

**For Discussion
on 22 June 2010**

LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT

Work of the Urban Renewal Authority

Purpose

This paper reports on the progress of the work of the Urban Renewal Authority (URA) and its work plan for the coming year.

Background

2. The URA was established in May 2001 to undertake urban renewal in accordance with the URA Ordinance. The Urban Renewal Strategy (URS) was published after public consultation in 2001 to provide broad policy guidance to the work of the URA. The URA adopts a 4R strategy to regenerate the older urban areas and improve the living environment of residents. The “4R” refer to “Redevelopment” of dilapidated buildings, “Rehabilitation” of buildings in need of proper maintenance, “pReservation” of buildings with historical, architectural and cultural significance, and “Revitalisation” of older areas.

3. Since its establishment, the URA together with its strategic partner, the Hong Kong Housing Society (HKHS), have successfully commenced all the 25 projects announced but have yet to be commenced by its predecessor, the Land Development Corporation (LDC). The URA has also carried on with the 10 ongoing projects commenced by the LDC and further launched another 17 other projects. As the URS Review is still ongoing in 2009-10, the URA has been focusing more on completing the projects which it has already commenced during this year. In 2009-10 and in the coming year, the URA put and will continue to put more effort into its rehabilitation work to complement the Development Bureau’s policy initiatives on this front.

Progress of the URA’s Work

4. As at the end of the 2009-10 financial year, the URA had directly, or through collaboration with the HKHS, commenced 38 redevelopment projects (seven of them with preservation elements) and four preservation-cum-revitalisation projects. The URA is now preserving over 60 historical buildings located within its project areas. The URA

had also assisted nearly 510 buildings (over 39 700 units) under its building rehabilitation programmes (excluding those 503 (as at end May 2010) receiving assistance under Operation Building Bright) and carried out area revitalisation initiatives in various districts.

5. A detailed account of the URA's work in 2009-10 is given in Part III of the URA's paper at **Annex**. The major activities of the URA in 2009-10 are highlighted in paragraphs 6 to 11 below.

Highlights

Rehabilitation

6. Operation Building Bright (OBB) is a specific measure for "Preserving Jobs" launched by the Government, in collaboration with the HKHS and the URA, in May 2009 amidst the 2008 financial tsunami to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. The URA has given its full support to OBB by participating in the implementation of the scheme with a financial commitment of \$150 million.

Redevelopment

7. The URA launched three new redevelopment projects in 2009-10 including the redevelopment of Ma Tau Wai Road/Chun Tin Street which was the last addition for 2009-10. The collapse of the building at No. 45J Ma Tau Wai Road on 29 January 2010 and the serious damage to its immediately neighbouring buildings have significantly affected the living environment of hundreds of households. The URA has taken the initiative to propose redevelopment of the site occupied by the collapsed building and its adjacent buildings on Ma Tau Wai Road and Chun Tin Street to address the problem of building decay in the affected buildings and to provide relief to the affected residents. The Financial Secretary approved the proposal and announced it in his Budget Speech on 24 February 2010.

8. In the context of redevelopment, over the past year, the URA has enhanced its policy on Relocation Assistance to increase the amount of payment and to relax the criteria for payment to help those affected tenants in hardship. In the special case of the Ma Tau Wai Road/Chun Tin Street project, the URA has also introduced a package of special measures to rehouse the eligible affected tenants and to make early partial payments to owners before formal acquisition offers are made in view of the unique circumstances of this project.

Preservation

9. Since September 2008, the URA has commenced two projects to preserve two clusters of verandah-style pre-war shophouses of high heritage value and potential for adaptive re-use at Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street. The Development Scheme Plans for these two projects were approved in March 2010 and the URA has proceeded to issue offers of acquisition for these two projects.

Revitalisation

10. The URA continues its street beautification works around its project areas, in Wan Chai in particular. Working closely with the Old Wan Chai Revitalisation Special Committee chaired by the Vice Chairman of the Wan Chai District Council, the URA launched two heritage trails in Wan Chai in September 2009 with touch-screen kiosks installed along the trails.

11. Following the Chief Executive's announcement in the 2009-10 Policy Address, the URA will be conserving and revitalising the Central Market building to turn it into a new Central Oasis. An advisory committee, the "Central Oasis Community Advisory Committee", was set up by the URA in December 2009 with membership drawn from the Central & Western District Council, professionals and businessmen with proven experience and expertise, to provide advice on this project.

Review of the Urban Renewal Strategy

12. In July 2008, the Development Bureau launched a comprehensive review of the URS, which is expected to complete by the middle of this year. A Steering Committee on Review of the URS (the Steering Committee) has been set up to guide and monitor the whole review process. The Steering Committee, chaired by the Secretary for Development, comprises non-official members who are experienced in urban renewal, city planning, heritage conservation and/or community work. The URA has been providing assistance to the Government in taking forward the Review including funding the relevant consultancy studies and the public engagement consultant for the Review.

13. We have completed the Envisioning Stage and the Public Engagement Stage and moved into the Consensus Building Stage of the URS Review. For the purpose of consensus building, the Steering Committee, based on public views collated in the second stage of the Review and research analyses, has consolidated them into ten preliminary directions which are presented in the "Public Views and Future

Direction – Paper for the Consensus Building Stage of the Urban Renewal Strategy Review” released in May 2010. We sought Members’ views on the ten preliminary directions at the meeting on 25 May 2010. We will attend a Special Meeting of the Development Panel on 10 July 2010 to hear further views from deputations on the preliminary directions. Upon completion of the URS Review by the middle of this year, we will redraft the URS with a view to consulting Members and the public on the text of the revised URS before the end of this year for promulgation afterwards.

URA’s Future Work Plan

14. The Financial Secretary approved the URA’s Corporate Plan (CP) for 2010-11 to 2014-15 and Business Plan (BP) for 2010-11 in March 2010. The 2010-11 BP of the URA presents a measured programme as this is still a year of consolidation with the ongoing URS Review so as not to pre-empt the results of the Review and the future way forward under the revised URS. The five-year CP includes 40 ongoing redevelopment projects and another 12 to be launched within the next five years, four ongoing preservation projects, a rehabilitation programme covering about 1 100 old buildings, and other revitalisation initiatives within the URA’s Scheme Areas.

15. In the 2010-11 BP, the URA plans to commence a few modest scale new redevelopment projects, continue to implement its ongoing preservation projects, enhance its existing building rehabilitation schemes including participation in the future Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme when in place, and continue its area beautification and revitalisation initiatives such as the Central Market.

16. Details of the URA’s work plan are set out in Part IV of the URA’s paper at **Annex**.

Financial Position and Disclosure

17. The URA’s net assets stood at \$ 16.7 billion as at 31 March 2010. A net operating surplus of \$6.9 billion was recorded in 2009-10. The surplus was mainly due to the record upfront payments for those three projects which were tendered out for redevelopment during the year under favourable property market conditions, namely, Lee Tung Street / McGregor Street in Wan Chai, Yuet Wah Street in Kwun Tong and Lai Chi Kok Road / Kweilin Street and Yee Kuk Street in Sham Shui Po.

18. The URA estimates that a total expenditure of about \$16 billion, excluding operational overheads, will be required to meet the costs of all the projects in its 2010-11 to 2014-15 CP. To ensure that it has sufficient funding to meet the needs of its work programme, the URA has sought external financing by means of a \$1.5 billion bond issue in July 2009 under its Medium Term Note Programme and secured some committed banking facilities. The Government will continue to closely monitor the URA's financial position.

19. In response to Members' request made at the Panel meeting in June 2009 and in the interest of transparency and accountability, the URA has made public financial information on its individual completed projects. The financial information on eight completed projects is given at Appendix III of the URA's paper at **Annex**. The following key issues are highlighted to facilitate better understanding of the financial information -

- (a) six out of the eight completed individual projects were commenced by the LDC under a different ordinance and different forms of agreement with the joint venture partners. In general, joint venture partners of the LDC were responsible for the acquisition and development costs plus payment of the land premium involved. In addition, the LDC also received upfront payments from its joint venture partners and a share of the development profits;
- (b) projects commenced by the URA follow a different model. Acquisition, clearance and demolition work as well as planning approval are all handled directly by the URA. Only after completion of these tasks would the URA tender out the project to select the joint venture partner and to recoup the costs incurred;
- (c) the different development models and joint venture agreement structures of the LDC and the URA do not only have a direct bearing on the revenue and costs involved, the volatility of the property market also directly affects the financial performance of individual projects. To illustrate this point, the URA has included two sets of indices in the project information sheets, namely, the Centa City Leading Index and the Rating and Valuation Department Price Index to compare the performance of the property market at the critical stages of the projects using the

1997 and 1999 situations as base cases. A third indicator included is the percentage variation of the property market since the date of issue of acquisition offers of the respective project; and

- (d) the concept of premium foregone explained in Appendix IV is also noteworthy. Unlike the past model under which the LDC was required to pay land premium, as part of the Government's financial support package for the URA, urban renewal sites for new projects set out in the URA's CP and BP as approved by the Financial Secretary from time to time may, in principle, be directly granted to the URA at nominal premium. The amount of land premium foregone in the direct land grants to the URA by the Government as assessed by the Lands Department represents the difference between the value of land granted to the URA and the value of the lots acquired by the URA and the lots resumed by the Government as at the date of land exchange between the Government and the URA. It is important to note that, notwithstanding that the URA has been granted redevelopment project sites at nominal premium, the full market value of the land involved is always recouped by the URA from its joint venture partners through the terms of the joint venture agreement obtained by a tendering process.

Control of Flat Sales in Redevelopment Projects

20. With a view to enhancing transparency and fair play in the sale of flats in the URA projects, the URA announced on 3 May 2010 that it would implement eight additional measures on control of flat sales on top of the nine new measures on first-hand private residential properties announced by the Financial Secretary on 21 April 2010 and implemented through the guidelines of the Real Estate Developers Association of Hong Kong and the Lands Department's Consent Scheme. Details of the URA's control measures are given at Appendix II to the URA's paper at **Annex**.

**Development Bureau
June 2010**

Work of the Urban Renewal Authority in 2009-10
And Business Plan for 2010-11

I. INTRODUCTION

This paper is a report on the work of the Urban Renewal Authority (URA) for the year ended 31 March 2010 and its business plan for 2010-11.

II. BACKGROUND

2. In 2009-10, which was its eighth full year of operation, the URA continued to work within the parameters of its mandate which is prescribed in the current Urban Renewal Strategy (URS) issued by the Government in November 2001.

3. The URA has utilized its holistic 4R (Redevelopment, pReservation, Rehabilitation, Revitalisation) strategy to implement its redevelopment, preservation, rehabilitation and revitalisation programmes, all of which have made significant progress. Over the past two years, the URA has continued to rebalance this 4R strategy, by expanding its preservation, rehabilitation and revitalisation programmes, to include preserving clusters of pre-war shophouses, rehabilitating more buildings under Operation Building Bright (OBB) in partnership with the Development Bureau (DEVB), Buildings Department (BD) and the Hong Kong Housing Society (HKHS), and revitalising Old Wan Chai, Central, Sheung Wan and Mong Kok.

