

**Wanchai District Council Position Paper
On Urban Renewal of Wanchai**

Introduction

This paper sets out the responses of the URA to the main points of the Wanchai District Council's (WCDC) paper.

2. The URA welcomes the WCDC's interest in the issue of urban renewal and its support for an integrated approach, which accords in many ways with what we have been doing. We are in broad agreement with WCDC's views on the need to regenerate the older urban districts while minimizing, as far as possible, disruption to local communities and businesses. A degree of disruption is, however, inevitable and the URA seeks to ameliorate the effects of this through fair compensation, re-housing of eligible tenants and a sensitive approach to the genuine problems faced by those affected.

Background to the Lee Tung Street Project

3. The Lee Tung Street project was one of 25 projects announced publicly by the former LDC in January 1998 and a development scheme plan prepared in accordance with the now repealed LDC Ordinance was approved under the Town Planning Ordinance in 1999. The project had not been implemented by the time the URA was established in 2001. In the light of the requests from some LegCo Members and the affected residents for the early implementation of the 25 remaining projects announced by the former LDC, the URA launched the Lee Tung Street project in January 2004. So far, 17 of the 25 projects have commenced.

4. A plan of the Lee Tung Street project is at Annex A. The project covers an area of about 8,900m² and a total of 647 separate property interests are affected. As at 16 November 2004, the URA has reached agreements with owners to purchase 75% of these interests. This is approximately in line with the rate of progress of other URA projects. About 517 domestic tenant households are affected and the URA has now commenced detailed screening for the purpose of allocating re-housing flats to those who are eligible.

Redevelopment versus Regeneration

5. The URA agrees that urban renewal or regeneration does not necessarily require redevelopment. That is the very reason why the URA adopts a comprehensive 4R approach to urban renewal combining redevelopment where appropriate, assistance to owners to rehabilitate their properties, preservation of buildings of architectural, historic or heritage value where possible, and the overall revitalization of older districts. Redevelopment is sometimes the best or only way to provide essential infrastructure such as improved road layouts, open space and community facilities. In this context, we note that the Council for Sustainable Development's consultation paper on "Sustainable Development Making Choices for Our Future" published in July 2004 states (Chapter 4, paragraph 25):

“We also recognize that the existing environment of some old districts limits the potential benefits of revitalization, and that revitalization might not always be

a viable long-term substitute for redevelopment in enhancing urban living space.”

6. In the Lee Tung Street project, the URA will preserve the pre-war buildings at 186-190 Queen’s Road East and is also preserving other buildings in the Johnston Road project nearby.

7. The URA also places heavy emphasis on rehabilitation in Wanchai. Since May 2004, a total of 748 domestic units in 17 buildings have either completed or are undergoing rehabilitation under the URA’s Trial Scheme or Loans and Grant Scheme. This number is still growing.

8. The URA understands the WCDC’s views on the preservation of the wedding card business at Lee Tung Street and is sympathetic to the desire to preserve local character. We seek to achieve this wherever possible through the preservation of heritage buildings and by facilitating the rehabilitation of privately-owned buildings. However, the preservation of a particular trade or activity, as opposed to a structure, presents a number of specific problems. For example, about 85 percent of the wedding card operators are in rented premises. Even if the URA were able to preserve and renovate the existing buildings, we could not guarantee that the owners would be willing to continue renting them to their current tenants or for their current use. Neither could we be certain how long the operators would wish to continue in business given changing market circumstances.

9. The URA also notes that 72% of respondents to the survey conducted by the Hong Kong University as commissioned by the Wanchai District Council supported total redevelopment. Only a small

number (4% of owners of domestic property and 3% of domestic tenants; 9% for non-domestic landlords and tenants) supported preservation of “wedding card street”. Nevertheless, the URA is prepared to consider incorporation of a wedding business theme into its design for the redevelopment of the area.

10. Although a consultation process was conducted before the scheme was approved by the Town Planning Board in 1998, the URA agrees that there is a need for improved consultation with local communities and has already made arrangements to conduct detailed Social Impact Assessments in parallel with statutory town planning consultation in future projects. The URA already conducts detailed surveys and funds a Social Service Team (SST) to identify residents facing specific problems, especially as regards re-housing and relocation, and makes all possible efforts to address their needs. The SST has so far helped owners and tenants solve their personal and family problems in 330 cases. Also, a total of 50 briefings were held for residents affected by the Lee Tung Street project when it commenced and 2,800 enquiries have been handled by the URA’s hotline.

Financial and Other Forms of Compensation

11. The URA agrees that financial compensation alone cannot address all of the needs and problems faced by people affected by its projects. We put a great deal of time and effort, both by our own staff and the Social Service Team funded by the URA, into:

- re-housing domestic tenants;
- assisting owner-occupiers to identify replacement flats;

- increasing the level of deposits paid to owners where they need funds for downpayments on new flats;
- assisting owners in seeking mortgages or bridging loans from banks; and
- counseling residents with regard to specific problems.

