

立法會
Legislative Council

LC Paper No. CB(1)155/10-11(05)

Ref: CB1/PL/DEV

Panel on Development

Meeting on 26 October 2010

Updated background brief on review of the Urban Renewal Strategy

Purpose

This paper provides background information on the review of the Urban Renewal Strategy (URS) and a summary of members' concerns and views expressed during the relevant discussions at the Panel on Development (the Panel).

Establishment of the Urban Renewal Authority and promulgation of the Urban Renewal Strategy in 2001

2. To tackle the emerging problem of urban decay in Hong Kong, the Government set up the Land Development Corporation (LDC) in 1988 to carry out urban renewal projects according to prudent commercial principles. Although LDC had successfully completed a number of redevelopment projects, major difficulties were experienced in meeting its objectives. For example, the number of sites that would be profitable for redevelopment was small. It took a long time to assemble land interests for redevelopment due to the protracted negotiation process with property owners. The scope of urban renewal was often constrained by LDC's shortage of re-housing resources for affected residents.

3. Following a public consultation exercise in 1995 and an URS study by the Planning Department in 1999, the Chief Executive announced, in his 1999 Policy Address, a new and proactive approach to urban renewal and a plan to establish an Urban Renewal Authority (URA) to implement Government's URS. Under the new approach, the Government would plan urban redevelopment and rehabilitation more rigorously and comprehensively for larger areas. The objectives were to restructure and replan older built-up areas more effectively, by redesigning more effective and environmentally-friendly transport and road networks, replacing

incompatible land uses, providing more open space and community facilities, and designing buildings which met the demands of modern living. The Government would also plan for the rehabilitation of buildings not in good repair and the preservation of buildings of historical, cultural or architectural interest in the project areas. Under-utilized industrial areas should also be included in the urban renewal programmes so as to rationalise incompatible land uses and re-vitalize economic activities within these areas.

4. The Urban Renewal Authority Bill was gazetted on 3 February 2000 and passed by the Legislative Council on 27 June 2000. Accordingly, URA was established on 1 May 2001. The Administration, having consulted the public on a draft URS from 1 August to 30 September 2001 pursuant to section 20 of the Urban Renewal Authority Ordinance (Cap. 563) (URAO), promulgated the new strategy in November 2001. Under section 21 of URAO, URA is required to follow any guidelines set out in URS in undertaking redevelopment projects. The full text of URS is given in **Appendix I**.

Review of the Urban Renewal Strategy

5. Between 2001 and 2008, URA commenced 35 redevelopment projects together with the Hong Kong Housing Society (including 10 new redevelopment projects and 25 projects taken over from LDC). A target of commencing 225 redevelopment projects in 20 years was also set. However, a number of issues have come to light during the implementation process. These relate to the approaches adopted by URA for urban renewal; its compensation policies; the outturn built environment of completed projects; and the way URA gauges stakeholders' views and conciliates conflicts in the project planning and acquisition processes. In view of these rising public concerns, the Panel held a series of meetings with the Administration and URA to discuss URA's work and its acquisition and re-housing policies in 2007 to 2008. Details of URA's acquisition and re-housing policies, as advised by URA in a paper for the Panel in November 2007, are given in **Appendix II**.

6. On 24 June 2008, the Administration informed the Panel that a comprehensive review on URS would be launched in response to the Chief Executive's call for "quality city, quality life" and the rising aspiration of the general public towards urban renewal. The Administration's objective is to renew the prevailing URS through the two-year review, which would serve as a guiding principle for the work of URA. The review is a three-stage process involving "envisioning" (July 2008 to January 2009), which is a study on urban renewal policies and practices in six comparable Asian cities; "public engagement" (February 2009 to December 2009), where views of Hong Kong people on the future

direction of urban regeneration are gauged; and "consensus building" (January 2010 to April 2010), the objective of which is to achieve a consensus needed for the Administration to come up with a revised URS. The URA Chairman informed members at the Panel meeting on 24 June 2008 that the review would provide an opportunity for the public to look back and learn from past experience in urban renewal, to identify the priorities to achieve in urban regeneration given the resources available, and to hold wide and in-depth discussion on urban renewal in order to build a consensus as to how URA should carry out its work.

Discussion on the work of Urban Renewal Authority in 2007 and 2008

General issues concerning urban renewal and the work of Urban Renewal Authority

7. Panel members pointed out that the public was expecting lower development intensity in urban redevelopment, with more open space and community facilities, lower building height and plot ratio and preservation of places of collective memories. They were also aware that a new approach to urban renewal in response to these aspirations would inevitably raise costs and affect the feasibility of URA's redevelopment projects. In this connection, members considered that clear objectives and values in urban renewal, with community buy-in, were required.

8. There were suggestions that URA projects should add diversity by avoiding monotonous malls and encouraging more street-level activities. Different projects could adopt different development modes: some districts could have high-density developments while others low-density; old buildings could be replaced in some districts while preserved in others. The Administration would have to strike a balance between heritage conservation with lower development intensity and having more usable development area and individual living space.

Review of the Urban Renewal Strategy

9. Panel members generally supported the Administration's initiative to review URS. Some members suggested that the Administration should play a leading role and give direction for the review. Instead of trying to draw reference from overseas experiences in urban regeneration, the Administration and URA should critically look back at what Hong Kong had done on urban renewal in the past 20 years.

10. While the Panel generally considered that URA needed not suspend or delay the on-going projects while the review was being held, some members suggested that controversial projects should be put on hold pending the review.

