

For the People By the People
Research Report on Urban Regeneration Strategy
Executive Summary

1. Urban renewal is one of the parameters in the territorial development strategy and overall development of Hong Kong. Hence, the Government should head for a broad vision and designate a holistic policy with a more comprehensive policy framework for urban regeneration and for the development of Hong Kong as a whole. These include:

- Reviewing and revamping the territorial development strategy of Hong Kong, as well as readjusting the development pressures between the urban core and the New Territories;
- Facilitating a better control over built environment, in a bid to mitigate the impact of the private property development towards urban environment and, in the long run, to improve the overall quality of life;
- Asserting the principle of the urban regeneration policy and relevant policy measures, which is “Resident-led as the Core, Rehabilitation as the Priority, and Mutual Sharing of the Fruits of the Regeneration”;
- Reprioritizing the “4Rs” mission of the Urban Renewal Authority (hereafter URA).

2. A broad and genuine public participation is the key factor towards the success of urban regeneration process. The participation of the community at large, particularly the involvement of individual property owners plus residents and even members of the public at the district level, are of crucial importance to reflecting majority views towards the rehabilitation or redevelopment. This in turn helps nurture atmosphere of harmony across the community. The specific arrangements are as follows:

- “Sustainable Development Councils” at various local levels should be established to design and conduct envisioning work at respective level following the guideline of the “Local Agenda 21”;
- The agenda of public participation should cover sensitive issues such as decisions over redevelopment and preservation, as well as issues in relation to the preservation of heritage and social network;
- Opinions collected from public participation process should be respected and assured to be the key factors for future consideration;
- A higher level of objective on public engagement is to promote wider participation in community development. The landlords and the tenants

should be encouraged to directly involve in urban rehabilitation and redevelopment, and share the fruits of urban regeneration.

3. The “4Rs” strategy of the URA should be reprioritized, whereas rehabilitation should be placed in the most important position. The Government should also designate a holistic rehabilitation programme to ensure all buildings would be subject to regular inspections. It would also be of utmost importance to ensure all residential buildings would be rehabilitated without excuse of lack of financial or managerial abilities, and have had a certain basic of management and maintenance after the rehabilitation programme. The specific measures are as follows:

- The “Mandatory Buildings Inspection Scheme” and the “Mandatory Windows Inspection Scheme”, together with their supporting measures, should be expedited as soon as possible;
- To realign the funding schemes of the Hong Kong Housing Society (hereafter the HKHS) and the URA, together with the “Operation Building Bright” programme from the Government and relevant subsidies from the proposed “Mandatory Buildings Inspection Scheme”. These funding schemes should be targeted at different groups of the general public. Subsidies from the Operation Building Bright should only be available to the problematic residential blocks of inadequate management capacity;
- To facilitate the establishment of owners’ corporation or other property management mechanism, so as to improve the maintenance of property management. This would help lower the occurrences of the heavy decay of the buildings.

4. Urban redevelopment has to address the core issue of “who will be benefited”. Redevelopment cooperatives formed by landlords would be a viable alternative which could help realize the principle of “resident-led”. It seems that this new mode of redevelopment can address the needs of residents, tenants, as well as public goods. The characteristics of the redevelopment mode are as follows:

- Landlords decide collectively on the selection of redevelopment plan, supervise the realization of the projects and own the shares of the cooperative;
- Landlords have to bear the gains and risks in redevelopment;
- A wide array of options would be available for the landlords, ranging from a premature sale of their shares for cash, dividend sharing to early choice in “flat-for-flat” and “shop-for-shop”;

- Individual residents are entitled to compensation from the cooperatives;
- Social network could be maintained via support of the Government.

5. The new redevelopment mode should strive a balance between the need of landlords and the community at large. It should also be a sustainable business model, so that it could be operational besides the private and public modes of practice. The operation model of the new mode could be summarized as follows:

- “Resident-led, Government Facilitates”: The residents shall decide collectively on whether a particular site shall be redeveloped, as well as the redevelopment plan. The Government would provide financial assistance to the redevelopment cooperatives via collaborative organizations;
- “Environmental and Public Need as the Foremost”: The redevelopment proposals should be designated in accordance with the principles of sustainable development. Plot ratio should be maintained at a low level in most cases but flexible arrangement would be accepted in order to foster a higher value for the benefit of the society as a whole. Planning and design should be optimized to improve the built environment;
- Comprehensive Care, Community Support: Negative impact on the community would be minimized through the provision of support to the underprivileged, maintaining their social network and safeguarding healthy development of the local economy;
- After the redevelopment projects are completed, the collaborative organization in charge would be allowed to collect a service charge from the landlords or claim government’s subsidy in accordance with the number of completed projects.