4. In addition to carrying on its current work, the URA has also continued to provide proactive support to the DEVB in the conduct of the two-year review by the Government of the current URS, which began in July 2008 and is due to be completed in the second half of 2010.

III. WORK OF THE URA IN 2009-10

Redevelopment and Preservation Projects

1 April 2009 to 31 March 2010

5. Three new redevelopment projects were launched in 2009-10; planning work continued on three commenced redevelopment projects for which acquisition offers had yet to be made; and property acquisition, clearance and rehousing continued for 14 of the redevelopment and preservation projects launched since the URA's establishment in 2001-02. Resumptions were approved for two of these projects during 2009-10 and clearances of three other project sites were completed. Of those affected by the projects under acquisition, during the year, over 140 tenant households accepted rehousing in the estates of the Hong Kong Housing Authority (HKHA) and HKHS and over 500 other tenant households and tenant business operators accepted cash compensation. In addition, some 1,460 domestic and non-domestic owners accepted cash compensation. Work on rehousing or compensating the remaining domestic and non-domestic owners and tenants affected by the URA's projects continues.

6. The URA awarded the joint venture development tenders for three projects i.e. Lee Tung Street / McGregor Street in Wan Chai, Yuet Wah Street in Kwun Tong and Lai Chi Kok Road / Kweilin Street and Yee Kuk Street in Sham Shui Po during the year.

May 2001 to 31 March 2010

Ongoing Projects Taken Over From the Former Land Development Corporation

7. On its establishment, the URA took over the implementation of 10 projects commenced by the former Land Development Corporation (LDC). Six of these projects have been fully completed with all flats and commercial space sold or leased out in earlier years. During 2009-10, the URA continued with the implementation of the remaining four projects. The sales of flats in three of these projects are now under way, while the final phase of the remaining project is now under construction. Altogether, the 10 projects taken over from the LDC are expected to produce over 6,200 new flats, about 238,900m² of commercial space, about 1,100 hotel rooms, over 21,300m² of GIC facilities and almost 11,200m² of open space.

Projects Launched by the URA

8. The tentative timings of the completions of the development stages of the 33 still ongoing redevelopment and preservation projects out

of the 35 projects launched directly by the URA since its establishment up until 31 March 2010, including the three redevelopment projects launched in 2009-10, vary between 2010 and 2022. Based on current plans, these 33 projects are expected to provide an estimated total of almost 9,700 new domestic units and over 236,200m² of commercial space upon completion. For the benefit of residents and local communities, these projects are also expected to provide almost 47,900m² of Government/Institution or Community (GIC) facilities, 100,000m² for other uses such as space for cultural and creative industries, offices and hotels and over 26,400m² of open space.

Projects Launched in Cooperation with the Hong Kong Housing Society (HKHS)

9. The URA and the HKHS entered into a Memorandum of Understanding (MOU) on Strategic Cooperation in December 2002. Under the MOU, the HKHS has to date commenced seven redevelopment projects, and the HKHS is bearing all of the costs of these projects and any profits or losses. Five of these projects are in Sham Shui Po and two are in Shau Kei Wan. Under the agreed arrangement, the HKHS is undertaking acquisition and clearance for the projects. The HKHS is also responsible for redevelopment of the sites after clearance. When developed, the projects are expected to provide about 1,600 new flats, over 13,300m² of commercial space, almost 4,800m² of space for GIC use and 300m² of open space. The URA and the HKHS are looking ahead and exploring the scope for cooperation in order to bring further urban renewal activities to fruition for the benefit of the community as a whole.

Details and Progress of Individual Projects

10. In sum, the URA has carried out or continued to implement a total of 48 redevelopment projects and four preservation projects from its establishment in 2001 up until 31 March 2010, providing almost 18,000 new flats, over 490,000m² of commercial space, almost 74,000 m² of GIC facilities, almost 126,000m² for other uses and over 37,000m² of open space.

11. **Appendix I** shows the details and current progress for –
- (a) the 35 projects launched up to 31 March 2010 by the URA;

- (b) the 7 projects launched up to 31 March 2010 by the HKHS; and
- (c) the 10 projects taken over from the LDC.

Property Acquisition Policies

12. Both the URA and HKHS adopt policies for acquisition of property interests similar to the Government's compensation policy on land resumption but add a certain amount of incentive for property owners. Domestic owner-occupiers are offered a home purchase allowance (HPA) equivalent to the difference between the open market valuation of the owner's premises and that of a notional seven-year-old replacement flat in the same general locality. The average acceptance rate of about 86% for projects, which have reached the resumption and clearance stages to date, is considered reasonable, given that the balance of 14% includes property interests which cannot be acquired due to problems such as unclear legal titles or untraceable owners.

13. Nevertheless, the URA continues to look for and introduce enhancements where appropriate to ensure that its policies and procedures strike the right balance between being sufficiently responsive to the needs of people affected, including those with special circumstances, and sufficiently cost-effective to sustain a viable urban renewal programme. Thus, during 2009-10, the URA –

- (a) enhanced its Relocation Assistance to include more domestic tenants in some hardship and increased the amounts payable;
- (b) invited all eligible domestic owner-occupiers affected by nine redevelopment projects, who had sold their properties to the URA within the initial offer periods for the projects concerned, to express interest in purchasing domestic flats in the respective redevelopment project upon completion and at market price; and received positive response from some 31% of such owners; and
- (c) introduced a package of special measures, when commencing the Ma Tau Wai Road/Chun Tin Street project in response to the tragic building collapse, in view of the unique circumstances of this project, the

residents' substandard living conditions and their psychological burdens after the incident; and

- (d) undertook to continue to acquire the property interests from owners and compensate or rehouse tenants in the Wing Lee Street site (i.e. Site A), within the Staunton Street/ Wing Lee Street project, under its prevailing policies until such time as its alternative implementation concept of excluding from redevelopment and conserving that site, had been submitted by Planning Department to the Town Planning Board (TPB) and had been gazetted by the TPB, in the event that the TPB were to accept it. The URA will also assist in rehousing tenants of Site A whose landlords do not want to sell their properties to the URA, provided that such tenants were registered in the freezing survey conducted by the URA in 2003 and are in hardship and need help to improve their living conditions.

Preservation

14. The URA is now implementing four preservation projects, of which two are in Wan Chai and two are in Mong Kok.

15. In Wan Chai, the URA is implementing one preservation-cum-revitalisation project at Mallory Street/ Burrows Street. At Stone Nullah Lane/Hing Wan Street, the URA is assisting the Government in handling any outstanding acquisition and rehousing work for the Blue House cluster, which comprises a cluster of one Grade 1 and one Grade 2 historic buildings which will be tendered out under the Government's "Revitalising Historic Buildings Through Partnership Scheme" to NGO(s) for future management and use. On 30 April 2009, the resumption of the Blue House was gazetted by the Government and the land was reverted to the Government on 30 July 2009. The project was first implemented by the HKHS. After completion of acquisition of one of the private lots and rehousing of the tenants who chose to move out of the Blue House cluster, the acquired property was handed over to the Government for the implementation of the Partnership Scheme. With effect from 1 February 2010, the URA took back responsibility from the HKHS for the handling of the outstanding resumption work.

16. During the year, the URA continued implementation of the conservation strategy which it drew up in 2008, in response to the Chief Executive's 2007-08 Policy Address, for preservation of selected pre-war verandah-type shophouses. In Mong Kok, the URA pressed ahead with two preservation-cum-revitalisation projects covering two clusters of ten shophouses of high heritage value and potential for adaptive re-use at Shanghai Street / Argyle Street, and Prince Edward Road West / Yuen Ngai Street for the preservation of pre-war shophouses. In March 2010, the Development Scheme Plans for these two projects were approved by the Chief Executive in Council. The URA then issued offers for acquisition to them later in that month. In addition, URA implemented a pilot voluntary acquisition scheme (VAS) and a voluntary restoration scheme (VRS) for other pre-war shophouses in the urban area, identified in the URA's conservation strategy as having lower but, nevertheless, significant heritage value. To date, the owners of two out of the four shophouses covered by the pilot VAS and the owner of one out of the 12 shophouses covered by the pilot VRS have shown interest. The URA is now liaising with these interested owners.

17. Three redevelopment projects in Wan Chai also contain significant preservation elements, namely, the preservation of five pre-war buildings in the completed redevelopment project at Johnston Road, the preservation of the core elements of the Wan Chai Market building in the ongoing Tai Yuen Street project and the preservation of three pre-war shophouses as part of the ongoing Lee Tung Street redevelopment project. In the Central and Western District, the URA currently operates the preserved Western Market and is undertaking three redevelopment projects involving the preservation of heritage elements and features in the Peel Street/Graham Street, Staunton Street/Wing Lee Street and Yu Lok Lane/Centre Street projects respectively. At Nga Tsin Wai Village, Wong Tai Sin, the URA is preserving the village gatehouse and stone plaque, the temple and structures of a number of village houses within a themed conservation park.

18. As well as operating the Western Market, the URA has already completed preservation of five buildings at the Johnston Road project which was completed by the URA in 2008-09. After adding to these six buildings, the 51 buildings now being preserved in the above named eight ongoing redevelopment and four ongoing preservation projects, the URA will have preserved a total of more than 60 buildings as well as various historic features plus the shophouses whose respective owners consent to join the VAS and VRS.

Rehabilitation

19. Initiatives to encourage better care of domestic premises in multiple ownership by the owners continue to be a major area of work for the URA. The purposes of building rehabilitation are to improve the environment and living conditions in residential buildings, and to extend the useful life of buildings. Since 2003, the URA has provided various building rehabilitation assistance schemes in its Rehabilitation Scheme Areas to help address the problem of building dilapidation and, thereby, improve not only the built environment but also the living conditions of the residents in these areas.

20. Up until the end of March 2010, assistance had been or was being given by the URA under its own schemes, which are described below, to the owners of about 39,700 units in over 510 buildings, excluding those being assisted under OBB. The expenditure incurred under all the schemes up to the same date was around \$255 million.

Materials Incentive Scheme

21. The URA has continued to operate a Materials Incentive Scheme which targets buildings aged 20 years or older with Owners Corporations (OCs) with a view to encouraging owners to form OCs and promoting sustained maintenance and management after rehabilitation. The URA invites OCs of domestic or composite buildings with multiple ownerships and subject to statutory repair orders to participate in this Scheme.

22. The value of renovation materials and cash subsidy provided by the URA, excluding technical advice, generally does not exceed the lower of 20% of the total cost of the rehabilitation works on the common areas of the building or \$3,000 per property unit. Small buildings with less than 20 units will be provided with materials and cash subsidies of up to the lower of 30% of the total cost or \$150,000 per building.

