

LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT

Work of the Urban Renewal Authority

Purpose

This paper reports on the work of the Urban Renewal Authority (URA) and its work plan for 2012-13.

Background

2. The URA was established in May 2001 to undertake urban renewal in accordance with the URA Ordinance (Cap. 563). To better meet the changing public aspirations for urban renewal, the Government reviewed the 2001 Urban Renewal Strategy (URS) and conducted an extensive 2-year, 3-stage (Envisioning, Public Engagement and Consensus Building) public engagement exercise between July 2008 and June 2010. Taking into account the broad consensus reached in the public engagement exercise, the new URS was drawn up and promulgated on 24 February 2011. The URA has since been guided by the new URS in its work.

Achievements of the URA

3. As at the end of the 2011-12 financial year, the URA had directly, or through collaboration with the Hong Kong Housing Society (HKHS), commenced 42 redevelopment projects (seven of which contain preservation elements) and four preservation-cum-revitalisation projects, and took over the implementation of 10 ongoing projects of the former Land Development Corporation. These redevelopment projects have not only helped improve the living conditions of a population of around 34,000, they have also released 21.2 hectares of brown field sites in the urban areas. These sites have a redevelopment potential of about 1,165,000 m² of domestic gross floor area and 680,000 m² of non-domestic gross floor area.

Implementation of the new URS

4. Under the new URS, the URA is tasked to adopt “Redevelopment” and “Rehabilitation” as its core businesses. As at end March 2012, the URA had put into full implementation all the major initiatives under the new URS.

Redevelopment

5. In line with the new URS, the URA has adopted a three-pronged approach in redevelopment, namely, undertaking URA-initiated projects, undertaking owner-initiated demand-led projects and facilitating owners in the assembly of property titles for redevelopment. The two URA-initiated projects which commenced in 2011-12 are at Kowloon City Road/Sheung Heung Road and Reclamation Street/Shantung Street.

Demand-led Redevelopment

6. The “Demand-led Redevelopment Project Pilot Scheme” was launched in July 2011, under which property owners could initiate redevelopment by submitting an application to the URA to invite the Authority to redevelop their proposed site. The URA received 25 applications in this first round of applications and selected three which were all commenced in April 2012.

Facilitating Services

7. Apart from being an “implementer”, the URA is required under the new URS to take up a “facilitator” role to help owners of buildings in multiple-ownership to assemble titles for redevelopment. The URA has set up the Urban Redevelopment Facilitating Services Company Limited, a subsidiary licensed under the Estate Agents Ordinance, to undertake the related work under the “Facilitating Services Pilot Scheme”. The pilot scheme is open for application throughout the year. Since the launch of the pilot scheme in July 2011, the company has received five applications of which two have been taken up, while the remaining three have failed to meet the application requirements mainly in terms of the ownership share of the applicant and building conditions.

“Flat-for-Flat” Scheme

8. The URA has followed the new URS and launched the Flat-for-Flat (FFF) Scheme. This is an important milestone in the

compensation history of the URA. For the first time, owner-occupiers of URA-implemented redevelopment projects commencing after the promulgation of the new URS have FFF as an additional option to cash compensation and ex-gratia payment. They can opt for either ‘in-situ’ FFF units in the URA’s new development at the original sites or for units at a Kai Tak Development site earmarked for the FFF scheme.

Modest Design Concept

9. In response to the call for development of “no frills” flats, the URA has introduced a modest design for units offered under the FFF scheme. The modest design concept is developed based on input from a professional workshop organised with the Hong Kong Institute of Architects and an opinion survey conducted in the major redevelopment districts of the URA in 2011. The modest design features, which are intended to be practical, durable, cost efficient and environmental-friendly, will be adopted at the Kai Tak FFF development. It will also be applied as appropriate to other in-situ FFF developments.

Enhanced Compensation Arrangements in Special Circumstances

10. Over the years, the URA has continued to refine its voluntary acquisition offers. Following up on the new URS, the URA has introduced the “Compassionate Allowance for Elderly Domestic Owner-Landlords” to help elderly owner-landlords who rely on rental income from their sole and rented property affected by URA redevelopment projects to sustain their livelihood. Under the scheme, eligible elderly owner-landlords can receive compensation close to 80% of the Home Purchase Allowance (HPA), which is higher than the normal Supplementary Allowance payable to owner-landlords at 50% of the HPA.

11. Furthermore, in pursuit of the urban renewal objective to provide better assistance to residents in dilapidated buildings, the URA has also put in place measures to help tenants whose landlords terminate or refuse to extend their tenancies after the freezing survey has been conducted but before the URA successfully acquires the properties. A special ex-gratia payment based on the rateable value of the property has been introduced. In exceptional circumstances, compassionate rehousing will also be considered.