6. The URA, the HKHS, and new collaborative organizations would have an active role to play in the execution of the redevelopment cooperative model, under the proposition of “resident-led” principle. Their specific works include:

- Conducting social impact assessment in accordance with international standards in the designated “old areas”;
- Building trust as well as networking among the landlords pave the way for the “redevelopment cooperative”;
- Formulating “collaborative redevelopment” options for residents’ consideration according to the “environment-first” principle;
- Exercising statutory buyout to assist in “collaborative redevelopment”, and facilitating financing and financial arrangements where necessary.

7. There should also be some strategic adjustments in terms of scope of responsibilities of the URA. It should only conduct the preservation of heritage within the redevelopment area on a limited scale.

8. District Councils are more appropriate than the URA in promoting revitalization in urban areas. In view of this, the Government should empower District Councils with more authorities and resources, including:

- Each District Council should have an independent secretariat staffed by non-civil servants;
- The resources of all small scale projects should be consolidated to put forward revitalization programmes;
- Each of the District Councils should have their own team of town planners and relevant professionals to assist in designating development plans, so as to address needs of the community in a feasible manner.

9. “Urban Renewal Authority” should be renamed as “Urban Regeneration Authority” in a way to reflect the transformation of its new missions and mode of work. Instead, URA is advised to focus on rehabilitation work of run-down buildings, and play the role of supporter through provision of financial resources and project supervision. It should also act as an enabler in the cause of urban redevelopment with particular emphasis on “Resident-led” and “Environmental and Public Need as the Foremost” principle.

10. Urban redevelopment activities have in recent years intensified the development density and pressures of the urban areas. This could only be solved through the adjustment of the overall planning setting of Hong Kong, especially through the rectification of the spatial imbalance between the metro core and “peripheries”, such as the New Territories. The Government should consider a more decentralized land use pattern and modify the land use as stipulated by the Outline Zoning Plan. In addition, the new planning direction should not be confined to the relocation of the population from the metro core to the New Territories. It should also enhance the economic vibrancy in the New Territories through exploring business potential specifically for job creation. Developing new business nodes such as the “secondary city centres” of which the Professional Commons has proposed appears to be a feasible alternative for future considerations.

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Supplementary Proposal on the Proposed Urban Renewal Strategy

1. The Development Bureau recently published the “Public Views and Future Direction: Paper for the Consensus Building Stage of the Urban Renewal Strategy Review” (hereafter the “Paper”), indicating that the Urban Renewal Strategy Review has entered the "consensus building" stage. The Professional Commons (hereafter “The ProCommons”) has closely followed the progress of the review and published a research report entitled “For the people, By the people: Research Report on the Urban Regeneration Strategy Review” in December 2009. It would be advisable for the HKSAR Government to establish the principles of “Resident-led as the Core, Rehabilitation as the Priority, and Mutual Sharing of the Fruits of the Regeneration” as the new version of the urban regeneration strategy and relevant policy measures.
2. The ProCommons is of the view that the blueprint outlined in the Paper has had many shortcomings, including no coverage in several major policy areas; in compliance with the principle of social sustainability; incompetence in settling the conflicts in relation to the distribution of benefits of regeneration, as well as no intention to adopt “participatory planning” to realize the "people-first" principle. Below shows our detailed comments to the Paper.

I. Vision

3. As the Paper has suggested, the party that participated in urban regeneration should not only be confined solely to the Urban Renewal Authority (hereafter the “URA”), but also include relevant policy bureaux / departments, District Councils, public bodies, private sector, individual property owners, professionals and non-governmental organizations. **In the light of this, the proposed urban regeneration strategy (hereafter “URS”) should not be restricted to URA’s future operation and designated responsibilities accordingly but of utter ambiguity in other areas.**