Building Rehabilitation Loan Scheme

23. The URA also continued to operate the interest-free Building Rehabilitation Loan Scheme to cover buildings which meet criteria similar to those for the Materials Incentive Scheme but are not subject to statutory repair orders, in order to encourage owners to undertake voluntary rehabilitation early. Loans are arranged through OCs but made to individual domestic property owners for up to \$100,000 per

domestic unit for a term of up to five years, depending on the amount. Generally speaking, the scope of works covered includes:

- (a) Repair or preventive maintenance works to common areas and the external envelope of the building;
- (b) Repairs, maintenance or up-grading of building services; and
- (c) Repair and maintenance works inside the domestic units which are carried out in association with the works to the whole building.

Hardship Grants

24. In some cases, the presence of owners, such as elderly people on low income, who are unable to contribute to the overall rehabilitation costs, may discourage or prevent other owners from going ahead. The URA has therefore introduced a Hardship Grant Scheme to assist such owners. The Scheme covers the same class of buildings as the Materials Incentive Scheme and the Building Rehabilitation Loan Scheme. Hardship Grants may be up to the lower of \$10,000 per domestic unit or 100% of the share of the cost of the works for the whole building attributable to that unit.

Other Forms of Assistance

25. As further measures to encourage better care of buildings in private ownership, the URA has continued to provide OCs with subsidies for consultants' fees and for third party risk insurance for common areas. In addition, the URA has continued to maintain the support of 17 local banks which offer mortgages on enhanced terms in respect of older domestic flats in buildings, which have benefited from the URA's rehabilitation programmes. This market-led mechanism for reflecting the enhanced value of properly maintained buildings has been widely welcomed by owners, the property industry and the community at large.

Operation Building Bright

26. In February 2009, in support of the Government's initiative to create employment opportunities through the promotion of building rehabilitation, the URA responded positively and promptly agreed to contribute \$150 million as well as to provide supporting resources to

implement the OBB within the URA's Scheme Areas. Since then, the URA and the HKHS have been working closely together with the DEVB and BD on implementation of the OBB. A Memorandum of Understanding with the Government was signed in May 2009 and this special operation started in June 2009. Up till the end of March 2010, 393 or 99% of the eligible Category 1 buildings in the URA's Scheme Areas had been given approvals in principle and 154 buildings, comprising 44 Category 1 and 110 Category 2 buildings, had commenced and, in some cases, had completed their rehabilitation works. To date, the URA anticipates that about 800 buildings in the URA's Scheme Areas will be rehabilitated under the OBB.

Mandatory Building and Window Inspection Schemes

27. In February 2010, the Building (Amendment) Bill 2010, which provides for the Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme, was introduced into the Legislative Council. The URA welcomes this legislation and is now preparing to play its part to assist in the implementation of the two Schemes under the established tripartite building rehabilitation partnership model, comprising the BD, URA and HKHS. Once the legislation is passed and comes into force, the URA will provide financial assistance and technical advice to building owners in need in its Scheme Areas to comply with the statutory requirements and establish OCs.

Revitalisation

28. In 2009-10, the URA started various new revitalisation studies and programmes which will widen and enhance the community benefits to be derived. In order to carry out this revitalisation programme in a way that meets the local community's aspirations, the URA has successfully sought the support of the community through the District Councils to which the URA is grateful. The URA also works in close co-operation and coordination with key Government Departments such as Highways Department, Transport Department and the Leisure and Cultural Services Department.

29. During the year, street revitalisation works in the vicinities of the URA's redevelopment projects were completed at Chung On Street, Tsuen Wan, and were continued in Tai Kok Tsui and Sham Shui Po.

30. In Mong Kok, schematic designs are being prepared for the upgrading of Nelson Street between the URA's Macpherson Stadium and

Sai Yee Street projects, as well as for the adjoining areas in Mong Kok. In 2009-10, the URA initiated an area-based plan for revitalisation of four more themed streets in Mong Kok in addition to Nelson Street and conducted opinion surveys in the area to solicit the views of the public on the revitalisation proposals for these five streets.

31. The URA continues to work closely with the DEVB, the Wan Chai District Council and the Old Wan Chai Revitalisation Initiatives Special Committee (WRISC) in adopting a district-based approach in considering the development and revitalisation of the older areas in Wan Chai. The URA is also providing secretariat support to the WRISC. To revitalise and enhance the existing open-air bazaar on Cross Street / Tai Yuen Street, the URA has secured support from the hawkers for the installation of metered electricity supply to the hawker stalls, following the success of a pilot scheme. However, another proposal to provide stall awnings will no longer be pursued as it was not supported during the pilot scheme trial.

32. The WRISC also oversaw a Heritage Trail study conducted by a historical/conservation consultant. In September 2009, the Wan Chai Heritage Trail was launched with a supporting publicity pamphlet and a dedicated website for the trail. Touch-screen kiosks have been installed at several featured locations along the trail. Special architectural lighting has been installed for Hung Sing Temple on Queen's Road East and negotiation is under way for the installation of similar lighting along the trail at the Pak Tai Temple in Stone Nullah Lane. Following the issue of invitation for Expression of Interest by the WRISC to the private sector to join a Public Private Partnership, the WRISC has identified a private developer as partner for revitalisation of old Wan Chai. Plans are being drawn up by the private developer for revitalising the vicinity of St. Francis Street and Sun Street.

33. The URA is also active in Sheung Wan. As part of its Peel Street/Graham Street project, the URA will be implementing measures to maintain and revitalise the existing on-street market and related retail activities on Graham Street and Peel Street in order to enhance their vibrancy. A comprehensive plan to address the needs and requirements of shops and stalls operating in the market has been devised to minimise inconvenience to them and to enable both the on-street hawkers outside the project boundary and the affected fresh food shop operators within the project boundary to continue operation during the redevelopment through a phased clearance and redevelopment approach. Besides revitalising the on-street market, the URA will be undertaking the revitalisation of the

adjacent Pak Tsz Lane area. This will include enlarging and modernising the existing Refuse Collection Point and upgrading the underutilised zoned open space into a Heritage Garden to celebrate the historical significance of this area which is the site where the Chinese Patriotic Mutual Improvement Association, forerunner to the Xing Zhong Hui, was founded in 1892.

34. In response to the CE's 2009-10 Policy Address, the URA will be revitalising the currently under-utilised Central Market building to turn it into a new Central Oasis. An advisory committee, the "Central Oasis Community Advisory Committee" (COCAC), comprising members from the Central and Western District Council, professionals and relevant stakeholders has been set up to advise the URA in the process. It is currently estimated that it will cost the URA about \$500 million to renovate, refurbish and adapt the market for an appropriate mix of uses to meet the wish and aspirations of the residents in the neighbourhood, those working in Central and also visitors. To solicit the views of the public, the URA completed both an on-street poll and an e-Poll, through a dedicated website, in February 2010. At the same time, the URA has started a structural survey to assess the structural integrity of the building so as to come up with structural improvement plans for the future use of the market. In the interim, the URA has proceeded with the following beautification measures, namely, covering the building with themed temporary cladding and creating a themed exhibition-cum-amenity area on the second floor pedestrian walkway level of the market building. All of these were installed and unveiled in February 2010.

35. Further afield, the URA is exploring the potential for revitalisation of the Lok Ku Road and Upper Lascar Row area, the vacant bazaar site, the area around Man Mo Temple and the Tai Ping Shan area near the Tung Wah Hospital. As part of this initiative, the URA conducted a study on a proposal to implement measures to improve traffic safety in the vicinity of the Temple. This will be submitted to the Transport Department shortly for consideration following its presentation to the Central and Western District Council in May 2010.

Community Engagement

36. The URA is fully aware of the importance and benefits of effective community relations and has been reaching out to the local communities in the URA's Action Areas as an integral part of its people-oriented community engagement strategy. Intensive effort continues throughout the year to engage all relevant stakeholders with a

view to ensuring that the sentiments and concerns of stakeholders in individual projects are taken into consideration during the planning and acquisition stages of such projects. The URA reaches out to all resident groups, business operators, concern groups, local consultative bodies, educational institutions, professional bodies, politicians, and the mass media to cultivate and foster better mutual understanding with all stakeholders, to address their legitimate concerns as far as practicable and to enlist both local and general public support.

37. To facilitate this process, the URA has established seven District Advisory Committees (DAC) in its major Action Areas, namely, Tsuen Wan, Sham Shui Po, Wan Chai, Central and Western, Yau Tsim Mong, Kwun Tong and Kowloon City. Membership of these DACs includes legislators, district councillors, government representatives, academics, social workers, landlords, tenants and trade representatives as well as professionals, so that the URA may be suitably and directly advised on all relevant aspects and concerns when planning renewal projects. During the year 2009-10, a total of 20 DAC meetings were held, excluding numerous informal discussion sessions with individual members. In addition, the URA had attended no less than 28 full District Council and sub-committee meetings to ensure that all relevant District Councils were kept fully informed of the progress of the URA projects in their districts and that, where practicable, their suggestions were incorporated into the project plans.

38. In 2009-10, the URA's Board Chairman, Managing Director and other representatives also participated in various community engagement activities including workshops, goodwill visits and meetings with residents. In addition, the URA opened an Exploration Centre to create an educational platform to enable students and the general public to visit, learn about and better understand the characteristics, challenges and achievements of urban renewal in Hong Kong.

39. The URA appreciates that some owners and tenants, especially the elderly, might face difficulties in vacating their premises and setting up new homes elsewhere. Trained front-line staff provide personal care and assistance to every family genuinely in need of help. Practical forms of assistance include, based on the respective needs of individual families, providing a special 30% down payment upon execution of sale and purchase agreements instead of the standard market practice of 10%, helping to arrange bridging bank loans, gathering market information on home-buying and mortgages, helping out with house moving and providing temporary storage for household items. In

addition, the URA and the HKHS have appointed, through open tender, six district-based social service teams (SST) to provide affected residents of the URA/HKHS projects, who need special help, with counselling and advice on various issues. The SSTs have provided assistance to about 518 cases in 2009-10 and a total of about 2,070 cases since 2002-03.

URS Review

40. During 2009-10, the URA continued to provide proactive financial and technical support to the DEVB in the conduct of the two-year review by the Government of the current URS. Such support mainly comprised –

- (a) employing and providing information to consultants conducting research and surveys, including a building conditions survey, on behalf of the Steering Committee on the Review of the URS;
- (b) meeting the costs of the public consultation programmes, including the URS Review website, publications, the operation of the Idea Shop and various public engagement activities;
- (c) meeting the costs of the partnering organisation(s) programmes; and
- (d) providing technical support as and when required by DEVB to facilitate studies of the pros and cons, practicality and feasibility of various options considered during the Review.

IV. FUTURE PLANS

41. A number of events have shaped the URA's ninth annual Business Plan (BP) for 2010-11 and five-year Corporate Plan (CP) for 2010-11 to 2014-15.

42. In July 2008, the Secretary for Development announced the launch of the current two-year review of the URS promulgated in 2001 and that the URA would need to proactively support this review, due to be completed in the second half of 2010.

43. The local property market began to recover in late 2008 and appears to be continuing to do so, albeit at a slower pace in recent months.