There was also a view that URA should, meanwhile, refrain from demolishing buildings of historic value.

11. The Administration advised that URA would focus on less controversial projects, such as those relating to preservation and rehabilitation, while the review was underway. It was in the best interests of the affected parties and the community for URA to adhere to the current plans and redevelopment schedule. Suspending these projects would not be conducive to improving the living environment of the residents and tenants.

Financial and compensation arrangements

12. Some members criticized that URA had played the role of a private estate developer, and suggested that the Administration should review whether URA should continue to operate on a self-financing basis, and be accorded further financial support and greater flexibility in handling land use matters. While URA should balance its books, it should not make unreasonable profits from its redevelopment projects and should not overlook its entrusted responsibilities to improve the quality of life of residents in the urban area. In balancing the needs and interests among different sectors, the lawful rights of any particular group should not be compromised.

13. Some members considered that the present arrangements whereby URA would offer compensation only after planning work required a fundamental review, the current rate of compensation was insufficient, affected parties should be given various compensation options, and "flat-for-flat" and "shop-for-shop" compensation and joint redevelopment with owners should be put on a trial basis in some on-going redevelopment projects to test their effectiveness. URA explained that the suggestion to offer "flat-for-flat" and "shop-for-shop" arrangement had practical problems, in that the preference of the affected parties on the location and configuration of the replacement units might be difficult to satisfy. Holding sufficient housing stock for yet-to-be affected residents was another problem. The feasibility of joint development would depend on the timeframe of the project, overall planning for the district and interest of affected owners. Besides, joint redevelopment was a high risk and long-term investment that many affected owners might not be interested to undertake. Conditions which made joint redevelopment feasible such as attaining a higher plot ratio did not, as a rule, exist in URA proposals. URA also mentioned that many affected owners preferred to receive cash compensation because it was flexible.

Preservation of local characteristics and social fabrics in urban renewal projects

14. On preserving social network and local characteristics, some members suggested that traditional trades should be allowed to continue in a redevelopment in order to maintain the district's unique characters. Owners of old shops could be invited to operate there, as in the case of Singapore. Apart from preserving old buildings, it was equally important to make the best use of them, and the question of connectivity between old and redeveloped areas should also be addressed. The Administration should also provide sufficient resources to URA for these conservation projects, which were often intertwined with urban renewal.

Transparency of Urban Renewal Authority's financial information

15. In response to some members' views that URA should be highly transparent, and should release clear and up-to-date financial results of each redevelopment project, the Administration explained that since the operation of URA involved highly sensitive commercial information on dealings with private developers and affected parties, it would not be advisable to release all financial information indiscriminately. However, URA would provide financial information and analysis of its financial position on a yearly basis similar to the information contained in the paper (LC Paper No. CB(1)1951/07-08(04)) for the Panel meeting on 24 June 2008.

Discussion on review of the Urban Renewal Strategy in 2009 and 2010

16. The Panel was briefed by the Administration on the progress of the URS review on 20 January 2009 and received views from deputations on 15 April 2009. The Administration further reported to the Panel on the progress of the URS review on 23 February 2010 and sought members' views on 25 May 2010 on the preliminary proposals put forward by the Steering Committee on the future direction of urban renewal. The Panel held another meeting on 10 July 2010 to receive views from deputations. Further concerns and comments raised on the subject matter are summarized in the ensuing paragraphs.

Approaches to urban renewal and consensus building

17. Some members considered that the Administration should reach out to the public to gauge community views, and the public engagement activities should be as open and accommodating as possible. They suggested that the public should be consulted on the location for urban renewal projects and the boundaries of such redevelopment, in order to minimise resistance and shorten the implementation timeframe. Possible approaches included giving priority to the areas where a majority of owners already supported an urban renewal proposal, or developing a

dedicated mechanism to dovetail the planning for new districts and implementation of urban renewal projects. The public should also be consulted on the relative weighting of the factors of redevelopment, rehabilitation, revitalisation and preservation in urban renewal. A major weakness of urban renewal in Hong Kong was the failure of the Administration to involve affected owners and local residents in URA's decision-making process. Members urged the Administration to review the membership of the proposed District Urban Renewal Forums with a view to bringing in voices of the owners and shop operators. A member considered that the proposal of setting up an appeal mechanism for residents affected by urban renewal projects warranted an in-depth study. The Administration advised that the relative weighting of each of the factors was a study focus in the URS review and the suggestion of public engagement would be included. The Administration would view urban renewal from a wider perspective and endeavour to build a community consensus on the future direction of urban renewal. Open public forums and topical discussion sessions would be held to solicit views of the general public. There would be road show exhibitions, an idea shop and a dedicated website for collecting public views.

18. Some members considered that URA needed not withhold financial information on its planned urban renewal projects to avoid speculation activities, if the approach to urban renewal was to be bottom-up with public participation. The release of information on the income, expenditure and profit of individual projects could show how surplus from an urban renewal project in one district might be used to finance other projects in a different district, or used for other improvement within the same district. The Administration undertook to examine how the bottom-up approach to urban renewal would be put into practice.

19. A few members expressed concern that there was no government leadership in urban planning. It was unfair that local residents had to face the adverse consequences, such as poor air ventilation and a far more densely-populated living environment, arising from urban redevelopment. The Administration should consider reducing the height and density of the redevelopment projects, notwithstanding that this could lead to substantial reduction of investment returns from these projects. The Administration should also capture information, in the next population census, about the household income of grassroots families, their expenditure on rents, and the number of these households who were living in old buildings aged over 50 years. Planners should appreciate the local history and current situations of each district in evaluating its development potential. Regarding the request for three-dimensional models for each district, the Administration advised that more three-dimensional district models could be provided subject to availability of resources.