4. **The scope of URS should be extended beyond the URA “4R” strategies, which should include the following:**
 - **The Government should formulate a holistic preservation policy,** under which a dedicated mechanism should be in place to narrow the conflicts between development and conservation. The URA should only take care of heritage preservations within the redevelopment areas;
 - **Improvement of the urban built environment:** The Government should capitalize on the relevant review on the built environment undertaken by the Council for Sustainable Development, so as to tackle the outright abuse by property developers in building design in private property developments. It would be important to address the manipulation of the grey areas in planning guidelines by rectifying the abuses on plot ratios, the “building wall effect”, as well as other issues;
 - **The Government should empower local authorities to play a more proactive role in local matters.**

5. The concept of sustainable development attaches equal importance to the pursuit of economic development and the need to safeguard the environmental quality and social equality. While the major coverage of the Paper is allocated to urban redevelopment, it indicates that the primary goal of urban regeneration is still on providing more land to meet developmental needs. Against this background, **the proposed URS should cover the various aspects in the urban regeneration process, including improving the overall environmental quality in the urban areas; delineating the roles and responsibilities of the private sectors, and safeguarding social equalities, such as balancing the interests of the society in general and those of the original landlords and tenants, safeguarding the interests of the minorities, and preventing the business conglomerates from taking advantage of the regeneration in full, etc. Most importantly, specific policy measures should be listed out to help achieve sustainable development.**

6. Future goal of urban regeneration should provide a proper answer for the question “regeneration for whom”. The urban renewal approach in the past seriously weakened social capital, and failed to improve the living environment of those affected by the redevelopment. This results in the

fragmentation of social networks. Moreover, the urban renewal process has often been criticized for damaging the built environment in urban areas, and therefore borne a bad name of assisting property developers in “looting” private properties of individual owners. **Against this background, the proposed URS is advised to strike a balance between the interests of the community at large and individual property owners and tenants. It would also be important to safeguard the rights of minorities and avoid the benefits arising from urban regeneration from being exploited by big corporations. Greater importance should also be given to improving the overall urban environment.**

II. Rehabilitation-first Strategy: Not Thorough Enough

7. Although the Development Bureau has triggered the legislative procedure for both the “Mandatory Buildings Inspection Scheme” and the “Mandatory Windows Inspection Scheme”, and continued to provide funding and loan schemes for buildings rehabilitation, there is no thorough solution for dilapidated buildings in the urban areas. According to the statistics of the Home Affairs Department, there are now about 7000 “three no properties” across the territory¹. After the collapse of a building in To Kwa Wan, various government departments jointly acted to inspect 4 000 buildings that have been over 50 years of age, and planned to incorporate 600 buildings in need for rehabilitation into the “Operation Building Bright” scheme. Hence, there are still at least 3 000 properties with no identified status. Most importantly, many of them are poorly managed and are in dilapidated condition, of which the Government has no remedial measures to deal with. **For the realization of the “rehabilitation-first” principle, The ProCommons recommends the following:**

- **The new funding for the “Operation Building Bright” Scheme should be used mainly to subsidize the buildings lacking management capacities in handling works projects.**

¹ The “Three Nos” buildings refers to those buildings without the employment of a property management company, without setting up an owners’ incorporation and without the establishment of other residential organization. See “Speech from the Secretary of Home Affairs in the Second District Forum of the Summit on District Administration 2010,” Press Release of the HKSAR Government. 15 June 2010.

- In the light of the close relationship between building dilapidation and weak property management, greater effort should be put to help establish owners' corporations or other property management mechanisms, in order to improve property maintenance and to undertake rehabilitation on a regular basis.²
- Provision of assistance for building rehabilitation should be one of the two major tasks of the URA.

III. A Democratic Regional Planning Platform

8. The Paper recommended the establishment of a "District Urban Renewal Forum". Under Government's appointment of all the members, it definitely violates the principles of "putting people first" and "bottom-up", as suggested in the Paper. It is apparent that the professionals "parachuted" from the outside would not necessarily be familiar with the planning region. Moreover, the so-called "local representatives" do not have acceptance of considerable level as they are simply designated representatives appointed by the Government! Even worse, there will be no individual property owner and resident representatives, which is not comparable with the existing District Advisory Committee under URA. **To ensure a more democratically-abiding local planning, the proposed planning platform should make the following fundamental changes:**

- The geographic coverage of each consultative platform should be equivalently on two District Councils;
- There should be 10 elected members thereon, together with additional members being appointed by the elected representatives. Amongst them are at least three representatives for the residents, and other three for the professionals (planners, social workers, etc.);
- The platform's main functions include: overseeing local engagement activities for the collection of public opinion; organising and supervising social impact assessments; consolidating and incorporating public comments into the proposed amendments of the Outline Zoning Plan;
- The platform should have an independent secretariat, social service

² See The Professional Commons, "For the People, By the People: Research Report on the Urban Regeneration Strategy Review," December 2009, Chapter IV, Section C.

teams and financial sources.