44. The Chief Executive announced, in his 2009-10 Policy Address, that the URA would be given the responsibility to revitalise the Central Market to turn it into a “Central Oasis”.

45. At the same time, the Chief Executive called upon the URA and the MTR Corporation to respond, to the extent that they could, to the Government’s request to quicken the pace of bringing residential sites to the market to increase the supply of flats in the coming years and to increase the supply of small and medium-sized residential flats.

46. In February 2010, the Government introduced a bill into the Legislative Council to pave the way for the implementation of the Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme.

47. In January 2010, a building in Ma Tau Wai tragically collapsed, in response to which the URA initiated and sought approval from the Financial Secretary in February 2010, to commence a redevelopment project, covering both this building and those surrounding it, with special compensation and rehousing arrangements in view of the unique circumstances.

48. In February 2010, the Financial Secretary announced a further expansion by the Government of the OBB campaign with the addition of \$500 million to the \$2 billion already allocated for the purpose.

49. In March 2010, the Financial Secretary approved the URA’s ninth CP for 2010 to 2015 and its BP for 2010-11.

April 2010 to March 2011

50. The ninth CP is built upon the progress made under the previous CPs and has taken account of events occurring in 2009-10. The ninth CP comprises 56 redevelopment and preservation projects –

Still Ongoing Redevelopment Projects Taken Over from LDC	4
Redevelopment Projects Commenced by URA and Still Underway	36
Preservation Projects Commenced by URA and Still Underway	4
Redevelopment Projects to be Commenced by URA in 2010 to 2015	<u>12</u>
Total	56

51. In 2010-11, priority continues to be given to taking forward the implementation of the 25 projects announced by the former LDC and commenced by the URA, of which two have been fully completed with all accommodation, other than parking spaces, sold, leased out or distributed between joint venture partners. At the same time, the URA will, under its balanced 4R strategy, be pressing ahead with the implementation of its preservation, rehabilitation and revitalisation activities.

52. Over the past seven years, the URA has steadily expanded its building rehabilitation programmes and intends to continue to do so during the next five years covered by its ninth CP. The URA has, therefore, allocated around \$515 million in the ninth CP for the five years from 2010-11 to 2014-15 for funding its various building rehabilitation programmes, which aim to cover almost 1,100 buildings, comprising about 52,200 property units within the URA's Scheme Areas. The URA will consider allocating additional resources for these programmes if required in future. In addition, another some 800 buildings or 38,000 property units are expected to be rehabilitated in the URA's Scheme Areas under the OBB in this same period.

53. On 21 April 2010, the URA announced details of the acquisition offers that it would issue to all property owners on redevelopment Project SSP/3/001 (Shun Ning Road) in Sham Shui Po and Project MTK/1/002 (San Shan Road/ Pau Chung Street) in Ma Tau Kok.

54. On 30 April 2010, the URA held the ground breaking ceremony for its Pak Tze Lane revitalisation project in Central, which celebrates Hong Kong's link to the 1911 Chinese Revolution.

55. On 3 May 2010, the URA announced that it would implement a package of eight additional measures on top of those already in place to control flat sales in its redevelopment projects with the objective of enhancing transparency, taking into consideration the needs of genuine home buyers. Details of these measures are set out at **Appendix II**.

56. The URA's 2010-11 work programme also includes the important role of continuing to proactively support DEVB in the latter's conduct of the current review of the URS, which is now entering its final stage. In this regard, the URA has assisted DEVB in the preparation of the booklet entitled "Public Views and Future Direction - Paper for the Consensus Building Stage of the Urban Renewal Strategy Review" published on 11 May 2010. The URA stands ready to assist as the review proceeds.

V. FINANCIAL MATTERS

57. The Authority's net asset value, which can vary widely from year to year, was \$16.7 billion as at 31 March 2010. This comprised a capital injection totalling \$10 billion from the Government and an accumulated surplus from operations of \$6.73 billion, up by \$6.86 billion from a deficit of \$0.13 billion as at 31 March 2009.

58. In 2009-10, the URA recorded a net operating surplus of \$6.9 billion. The annual operating surpluses/(deficits) of the URA since its formation in May 2001 and the total accumulated surplus from that time up until 31 March 2010 are summarized as follows –

<u>Financial Year</u>	<u>Annual Surplus/(Deficit)</u> <u>\$'000</u>
Deficit on formation on 1 May 2001	(2,160,610)
2001/02 (11 months)	(558,329)
2002/03	(226,570)
2003/04	(80,443)
2004/05	3,002,087
2005/06	1,576,611
2006/07	758,711
2007/08	2,077,601
2008/09	(4,524,265)
2009/10	6,862,827

Total Accumulated Surplus as at 31 March 2010	6,727,620
	=====

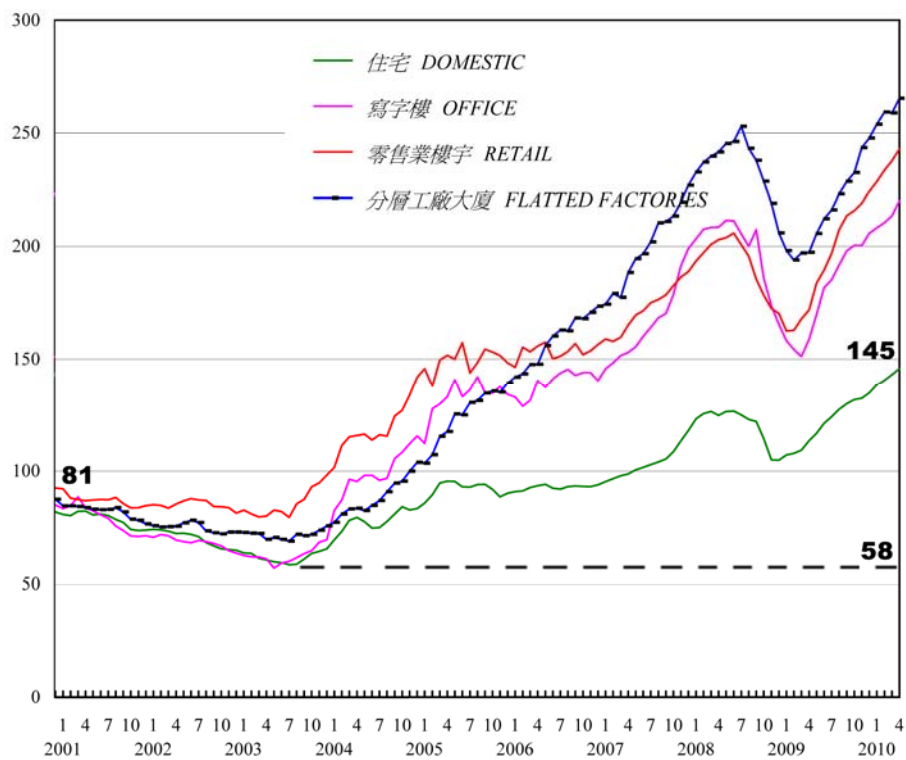
59. As has been the case since its establishment in 2001, the URA's redevelopment activities mean that it has substantial exposure to the residential and commercial sectors of the Hong Kong property market as both a purchaser and a seller. This exposure is spread across a substantial portfolio of redevelopment projects, which are typically at different stages of development. As a consequence, the URA may be simultaneously seeking to purchase properties affected by urban renewal schemes and projects and seeking to tender cleared sites and/or sell property units in projects under development for urban renewal purposes. A general decline in value in the property market may negatively impact on the URA as a seller of certain projects but may at the same time bring benefits in its acquisition of other properties, and vice versa, an increase in value in the property market may benefit the URA as a seller of certain projects but may negatively impact on its financial commitment to purchase properties in redevelopment sites. Due to the lengthy development process, however, a good balance between the URA's positions as buyer and seller may not be always achievable and some mismatching between its positions is often unavoidable. In general, the URA has long lead times for the acquisition of properties for redevelopment projects. Sites are tendered and awarded to developers for joint venture development shortly after their clearances. Depending on the market conditions, property units in its development projects are sold prior to and/or after their completions.

60. The volatility of the Hong Kong property market over the ten years since the URA has been established can be seen from the fluctuation of the Centa City and the Rating Valuation indices in this period which are shown in the two graphs below.



Centa City Leading Index

Highlighting Changes from Establishment of URA in 2001 to 2010



Rating and Valuation Department Domestic Index

Highlighting Changes from Establishment of URA in 2001 to 2010

61. Following commencement of its projects, in accordance with its approved BPs, the URA has little control over either when the various plans for their development will eventually be approved by all of the relevant authorities or when the sites will be cleared and ready for demolition and tendering out for development. Moreover, the URA has no control over what the property market conditions will be at the times of acquisition or tendering or what acquisition prices for existing units or tender prices following clearance can be achieved for any project site or when.

62. It is for these reasons that the URA's annual financial results vary so much from one year to the next. Thus the annual operating surplus of just under \$6.9 billion achieved during 2009-10 is a marked improvement on and contrast to the annual operating deficit of \$4.5 billion in 2008-09.

63. Any surpluses earned on the URA projects are retained and then applied to finance further urban renewal projects and its 4R efforts to improve the quality of the housing and the built environments in dilapidated urban areas.

64. The operating surplus for 2009-10 of \$6.9 billion was mainly due to the record total amount of upfront payments for the three projects, mentioned in paragraph 6 above, with a total combined developable area of some 1,331,000 square feet, which were tendered out for redevelopment during the year and principally because of the favourable property market conditions at the time of tendering. A similarly exceptional situation occurred in 2004-05, when the URA tendered out six projects with a total combined developable area of some 1,478,000 square feet and received a then record total amount of upfront payments.

65. As at 31 March 2010, the URA's cash and bank balances together with the fair value of the funds managed by the investment manager totalled \$5.7 billion and the URA's accruals and estimated outstanding commitments in respect of projects under acquisition and resumption stood at \$11.7 billion.

66. In the 2009-10 financial year, the URA proceeded to put in place suitable external financing arrangements to ensure that it had sufficient funding in place to meet the needs of its extensive work programme.

67. Therefore, the URA sought external financing, by means of a successful \$1.5 billion bond issue in July 2009 under its Medium Term Note Programme, in order to help finance part of its 4R Plans. Prior to this, in December 2008, the URA had obtained a long-term corporate credit rating of AA+ by Standard & Poor's Rating Service which recently reaffirmed this rating in February 2010.

68. In addition to this bond issue, the URA put in place appropriate committed bank facilities.

69. Detailed financial information relating to the URA's overall position as at 31 March 2010 will be given in its Audited Accounts which will be included in the URA's 2009-10 Annual Report. The Annual Report is expected to be tabled by the Financial Secretary in the Legislative Council in October 2010.

70. The status of all the URA's 52 projects launched up until 31 March 2010, including the eight completed ones, is given in the attached **Appendix I**. From this, Members will note that, although six out of the 10 commenced projects inherited from the LDC have now been completed with all residential and commercial accommodation, other than car and motor cycle parking spaces, having been sold, leased or distributed, only two out of the 42 projects commenced by the URA or its strategic partner, the HKHS, have reached that stage.