Acquisition, compensation and re-housing arrangements

20. While a member commented that the current arrangement where acquisition and re-housing offers were made after the statutory planning procedures were completed had given rise to disputes between landlords and tenants, another member expressed concern about the sensitivity of premature disclosure of urban renewal projects in that it might give rise to speculation activities. The Panel noted that community views were divided as to the level of compensation offered: many affected residents considered the compensation insufficient, while some members of the community considered the package too generous. Some members suggested providing various urban regeneration and compensation options for affected residents, and considered that the existing arrangement of keeping the compensation agreements between the owners and URA confidential should be reviewed. As regards the suggestion to offer "flat-for-flat" and "shop-for-shop" compensation, the Administration explained that the options involved technical issues that required detailed consideration. The Administration also advised at the Panel meeting on 25 May 2010 that affected owners choosing "flat-for-flat" compensation, if implemented, would have to top up the shortfall between their compensation and the price of the new flat, which some deputations considered unreasonable. Members in general considered that although it would be complicated and difficult to implement the two options, they deserved detailed examination because offering such options could help reduce conflicts in urban renewal projects. Affected residents and shop operators should have a right to continue living and operating business in their original district. To assist shop operators, a member requested the Administration to consider relocating affected shop operators to vacant shop spaces in public markets.

21. At the Panel meeting on 10 July 2010, some members expressed concern that due to escalating property prices, it would be very difficult for owners to acquire a new home under the proposed "flat-for-flat" compensation arrangement. To cope with the problem, a member suggested that the Administration should consider constructing for affected owners a special type of housing blocks similar to the sandwich class housing.

22. There were also suggestions of paying affected owners cash upfront to meet their temporary accommodation expenses, and then offering a unit of the same size in the redeveloped property, and allowing shop operators to continue operations in the redeveloped area, perhaps, at a concessionary rent. Alternatively, affected owners should be offered compensation up to two or three times the current property value or an equivalent property unit with the proviso that the owners would forfeit any claim of the profits from redevelopment. The Administration advised that various compensation options would be worked out.

23. Members considered that tenants affected by urban renewal should be well taken care of, such as exempting them from the existing eligibility criteria for public rental housing, providing public rental housing to them in-situ to help preserve their social network, protecting them from unreasonable eviction after the freezing survey and amending the Landlord and Tenant (Consolidation) Ordinance. However, a member was worried that adding public rental housing in the redeveloped area would intensify development density. It should be an acceptable arrangement to relocate tenants to another district if transportation issues were adequately addressed. The Administration advised that as public rental housing was a scarce resource, everyone including the affected tenants was required to satisfy the established criteria before they could be considered for re-housing in public rental housing estates. It was also difficult for URA to commit on offering in-situ re-housing to affected residents because URA relied on the Hong Kong Housing Society and the Housing Authority to provide public rental housing units for affected residents with housing needs. On unreasonable eviction of tenants, the Administration was aware of the problem and was conducting a study to look at the reasons behind. The Administration would seek to ascertain whether a legal loophole existed and whether legislative amendments or policy adjustments were required to redress the issue.

Revitalization and conservation

24. On revitalization and conservation, some members suggested that URA should step up its efforts in revitalizing old districts, and that heritage conservation and urban renewal should be integrated. In addition to conserving heritage buildings, the Administration should conserve the characters and activities of a district as well to avoid destroying the existing urban fabric, districts characters and the social networks. The Administration advised that based on the experience gained in conservation initiatives in old Wan Chai district, it would consider extending the current "point-line-plane" approach in heritage conservation to other districts.

Social impact assessment, tracking studies and social service teams

25. Some members considered it necessary to conduct tracking studies to examine how residents and those living in nearby areas were affected by urban renewal projects. As social workers rendering assistance to affected residents were indirectly funded by URA, they might not be perceived as being impartial towards URA and the affected residents. Members also expressed concern about social workers' roles as caseworkers and advocates. In order to ensure independence of the social service teams, a fund should be set up for providing social services. The fund could also be applied to conducting more comprehensive social impact assessments before and after an urban renewal project, as well as the tracking studies.

The URS review should also address issues relating to connectivity between old and redeveloped areas. The Administration advised that URA would conduct social impact assessment before each urban renewal project. As for the tracking study, the Administration reported that a three-stage tracking study was being conducted on a trial basis for the Hai Tan Street project where 100 owners and tenants of the 500 affected residents had agreed to participate. The Administration further advised on 25 May 2010 that a study was underway to examine social workers' roles as caseworkers and advocates.

Acquisition cost of old properties and compulsory sale for redevelopment

26. Some members pointed out that the huge differential between the acquisition cost of old properties and the selling price of the redeveloped properties motivated developers to stockpile units in old buildings. Many of these owners did not bother with the building's maintenance. Members suggested introducing a more equitable system so that affected property owners could share the profits upon the project's completion, while developers who reaped huge profit from a redevelopment should be levied a charge similar to windfall tax for distribution among affected property owners. On stockpiling units in old buildings, a deputation representative gave the view at the Panel meeting on 10 July 2010 that it was a common practice for developers to acquire such properties to pave way for subsequent redevelopment which could be highly profitable. Nonetheless, such a practice was unavoidable in a free society such as Hong Kong.