IV. Role and Market Positioning of the URA

9. **The URA should focus on rehabilitation and redevelopment (the 2R), but may involve in revitalization and preservation projects only in special circumstances. The crossing out of revitalization and preservation as its main mission is to emphasize that these two are not URA's primary businesses.**
10. The Paper has mentioned twofold that “redevelopment value” is not the key factor in the selection of redevelopment areas. The specific statements of such are as follows:
 - In the section concerning the implementation of the redevelopment projects from the URA, it has emphasized that “the rationale for redevelopment and the project priority should depend on the building conditions, planning considerations, and the living conditions of residents, and not on the redevelopment value of the site. The nature of redevelopment should be a social one.”
 - It has re-affirmed the position in terms of the compensation policy towards property owners: “Redevelopment projects implemented by the URA do not involve the redevelopment value of the lot in question.”
11. Taking into consideration the above statements, it is likely that the URA has made a significant shift in policies by giving up the principle of “profit-driven” in future URS, through giving up projects of high redevelopment values. In view of the over-simplistic current official explanation, the public found itself difficult to understand its impacts on future urban regeneration and the direction for redevelopment, as well as its implications on compensation arrangements. **Hence, the URA should clearly indicate its future scope of business and market positioning in urban renewal, indicative of its formal departure of the “business-led” redevelopment mode and future shift toward “social redevelopment”, embarking upon problems in relation to dilapidated buildings located in old districts. Even so, the URA would be allowed to participate in individual projects of high “redevelopment values” based on the conditions of buildings or**

upon requests from the property owners. These projects should be executed under the mode of “owners’ participation”.

12. It would be advisable for the quality standard of the redeveloped units to be in line with its counterparts of the Home Ownership Scheme (hereafter the “HOS”) or the Sandwich Class Housing Scheme (hereafter the “SCHS”). It should be noted that most of the URA’s future redevelopment projects are mostly “social redevelopment”. In order to complement the surrounding environment, these buildings would most unlikely be “inflated” in an exorbitant scale, and the value of the buildings after redevelopment would not be tremendously increased. In so doing, price hike is unlikely to happen amongst the redeveloped units, **which helps reduce possible conflicts in terms of compensation. The socio-economic environment of new units would be similar to those before the redevelopment, so that it would be easier for the original residential and business owners to move back. It would also help preserve the community network, as well as the local economy.**

V. Compensation Package and Owners’ Participation in Redevelopment

13. There are a number of key elements an ideal “flat for flat” arrangement should possess in a bid to enhance its feasibility as well as its level of acceptance by both property owners and tenants. This includes more compliance with the “seven years old replacement flat value” compensation principle; improving residents’ livelihood through a better rehousing arrangement, and abiding by the principle of social sustainability. Specific suggestions for improvements include:
 - The “flat for flat” and “shop for shop” compensation should be implemented for the sake of maintaining local economy and social network;
 - In order to fulfill the pledge of “no one would be left homeless as a result of the redevelopment”, the owners should obtain rental allowance during the construction period;
 - Compensation must be given to the tenants registered during the

freezing period.

14. **The recommendations above could not only help solve the long-lasting disputes regarding compensation, but also create a peaceful social environment for the implementation of the new urban regeneration strategy in the long run.** In the past, most of the redeveloped projects turned the old residential units into luxury flats. Moreover, the gross floor area of many projects is severely “inflated”. By doing so, the URA and the developers participating in the redevelopment projects have obtained huge amount of profit. On the other hand, the affected property owners had merely been compensated in accordance with the “seven year flat of the same district”, explaining why many owners held the view that they were under exploitation. In the light of this, should the compensations be made in accordance with the above-mentioned suggestions, it would serve as a new alternative to solve the historical issues.
15. **It would also be a viable measure for the URA to adopt the mode of “owners’ participation” in future redevelopment projects in a bid to get rid of possible conflict in compensation.** One of the feasible means is to facilitate property owners to form a “redevelopment cooperative” as a means of direct participation in redevelopment work.³ In addition, a mechanism should be in place to enable free transfer of shares so that any owners could quit freely.
16. **To ensure a success of the mode of redevelopment through “owners’ participation”, URA should play a new role of “facilitator” in redevelopment projects through exercising the “Lands Resumption Ordinance”, as well providing transitional loans or financial subsidy of certain degree.**
17. **There exist prerequisites for the owners to obtain URA’s assistances. The most important criteria are whether the redevelopment projects could bring about greater public interest, and whether they are conducted in accordance with the principles of “resident-led,**