District Urban Renewal Forums

12. The first District Urban Renewal Forum (DURF) in Kowloon City was set up by the Government in June 2011 to offer advice on urban renewal planning in the Kowloon City area from a holistic and integrated perspective. As a DURF member, the URA has been providing professional support to the forum. The Kowloon City DURF has considered, amongst others, draft preliminary urban renewal proposals for Kowloon City. These preliminary proposals will serve as the starting position for conducting further related consultancies for the district.

Urban Renewal Trust Fund

13. The Urban Renewal Trust Fund (URTF) was established in August 2011 with an endowment of \$500 million from the URA. It will provide a steady and independent source of funding for various initiatives in line with the new URS, including the appointment and operation of Social Service Teams, the commissioning of planning and related studies by DURF, and heritage preservation and district revitalisation initiatives proposed by non-governmental organisations (NGOs). The URTF has its own independent board which members are all nominated by the Secretary for Development.

Rehabilitation

Operation Building Bright

14. In 2011-12, the URA continued to collaborate with the Government and the Hong Kong Housing Society (HKHS) to implement Operation Building Bright (OBB) which is a one-off special operation to create more employment opportunities for the construction sector and to promote building safety. Up till end March 2012, the URA had provided support to owners of some 1,336 buildings comprising around 62,000 units. In 2011-12, the URA had assisted the rehabilitation of an estimated 280 buildings comprising around 11,900 units.

Integrated Building Maintenance Assistance Scheme

15. The URA has been assisting owners to rehabilitate their buildings since 2004 under the URA's Materials Incentive Scheme and the Loan Scheme, with a total of about 550 buildings involving about 44,000 units having been assisted as at end March 2011. To further facilitate rehabilitation by building owners, starting from 1 April 2011, the URA and HKHS have collaborated and amalgamated the five

financial assistance schemes of the URA and HKHS into a single scheme called the “Integrated Building Maintenance Assistance Scheme” (IBMAS), adopting a set of unified application criteria and terms and conditions for all eligible buildings in Hong Kong. IBMAS is now co-managed by the URA and the HKHS. As at 31 March 2012, 558 applications had been received under the IBMAS, of which 139 were within the URA’s Rehabilitation Scheme Areas. Of these 139, 94 had been processed with assistance granted.

Urban Renewal Resource Centre

16. To promote better community understanding of building rehabilitation and redevelopment, and to enhance supporting services to owners’ corporations and owners wishing to organise rehabilitation works for their buildings, the URA opened its first Urban Renewal Resource Centre at Fuk Tsuen Street, Tai Kok Tsui, in April 2012.

Preservation and Revitalisation

17. While the URA has embraced redevelopment and rehabilitation as its two core businesses under the new URS, it will continue to allocate resources for taking forward those preservation and revitalisation projects to which it has already committed to implementing.

Preservation

18. On the preservation front, the URA is currently preserving over 60 historical buildings located within its project areas. It has continued with its acquisition efforts for the two shophouse preservation projects at Prince Edward Road West/Yuen Ngai Street and Shanghai Street/Argyle Street. At Mallory Street/Burrows Street, the URA is partnering with the Hong Kong Arts Centre to transform the site into a “Comix Home Base” to provide a platform for local and international art exchange. The related main restoration and construction works have commenced. The Blue House preservation project was the one preservation project entrusted by the URA to the HKHS. Land voluntarily acquired by the HKHS in the Blue House cluster had since been surrendered to the Government. The cluster is now one of the historic buildings included under Batch II of the Government’s “Revitalising Historic Buildings through Partnership Scheme”. St. James’ Settlement has been selected by the Government as its partnering non-profit making organisation for the Blue House cluster.

Revitalisation

19. During 2011-12, the URA carried on with its revitalisation programme in Central and Western, Wan Chai, Tai Kok Tsui and Mong Kok.

20. For Central Market, the Central Oasis Community Advisory Committee solicited public views on the design of “Central Oasis” through a territory-wide roving exhibition and opinion polls. A comprehensive design consultancy based on public views, the findings of a structural survey and the outcome of studies on the market building’s character-defining elements was awarded in November 2011. Since then, the design team has been preparing the structural and architectural designs for a section 16 application under the Town Planning Ordinance to the Town Planning Board.

21. In Wan Chai, the Old Wan Chai Revitalisation Initiatives Special Committee, set up by the Government in 2008, was disbanded in February 2012, after accomplishing its mission to revitalise Old Wan Chai. The major projects implemented under the auspices of the Special Committee include the designation of the Wan Chai Heritage Trail and completion of architectural lighting of the trail; provision of metered electricity supply to hawker stalls in Tai Yuen Street and Cross Street; and implementation of open space and street improvements in the vicinity of St Francis Street under the “Public Private Partnership on Revitalisation for Old Wan Chai” in partnership with the private sector.