27. The Administration explained that lowering the application threshold for compulsory sale would increase the cost of stockpiling real estate properties and deter speculation activities. However, property development was inevitably profit-motivated. On the concern that even URA projects had such a huge differential, the Administration advised that URA, being a public organization with a social mission, could not guarantee the affected owners that they could always achieve their expected level of return from redevelopment. However, the compulsory sale for redevelopment mechanism, together with URA as a facilitator, would enable owners to participate in redevelopment.

28. In response to criticisms that the Administration had adopted a profit-driven approach which pushed poor residents and shop operators alike towards desperation, the Administration advised that it would consider how URA could facilitate small property owners to redevelop their properties without affecting URA's other initiatives, and subject to availability of resources. Even under such circumstances, owners must comply with the relevant requirements, including making proper arrangements for relocating tenants. The Administration stressed that no public funds should be used to satisfy owners' desired level of profits from redevelopment, and that public rental housing resources should not be made available to owners who

only wished to share the profits of redevelopment but were unwilling to undertake the responsibility of relocating the affected tenants.

29. Some members considered that the compulsory sale mechanism should be reviewed. Small property owners often found themselves unable to buy another comparable property with the proceeds they received from a compulsory sale. Members considered it unfair to small property owners as there had not been any review since the enactment of the legislation in 1999. A lower compulsory sale application threshold would undermine their interests by making it even easier for their properties to be acquired, and would only end up increasing land supply for developers to profit. The Administration explained that the compulsory sale mechanism provided a legal framework under which owners could organize themselves to redevelop their properties, usually in collaboration with a developer, and share the profits. The proposal to lower the application threshold for lots with all buildings aged 50 years or above was made after consultation and opinion surveys conducted back in 2006. Many small property owners were already questioning why the Administration had taken so long to implement the proposal as they had been denied of the opportunity to improve their living conditions through redevelopment just because some of the properties in their old buildings were held up for speculation.

Urban Renewal Authority as a facilitator

30. At the Panel meeting on 25 May 2010, members expressed views on URA's proposed role as a facilitator and some of them opined that as a facilitator, URA should strive to ensure that small property owners were able to receive a reasonable and equitable price for their properties, with tenants being given appropriate assistance. Some other members, however, queried the feasibility of the proposal because redevelopment by owners was difficult to achieve due to the lack of drive and organisation ability of owners, and diverse interests and preferences amongst the owners. Besides, it might also be difficult to motivate developers to participate in redevelopment projects of this kind.

31. The Administration explained the differences of URA as an implementer and facilitator. As an implementer, URA would exercise statutory power and make use of public resources to realise an urban renewal objective. URA would be responsible for re-housing eligible affected tenants. On the other hand, as a facilitator, URA would not use public resources to re-house affected tenants, as this would be the responsibility of the owners. The Administration would duly consider the views of members and the public gathered during the public engagement exercises.

32. A list of relevant papers with their hyperlinks is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
21 October 2010

**Urban Renewal Strategy
(issued in November 2001)**

Tackling the problem of urban decay

- Introduction
- 1 At present, there are about 9 300 private buildings in the Metro Area (i.e. Hong Kong Island, Kowloon, Tsuen Wan and Kwai Tsing) which are 30 years' old and above. In ten years' time, the number of buildings over 30 years' old will increase by 50%. The problem of ageing buildings is most serious in older urban areas.
 - 2 To address the problem of urban decay and to improve the living conditions of residents in dilapidated urban areas, the Urban Renewal Authority Ordinance (Chapter 563) was enacted in July 2000. The Ordinance provides a new institutional framework for carrying out urban renewal. The Urban Renewal Authority (URA) was established on 1 May 2001.
- Quality of life in our urban area
- 3 A "people-centred" approach should be used to carry out urban renewal. The purpose of urban renewal is to improve the quality of life of residents in the urban area. The Government has to balance the interests and needs of all sectors of the community without sacrificing the lawful rights of any particular group. The aim is to reduce the number of inadequately housed people.
 - 4 The key principles underlying the Government's approach to urban renewal are --
 - (a) owners whose properties are acquired or resumed for the implementation of redevelopment projects should be offered fair and reasonable compensation;
 - (b) tenants affected by redevelopment projects should be provided with proper rehousing;
 - (c) the community at large should benefit from urban renewal; and
 - (d) residents affected by redevelopment projects should be given an opportunity to express their views on the projects.

- 5 The main objectives of urban renewal are --
- (a) restructuring and replanning designated target areas;
 - (b) designing more effective and environmentally-friendly local transport and road networks;
 - (c) rationalizing land uses;
 - (d) redeveloping dilapidated buildings into new buildings of modern standard and environmentally-friendly design;
 - (e) promoting sustainable development in the urban area;
 - (f) promoting the rehabilitation of buildings in need of repair;
 - (g) preserving buildings, sites and structures of historical, cultural or architectural interest;
 - (h) preserving as far as practicable local characteristics;
 - (i) preserving the social networks of the local community;
 - (j) providing purpose-built housing for groups with special needs, such as the elderly and the disabled;
 - (k) providing more open space and community/welfare facilities; and
 - (l) enhancing the townscape with attractive landscape and urban design.
- 6 The Government aims to achieve the following targets through a 20-year urban renewal programme --
- (a) redevelopment of some 2 000 ageing or dilapidated buildings;
 - (b) improvement of the environmental quality of 67 hectares of old and run-down urban areas;
 - (c) rehousing of some 27 000 tenant households;
 - (d) provision of around 60 000 m² of open space;
 - (e) provision of about 90 000 m² of floor space for use as community/welfare facilities; and

(f) provision of seven new schools.

