



香港地產建設商會

THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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29 November 2010

Clerk to the Panel on Development
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central, Hong Kong

CB(1)619/10-11(01)

Attention: Ms. Sharon Chung

Dear Ms. Chung,

**Panel on Development
Review of the Urban Renewal Strategy**

We thank you for your letter of 1 November inviting our views on the subject "Review of the Urban Renewal Strategy".

You may recall that we have made a submission to the Panel in June this year and our views remain just as valid today. We are pleased to attach a copy of our previous submission for your easy reference.

We would wish to make one additional comment as follows:

We noticed from the draft Urban Renewal Strategy (issued by the Development Bureau in October 2010) that the URA can initiate a redevelopment project on its own (paragraph 16(a) on page 7). This would represent a major departure from URA's current formula of partnering with the private sector in urban redevelopment projects, and we assume that such mode of operation would only be undertaken for projects that are considered not economically viable.

Yours sincerely

Louis Loong
Secretary General



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Comments of The Real Estate Developers Association of Hong Kong on Review of the Urban Renewal Strategy

General

- The current Urban Renewal Strategy ("URS") was conceived in 2001. Over the past decade, we have witnessed a significant change in the public's attitude and aspirations with regard to the city's fabric and living space. It is therefore an opportune time to undertake a review of the URS.
- In our submission to the Government in 2001, we gave our support to the people-oriented approach as avowed by the Urban Renewal Authority ("URA") in tackling urban renewal. We wish to reaffirm our support to this approach and urge the Government to ensure that any urban renewal strategy must be able to take care of the genuine needs and interests of the community.

The People-oriented Approach

- When the URA was set up in 2002, Government injected \$10 billion to cover its forecast deficits incurred by taking up the projects from the LDC. The URA is required to exercise prudent commercial principles in handling its finances and it is supposed to run on a self-financing model. This approach has determined the direction the URA takes with regard to its acquisition policy, and rightly or wrongly, the URA has been perceived by the public as profit-oriented and only interested in profitable projects while leaving out those projects which may not generate adequate financial returns but are of great community interests.
- Other issues also emerged as URA carried out its works: in order to increase the financial returns, the development potential of URA's redevelopment sites may have been driven to the maximum resulting in high density developments. In the course of land assembly, local residents were inevitably displaced and the conflicts between people's desire to cling to their neighbourhood and the project initiatives had created some negative sentiments against the URA.
- Government should therefore rethink the URA's financing model – whether urban renewal can be fully self-financing and whether URA's business plans should be profit-driven.
- Government should recognize that the public's aspiration for urban renewal has changed over time. With a growing consciousness of built heritage and identity with neighbourhood, the idea of urban renewal has become mixed with increasing demand for the quality of living space. In some cases, demolish-and-



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rebuild is the right approach; in others, especially where there is strong local character and close neighbourhood network, revival and revitalization may be a better approach. Apart from straightforward knock-down and rebuild, URA should also formulate a strategy to preserve and revitalize a neighbourhood by improving the structural sustainability of buildings, beautifying the building fabric, celebrating the unique cultural character and heritage of the neighbourhood and enhancing its attractiveness.

Working with the Private Sector

- The private sector has a very important part to play in the urban renewal process but its role was little mentioned in the URS. Government should facilitate private sector participation by fostering a conducive environment.
- Where the private sector has already amalgamated major landed interests, proper respect must be paid to the land assembly efforts undertaken by the private sector over the years and it is unfair for the URA to resume the entire area. Such action will discourage the private sector from undertaking urban renewal projects as the URA may at any time declare those projects as renewal projects and thereby quashing all the time and efforts invested by the private sector. On the other hand, there may be situations where the private sector would have difficulties in acquiring all of the properties needed to implement a project. Under such circumstances, the URA should provide the means of facilitation through the owners' participation development mode. Instead of unilaterally earmarking such sites into its development schemes, the URA should consider inviting the larger owner for joint development and step in to assist in the acquisition of the remaining properties and provide relocation packages.
- Under the current business model, apart from the lump sum income paid upfront by the developer, the URA is also entitled to additional revenue based on a profit-sharing mechanism. The URA should consider raising the threshold of profit-sharing and creating an incentive for its private sector partner to put up extra resources for the development of better quality buildings.

Facilitating Building Maintenance

- There are 4 Rs in the URS – Redevelopment, Rehabilitation, pReservation and Revitalization. The URA should not only concern itself with redevelopment but should also get involved in rehabilitation projects.
- Many of the buildings constructed in the 1970s are in a dilapidated condition but may have little potential for redevelopment initiatives. In these cases the



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URA may step in and apply its resources to assisting their rehabilitation/revitalization by providing loans to owners to maintain their buildings, setting up information and resource centres to assist owners and conducting promotional programs to educate the public about the importance of building maintenance.

Preservation of Built Heritage

- Our URS will not be complete without a holistic policy on the preservation of built heritage. The Development Bureau has taken over the responsibility of heritage preservation from the Home Affairs Bureau since 2007. The Revitalizing Historic Buildings Through Partnership Scheme was introduced in 2008. While the results are yet to be fully realized, we believe the Scheme is one step forward towards a holistic heritage preservation policy.
- However, there is still a lack of policy on the preservation of privately-owned historical buildings and we believe more innovation is needed to facilitate private initiatives. It is not practical to rely on private owners to fully sponsor the substantial maintenance and repair costs, nor is it equitable to deprive private owners of their right of property development by declaring their property historical monument without proper compensation.
- We believe that if a specific building is to be preserved, the owners should be entitled to compensation for loss of development rights either in the form of cash compensation or through the transfer of development rights. URA may act as Government's agent to negotiate the terms with private owners under the guidance of the Antiquities Advisory Board. Other measures such as transfer of development rights, tax incentives, extra plot ratio may also be used to encourage preservation by the private sector. Where appropriate, financial assistance should be provided to assist private owners to carry out repairs and regular maintenance.

June 2010