71. The financial results of each of the eight projects completed to date are attached at **Appendix III** for Members' information. This is the first time that such detailed information about completed individual projects has been disclosed to the Legislative Council. This unprecedented step to disclose the financial results of individual project goes well beyond the requirements of the Urban Renewal Authority Ordinance and beyond the practices adopted by all other statutory bodies, as well as beyond even the requirements on listed companies. The URA is now taking this step to respond positively to Members' request to increase the transparency of its redevelopment work.

72. The financial results of all eight of these completed projects, which have been included in the overall financial results of both the LDC and the URA at the appropriate times, have been prepared according to generally accepted accounting principles and are presented in similar format to each other. Nevertheless, it is difficult to draw comparisons between projects because—

- (a) the LDC and the URA operate under different ordinances at different times with different mandates;
- (b) the LDC and the URA structure their deals with joint venture development partners (JVP) differently;
- (c) the LDC and the URA have different risk profiles;
- (d) the LDC and the URA handled the eight completed projects during different parts of property cycles and different conditions; and
- (e) the LDC had to pay full land premium while the URA does not because the Government grants land to the URA at nominal premium as part of the financial support of the Government to the URA.

73. In particular, under most of the LDC's deals, the LDC tendered out their projects prior to acquisition, clearance and planning approval and the JVPs were generally responsible for the acquisition costs, development costs, bank interest payments and land premia. In exchange, the LDC did the acquisition work, obtained planning approval and generally received an upfront payment and/or a guaranteed payment plus a share of the development profit. The URA operates differently. The URA is responsible for acquisition, clearance, site assembly, demolition and obtaining planning approval prior to tendering. Only following completion of all of these tasks does the URA tender out its projects for development. Moreover, only on award of tender is the URA able to endeavour to recoup its acquisition and other costs in the form of upfront payments, supplemented by some upside potential in the event that sales of the completed properties in the projects concerned exceed certain threshold levels.

74. As mentioned earlier, of the eight completed projects, the financial results of which are now being disclosed, six were commenced by the URA's predecessor, the LDC. These six projects are Project H1 (Queen Street, Sheung Wan), H12 (Kennedy Town New Praya, Kennedy Town), H13 (Ka Wai Man Road, Kennedy Town), K2 (Argyle Street/Shanghai Street, Mong Kok), K8 (Kwong Yung Street, Mong Kok) and K10 (Waterloo Road / Yunnan Lane, Yau Ma Tei). These six projects were handed over to the URA along with four still ongoing LDC projects, after they were already well under way and their respective project agreements had already been executed between the LDC and the

respective developer of each of the projects concerned. The URA, therefore, needs to respect these individual project agreements, the terms of which were concluded by the LDC at various times. The same is true of the four still ongoing LDC projects.

75. The remaining two out of the eight completed projects, namely, Projects H16 (Johnston Road, Wan Chai) and K27 (Reclamation Street, Mong Kok), were commenced by the URA itself under its own form of arrangements and project agreements which are different to those of the LDC. The same is true of the other projects commenced by the URA since its formation.

76. But for the fact that, unlike the LDC, the URA is exempt by the Government from the need to pay land premium, its net surplus from the completed projects would have been reduced by \$217 million, being the total amount of land premium foregone by the Government in making land grants to the URA for Projects H16 and K27.

77. Similarly, but for this same fact, the URA's total accumulated surplus since its establishment of \$6.7 billion would have been reduced by \$4.5 billion, being the total amount of land premium assessed by the Lands Department to have been foregone by the Government in making land grants to the URA for 14 projects up until 31 March 2010, to a net total accumulated surplus of \$2.2 billion. A brief note on this important financial contribution by the Government in support of the URA in the form of land grants at nominal premia is attached at **Appendix IV** for Members' information, together with details of the amounts of land premium foregone for each of these 14 projects and an explanation of how the Lands Department assesses these amounts.

78. We estimate that, in the five years from 1 April 2010 to 31 March 2015, a total expenditure of about \$16 billion, excluding operational overheads, will be required by the URA to meet the costs of all projects contained in its 2010 to 2015 CP. This expenditure covers the full range of the URA's 4R work in redevelopment, preservation, rehabilitation and revitalisation. The CP may, however, vary subject to the outcome of the URS Review.

79. Among the redevelopment projects is the Kwun Tong Town Centre project, which is the largest project ever undertaken by the URA. It requires an exceedingly large outlay for the acquisition of all of the almost 1,657 property interests in it, following issue of initial acquisition offers for all of these properties on 29 December 2008. It covers 5.3

hectares with five Development Areas and is expected to take some 13 years until 2021 to complete. It will, therefore, be some years before such cost can be recouped through the award of joint venture development contracts for this project.

80. In addition, the URA is now implementing an extensive programme of preservation of pre-war shophouses and other buildings and features, as well as significantly increasing the scale of its building rehabilitation and street and open space revitalisation work. The URA has, therefore, committed itself to deploying significant human and financial resources, over the next five years, to implement its programmes for these three growing and worthwhile, but non-revenue generating areas of work.

81. To ensure that its urban renewal programme is sustainable in the long term, the URA will continue to maintain a very prudent financial position and exercise due care and diligence in handling its finances.

VI. CONCLUSION

82. The work of the URA has continued to make substantial progress in 2009-10. Highlights were the implementation of the URA's comprehensive policy of environmentally sustainable development; the successful launch of the URA's first bond issue under its Medium Term Note Programme; the award of joint venture development tenders for three projects; the announcement of an alternative implementation concept for conserving Wing Lee Street; the issue of acquisition offers to all owners in one redevelopment and two preservation projects; the authorisations by the Secretary for Development of two redevelopment projects commenced in previous years; the commencement of three new redevelopment projects, including the Ma Tau Wai Road/Chun Tin Street project, which the URA commenced within a month of the tragic building collapse to help those affected by it; the expansion by the DEVB, BD, URA and HKHS, all working in partnership, of the OBB programme to rehabilitate more buildings and create more jobs; the initiation of an area-based revitalisation plan to enhance themed streets in Mong Kok; the initiation by the URA of a conservation and revitalisation plan to turn the old Central Market into a rejuvenated Central Oasis in response to the Chief Executive's Policy Address; and the support of the review by the DEVB of the current URS.

83. Overall, the URA is continuing to strive to implement its vision of creating a quality and vibrant urban living environment in Hong Kong to provide better homes in this world class city by delivering an affordable, financially self-sustaining, integrated, environmentally sustainable, adaptable and well balanced urban renewal programme that meets the needs and expectations of the community and has due regard for the changes in the social, economic and market conditions in which the URA operates.

84. Looking ahead, once the URS Review is completed and the updated URS is promulgated by end-2010, the URA will, of course, make any necessary adjustment to its strategies, programmes and modus operandi. The URA will then follow the updated URS, when preparing its next five year CP for 2010 to 2016 and its 2011-12 BP, to ensure that these Plans are aligned with the updated URS.

Urban Renewal Authority
June 2010

URA Project Highlights															
Project Code	Project Name	Development Name	Project Development Information										Remarks	Status	
			Area m ²	Existing GFA m ²	Buildings	Population	Total GFA m ²	Residential Flats	Commercial Space m ²	Other Uses m ²	G/IC GFA m ²	Public Open Space (1) m ²			
1-33 - 33 still ongoing URA projects commenced up by URA															
1 (2)	TKW/1/002	Ma Tau Wai Road/Chun Tin Street, Ma Tau Kok	3377	11104	16	1080	22640	420	1900	0	1000	500	The URA has taken the initiative to propose redevelopment of the site occupied by the collapsed building and its adjacent buildings on Ma Tau Wai Road and Chun Tin Street.	Project commencement gazetted on 24/02/10	
2 (2)	SSP/3/001	Shun Ning Road, Sham Shui Po	827	3820	5	159	6980	110	778	0	0	0		Project commencement gazetted on 26/06/09 SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 21/04/10	
3 (2)	MTK/1/002	San Shan Road/Pau Chung St, Ma Tau Kok	1170	6046	7	344	10530	144	1755	0	0	0		Project commencement gazetted on 29/05/09 SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 21/04/10	
4 (2,3)	MK/01	Shanghai Street/Argyle Street, Mong Kok	1128	3944	14	170	3944	0	3944	0	0	0	Zoned 'Other specified uses: shophouses for commercial and/or cultural uses'	Project commencement gazetted on 19/09/08 DSP approved by CE in C on 12/03/10 Initial acquisition offers issued on 31/03/10	
5 (2,3)	MK/02	Prince Edward Road West/Yuen Ngai Street, Mong Kok	1440	4334	10	31	6126	0	6126	0	0	0	Zoned 'Other specified uses: shophouses for commercial and/or cultural uses'	Project commencement gazetted on 19/09/08 DSP approved by CE in C on 12/03/10 Initial acquisition offers issued on 31/03/10	
6 (2)	TKT/2/002	Anchor Street/Fuk Tsun Street, Tai Kok Tsui	726	3348	6	257	6534	0	6534	0	0	0	Commercial space is for hotel with about 184 rooms	Project commencement gazetted on 07/03/08 DSP approved by CE in C on 30/06/09 Property acquisition in progress	
7 (2)	TKW/1/001	Chi Kiang Street/Ha Heung Road, Ma Tau Kok	928	5226	5	298	8352	116	1392	0	0	0		SDEV authorized URA to proceed on 07/07/08 Clearance in progress	
8 (2)	MTK/1/001	Pak Tai Street/Mok Cheong Street, Ma Tau Kok	776	3772	5	239	6984	92	1164	0	0	0		SDEV authorized URA to proceed on 07/07/08 Clearance in progress	
9 (2)	K28	Sai Yee Street, Mong Kok	2465	14434	14	498	22185	340	3698	0	0	0		Project commencement announced on 21/12/07 Property acquisition in progress	
10 (2,3)	K1	Nga Tsin Wai Village, Wong Tai Sin	4637	2051	36	109	37097	580	2319	0	0	1400		Project commencement announced on 2/10/07 Property acquisition in progress Demolition of vacated properties in progress	
11 (2,3)	H18	Peel Street/Graham Street, Sheung Wan	5320	20219	37	823	68300	293	44650	0	1290	2066	G/IC is a 1,290m ² multi-purpose activity hall. Commercial space includes retail space for relocating wet trade market shops, some space for social enterprises and 8,950m ² for 182 room hotel	Revised MLP approved by TPB in 01/09 Property acquisition in progress	
12 (2)	K7	Kwun Tong Town Centre, Kwun Tong	53500	96104	24	4439	401250	1980	111780	97860	31000	13400	Other uses include 65,860m ² for offices and 32,000m ² for hotel G/IC includes 6,200m ² for Kwun Tong Jockey Club Health Centre in Yuet Wah Street Site and 8,100m ² for Government uses in Main Site and 16,700m ² for Public Transport Interchange in Main Site Commercial Space includes some space for social enterprises Actual residential flat production is 1,980 units, but the approved MLP stated not more than 2,000 units to allow flexibility Public space includes min 8,700m ² at-grade public open space and min 4,700m ² public streetscape area/ pedestrian deck as specified in Fig 9 Open Space Classification of Appendix C of approved MLP	Project commencement gazetted on 30/03/07 2 DSPs approved by CE in C on 15/07/08 Yuet Wah Street (YWS) MLP approved by MPC on 5/12/08 Property acquisition offers made on 29/12/08 Main Site MLP approved by MPC on 23/01/09 1,088 of 1,657 offers accepted before expiry on 30/03/09 Joint-venture development tender for YWS Site awarded on 19/10/09 Land grant for YWS Site executed on 31/12/09 Hoarding erection in progress	
13 (2,3)	H05-026	Stone Nullah Lane/Hing Wan Street, Wan Chai	Blue House	906	1765	9	70	-	0	0	-	0	0	Part of revitalising historic buildings through partnership scheme Other uses include education, recreation, welfare or visitor uses	Project returned by HKHS to URA with effect from 1 February
14	K9	MacPherson Stadium, Mong Kok	2400	2788	1	0	24767	298	2443	0	5619	0	Land grantee is Hong Kong Playground Association G/IC is for Indoor Stadium and Youth Centre	Estimated completion of construction in mid 2012 Construction in progress	