- 7 Urban renewal is not a "slash and burn" process. A comprehensive and holistic approach should be adopted to rejuvenate older urban areas by way of redevelopment, rehabilitation and heritage preservation.

Role of the URA

Introduction

- 8 The URA is tasked to implement an urban renewal programme consisting of 200 new projects and 25 uncompleted projects of the Land Development Corporation (LDC) in 20 years. The aim is to contain the problem of urban deterioration by the end of this period.

Accountability and transparency

- 9 The URA must be accountable and responsive to the needs of the community. The URA Board should be accountable, open and transparent.
- 10 To increase its public accountability and transparency, the URA should issue guidelines on the declaration of interests to its Board directors. The URA Board should consider opening its meetings to the public as far as practicable. The URA should also consider setting up an independent audit team.

Target areas

- 11 To facilitate better restructuring and replanning, nine sizeable target areas have been designated, including --
- (a) Kwun Tong;
 - (b) Ma Tau Kok;
 - (c) Sai Ying Pun;
 - (d) Sham Shui Po;
 - (e) Tai Kok Tsui;
 - (f) Tsuen Wan;
 - (g) Wan Chai;
 - (h) Yau Ma Tei; and
 - (i) Yau Tong.

Redevelopment

- 12 The Government has included 200 new projects and 25 uncompleted projects of the LDC for redevelopment. The 225 project areas cover a total area of 67 hectares. It is

estimated that there are 126 000 persons living in 32 000 flats in these areas.

- 13 Among the 225 projects, priority should be given to the 25 uncompleted projects of the LDC since the residents in these project areas have waited for redevelopment for quite some time. The URA should consider the following factors in determining the priority of individual redevelopment projects --
- (a) whether the proposed project area is old and dilapidated and requires urgent redevelopment;
 - (b) whether the buildings lack basic sanitation facilities or are exposed to potential fire risks;
 - (c) whether the living conditions of the residents in the proposed project area are satisfactory;
 - (d) whether the proposed project will improve the area by replanning and restructuring;
 - (e) whether the proposed project area will achieve a better utilization of land after redevelopment; and
 - (f) whether the rehabilitation of buildings in the proposed project area is a practicable and viable option.

Rehabilitation

- 14 Proper maintenance of buildings is an essential aspect of the regeneration of older urban areas. The rehabilitation of buildings improves the built environment and reduces the need or urgency for redevelopment. It is also in line with the Government's policy of sustainable development.
- 15 In order to promote the proper maintenance of buildings before redevelopment, the URA should consider introducing a maintenance costs reimbursement scheme for property owners affected by land acquisition for its projects. The purpose of such a scheme is to assure owners that money expended on maintenance is well spent even if the buildings are likely to be redeveloped in few years' time. Owners should be allowed to apply for reimbursement of the costs of the remaining useful life of the works which are required by the relevant authorities, including the maintenance or repair works

required by the Buildings Department (under the Buildings Ordinance (Chapter 123)), the provision or improvement of fire service installations or equipment required by the Fire Services Department (under the Fire Safety (Commercial Premises) Ordinance (Chapter 502)), and the lift works or escalator works required by the Electrical and Mechanical Services Department (under the Lifts and Escalators (Safety) Ordinance (Chapter 327)), if their properties are eventually acquired by the URA for redevelopment.

Heritage
preservation

- 16 Heritage preservation should be part of urban renewal, and the URA should preserve heritage buildings if such preservation forms part of its urban renewal projects. Preservation should include --
 - (a) preservation and restoration of buildings, sites and structures of historical, cultural or architectural interest; and
 - (b) retention of the local colour of the community and the historical characteristics of different districts.
- 17 As far as practicable, the preserved heritage buildings should be put to proper community, public or other beneficial use. The aim is that these buildings should be a living and functional part of the community and not mere historical artefacts for display.
- 18 The URA should consider setting up an advisory committee under its Board to advise on preservation work. The URA should also ensure proper interface with the relevant authorities, such as the Culture and Heritage Commission, the Antiquities Advisory Board, the Home Affairs Bureau and the Leisure and Cultural Services Department.

Land assembly process

Resumption of land

- 19 Under the Urban Renewal Authority Ordinance, the URA may apply to the Secretary for Planning and Lands (SPL) requesting him to recommend to the Chief Executive in Council the resumption of land required for urban renewal.
- 20 Under the Urban Renewal Authority Ordinance, there is a time limit for application for land resumption. In case

of a development project, the URA has to make an application for resumption within 12 months after the project has been authorized by SPL. In case of a development scheme, the URA has to make an application for resumption within 12 months after the plan for the scheme prepared under the Town Planning Ordinance (Chapter 131) has been approved by the Chief Executive in Council in accordance with section 9 of that Ordinance. The purpose of this time limit is to ensure that the residents do not have to wait too long to know whether their properties will be resumed.

Acquisition agreement by 21 Although the URA may request resumption of land for redevelopment under the Ordinance, it should consider acquiring land by agreement before making such a request to SPL. Offers of purchase should be made after a project has been approved but before the land reverts to the Government.

Processing of projects

Planning procedures 22 In order to expedite the urban renewal programme, new planning procedures have been introduced for processing URA projects. The URA may implement a project by way of a development project or a development scheme. The public can lodge objections to a development project under the Urban Renewal Authority Ordinance or to a development scheme under the Town Planning Ordinance. Procedures are in place to process such objections.