³ See The Professional Commons, “For the People, By the People: Research Report on the Urban Renewal Strategy Review,” December 2009k, Chapter IV, para. 13.

government facilitates”; “environmental and public need as the foremost” and “comprehensive care, community support”.⁴

18. **The ProCommons objects the proposition that the URA would play the role of consultant in redevelopment projects and receive gratuities in return.** In doing so, the service terms of such are of no difference from being a private enterprise, in which the URA as such performs no social function at all. In addition, the URA, as a public body with public subsidies, should not directly compete with private enterprises, which totally violates the principles of market-led and fair competition.

VI. Financial Model of the URA

19. Given that the URA is meant to be mainly engaging in social redevelopment in the future, it must be more in line with a public organization in nature. In view of the fact that there would be a growing amount of compensation, it will result in a lower level of return in most of the redevelopment projects. In the light of this, the financial burden of the URA is expected to soar in the long run. Hence, **the financial model of the URA should have the following modifications:**

- **The URA should maintain the self-financing principle under which redevelopment projects are only required to achieve a balanced budget rather than to generate profit to cover the expenditures on revitalization and preservation projects;**
- **The URA should reduce its participation in the revitalization and preservation projects outside the redevelopment areas and should recoup all the costs involved;**
- **As the accumulated profits of extraordinary level in recent years, the URA is still expected to sustain in accordance with the self-financing principles for quite a period of time. In the long run, its financial situation is advised to be reviewed every five years.**

⁴ The principle of “environment and public need as the foremost” refers that the redevelopment proposals should be designated in accordance with the principles of sustainable development. Plot ratio should be maintained at a low level in most cases but flexible arrangement would be accepted in order to foster a higher value for the benefit of the society as a whole. Comprehensive Care, Community Support refers to the provision of support to the underprivileged, the preservation of community network and the protection of the regional economies. See The Professional Commons, “For the People, By the People: Research Report on the Urban Renewal Strategy Review,” December 2009, Chapter IV, para. 14.

Where necessary, the Government should provide additional funding to maintain its financial stability. The injection is justified provided that part of the land or floor area is designated for public use in future redevelopment projects, or plot ratio has not been fully used for lowering the development density or building height in the redeveloped areas. To this end, the Government should bear the responsibilities for paying “compensation” to these low density developments;

- The financial situation of the URA should also be under the scrutiny of “value for money” audit from the Audit Commission to ensure its expenditure to be allocated wisely, therefore upgrading its level of cost effectiveness.

VII. Social Impact Assessment

20. In view of the severe public criticisms encountered by the URA’s current means of social impact assessment, the Paper proposed to split this into two including: “regional social impact assessment” and “project based social impact assessment”. The latter focuses on identifying and responding to special needs of affected tenants, which is to some extents equivalent to mitigation measure assessments. Nevertheless, there is a general view that these two assessments are still under par in respect to international standards and practices. **The International Association for Impact Assessment has established a set of guidelines which is well-received internationally, which shed light on deficiency of the proposed social impact assessments:**

- **Social impact assessment should help create a more sustainable and fairer environment in ecological, socio-cultural and economic aspects. It should also be conducive to community building, societal empowerment, growth of social capital (such as social networks and trust), etc;**
- **Social impact assessment should not be confined to detection or elimination of any negative results. Instead, it should strive to promote development and to create a better development results, so as to facilitate the community at large and stakeholders for consolidation of development objectives; to explore different alternatives in regeneration; to designate remedial measures, and to**

- produce maximum positive effects from the projects, etc.;
- **Social impact assessment should be based on extensive local knowledge, as well as community-wide participation. Such assessment should commence as early as at the planning stage, and follow-up audits should be continued even after the redevelopment process;**
 - **Social impact assessment should pay special attention to the issue regarding equality, and ensure the society as a whole could enjoy the fruits of urban regeneration, so that a fairer means of resettlement and compensation could be available to the underprivileged.**

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