Corporate Social Responsibility

22. As a responsible public organisation, the URA has paid due regard to its corporate social responsibility. This is borne out by the URA’s endeavours and achievements in the areas of sustainable building design, community engagement, support for NGOs and arts promotion. On the environment front, the URA received its seventh BEAM Platinum Award and two provisional awards in 2011-12. On the public engagement front, the URA has been making intensive efforts to engage stakeholders in the rollout of initiatives related to the new URS. In 2011-12, the URA also stepped up efforts to engage educational institutions and organisations to foster a better understanding of the new URS and its impact on urban renewal. The URA has also provided some 57, 000 square feet of premises at nominal rent to 13 NGOs for various kinds of activities last year.

23. To enhance the vibrancy of the old urban areas through active involvement of the community, the URA launched a pilot scheme in October 2011 to encourage NGOs to partner with the URA to stage arts events. In addition, the URA has licensed one vacant shop premises it acquired in the Prince Edward Road West project to an NGO to provide arts learning services. Separately, it has also reserved one block at Wing Lee Street to launch the URA's first "Artists-in-residence" programme.

24. A detailed account of the URA's work in 2011-12 is at Part III of the URA's report at the **Annex**.

URA's Future Work Plan

25. The Financial Secretary approved the URA's Corporate Plan (CP) for 2012-13 to 2016-17 and Business Plan (BP) for 2012-13 in February 2012. The five-year CP comprises 55 redevelopment and preservation projects, including 13 redevelopment projects to be commenced in 2012-13 to 2016-17 (which include the three demand-led redevelopment projects that commenced in April 2012). The second round of invitation for applications for the "Demand-led Redevelopment Project Pilot Scheme" has just been launched on 1 June 2012. The exact number of demand-led redevelopment projects to be commenced in 2012-13 is subject to change, depending on the number of applications received and the merits of the applications to be received in the second round. As for the number of projects to be facilitated under the "Facilitating Services Pilot Scheme", as an assumption, the URA has estimated that the company will undertake one to two facilitation projects in 2012-13.

26. On the rehabilitation front, the URA will continue with its rehabilitation efforts through IBMAS and OBB in 2012-13. It is expected that during the year, URA's rehabilitation efforts will benefit about 30 buildings or 1,340 units under IBMAS within the URA's Rehabilitation Scheme Areas. As for OBB, it is expected that the URA will assist the owners of around 284 buildings or 14,552 units in 2012-13.

27. The URA will also continue its efforts in preservation and revitalisation projects. Details of the URA's coming year work plan are set out in Part IV of the URA's report at the **Annex**.

Pilot Scheme for the Redevelopment of Industrial Buildings

28. In his 2012-13 Budget Speech, the Financial Secretary announced that the URA would be invited to launch a pilot scheme to redevelop industrial buildings. The objective of the pilot scheme is to accelerate the pace of renewal of dilapidated industrial buildings in areas already rezoned so as to release more land for residential or commercial development.

29. All along, the URA's acquisition policy for industrial buildings is broadly based on the Government's compensation policy. Based on the experience with the Sai Wan Ho Street project which is still at the acquisition stage (the only URA project in which acquisition of industrial buildings is involved), the URA's modified acquisition policy to be applied to the pilot scheme entails the following:—

- (a) the assessment of existing use value (EUV) by the URA for acquisition purposes by reference to the comparable transaction prices in the open market will continue to be adopted;
- (b) the government ex-gratia allowance (EGA) payable to operators at industrial buildings upon resumption is an annually updated government unit rate calculated with reference to a basis approved by the LegCo Finance Committee, which takes into account the rental allowance to the operator for a period necessary to carry out the fitting-out of alternative industrial premises upon relocation, removal costs, the basic fitting out costs, fees payable to estate agents for finding the alternative premises, legal fees and the applicable stamp duty payable. The EGA rate varies with the location of the industrial building affected. Under the pilot scheme, the owner-operator will receive an EGA payment up to four times government EGAs at the voluntary acquisition stage; and
- (c) in recent years, there has been a proliferation of illegal domestic use of sub-divided units in industrial buildings. In balancing the need to provide some form of assistance to the tenants in these sub-divided flats affected by URA redevelopment, while holding the line that illegal use should not be condoned, the URA will provide a removal allowance to the affected tenants but these affected residents will not be given an earlier allocation of public rental housing, with the exception of compassionate rehousing by the Social Welfare Department in needy cases.

30. The URA's modified acquisition policy for industrial buildings will apply to the pilot scheme which is anticipated to be launched in 2012-13. This modified policy will not have retrospective effect.

31. Further details of the pilot scheme to redevelop industrial buildings are set out at Appendix II of the URA report at the **Annex**.

Financial Position and Disclosure

32. As at 31 March 2012, the URA's net asset value stood at \$ 21.8 billion. A net operating surplus of \$2.6 billion was recorded in 2011-12, representing an increase of \$0.4 billion over last year. The surplus was mainly attributable to the favourable property market which has been rising since the start of 2009.