23 Under sections 21 and 22 of the Urban Renewal Authority Ordinance, the URA has to prepare a draft corporate plan setting out its proposed programme of projects for the next five years and a draft business plan setting out the projects to be implemented in the next financial year. The URA is required to submit its draft corporate plan and draft business plan to the Financial Secretary for approval each year.

Freezing surveys 24 Under section 23(2) of the Urban Renewal Authority Ordinance, the date on which a project (development project or development scheme) is first published in the Government Gazette will be regarded as the commencement date of the implementation of the

project. The purpose of notifying the commencement date of the implementation of the project is that the URA may make reference to the said commencement date for determining the eligibility for ex gratia allowances and rehousing in accordance with the policy of the URA.

25 On commencement day, the URA should conduct a freezing survey to determine eligibility for ex gratia allowances and rehousing. The survey should be completed on the same day or at most within a couple of days. It is important that a comprehensive and accurate survey is conducted to prevent and deter "imposters" from taking up residence in the project area afterwards and abusing the rehousing scheme.

District advisory committees 26 The URA should establish a district advisory committee in each of the nine target areas to give advice and assistance to the URA with regard to its urban renewal projects. The district advisory committees should be appointed by the URA Board and should be representative of the local community. Representatives of owners, tenants, District Councils and local non-governmental organizations with an interest in urban renewal should be appointed.

Consultation on development projects and development schemes 27 Under section 23 of the Urban Renewal Authority Ordinance, the URA is required to publish in the Government Gazette the commencement date of the implementation of a project (development project or development scheme) and to exhibit general information about the project for public inspection. The URA should hold public meetings to inform local residents of its projects and to gather public views on them. It should also consult the concerned District Council on the project. Easy-to-understand pamphlets should also be printed for distribution to persons affected.

Social impact assessment 28 The URA should fully assess the social impact of a proposed project and the social and rehousing needs of the residents affected.

29 Social impact assessment studies should be carried out in two phases as follows --

(a) a non-obtrusive social impact assessment to be conducted before the publication of the proposed

- project in the Government Gazette; and
- (b) a detailed social impact assessment after the proposed project has been published in the Government Gazette.
- 30 The main elements of the non-obtrusive social impact assessment to be conducted before the publication of the proposed project in the Government Gazette should include --
- (a) the population characteristics of the proposed project area;
 - (b) the socio-economic characteristics of the area;
 - (c) the housing conditions in the area;
 - (d) the characteristics of local business activities, including small shops and street stalls;
 - (e) the degree of overcrowding in the area;
 - (f) the availability of amenities, community and welfare facilities in the area;
 - (g) the historical background of the area;
 - (h) the cultural and local characteristics of the area;
 - (i) an initial assessment of the potential social impact of the proposed project; and
 - (j) an initial assessment of the mitigation measures required.
- 31 The main elements of the detailed social impact assessment to be conducted after the proposed project has been published in the Government Gazette should include --
- (a) the population characteristics of the residents affected by the proposed project;
 - (b) the socio-economic characteristics of the affected residents;
 - (c) the rehousing needs of the affected residents;
 - (d) the housing preferences of the affected residents;
 - (e) the employment status of the affected residents;

- (f) the place of work of the affected residents;
- (g) the social networks of the affected residents;
- (h) the educational needs of the children of the affected families;
- (i) the special needs of the elderly;
- (j) the special needs of the disabled;
- (k) the special needs of single-parent families, particularly those with small children;
- (l) a detailed assessment of the potential social impact of the proposed project; and
- (m) a detailed assessment of the mitigation measures required.

32 Most of the factual data for the detailed social impact assessment should be collected as part of the freezing survey to be conducted immediately after the publication of the proposed project in the Government Gazette. The URA should submit a report of the detailed social impact assessment to SPL when it submits a development project under section 24 of the Urban Renewal Authority Ordinance. The URA should also submit a report of the detailed social impact assessment to the Town Planning Board when it submits a development scheme under section 25 of the Urban Renewal Authority Ordinance. The URA should release this report for public information.

Urban renewal social service teams 33 The URA should set up an urban renewal social service team in each of the nine target areas to provide assistance and advice to residents affected by URA's redevelopment projects. Such a team should operate independently and should preferably be in place before the first redevelopment project has actually commenced in a target area.

Financial arrangements

34 The Government is exploring the following financial or related tools to enhance the viability of the URA projects under its 20-year urban renewal programme --

- (a) waiver of land premia for redevelopment sites;

- (b) waiver of land premia for rehousing sites; and
 - (c) loans to the URA.
- 35 The objective is to encourage private sector participation and a self-financing urban renewal programme in the long run.
- 36 Under section 10(4) of the Urban Renewal Authority Ordinance, the URA shall exercise due care and diligence in the handling of its finances.

Parameters and guidelines

- 37 The Government will issue a set of documents setting out the planning parameters and financial guidelines to the URA as annexes to this urban renewal strategy. The documents will include --
- (a) the detailed plans of the 225 redevelopment projects;
 - (b) the concept plans of the nine target areas;
 - (c) a list of the historical buildings to be preserved;
 - (d) the priorities of the projects; and
 - (e) planning parameters and financial guidelines.
- As the documents contain sensitive information, it would not be in the public interest to disclose them.
- 38 Section 21(3) of the Urban Renewal Authority Ordinance requires the URA to follow any guidelines set out in the urban renewal strategy prepared by SPL when it prepares its five-year corporate plans.
- 39 The urban renewal strategy will be reviewed and updated regularly (every two or three years). The public will be consulted on the revised urban renewal strategy before it is finalized for implementation.

