03, with the advice of the Independent Commission Against Corruption, the URA has also formulated, a comprehensive set of guidelines on the avoidance of conflict of interests. The guidelines have been promulgated to all members of the URA Board as well as the staff.

IV. PLAN FOR 2003/04

17. The URA's second five-year Corporate Plan and annual Business Plan have been approved by the Financial Secretary on 15 March 2003. Rolling forward from the first, the second Corporate Plan consists of 77 projects, including seven redevelopment projects to be undertaken in association with the HS, 10 on-going redevelopment projects left behind by the LDC, the aforementioned eight redevelopment projects commenced in 2002/03 and a number of new projects.

18. During the past year, the URA has concentrated its work on the 25 LDC projects. However, the URA has also been making active preparation to cross the thresholds of the other three "Rs" (rehabilitation, revitalisation and preservation) in its second-year Business Plan.

19. On the redevelopment front, the URA will commence a total of 10 projects in 2003/04, including three in association with the HS.

20. On rehabilitation, and for the purpose of research into a long-term policy and strategy in this area, the URA will launch four pilot projects in 2003/04. These projects will aim to test the feasibility of the URA offering some practical assistance to flat owners in carrying out rehabilitation work on their rundown but still serviceable buildings. Owners are expected to join the projects on a voluntary basis. At the same time, in conjunction with various stakeholders, the URA will also look into other alternatives of promoting owners' participation in building rehabilitation, which is crucial to resolving the problem of urban decay in the long run.

21. For revitalisation and preservation, the URA will initiate five projects that aim to involve the business sector, the local community and Government departments in a concerted effort to beautify old and rundown localities, whilst preserving the local characteristics and community networks. One of the projects will apply to Sheung Wan area, one of Hong Kong's earliest business districts with a rich heritage of history, culture and local flavour. The URA will use the Western Market, a well-preserved Edwardian architecture completed in 1906, as an anchor for this project.

V. CONCLUSION

22. 2002/03 has seen a reasonably fruitful but hard-earned beginning for the URA's urban renewal programme. Amidst high public expectations, the URA is conscious of the need to continue to deliver concrete results and, at the same time, adhere firmly to the basics of

realism. The URA must aim to strike the right balance between the high costs of acquisition and compensation, relative to the current economic environment and property market condition, and the momentum and sustainability of its urban renewal programme in the long run. It will, therefore, constantly monitor the situation and, where necessary, address the need for keeping its compensation policies and priorities in alignment reasonably with economic reality and its financial resources.

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Urban Renewal Authority
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Appendix to Annex**Total Site Area and Development Costs of
URA Redevelopment Projects Launched**

Project	Location	Site Area (m²)	Development Costs (HK\$ million)
Cherry Street	Tai Kok Tsui	4,327	\$1,300
First Street/ Second Street	Sai Ying Pun	3,511	\$1,140
Johnston Road	Wan Chai	2,062	\$ 880
Po On Road/ Shun Ning Road	Sham Shui Po	1,380	\$ 400
Fuk Wing Street/ Fuk Wa Street	Sham Shui Po	1,362	\$ 380
Reclamation Street	Mong Kok	533	\$ 180
Queen's Road East	Wan Chai	380	\$ 160
Staunton Street/Wing Lee Street	Sheung Wan	4,460	\$ 1,020
Total			\$ 5,460