33. The URA has estimated that a total expenditure of about \$25 billion, excluding operational overheads, will be required to meet the costs of all projects contained in its 2012-13 to 2016-17 CP. To ensure that it has sufficient funding in place to meet the needs of its work programme, the URA put in place a Medium Term Note Programme in 2009-10 with a \$1.5 billion bond issue in 2009 followed by a \$200 million private placement in May 2011. A \$1.3 billion bond issue was arranged in April 2012 to refinance part of its debts due in 2012-13. The total amount of the URA's outstanding bond issue stood at \$1.7 billion as at end March 2012. The Government will continue to closely monitor the URA's financial position.

34. In response to Members' request and in the interest of transparency and accountability, the URA has been disclosing financial information on its completed individual projects since 2010. Following this practice, the URA has provided the financial information on its two individual projects completed in 2011-12 at Appendix III of the report at the **Annex**.

Work of the Urban Renewal Authority in 2011-12
and Business Plan for 2012-13

I. INTRODUCTION

This paper is a report on the work of the Urban Renewal Authority (URA) for the year ending 31 March 2012 (2011-12) and its Business Plan for 2012-13.

II. BACKGROUND

2. A major highlight of the URA's 10th year of operation is the promulgation of the new Urban Renewal Strategy (URS) on 24 February 2011 which effectively redefines and expands the URA's role in advancing urban renewal.

3. Under the new URS, redevelopment and rehabilitation will be the core businesses of the URA, while preservation and revitalisation will take on a reduced role in the URA's overall strategy. New preservation works will be confined within the URA's redevelopment project areas except in cases where there is policy support or request from the Government. As regards revitalisation which requires multi-party participation, it cannot be the sole responsibility of the URA and hence the URA's involvement will be supportive in nature.

4. The above rearrangement of priorities accords with the general consensus reached during the two-year public engagement exercise on the URS Review. Furthermore, the new URS also introduces new initiatives and measures aimed at addressing the most persistent demands and concerns of the public. Most notable of these initiatives and measures are demand-led redevelopment; facilitating services for redevelopment; flat for flat scheme; and the setting up of District Urban Renewal Forums (DURFs) and the Urban Renewal Trust Fund (URTF).

5. The URA has taken into account these new elements in carrying out its work during 2011-12 and the progress is reported below. It should be noted that for the sake of contemporaneity, significant events which fall outside the reporting period are also mentioned where appropriate.

III. WORK OF THE URA IN 2011-12

Redevelopment

New URA-initiated Projects

6. The URA has initiated and commenced two new redevelopment projects during 2011-12, namely, the Kowloon City Road/Sheung Heung Road project and the Reclamation Street/Shantung Street project. For the former, the URA is seeking the Secretary for Development's authorisation to proceed with the project. For the latter, the URA will be seeking the Secretary for Development's authorisation in due course.

Demand-led Redevelopment Projects

7. With the new URS envisioning a more diverse approach to redevelopment, the URA launched the "Demand-led Redevelopment Project Pilot Scheme" in July 2011, which, for the first time, enabled property owners to initiate a redevelopment project by submitting an application to the URA to invite the Authority to redevelop their proposed site. The Pilot Scheme was welcomed by the public with 25 applications received and three applications selected by the URA for inclusion in its 2012-13 Business Plan for commencement in the early part of 2012-13. Progress of these three projects is reported in Part IV below and Appendix I.

8. The original plan was for the URA to include one to two demand-led projects in its 2012-13 Business Plan, but, in the light of the

enthusiastic response from owners and the merits of the applications, the URA Board resolved that the Authority should take on three projects.

Facilitating Services

9. The other initiative under the new diverse approach to redevelopment is similarly owner-driven and sees the URA offering advice and assistance to property owners interested in assembling their property interests for joint sale in the market. The URA has set up the Urban Redevelopment Facilitating Services Ltd., a subsidiary licensed under the Estate Agents Ordinance, to undertake related work under the “Facilitating Services Pilot Scheme”. Since the launch of the Pilot Scheme in July 2011, the company has received five applications, of which two have been taken up, while three have failed to meet the application requirements.

Ongoing Projects

10. In addition to the two new URA-initiated projects mentioned in paragraph 6 above, during 2011-12, the URA continued to implement 29 ongoing redevelopment and four preservation projects either commenced by the URA or taken over from the former Land Development Corporation (former LDC).

11. During 2011-12, the URA also -

- (a) issued acquisition offers to the owners for the Ma Tau Wai Road/Chun Tin Street project, Pak Tai Street/San Shan Road project and revised offers for the Sai Wan Ho Street project (following the return of the project to the URA by the Hong Kong Housing Society (HKHS) on 23 November 2011);
- (b) assisted the Government in the resumption in the Nga Tsin Wai Village project, Anchor Street/Fuk Tsun Street project and Kwun Tong Town Centre Development Areas 2, 3 and 4;

- (c) successfully cleared four sites in Site B of Peel Street/Graham Street project, Chi Kiang Street/Ha Heung Road project, Sai Yee Street project and Pak Tai Street/Mok Cheong Street project;
- (d) invited expression of interest and tender for the Chi Kiang Street/Ha Heung Road project and Site B of the Peel Street/Graham Street project; and
- (e) awarded joint venture development tender for the Chi Kiang Street/Ha Heung Road project.