Flat-for-Flat Exchange

12. While we are sympathetic to the desire of residents to continue living in the same district and sensitive to the need to preserve social and community links, flat-for-flat exchange presents a number of difficulties:

- Demand. It is unclear how many owners would opt for such a scheme. The LDC experimented with ‘right to buy’ schemes, purchasing a block of flats in Tai Wai to offer to owners in a project in Mong Kok and offering owners the right to buy a flat in a project area after redevelopment at the then current market value. The results were disappointing and suggest such schemes will only be popular if the flats are close to the project area and available at the time of acquisition.
- Supply. For the scheme to work, a stock of flats is needed to offer to owners. Currently the URA has no such stock available. Originally, it was intended that flats should be built on sites earmarked for re-housing. Given the currently much greater supply of re-housing units in HA and HS estates and the Government’s decision that the public sector

should be less involved in providing housing, these sites have now been allocated for other uses. Even if sites were available, it would be difficult to have them available in time to meet clearance needs. Also it is impractical to have more than one or two blocks ready at one time. It is unlikely that these flats would be attractive to more than a few owners in a particular project in terms of location, size, design etc.

- Cost. Building or purchasing flats would be expensive. If the flats did not sell immediately, the URA would have to hold them until owners from later projects chose to purchase them. Keeping the flats empty would tie up capital and lead to maintenance and management difficulties and additional costs.

13. Nevertheless, the URA makes every effort to assist owner-occupiers who face difficulties in relocating to identify replacement properties available in the market.

Shop-for-Shop Exchange

14. Similar difficulties would apply to a shop-for-shop exchange scheme to an even greater degree. Shop operators typically have very specific requirements as to the size, frontage, layout, and, above all, location of premises. Shop values vary enormously with these factors. It would be very difficult for the URA to match replacement shops to the individual requirements of owners and impracticable to maintain a stock of shops for this purpose. It would also be difficult, to accommodate certain trades, particularly those which may require special licensing

arrangements. As with domestic properties, the URA offers assistance to shop owners in identifying suitable replacement properties for those who wish to re-establish their businesses.

Valuation Mechanism and Timing of Offers

15. In assessing the Home Purchase Allowance (HPA) for each project, the URA appoints seven professional surveying firms by open tender. The firms are asked to assess the HPA rate in accordance with their professional standards and guidelines issued by the Director of Lands. The HPA rate for the project is then determined by taking a weighted average of the seven valuations. All offer letters to owners of domestic properties in Lee Tung Street named the seven firms which provided the valuations. The URA believes that this system is fair and open.

16. The use of saleable area as the basis for offers is a technical issue. The URA believes that saleable floor area is clearer and easier to understand than gross floor area, of which there is no standard definition. Saleable area is used specifically to allow for differences in the efficiency of different buildings. Both the Consumer Council and the Hong Kong Institute of Surveyors have supported the use of saleable area.

HPA Policy and Categories of Domestic Properties

17. The HPA policy was set by the Finance Committee of the Legislative Council before the establishment of the URA in 2001. It provides for HPA based on the difference in value between the owner's property and a notional seven-year-old replacement flat of a similar size.

The policy provides that owner-occupiers should receive 100% HPA and owners of tenanted and vacant flats should receive a Supplementary Allowance (SA) at 50% of the HPA. This obviously means that the URA (and the Government) has to distinguish between owner-occupied, tenanted and vacant flats and a number of guidelines have to be adopted in order to do so. These guidelines are applied as flexibly as possible consistent with the implementation of the policy as determined by the Legislative Council. The URA has a Review Committee, which considers cases where property owners are dissatisfied with decisions relating to HPA (as well as other matters). Where properties are eventually resumed, there is an independent HPA Appeals Committee.