URA Project Highlights

Project Code	Project Name	Development Name	Project Development Information										Remarks	Status
			Area m ²	Existing GFA m ²	Buildings	Population	Total GFA m ²	Residential Flats	Commercial Space m ²	Other Uses m ²	G/IC GFA m ²	Public Open Space (1) m ²		
15 (2) 16 (2) 17 (2)	SSP/1/003-005	Hai Tan Street / Kweilin Street & Pei Ho Street, Sham Shui Po	7440	25344	37	1277	56840	845	4990	0	2200	1500	Three projects taken forward as one G/IC includes Special Child Care Centre cum Early Education Centre, Day Care Centre for Elderly and Sub-base for a Neighbourhood Elderly Centre	DSP approved by CE in Council on 03/06/08 MLP approved by TPB in 10/09 Property acquisition in progress
18 (2)	TKT/2/001	Fuk Tsun Street / Pine Street, Tai Kok Tsui	560	4071	3	273	5040	72	840	0	0	0		Preliminary basic terms offer was issued by LandsD on 14/10/08 Clearance in progress Demolition of vacated properties in progress
19 (2,3)	SYP/1/001	Yu Lok Lane / Centre Street, Sai Ying Pun	2150	4140	14	213	16464	270	245	0	0	1100	Commercial space includes 76m ² for community use	MLP approved by TPB in 09/07 Preliminary basic terms offer was issued by LandsD on 11/09/2009 Clearance completed in 02/10 Demolition in progress
20 (2,3)	WC/001	Mallory Street / Burrows Street, Wan Chai	780	2687	5	122	2140	0	0	2140	0	300	Zoned 'Other specified uses: open space and historical buildings preserved for cultural and commercial uses'	Section 16 application approved by TPB in 02/09 Structural / foundation strengthening work in progress
21 (2) 22 (2)	SSP/1/001-002	Lai Chi Kok Road / Kweilin Street & Yee Kuk Street, Sham Shui Po	3339	13197	17	551	29649	384	4941	0	0	580	Two projects taken forward as one Commercial space includes some space for social enterprises	Demolition completed Joint-venture development tender awarded on 22/01/10 Land Grant executed on 16/03/10 Site investigation works in progress
23	K32	Pine Street / Anchor Street, Tai Kok Tsui	2328	11802	12	518	21261	464	3492	0	0	450	Construction in progress	Estimated completion of construction in early 2012 Construction in progress
24	K31	Larch Street / Fir Street, Tai Kok Tsui	2195	10332	12	594	19710	377	3285	0	0	0	Commercial space includes some space for non-income generating activities	Estimated completion of construction in mid 2011 Construction in progress
25 (3)	H15	Lee Tung Street / McGregor Street, Wan Chai	8220	36534	52	1613	77587	1212	9637	0	2706	3000	Commercial space includes some space for social enterprises G/IC includes Residential Care Home for Elderly/Community Service Support Centre, Refuse Collection Point and public toilet	Demolition completed Lee Tung Street closed on 25/02/10 Joint venture development tender awarded in 06/09 Land Grant executed on 25/2/10
26	K33	Baker Court, Hung Hom	277	834	2	9	2338	68	261	0	0	0		Construction in progress
27	K30	Bedford Road/ Larch Street, Tai Kok Tsui	1229	6313	7	280	10363	182	1148	0	0	0		Construction completed in 03/09 Sales of remaining unsold flats in progress
28 (2,3)	H19	Staunton Street/ Wing Lee Street, Sheung Wan	3563	6272	24	288	10179	115	3115	0	0	930		Revised MLP rejected by TPB on 19/03/10 Alternative approach now being considered Property acquisition in progress
29	H17	Queen's Road East, Wan Chai	378	1806	5	25	3984	96	441	0	0	0		Estimated completion of construction in early 2010 OP obtained in 04/10 Preparation for sales of flats in progress
30	H20	First Street / Second Street, Sai Ying Pun	3536	15690	30	777	38178	488	1722	0	2197	700	Commerical space excludes G/IC area. G/IC is for Residential Care Home for Elderly	Construction completed in 10/09 OP obtained in 10/09 Sales of flats in progress
31	K19	Po On Road / Shun Ning Road, Sham Shui Po	1394	4898	8	327	12534	166	2083	0	0	251		Construction completed in 04/08 Sales of remaining unsold flats in progress
32	K3	Cherry Street, Tai Kok Tsui	4510	14416	33	1020	43231	522	4916	0	1849	0	Commerical space excludes G/IC area. G/IC is for Residential Care Home for Elderly	Construction completed in 02/09 Sales of remaining unsold flats and shops in progress
33	K26	Fuk Wing Street / Fuk Wa Street, Sham Shui Po	1384	5129	8	246	12453	173	2075	0	0	255		Construction completed in 11/08 Sales of remaining unsold flats in progress
1-33 Launched Sub-Total (A)			122883	342420	458	16650	965000	9807	231674	100000	47861	26432		

URA Project Highlights

Project Code	Project Name	Development Name	Project Development Information										Remarks	Status
			Area m ²	Existing GFA m ²	Buildings	Population	Total GFA m ²	Residential Flats	Commercial Space m ²	Other Uses m ²	G/IC GFA m ²	Public Open Space (1) m ²		
47-52 - 6 Completed projects commenced by ex-LDC (4)														
47 (4) H12	Kennedy Town New Praya, Kennedy Town	The Merton	6075	24808	15	1683	62904	1182	0	0	110	2300	G/IC is for public toilet	Project completed in 2007/08
48 (4) H13	Ka Wai Man Road, Kennedy Town	Mount Davis 33	728	4000	1	0	7280	89	0	0	0	0		Project completed in 2007/08
49 (4) K10	Waterloo Road/Yunnan Lane, Yau Ma Tei	8 Waterloo Road	3869	6610	19	444	32012	576	0	0	0	1650		Project completed in 2007/08
50 (4) H1	Queen Street, Sheung Wan	Queen's Terrace	7964	25792	50	648	66233	1148	400	0	5254	1200	G/IC includes Single-person Hostel, Care & Attention Home, Day Nursery, Social Centre for the Elderly, Hostel for Moderately Mentally Handicapped and Cooked Food Centre	Project completed in 2007/08
51 (4) K2	Argyle Street/Shanghai Street, Mong Kok	Langham Place	11976	40810	58	2603	167414	0	160866		6548	1100	Commercial space includes 41,933m ² for 686 room hotel, 65,793m ² for offices and 53,140m ² for retail G/IC includes Cooked Food Centre and transport and community facilities	Project completed in 2005/06
52 (4) K8	Kwong Yung Street, Mong Kok	Paradise Square	1607	4190	10	178	15160	272	2414	0	0	0		Project completed in 2005/06
47-52 Completed Sub-Total (4) (F)			32219	106210	153	5556	351003	3267	163680	0	11912	6250		
Completed Total (4) (D) + (E) + (F)			34724	116261	178	6011	376491	3733	167082	0	11912	6250		
Commenced + Completed			212535	617477	814	33284	1795761	18100	487343	125816	73921	37901		

Note (1) This table includes only Public Open Space and not any private open space.

(2) The details of projects 1 to 13, 15 to 19 and 34 to 38 have yet to be finalised and are still subject to change during the statutory, planning and land grant approval processes

(3) Projects 4, 5, 13, and 20 are purely preservation projects. All other 48 projects are redevelopment projects, with redevelopment projects 10, 11, 19, 25, 28, 44 and 46 containing some preservation elements

(4) In this table, a project is deemed to be completed once all residential units have been sold and all commercial and other accommodation, other than car and motor cycle parking spaces, have been sold or substantially leased out

Project Numbers Reconciliation

+ 33 projects commenced by URA
+ 7 projects commenced by HKHS
+ 4 projects commenced by ex-LDC
+ 2 completed URA projects
+ 0 completed HKHS project
+ 6 completed ex-LDC projects
52 projects in total

Glossary of Terms

BP = Business Plan
CDA = Comprehensive Development Area
CE = Chief Executive of Hong Kong Special Administrative Region
CE in C = Chief Executive in Council
C/R = Commercial / Residential

DSP = Development Scheme Plan
GFA = Gross Floor Area
G/IC = Government / Institution and Community
HKHS = Hong Kong Housing Society
LandsD = Lands Department

LDC = Land Development Corporation
MLP = Master Layout Plan
MPC = Metro Planning Committee
OU = Other Specified Use
OZP = Outline Zoning Plan

R(A) = Residential Group A
SDEV = Secretary for Development
TPB = Town Planning Board
TPO = Town Planning Ordinance
URA = Urban Renewal Authority

CONTROL OF FLAT SALES IN REDEVELOPMENT PROJECTS INTRODUCTION OF EIGHT ADDITIONAL MEASURES

1. In April 2010, the Government announced a number of measures to enhance the regulation of flat sales in Hong Kong. Subsequently, on 3 May 2010, the Urban Renewal Authority (URA) announced that it would implement a package of additional measures covering flat sales of its redevelopment projects. The objective of these measures is to enhance transparency and fair play with respect to property sales in URA's completed developments, taking into consideration the needs of genuine home buyers by facilitating opportunity to end-users, tightening representation by its joint venture partners and ensuring disclosure and transparency of transacted sales.
2. The URA, as a publicly-funded statutory body, has all along attached a great deal of importance to the flat sale arrangements for its redevelopment projects by adopting higher standards of good practice than the prevailing market practices. URA hopes to implement these additional measures with its joint venture partners so as to enhance the existing flat sale mechanism. URA has taken this action because it recognizes and accepts that, since it is a public body, the community at large generally expects the Authority to adopt higher standards of good practice than were already in place in the property market.
3. According to the development agreements with the Authority's joint venture partners for individual projects, the marketing and flat sale arrangements are generally undertaken by the joint venture partners. However, URA already closely monitors activities and arrangements relating to flat sales, including marketing and sales strategies and relevant documents, to ensure that they are in full compliance with the guidelines and regulations issued by the Transport and Housing Bureau, Legal Advisory and Conveyancing Office of the Lands Department, Real Estate Developers' Association (REDA), Consumer Council and Estate Agents Authority.
4. The URA also scrutinizes and approves the proposed price list for each flat sale to ensure that it is in line with the market price and, thereby, to minimize speculative activities.
5. Details of the eight additional measures, which were announced on 3 May 2010, are as follows:
 - 5.1 Enhancing fair play
 - There shall be no internal sale by URA's joint venture developer. Only open sale shall be conducted.