Details and Progress of Individual Projects

12. Up to 31 March 2012, the URA had commenced a total of 42 redevelopment projects and four preservation projects (which include the six HKHS projects). Out of these projects, seven had been completed. The 42 redevelopment projects provide almost 12,700 new flats, about 242,700m² of commercial space, about 53,000m² of GIC facilities, around 100,000m² for other uses including offices and hotels, and about 26,000m² of open space. At the same time, the URA has improved the living conditions of about 34,000 households previously living in substandard housing.

13. **Appendix I** shows the details and current progress for 55 redevelopment and 4 preservation projects handled by the URA up to 31 May 2012.

Property Acquisition Policies

14. The URA's policies for acquisition of property interests are largely based on the Government's compensation policy on land resumption. Over the years, the URA has continued to refine the offers at the voluntary acquisition stage with a range of people-oriented measures aimed at alleviating specific hardships of domestic and non-domestic residents. These include ex-gratia allowances and measures such as the

“Ex Gratia Business Allowance” payable to owner-occupiers of non-domestic properties, taking into account the number of years of their continuous operation, and the “Expression of Interest in Purchasing Arrangement” which affords domestic owner-occupiers the priority to purchase new flats in the redeveloped site should they wish to return.

15. During the two-year public engagement exercise on the URS Review, there was a groundswell of support for further refinements to the URA’s acquisition policy, and the new URS has responded to this accordingly. The introduction by the URA of the “Compassionate Allowance for Elderly Domestic Owner-Landlords” allows eligible elderly owner-landlords who rely on rental income to sustain their livelihood to receive compensation that is close to 80% of the Home Purchase Allowance (HPA), as opposed to the normal Supplementary Allowance that is 50% of the HPA. This is a considerable enhancement and has been well-received by the public. Furthermore, in pursuance of the urban renewal objective to improve the conditions of residents in dilapidated buildings, the URA has also put in place measures to help tenants whose landlords terminate or refuse to extend their leases after freezing survey has been conducted but before the URA successfully acquires the properties. A special ex-gratia payment based on three times rateable value subject to a minimum of \$70,000 for one-person households and \$80,000 for two-person or above households has been introduced. In exceptional circumstances, compassionate rehousing will also be considered. While such measures are targeted at specific groups of owners and tenants, the new URS has also introduced another new measure that deals with the most persistent and vocal demand from the public, that is, the Flat for Flat option.

16. The introduction of the “Flat for Flat” (FFF) Pilot Scheme is a new milestone for the Authority, and it is offered as an additional choice to all domestic owner-occupiers in URA-implemented redevelopment projects commencing after the promulgation of the new URS in February 2011. The first project accorded with this additional option is the Pak Tai Street/San Shan Road project.

17. Domestic owner-occupiers can purchase a unit in the future development in the form of in-situ FFF, or a unit at the Kai Tak Development earmarked for FFF. The in-situ option should particularly appeal to those owners who have built a strong network in the existing neighbourhood, and who would like to return to live in the same area in future. The Kai Tak option, on the other hand, is intended to be an early solution space to facilitate the launch of the FFF scheme.

18. On 27 February 2012, the URA issued acquisition offers to the property owners of the Pak Tai Street/San Shan Road project, and the 32 domestic owner-occupiers became the first batch of owners able to opt for in-situ or Kai Tak FFF units. The URA has reserved 49 in-situ flats on the lower floors of the new development which will be available for occupation in 2018-19. For the Kai Tak flats, some 50 units were reserved in different floor zones, targeted for pre-sale in 2014-15 and occupation in 2016-17. The reservation of about 100 units in total provides ample choice for interested owner-occupiers.

19. To enable owners to make an informed choice, they were provided with information on the FFF units such as the size, layout and the relevant unit prices per square foot of the units. In addition, they were offered the opportunity to obtain professional surveyor's advice at a prescribed fee reimbursable by the URA on the acceptability of the unit prices of the new flats for the in-situ or Kai Tak development.

20. Although the unit prices of the in-situ and Kai Tak flats at the relevant floor zones being offered for the Pak Tai Street/San Shan Road project compare favourably with the HPA rate for the project in that the unit prices of the new flats range from 0.7% to 16% above the HPA rate, due to the fact that the in-situ and Kai Tak flats will not be ready for occupation until in a few years' time (for example, the first batch of the Kai Tak flats will be completed in 2016-17), no owner opted for FFF this time. The FFF scheme needs time to "mature" and the current dearth of interest does not fairly reflect its appeal to owners, not until close to the time of completion of the first batch of Kai Tak flats.

Modest Design Concept

21. Another feature of the FFF scheme that is worthy of note is the “Modest Design” approach adopted in the Kai Tak FFF development. This approach will also apply to some degree to the in-situ FFF units. The modest design concept is the URA’s response to the call for “no frills” developments amongst the various stakeholders during the public engagement exercise on the URS review.