**Acquisition and re-housing policies of the Urban Renewal Authority
(extracted from LC Paper No. CB(1)297/07-08(04))**

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2. The URA's acquisition policies are based on the Government's resumption policy which was debated and agreed by the Legislative Council's Finance Committee, after considerable discussion. However, URA's policies include more generous incentives than Government's resumption policy, such as an ex-gratia Incidental Costs Allowance (ICA), so as to encourage early acceptance of URA's offers.

3. Briefly, the policies for domestic owners comprise payment of the market value of the property plus Home Purchase Allowance (HPA) or Supplementary Allowance (SA). HPA is the difference between the value of a notional replacement flat, based on a seven year old flat in a similar locality, and the market value of the flat under acquisition. This has become known commonly as the "seven-year rule". HPA is paid to owner-occupiers. SA is paid to owners of tenanted and vacant flats at 50% of HPA.

4. The policies for domestic tenants comprise a choice of either ex-gratia payments based on the Rateable Values (RV) of the flats which they occupy plus cash incentives or, in cases where the tenants are eligible and prefer it, re-housing in public housing estates. Ex-gratia payments are subject to a minimum of \$70,000 for a single-member family and \$80,000 for a multiple-member family. Moreover, in response to LegCo's concerns over the compensation payable to domestic tenants in the remaining ex-Land Development Corporation projects during the passage of the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004, the URA has also agreed to provide eligible tenants with ex-gratia payments calculated on the basis of the previous formula in force before the enactment of the Ordinance.

5. The policies applicable to non-domestic owners and tenants are based on the Market Values (MV) and RV of their respective premises. Business owner-operators receive compensation equal to the MV plus the higher of either 35% x MV or 4 x RV. Alternatively, owner-operators can make Business Loss Claims (BLC) in lieu of the above mentioned ex-gratia compensation. Business landlords receive compensation of the MV plus the higher of either 10% x MV or 1RV. Business tenant-operators receive compensation of either BLC or 3RV.

6. Detailed information on URA's acquisition and re-housing policy is given by the URA, along with other information, to affected owners and tenants at the times when the URA launches each of its projects and conducts occupancy or freezing surveys on all of the properties within the boundaries of each of the URA's projects.

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9. On 19 November 2007, the URA announced a new package of enhancement policies for the benefit of residents and business operators affected by its redevelopment projects. These new initiatives, which were designed under the existing policy framework, respond to aspirations and concerns of the affected residents and the community. They have three important objectives, namely, to help retain the social networks of residents as much as practicable, to assist long-time business operators in re-establishing themselves in the locality and to preserve retail trades that are considered to have a special character in a district. The enhancement package comprises:

- (i) expression of interest in purchasing arrangement for residential units;
- (ii) designation of space exclusively for the purpose of social enterprise for commenced projects;
- (iii) additional ex-gratia business allowance for business operators; and
- (iv) special Local Sports Shops Arrangement for the Sai Yee Street project.

10. The first enhancement policy, expression of interest in purchasing arrangement (EIPA), is intended for owner-occupiers of domestic flats in a redevelopment site to facilitate their purchasing of new units at prevailing market prices and moving back to the same area where they once lived. Owner-occupiers, who accept the URA's acquisition offers unconditionally within the usual 60-day offer period and register their interest with the URA within this period, will be given priority, subject to the number of available units, to apply for selection by balloting from the reserved flats prior to commencement of pre-sale of the development concerned, subject to this being permitted under the land grant. This will help enable them to retain their social networks and lifestyles in the same neighbourhood. Whether they accept this arrangement or not, their entitlement to receiving Home Purchase Allowance based on the existing "seven-year rule" acquisition policy, i.e. the value of a notional seven-year-old flat, will remain unchanged.

11. The second enhancement policy, designation of space for social enterprises, aims at helping affected residents re-establish and strengthen their social networks in the district. For sizeable projects in which allocation of space is possible, URA will consider reserving floor space for non-government organizations (NGOs) to make bids for the purpose of operating social enterprises involving active participation of residents and shop operators of the projects concerned. Details of this policy are still being worked out but URA intends to try it out first in the Lee Tung Street and Peel Street/Graham Street projects. With experience thus gained, URA may consider extending this policy to other suitable projects.

12. The third enhancement policy, in the form of an additional payment of ex-gratia business allowance (EGBA) is designed to enhance the overall amount payable to all businesses operating out of non-domestic properties within a redevelopment project area i.e. owner-operators and tenant-operators. This new allowance is payable in addition to the existing compensation whereby owner-operators receive cash payment equivalent to the MV of their properties plus the higher of either 35% x MV or 4 RV of their properties, and tenant-operators receive cash payment of 3 RV. EGBA will be paid at a rate of 0.1 times the RV per year for a maximum of 30 years so that a business with 30 years' history or more will enjoy a maximum of three times the RV. The maximum amount of allowance payable is capped at \$500,000. To ensure that businesses operators occupying small units or with a not-so-long history would also benefit to some extent, the policy provides a minimum allowance of \$70,000 to any eligible business operator.