Appendix II

- The flats selected by the joint venture developer for the first batch offered for sale should be agreed by URA.
- The staff members of the property agents / sub-agents engaged in marketing the units of the joint venture developer's project shall not be allowed to purchase the units in the project throughout the entire sale period.

5.2 Facilitating opportunity

- The first batch of units offered for sale shall all be sold to individual purchasers and not company purchasers.
- Not more than 10% of the total flats in a project shall be sold to company purchasers.
- Not more than two units shall be sold to the same buyer throughout the entire sale period.

5.3 Tightening representation

- Prior to the signing of preliminary agreement for sale and purchase, written declaration to URA shall be made by joint venture developer in respect of any proposed purchase by its board members, senior executives (staff members at or above manager level), the board members and senior executives of its holding company, and their connected persons as defined in the Hong Kong Stock Exchange Main Board Listing Rules.

5.4 Ensuring disclosure and transparency

- The following sales related information shall be disclosed in developer's website and displayed at the sales office(s) throughout the entire sale period in the manner as specified below:
 - (i) a full record of all the units sold, within 24 hours of signing of preliminary agreement for sale and purchase by URA;
 - (ii) all price lists (other than the first price list) within one hour from release (the minimum timing of disclosure of first price list and sales brochure shall follow the prevailing guidelines issued by REDA); and

Appendix II

- (iii) all transactions by board members and senior executives of the joint venture developer and its holding company, as well as their connected persons, within 24 hours of signing of preliminary agreement for sale and purchase by URA (for personal data reasons, the purchaser's name shall be excluded).
- 6. The URA's flat sale arrangements will be reviewed and refined from time to time to ensure they are responsive to changes in property market conditions.

FINANCIAL RESULTS OF COMPLETED PROJECTS**Contents**

<u>Project</u>	<u>Year of Completion</u>
1. Reclamation Street, Mong Kok	2009/10
2. Johnston Road, Wan Chai	2008/09
3. Kennedy Town New Praya, Kennedy Town	2007/08
4. Ka Wai Man Road, Kennedy Town	2007/08
5. Waterloo Road / Yunnan Lane, Yau Ma Tei	2007/08
6. Queen Street, Sheung Wan	2007/08
7. Argyle Street/ Shanghai Street, Mong Kok	2005/06
8. Kwong Yung Street, Mong Kok	2005/06
9. Explanatory Notes to Project Information Sheets	

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Reclamation Street, Mong Kok

Name: MOD595

References: No. 45 in Project Highlights

Project Site Information

Area m ²	535
Original GFA m ²	2,411
Buildings	4

Project Development Information

Total GFA m ²	4,921
Residential Flats	85
Commercial Space m ²	802
Other Uses m ²	0
G/IC GFA m ²	0
Open Space m ²	0
Project Duration	7 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by URA	October 2002	36.8		65.4	
Issue of Acquisition Offers	November 2002	36.0	100.0%	65.1	100.0%
Project Agreement	January 2005	49.5	137.5%	85.7	131.6%
Launch of Sales	April 2008	72.4	201.1%	124.7	191.6%
Year of Project	2009/10	78.7	218.6%	141.9	218.0%
Completion					

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

\$ million

Total Revenue	190.2
Total Direct Cost	(89.8)
Surplus /(Deficit)	<u>100.4</u>
Land Premium Forgone by Government	(26.0)
Net Surplus /(Deficit) after Land Premium Foregone	<u>74.4</u>

Remarks

URA responsible for acquisition and demolition.

URA received upfront payment and share of surplus sales proceeds above certain threshold.

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Johnston Road, Wan Chai
Name: J Residence
References: No. 46 in Project Highlights

Project Site Information

Area m ²	1,970
Original GFA m ²	7,640
Buildings	21

Project Development Information

Total GFA m ²	20,567
Residential Flats	381
Commercial Space m ²	2,600
Other Uses m ²	0
G/IC GFA m ²	0
Open Space m ²	0
Project Duration	7 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by URA	January 2002	40.3		74.1	
Issue of Acquisition Offers	March 2002	41.1	100.0%	73.3	100.0%
Project Agreement	July 2004	46.6	113.4%	74.9	102.2%
Launch of Sales	July 2006	53.4	129.9%	91.9	125.4%
Year of Project Completion	2008/09	60.2	146.5%	109.2	149.0%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

	\$ million
Total Revenue	1,043.4
Total Direct Cost	(445.8)
Surplus /(Deficit)	<u>597.6</u>
Land Premium Forgone by Government	(191.0)
Net Surplus /(Deficit) after Land Premium Foregone	<u>406.6</u>

Remarks

URA responsible for acquisition and demolition.

Developer and URA now holding commercial space including five preserved shophouses for letting pending sale.

URA received upfront payment and share of surplus sales proceeds above certain threshold.

URBAN RENEWAL AUTHORITY
PROJECT INFORMATION SHEET

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Kennedy Town New Praya, Kennedy Town
 Name: The Merton
 References: No. 47 in Project Highlights

Project Site Information

Area m ²	6,075
Original GFA m ²	24,808
Buildings	15

Project Development Information

Total GFA m ²	62,904
Residential Flats	1,182
Commercial Space m ²	0
Other Uses m ²	0
G/IC GFA m ²	110
Open Space m ²	2,300
Project Duration	11 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1996/97	95.8		162.2	
Issue of Acquisition Offers	July 1997	97.9	100.0%	167.2	100.0%
Project Agreement	March 1998	73.5	75.1%	138.7	83.0%
Launch of Sales	January 2005	49.5	50.6%	85.7	51.3%
Year of Project Completion	2007/08	72.9	74.5%	126.4	75.6%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

	\$ million
Total Revenue	464.5
Total Direct Cost	0.0
Surplus /(Deficit)	<u>464.5</u>
Land Premium Foregone by Government	Nil as land premium paid by Developer
Net Surplus /(Deficit) after Land Premium Foregone by Government	<u>464.5</u>

Remarks

Developer responsible for acquisition cost, development cost, interest and land premium.
After reimbursement to developer of all acquisition cost, development cost, land premium, interest and management fee, URA was entitled to balance of sales proceeds.

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Ka Wai Man Road, Kennedy Town

Name: Mount Davis 33

References: No. 48 in Project Highlights

Project Site Information

Area m ²	728
Original GFA m ²	4,000
Buildings	1

Project Development Information

Total GFA m ²	7,280
Residential Flats	89
Commercial Space m ²	0
Other Uses m ²	0
G/IC GFA m ²	0
Open Space m ²	0
Project Duration	11 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1996/97	95.8		162.2	
Issue of Acquisition Offers	Not Applicable As Site Vacant Government Land				
Project Agreement	September 2002	37.5	100.0 %	66.7	100.0 %
Land Grant	November 2003	35.9	95.7 %	64.3	96.4 %
Launch of Sales	April 2006	54.3	144.8 %	93.4	140.0 %
Year of Project Completion	2007/08	72.9	194.4 %	126.4	189.5 %

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

\$ million

Total Revenue

159.2

Total Direct Cost

(8.5)

Surplus /(Deficit)

150.7

Land Premium Foregone by Government

Nil as land premium paid by
Developer

Net Surplus /(Deficit) after Land Premium Foregone by Government

150.7

Remarks

LDC responsible for demolition prior to land grant by Government at full land premium.

Developer paid all development costs.

URA received upfront payment and share of surplus sales proceeds above certain threshold.

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Waterloo Road / Yunnan Lane, Yau Ma Tei

Name: 8 Waterloo Road

References: No. 49 in Project Highlights

Project Site Information

Area m ²	3,869
Original GFA m ²	6,610
Buildings	19

Project Development Information

Total GFA m ²	32,012
Residential Flats	576
Commercial Space m ²	0
Other Uses m ²	0
G/IC GFA m ²	0
Open Space m ²	1,650
Project Duration	19 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1988/89	Not Available		39.4	
Project Agreement	February 1989	Not Available		39.4	
Issue of Acquisition Offers	May 1996	64.4	100.0%	113.5	100.0%
Launch of Sales	March 2004	44.4	68.9%	78.1	68.8%
Year of Project Completion	2007/08	72.9	113.2%	126.4	111.4%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

\$ million

Total Revenue

135.5

Total Direct Cost

(5.9)

Surplus /(Deficit)

129.6

Land Premium Foregone by Government

Nil as land premium paid by
Developer

Net Surplus /(Deficit) after Land Premium Foregone by Government

129.6

Remarks

Developer paid all acquisition cost and land premium.

URA received guaranteed payment and shared profit with developer.

Long lead time prior to acquisition mainly due to time taken for design changes and planning approvals.

URBAN RENEWAL AUTHORITY
PROJECT INFORMATION SHEET

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Queen Street, Sheung Wan
Name: Queen's Terrace
References: No. 50 in Project Highlights

Project Site Information

Area m ²	7,964
Original GFA m ²	25,792
Buildings	50

Project Development Information

Total GFA m ²	66,233
Residential Flats	1,148
Commercial Space m ²	400
Other Uses m ²	0
G/IC GFA m ²	5,254
Open Space m ²	1,200
Project Duration	17 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1990/91	Not Available		49.6	
Issue of Acquisition Offers	August 1991	Not Available		65.5	100.0%
Project Agreement	October 1993	Not Available		95.5	145.8%
Launch of Sales	November 2002	36.0		65.1	99.4%
Year of Project Completion	2007/08	72.9		126.4	193.0%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

\$ million

Total Revenue	576.7
Total Direct Cost	(13.2)
Surplus /(Deficit)	<u>563.5</u>
Land Premium Foregone by Government	Nil as land premium paid by Developer
Net Surplus /(Deficit) after Land Premium Foregone by Government	<u>563.5</u>

Remarks

Developer paid all acquisition cost, development cost, interest and land premium and received all sales proceeds.

URA received guaranteed payment.