22. The URA has developed the modest design concept based on input from a professional workshop organised with the Hong Kong Institute of Architects and an opinion survey with over 800 people in major redevelopment districts between September and November 2011. The modest design features are intended to be practical, durable, cost-efficient and environmentally-friendly.

District Urban Renewal Forums

23. The new URS envisages a “bottom-up” approach to redevelopment that pays due regard to the advice and recommendations of the DURFs set up by the Government, findings of the URA’s building conditions surveys, as well as related data made available by the Buildings Department (BD). The URA is a member of the Kowloon City DURF, the first one set up by the Government, and has been providing professional support to it.

Urban Renewal Trust Fund

24. The URTF was established in August 2011 with a \$500 million endowment from the URA. It provides an independent source of finance for the planning and related studies to be conducted by DURFs, the social service teams (SSTs) that render support to affected residents in URA redevelopment projects, and non-governmental organisations (NGOs) and other stakeholders involved in heritage preservation and district revitalisation initiatives. The URTF has its own independent

board which chairman and board members are nominated by the Secretary for Development.

Rehabilitation

25. Under the new URS, rehabilitation shall be one of the URA's two core businesses. During 2011-12, the URA has intensified its rehabilitation efforts through Operation Building Bright (OBB) and the Integrated Building Maintenance Assistance Scheme (IBMAS). As in previous years, the URA's rehabilitation efforts have garnered a lot of positive feedback from property owners and residents who have benefited from the various schemes.

Operation Building Bright

26. The URA has given full support to the Government's OBB programme since it began in 2009. Up till the end of March 2012, the URA had provided financial and technical assistance to around 1,336 buildings, comprising around 62,000 units. In 2011-12, the URA had assisted the rehabilitation of an estimated 280 buildings or about 11,900 units out of an approximate 1,336 buildings within the URA's Rehabilitation Scheme Areas (RSAs).

Integrated Building Maintenance Assistance Scheme

27. The URA has been assisting owners in rehabilitating their buildings since 2004 under the Materials Incentive Scheme and the Loan Scheme, with a total of about 550 buildings or 44,000 units assisted up to end March 2011. From 1 April 2011, the above schemes, together with those schemes operated by the HKHS to promote and facilitate better building maintenance, have all been amalgamated into a single "Integrated Building Maintenance Assistance Scheme". The IBMAS adopts the same set of application criteria and provides the same subsidies and assistance provided by all these schemes to all multiple-owned private domestic/composite buildings in Hong Kong. Through a single set of application forms, owners can also apply for the Government funded

Building Maintenance Grant Scheme for Elderly Owners operated by the HKHS and Building Safety Loan Scheme operated by BD. Regular IBMAS coordination meetings are held between the URA and HKHS. As at 31 March 2012, 558 applications had been received under the IBMAS, of which 139 were within the URA's RSAs. Of these 139, 94 had been handled with assistance granted.

Expansion of the URA's Rehabilitation Coverage

28. The URA will be taking over the rehabilitation work from the HKHS progressively by first taking over the rehabilitation responsibilities in Kowloon in 2013, and then the whole territory in 2015. To this end, the URA is devising an initial strategy to cope with the expanded geographical coverage including the recruitment of additional manpower and the setting up of new offices as appropriate.

Urban Renewal Resource Centre

29. The URA has set up the first Urban Renewal Resource Centre (URRC) at Fuk Tsuen Street, Tai Kok Tsui. This first URRC has commenced operation since February 2012 and was officially opened on 26 April 2012. The URRC will help the URA promote its building rehabilitation and redevelopment initiatives, namely, to enhance the URA's supporting services to Owners' Corporations and owners who wish to organise rehabilitation works for their buildings; to provide more customised services to owners applying for various subsidies, loans and grants under the IBMAS; and to supply information on the URA's other programmes.

Revitalisation

30. The URA's revitalisation work has achieved solid progress in 2011-12.

Wan Chai

31. The Old Wan Chai Revitalisation Initiatives Special Committee, set up by the Government in 2008, was disbanded in February 2012 after accomplishing its mission to revitalise Old Wan Chai. The major projects implemented under the auspices of the Special Committee include :

- (a) designation of the Wan Chai Heritage Trail and completion of architectural lighting of the trail;
- (b) providing metered electricity supply to about 130 hawker stalls in Tai Yuen Street and Cross Street; and
- (c) upgrading open space and making street improvements in the vicinity of St Francis Street under the “Public Private Partnership on Revitalisation for Old Wan Chai”.

Tai Kok Tsui

32. In Tai Kok Tsui, the Phase 1 Beech Street and Beech Street Sitting-out Area beautification and upgrading works, and Phase 2 Cherry Street roundabout works were completed in March and July 2011 respectively.

