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 Legislative Council
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 c/o Legislative Council Secretariat

Submission to the Legislative Council
Panel on Development
Regarding the Review of the Urban Renewal Strategy

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The Lion Rock Institute (LRI) appreciates the opportunity to comment on the Urban Renewal Strategy (URS).

The Lion Rock Institute applauds the government for recognizing its failure in preventing creeping ‘Detroitification’ of Hong Kong when it decided to embark on a root and branch review of its Urban Renewal Strategy.

In terms of social cohesion, the private sector should be the sole executor of Urban Renewal, whether there are protests over heavy handed designation of land use to a subjective and arbitrary ‘same district, 7 years old equivalent’ compensation scheme. The government’s involvement via its exercise of coercive and seemingly arbitrary power has led to wide spread public anger and ill will.

Affecting not only its effectiveness in implementing URS, but spreading to its overall effectiveness in governing Hong Kong.

Participation by private developers reduces such social friction in every step of the process - from the collection of ownership rights to the eventual use of any new development – and therefore the government should extract itself from the process.

Private sector driven Urban Renewal faces many problems imposed by the government.

First, while total profit visibility is never possible in any Urban Renewal projects, the government could go a long way in aiding private developers in their commercial calculations. By showing the exact redevelopment possibilities of any plot of land, private developers would have a much clearer picture as to whether they should engage in redevelopment.

We believe private developers will be highly interested in participating in Urban Renewal if projects passed their cost/benefit analysis.

Second, if the government chooses to retain the URA, the URA’s function should be limited to collecting title deeds. Once a complete list of titles is complete, the URA will then proceed to auction off the entire project to private developers, with the URA placing the first bid at the ‘same district, 7 years old equivalent’ compensation amount.

Private developers will then be invited to participate. Any amount of money paid by private bidders over URA’s first bid, will be distributed to the owners/occupants in the same percentage set forth by

the URA. This will reduce the ill will currently demonstrated by owner/occupant of recent URA projects.

Third, the government should lower the mandatory land resumption auction trigger mechanism to a) all units but 2 (suitable for buildings with few units) or b) 80% of all units; whichever is lower.

We must caution the government that the trigger threshold should be uniform across all properties; the government should not have the arbitrary power to lower the threshold in ‘special’ cases as this will not be viewed as a wise use of power, but will be labeled as a wealth-transfer-to-the-private-developers.

Fourth, the current system of sudden categorization of certain buildings as ‘historical’ and hence have its redevelopment or perhaps even renovation rights limited, will only further encourage urban dilapidation. As owners will understand that the better the building is maintained, the more likely the populist mob will descend upon it in which the government will then fail to resist the mob pressure and render the building ‘historical.’

This will cause serious harm to the living standard of occupants, which at best will be a nuisance, at worst a direct threat to the overall public health standards in Hong Kong.

Fifth, the government should learn from the mistakes stemming from the government’s abdication of its responsibilities in the Time Square case. The redevelopment party, Wharf Holdings, after paying substantial land premium, enjoyed no substantial upgrade to the nearby road infrastructure, leading to the absurd situation where traffic is not only backed up into the Cross Harbour Tunnel, but all the way into Hunghom.

The Lion Rock Institute respectfully invites the Legislative Council and the Panel on Development to trust the market in deciding what redevelopment projects must commence. If the market value for redevelopment is perceived to be profitable, the private sector will invest. Through the URS’ involvement, crowding-out occurs, and the private sector’s interest in redevelopment decreases.

The creation of a quality and vibrant urban living environment in Hong Kong will only be maintained by the market. In order for owners/occupants to have a fairer compensation, for the cultural value of the redeveloped areas to be enhanced and for a far more effective arrest of urban decay, Hong Kong needs redevelopment by the private sector, with as little coercion and hence unintended consequences and ill will by the government as possible.

Thank you for your consideration and continued work serving Hong Kong.