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Argyle Street/ Shanghai Street, Mong Kok

Name: Langham Place

References: No. 51 in Project Highlights

Project Site Information

Area m ²	11,976
Original GFA m ²	40,810
Buildings	58

Project Development Information

Total GFA m ²	167,414
Residential Flats	0
Commercial Space m ²	160,866
Other Uses m ²	0
G/IC GFA m ²	6,548
Open Space m ²	1,100
Project Duration	17 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1988/89	Not Available		39.4	
Project Agreement	February 1989	Not Available		39.4	
Issue of Acquisition Offers	August 1989	Not Available		39.2	100.0%
Launch of Sales	Not Applicable	Not Applicable		Not Applicable	
Year of Project Completion	2005/06	54.1		92.6	236.2%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

	\$ million
Total Revenue	450.0
Total Direct Cost	(324.0)
Surplus /(Deficit)	<u>126.0</u>
Land Premium Foregone by Government	Nil as land premium paid by Developer
Net Surplus /(Deficit) after Land Premium Foregone by Government	<u>126.0</u>

Remarks

LDC responsible for part of acquisition cost.
Developer paid balance of acquisition cost plus land premium and now owns the completed development.

URBAN RENEWAL AUTHORITY
PROJECT INFORMATION SHEET

(to be read in conjunction with Attachment 9 to Appendix III)

Project Address, Name and References

Address: Kwong Yung Street, Mong Kok

Name: Paradise Square

References: No. 52 in Project Highlights

Project Site Information

Area m ²	1,607
Original GFA m ²	4,190
Buildings	10

Project Development Information

Total GFA m ²	15,160
Residential Flats	272
Commercial Space m ²	2,414
Other Uses m ²	0
G/IC GFA m ²	0
Open Space m ²	0
Project Duration	15 Years

Milestones

	Date	Centa City Leading Index (July 1997 = 100)		R&VD Price Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by LDC	1990/91	Not Available		49.6	
Issue of Acquisition Offers	December 1990	Not Available		47.3	100.0%
Project Agreement	January 1999	55.7		103.8	219.5%
Launch of Sales	December 2003	37.1		65.4	138.3%
Year of Project Completion	2005/06	54.1		92.6	195.8%

URBAN RENEWAL AUTHORITY **PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 9 to Appendix III)

Financial Results

	\$ million
Total Revenue	301.9
Total Direct Cost	(245.1)
Surplus /(Deficit)	<u>56.8</u>
Land Premium Foregone by Government	No premium payable as no land exchange
Net Surplus /(Deficit) after Land Premium Foregone by Government	<u>56.8</u>

Remarks

LDC acquired properties first.

LDC sold acquired properties to developer and URA received share of sales proceeds from completed development.

Long lead time prior to tendering mainly due to time taken for closure of public street.

Explanatory Notes to Project Information Sheets

1) **Project Commencement Financial Year**

For ongoing LDC projects commenced by LDC and inherited by URA, this is the year when the project was first reported by the LDC in its annual reports as being under active implementation.

For ex-LDC and URAO projects commenced by URA, this is the year when commencement of the project was gazetted and the freezing survey was conducted.

2) **Project Completion Date/Financial Year**

It represents the financial year by when all residential units were sold and all commercial and other accommodation, other than car and motorcycle parking spaces, were sold or substantially leased out.

3) **Project Duration**

It represents the number of years from project commencement to project completion.

4) **Total GFA**

It represents the gross floor area of the project upon completion.

5) **Revenue**

Revenue includes whichever is applicable in the case of each project out of the following items -

- (a) Upfront payments received from joint venture partners at the inception of the joint development agreements;
- (b) Guaranteed payments received from joint venture partners in accordance with the terms of the joint development agreements;
- (c) Shares of surplus sales proceeds received from joint venture partners in accordance with the terms of the joint development agreements, including the share of net rental income from the leased commercial portion of the project up to 2009/10 but excluding the share of the value of the commercial portion of the project which is yet to be sold.
- (d) Net sales proceeds received from the joint venture partners for the purchases of those project properties previously acquired by the former LDC, prior to the engagement of the joint venture partner.

6) Direct Cost

Direct cost represents all costs incurred in connection with each property redevelopment, including whichever is applicable in the case of each project out of (a) acquisition, compensation and rehousing costs; and (b) other costs, including direct consultancy fees, incurred in connection with the development.

7) Land Premium

The LDC was required by the Government to pay full land premium for all redevelopment projects which it undertook.

The URA does not have to pay land premium because, as part of the Government's financial support package for URA, urban renewal sites for new projects set out in URA's Corporate Plans and Business Plans and approved by the Financial Secretary are directly granted to URA at nominal premium.

8) Allocated Overheads

These are not included in the calculation of the results of individual projects.

9) Notional Interest

This is not included in the calculation of the results of individual projects.

**PREMIUM FOREGONE BY GOVERNMENT
IN RESPECT OF LAND GRANTS FOR URA PROJECTS**

1. Introduction

1.1 As stipulated in the item for the Finance Committee FCR(2002-03)24 considered by the Legislative Council on 21 June 2002, as part of the Government's financial support package for URA, urban renewal sites for new projects set out in URA's Corporate Plans and Business Plans and approved by the Financial Secretary (FS) from time to time may, in principle, be directly granted to URA at nominal premium. Up to 31 March 2010, a total of 14 land grants have been directly made to URA at nominal premium for URA projects. These nominal premium concessions for land grants to URA constitute a significant financial contribution by the Government to the implementation of the urban renewal programme.

1.2 Apart from the estimated premium foregone, the invocation of the resumption power under the Lands Resumption Ordinance (Cap 124) to complete the site assembly process in each case to release the redevelopment potential of sites partially acquired by the URA also represents another significant though indirect contribution of the Government towards the urban renewal programme.

1.3 This paper explains how premium foregone and these two forms of indirect contribution to the urban renewal programme have been provided.

2. Direct Land Grants to URA

Land Assembly

2.1 Pursuant to section 29 of the Urban Renewal Authority Ordinance (Cap 563), URA may apply to the Secretary for Development (SDEV) requesting her to recommend to the Chief Executive in Council the resumption under the Lands Resumption Ordinance (Chapter 124) of any remaining properties which the URA has failed to acquire voluntarily as well as any properties already acquired by

URA but with title defect. Without resumption, it is unlikely that URA can complete the final land assembly process required to enable redevelopment to commence.

Land Exchange

- 2.2 After the completion of land assembly (i.e. acquisition by URA and followed by resumption exercised by the Government), URA will apply to Lands Department (LandsD) for a land grant usually by way of surrender (of acquired lots) and regrant (of a new lot), i.e. land exchange. URA will surrender all its acquired property interests to the Government in exchange for a new grant with new lease conditions containing updated development conditions and various Government departments' requirements on the proposed redevelopment. The newly granted site will comprise (i) URA's acquired lots, (ii) Government's resumed lots, and (iii) in some cases, additional Government land, e.g., rear lanes formerly separating the old private lots, which altogether form a complete project site for the redevelopment proposed by URA.

3. Land Premium

- 3.1 For a land exchange to be granted to a private developer, a land premium at full market value as assessed by LandsD is payable by the developer at the time of land grant, taking into full account the market value of the developer's existing landholding to be surrendered to the Government in exchange for the new grant. For URA's urban renewal projects, however, as mentioned in paragraph 1.1 above, the land grant or land exchange to the URA will be at nominal premium.

Land Premium Assessment

- 3.2 The land premium for a land exchange is assessed by LandsD as the difference between the "After" land value of the lot granted to URA for the urban renewal project and the "Before" land value of the lots ("old lots") acquired by URA. However, for land exchanges in respect of LDC projects, the premium for the grant of the site would be based on its full market value, with due credit being given to the LDC in the assessment for the full market value of the land that the LDC had already acquired together with the land that Government

was to resume on its behalf noting that the resumption costs would be reimbursed to Government by the LDC. By applying the same formula, the premium which could have been “foregone” in respect of the 14 URA projects as at the date of land exchange is provided at the Attachment.

3.3 Accordingly, the land premium “foregone” in the direct land grant to URA by the Government as assessed by LandsD, represents the difference between the value of land granted to URA (After value) and the value of the lots acquired by the URA and the lots resumed by the Government (Before value) as at the date of the land exchange. It should be noted that the “Before” value reflects the amalgamation of both the URA’s acquired lots and Government’s resumed lots and when such amalgamation forms a site more or less suitable for the urban renewal redevelopment. In some cases, additional government land as referred to (iii) of para. 2.2 above is also required.

4. Enhancement in Land Value of Assembled Lots to URA Resulting from Site Assembly by Government Resumption

4.1 In addition to the nominal premium concession, the completion of the land assembly process for URA projects is only made possible through the Government exercising its resumption power. This process has made the realization of redevelopment value of the individual lots possible. As explained in para. 3.1 above, if URA were treated as a private developer, the land premium should be the difference between the “After” land value of the lot granted to URA for the urban renewal project and the “Before” land value of the lots (“old lots”) acquired by URA only, not the value of the URA’s acquired lots and the government’s resumed lots amalgamated together as adopted in para. 3.2 above. Therefore, the government’s financial contribution could be the total difference between the After and the Before value, and the Before value should take into account only the value of URA’s acquired lots but not value of the government’s resumed lots.

5. Protection of “Public Funds”

- 5.1 Notwithstanding that the URA has been granted redevelopment project sites to proceed with urban renewal projects at nominal premium and without any quantification and charging of the value of the invocation of the resumption power, the full market value of the land involved in the subject lots is always recouped for the public coffers from the URA’s joint venture partners in the form of upfront payment to the URA in each case through a tendering process. The amount paid by the joint venture partners in the form of a highest bid represents the full market value of the site. In other words, the upfront payment would enable the recouping of (i) any land premium foregone by Government in the redevelopment project site granted to URA, (ii) the market value of the property interests acquired by URA, (iii) the market value of the property interests resumed by Government plus (iv) the enhancement in land value of assembled lots that has been realized by the invocation of resumption power, all being public funds which could be fully protected in the tender process.

Estimated Premium Foregone

Project No.	Location	Date of Grant	Estimated Premium Foregone \$M
1	H16 Johnston Road, Wanchai	13.7.2004	191
2	K3 Cherry Street, Tai Kok Tsui	14.10.2004	112
3	K26 Fuk Wing Street/ Fuk Wa Street, Shamshuipo	17.11.2004	40
4	K19 Po On Road/ Shun Ning Road, Shamshuipo	20.12.2004	45
5	K27 Reclamation Street, Mongkok	8.2.2005	26
6	K30 Bedford Road/ Larch Street, Tai Kok Tsui	25.11.2005	78
7	H20 First Street/ Second Street, Sai Ying Pun	9.12.2005	527
8	H17 Queen's Road East, Wanchai	20.4.2007	0
9	K31 Larch Street/ Fir Street, Tai Kok Tsui	10.8.2007	90
10	K33 Baker Court, Hunghom	17.6.2008	3
11	K32 Pine Street/ Anchor Street, Tai Kok Tsui	24.6.2008	213
12	K7 YWS Yuet Wah Street/ Hip Wo Street, Kwun Tong	31.12.2009	1,068
13	H15 Lee Tung Street/ McGregor Street, Wanchai	25.2.2010	2,046
14	SSP/1/001 & 002 Lai Chi Kok Road/ Kweilin Street/ Yee Kuk Street, Shamshuipo	16.3.2010	63
Total			4,502