Mong Kok

33. The URA is enhancing the local characteristics of five themed streets in Mong Kok, namely, Flower Market Road, Tung Choi Street, Sai Yee Street, Fa Yuen Street and Nelson Street. The minor works for the Flower Market Road Refuse Collection Point facelift was completed in 2011-12. The revitalisation works for Flower Market Road started in December 2011 while the designs for Tung Choi Street have been submitted to the various Government departments for approval.

Central & Western

Central Oasis

34. In 2011-12, the Central Oasis Community Advisory Committee solicited public views on the design of Central Oasis through a territory-wide roving exhibition and opinion polls. A comprehensive design consultancy based on public views, the findings of a structural survey and the outcome of studies on the market building's character-defining elements was awarded in November 2011. Since then, the design team has been preparing the structural and architectural designs for the market building based on the design brief for a section 16 application to the Town Planning Board.

Peel Street/Graham Street Market Vibrancy Initiatives

35. To maintain the vibrancy of the market abutting the Peel Street/Graham Street redevelopment project, the URA launched a series of market promotion cum branding exercises with the participation of about 90 shop operators and hawkers. As a number of fixed pitch hawker stalls were affected by the site works, newly designed fire-resistant stalls were reprovisioned for the nine affected hawkers. The completed new stalls were handed over to the hawkers in January 2012.

Pak Tsz Lane Revitalisation Project

36. The Pak Tsz Lane Revitalisation Project comprises two major phases, namely, the construction of the Pak Tsz Lane Park, beautification of the refuse collection point at Gage Street and the revitalisation works on the adjoining footpaths. The URA, as the agent for the Leisure and Cultural Services Department (LCSD) for the design and construction of the Pak Tsz Lane Park, has completed the first phase of the works and handed the park over to LCSD. The URA is working on the remaining phase of the revitalisation project.

Western Market

37. The 21-year land grant that the URA had been holding for the Western Market expired in February 2012. To facilitate a detailed structural assessment, public engagement on possible future uses of the premises, and a study on the necessary restoration works, the URA has sought and obtained a three-year lease extension in late 2011 with a premium paid to the Government.

Preservation

Shophouse Preservation Projects in Mong Kok

38. The URA has continued its acquisition of property interests in the two shophouse preservation projects at Prince Edward Road West/Yuen Ngai Street project and Shanghai Street/Argyle Street project, both of which commenced in March 2010. Regarding the Prince Edward Road West project, partial conservation works are being undertaken on two blocks wholly acquired by the URA.

Mallory Street / Burrows Street Preservation Project

39. The URA is implementing a preservation-cum-revitalisation project at Mallory Street/Burrows Street. The Hong Kong Arts Centre (HKAC) has been awarded the contract as main operator for the project which will be transformed into a “Comix Home Base” to provide a platform for local and international art exchange and interaction. HKAC is compiling a list of potential tenants for the URA’s consideration. The main restoration and construction works at site have commenced.

Stone Nullah Lane/Hing Wan Street Preservation Project (“Blue House”)

40. The “Blue House” project was one of the projects entrusted to the HKHS by the URA for implementation under the auspices of the Memorandum of Understanding on Long-Term Strategic Co-operation

signed between the two bodies in 2002. In the 2007-08 Policy Address, the Government introduced a range of heritage conservation initiatives, including the Revitalising Historic Buildings through Partnership Scheme. The URA and the HKHS have agreed to co-operate with the Government and to include the project site in the partnership scheme. After considering the revitalisation proposals submitted by non-profit making organisations, the Government selected St. James' Settlement's "Viva Blue House" proposal. The Commissioner for Heritage's Office is following up on that proposal and related matters, and the URA is rendering the necessary support.

Corporate Social Responsibility

Environment

41. The URA has continued to incorporate the highest practical standards, and set an example for environmental sustainability and energy efficiency in its redevelopment projects and rehabilitation work. In 2011-12, the URA had received another BEAM Platinum Award and two further provisional awards, in addition to the six BEAM Platinum Awards already received in previous years.

Community Engagement

42. The URA has been making intensive efforts to engage stakeholders in the roll-out of initiatives related to the new URS.

43. In 2011-12, the URA stepped up its efforts to engage educational institutions and organisations to help the community better understand the new URS, and its impact on urban renewal. Examples of these efforts include the "Old District Discovery" Video Competition 2011 for secondary schools and the Community Drama Competition open to NGOs. The URA had also produced an updated set of multimedia education kits for secondary and primary schools. The Urban Renewal Exploration Centre (UREC) received a "face-lift" in the year and recorded a student visitor number of 4,262 in addition to visits by community

groups. The UREC has not only become an educational platform for local students, but also for visiting students and scholars from overseas.

Support for NGOs and other Organisations

44. The URA is providing premises totaling some 57,000 square feet at nominal rent to some 13 NGOs. The URA is also providing space for various Government departments and other organisations to serve as training venue, display and exhibition space.

45. A total of 12 events with the URA's assistance/sponsorship had been staged at venues operated by the URA and its joint-venture partners last year.