Protecting the Interests of Tenants

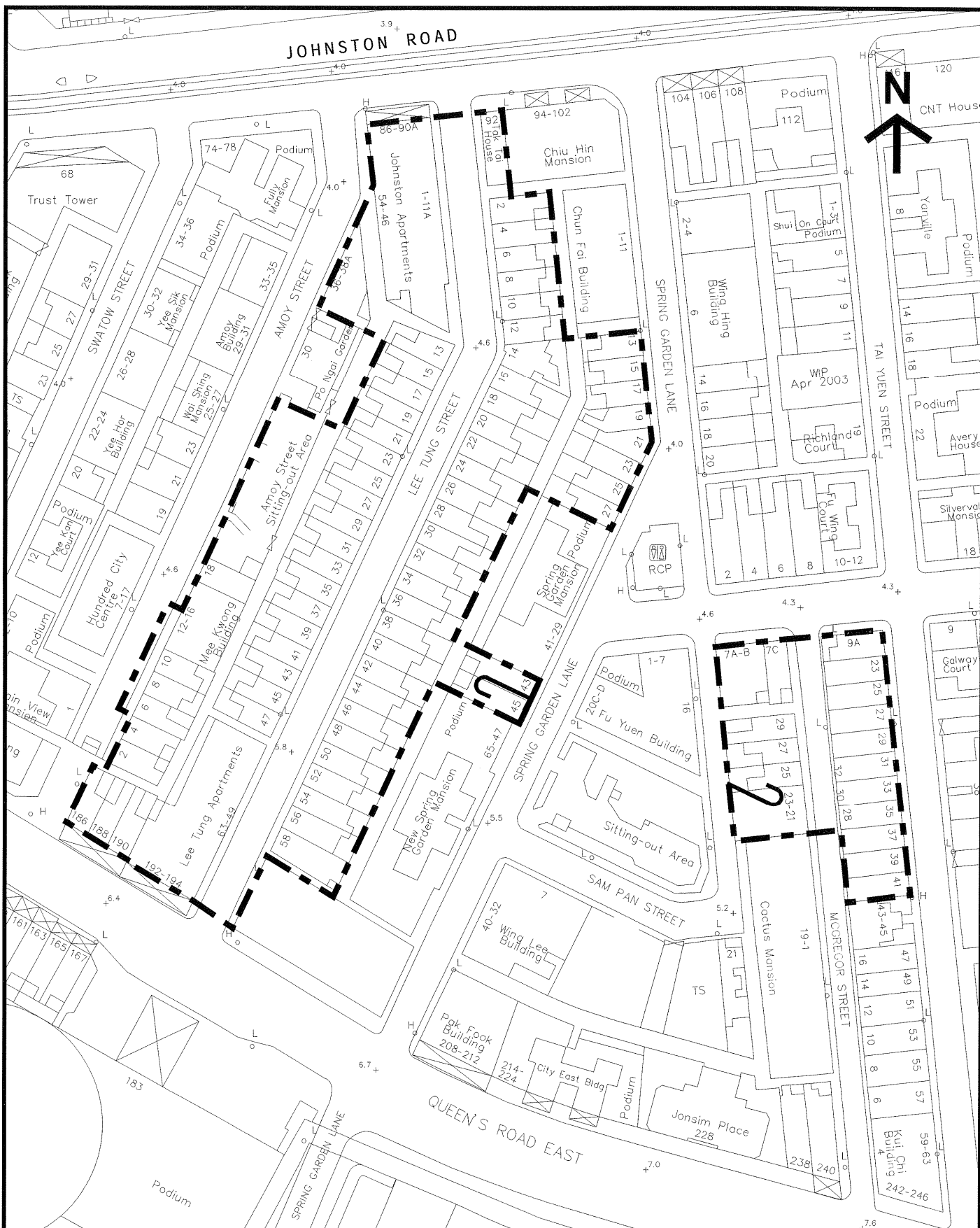
18. The URA is not aware of any cases in Lee Tung Street where domestic tenants have been evicted before the expiry of their tenancies. Following recent amendments to the Landlord and Tenant (Consolidation) Ordinance (LTO), landlords of domestic properties may recover possession of their properties when the tenancy expires but must give at least 12 months' notice from the date of expiry if the tenancy was current on 9 July 2004 when the LTO amendments came into force. The URA's proposals for dealing with domestic tenants required to leave premises in the announced ex-LDC projects under the new LTO provisions are discussed in the separate LegCo Panel Paper entitled "Compensation Arrangements for Land Resumption for Urban Renewal Projects". The URA is in no position to prevent landlords from exercising their legal rights. However, its proposals in this regard are designed to be as fair as possible to affected tenants and at the same time,

seek to strike a balance between the interests of both landlords and tenants.

The Role of District Councils

19. The URA is pleased to note that the WCDC is willing to act as a facilitator in implementing urban renewal. We value the cooperation of all District Councils and are committed to improving communication with local communities affected by our work. It is our declared aim to work together with all partners to take the urban renewal progress forward. In this regard, the URA is currently considering how best to seek the views of local communities affected by urban renewal activities, including rehabilitation and revitalization as well as redevelopment, as part of the planning process. The URA seeks to act as a facilitator in implementing urban renewal in partnership with stakeholders, including local communities, Government, developers, professionals and non-Government organizations.

Urban Renewal Authority
November 2004



Legend :

 Project Boundary

H15
LEE TUNG STREET / MCGREGOR STREET



Site Plan

Scale 1 : 1000

Date: 15 - 4 - 2004