13. The fourth enhancement policy concerning Local Sports Shops Arrangement aims at preserving the special local character created by a cluster of sports commodities retail trades in the to-be-commenced Sai Yee Street project of Mong Kok. URA shares the views expressed by members of the Legislative Council, the community and, in particular, the affected sports shop operators that efforts should be made to preserve, and if possible enhance, the local character of this district. URA will therefore introduce a special Local Sports Shops Arrangement exclusively for the Sai Yee Street project, in conjunction with a "Sports Retail City" design which will further strengthen the local character of this neighbourhood. Under the arrangement, all 19 sports shop operators in the project site will be offered priority to lease shop spaces on the ground and upper floors of the retail section of the new development, for periods of up to three years, at the then prevailing market rental level. Details of this arrangement are being worked out and will be announced upon formal commencement of the project before the end of this financial year.

14. These enhancements have been devised in response to the community's changing needs and aspirations, taking into account existing practical and resources constraints. They have been introduced on the basis of the compensation policy for land resumption approved by the Legislative Council's Finance Committee in 2001.

In this context, the 2001 policy, which has been tried and proven effective in many redevelopment projects in the past six years, must remain as the URA's fundamental policy.

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Review of the Urban Renewal Strategy

List of relevant papers

Date	Committee	References
3 October 2001	The Panel on Planning, Land and Works (PLW Panel) discussed with the Administration and deputations the Administration's consultation paper on the draft Urban Renewal Strategy (URS).	<p>Discussion paper (LC Paper No. CB(1)2038/00-01(01)) http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/a2038e01.pdf</p> <p>Consultation paper http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/a1854e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1046/01-02) http://www.legco.gov.hk/yr00-01/english/panels/plw/minutes/pl011003.pdf</p> <p>Consultation report http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/report-e.pdf</p>
November 2001	The Administration published the URS.	<p>Urban renewal strategy http://www.legco.gov.hk/yr01-02/english/panels/plw/papers/plw0208-217-1e-scan.pdf</p>
21 June 2002	FC approved a new commitment of \$10 billion under the Capital Investment Fund for injection as equity into URA.	<p>Financial proposal http://www.legco.gov.hk/yr01-02/english/fc/fc/papers/f02-24e.pdf</p> <p>Minutes of meeting (LC Paper No. FC21/02-03) http://www.legco.gov.hk/yr01-02/english/fc/fc/minutes/fc020621.pdf</p>

Date	Committee	References
23 November 2004	PLW Panel discussed with the Administration and deputations the compensation arrangements for land resumption for urban renewal projects.	<p>Discussion paper (LC Paper No. CB(1)263/04-05(02)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-263-2e.pdf</p> <p>Background brief prepared by the Secretariat (LC Paper No. CB(1)263/04-05(03)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-263-3e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)509/04-05) http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl041123.pdf</p> <p>Follow-up paper on "Assessment of Home Purchase Allowance rates for Urban Renewal Authority projects" (LC Paper No. CB(1)1202/04-05(01)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-1202-1e.pdf</p>
17 May 2006	A motion on "Review on Urban Renewal Strategy" was debated at the Council. The motion was negatived.	<p>Official Record of Proceedings (Pages 242 to 337) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0517ti-translate-e.pdf</p>
7 February 2007	An oral question was raised on "urban renewal strategy".	<p>Official Record of Proceedings (Pages 45 to 55) http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0207-translate-e.pdf</p>
27 November 2007	The Panel on Development (DEV Panel) discussed with the Administration the property acquisition	<p>Information paper (LC Paper No. CB(1)297/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev1127cb1-297-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)606/07-08) http://www.legco.gov.hk/yr07-08/english/panels/plw/minutes/de071127.pdf</p>

Date	Committee	References
	policy of URA and related issues.	
24 June 2008	The Panel discussed with the Administration the review of the Urban Renewal Strategy and the work of URA.	<p>Information paper on Review of the Urban Renewal Strategy (LC Paper No. CB(1)1951/07-08(03)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev0624cb1-1951-3-e.pdf</p> <p>Information paper on the work of URA (LC Paper No. CB(1)1951/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev0624cb1-1951-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. LC Paper No. CB(1)2322/07-08) http://www.legco.gov.hk/yr07-08/english/panels/plw/minutes/de080624.pdf</p>
17 July 2008	The Development Bureau formally launched a review of the URS on 17 July 2008.	<p>Information paper (LC Paper No. CB(1)2193/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/devcb1-2193-1-e.pdf</p>
20 January 2009	The Panel discussed with the Administration the review of URS.	<p>Information paper (LC Paper No. CB(1)570/08-09(08)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-8-e.pdf</p> <p>Background brief (LC Paper No. CB(1)570/08-09(09)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-9-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1948/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090120.pdf</p>

Date	Committee	References
15 April 2009	The Panel received public views on the review of URS.	<p>Information paper (LC Paper No. CB(1)1240/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0415cb1-1240-1-e.pdf</p> <p>Background brief (LC Paper No. CB(1)570/08-09(09)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-9-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2772/08-09)) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090415.pdf</p>
23 February 2010	The Panel discussed with the Administration the review of URS.	<p>Information paper (LC Paper No. CB(1)1157/09-10(03)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-3-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1157/09-10(04)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1712/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100223.pdf</p>
25 May 2010	The Panel discussed with the Administration the review of URS.	<p>Information paper (LC Paper No. CB(1)1910/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-7-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1910/09-10(08)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-8-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2602/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100525.pdf</p>
10 July 2010	The Panel received public views on the	<p>Information paper (LC Paper No. CB(1)1910/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-7-e.pdf</p>

Date	Committee	References
	review of URS.	Background brief (LC Paper No. CB(1)1910/09-10(08)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-8-e.pdf Minutes of meeting (LC Paper No. CB(1)2943/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100710.pdf