Arts Policy

46. A pilot scheme was launched in October 2011 to encourage NGOs to partner with the URA to stage arts events to enhance the vibrancy of the old urban areas with the active involvement of the community. Over the past year, a total of six events were sponsored, in addition to a district arts festival organised by the Tsuen Wan District Council. The URA also provided free venue support to another five exhibitions/events. A vacant shop at Prince Edward Road West acquired by the URA has been licensed to an NGO to provide arts learning service to the community. The URA has reserved one acquired block on Wing Lee Street for the URA's first "Artists-in-residence" programme. A total of 18 applications have responded to the invitation for expression of interest for this programme and eight of them have been shortlisted for consideration.

IV. URA's Business Plan for 2012-13

47. In February 2012, the Financial Secretary approved the URA's 11th Corporate Plan for 2012-13 to 2016-17 and the 11th Business Plan for 2012-13, both of which are in line with the new URS.

48. The 11th Corporate Plan comprises 51 redevelopment and four preservation projects, including the 13 redevelopment projects to be commenced in the five-year period of 2012-13 to 2016-17. This number includes the three demand-led redevelopment projects commenced in April 2012.

Redevelopment

URA-initiated Redevelopment Projects

49. In accordance with the URA's 2012-13 Business Plan, the URA will continue to initiate new URA redevelopment projects in 2012-13.

Demand-led Redevelopment Projects

50. In addition to the URA-initiated projects, the URA has commenced three demand-led projects in April 2012 as part of the 2012-13 Business Plan. Freezing surveys for all three projects were conducted from 20 to 22 April 2012.

51. The second round of invitation for application for the Demand-led Redevelopment Project Scheme is between 1 June and 31 August 2012, and the URA has refined the application process based on experience gained from the first round of invitation conducted last year.

Ongoing Redevelopment Projects

52. Aside from the new redevelopment projects, the URA will continue to implement a total of 31 ongoing redevelopment and four preservation projects (not including the six projects being undertaken by HKHS) which are at various stages of development. Works arising from these ongoing projects make up the bulk of the URA's workload.

Facilitating Service

53. Application for the Facilitating Services Pilot Scheme is open throughout the year. As an assumption in the 2012-13 Business Plan, the company will undertake one to two facilitation projects during 2012-13.

Redevelopment of Industrial Building Pilot Scheme

54. In the 2012-13 Budget Speech, the Financial Secretary announced that the URA would be invited to launch a pilot scheme to redevelop industrial buildings. In line with the requirement under the URA Ordinance, the URA will seek the approval of the Financial Secretary to change its approved Business Plan and Corporate Plan before commencement of any pilot redevelopment project for industrial buildings. A report on the URA's progress in structuring this pilot scheme is attached at **Appendix II**.

Rehabilitation

55. The URA will continue with its rehabilitation efforts through IBMAS and OBB in 2012-13. It is expected that during the year, the URA's rehabilitation efforts will benefit about 30 buildings or 1,340 units under IBMAS within the URA's RSAs. As for OBB, it is anticipated that the URA will assist around 284 buildings or 14,552 units in 2012-13.

56. The BD is planning to launch the Mandatory Building Inspection Scheme (MBIS) in June 2012. Having done a lot of preparation work in 2011-12, the URA will participate in the implementation of MBIS by subsidising the full cost of the first building inspection fee, subject to a cap, to owners of eligible buildings located in URA's RSAs who have received the Inspection Notice issued by BD. Upon request, the URA will also offer a range of technical support and advice to owners in need who wish to organise inspections and repair works for compliance with the statutory requirements. Provision has been made by the URA to subsidise about 270 buildings or 8,640 units in 2012-13.

Preservation

57. In 2012-13, the URA will continue to work on the nine projects involving preservation elements, namely, Lee Tung Street project, Mallory Street/Burrows Street project, Graham Street/Peel Street project, Yu Lok Lane/Centre Street project, Staunton Street/Wing Lee Street project, Shanghai Street/Argyle Street project, Prince Edward Road West/Yuen Ngai Street project, Tai Yuen Street/Wan Chai Road project and Nga Tsin Wai Village project.

Revitalisation

58. The URA will continue with its revitalisation efforts in 2012-13. These include ongoing endeavours in Wan Chai, Central & Western, Mong Kok and Tai Kok Tsui.

V. FINANCIAL MATTERS

59. The URA's net asset value, which can vary considerably from year to year, was \$21.8 billion as at 31 March 2012. This comprised a capital injection totalling \$10 billion from the Government and an accumulated surplus from operations of \$11.8 billion. For the year ended 31 March 2012, the URA recorded a net operating surplus of \$2.6 billion. Compared to the \$2.2 billion net operating surplus for the year ended 31 March 2011, this represents an increase of \$0.4 billion.

Overall Financial Position

60. The annual operating surpluses/(deficits) of the URA since its formation in May 2001 and the total accumulated surplus from that time up until 31 March 2012 are summarised as follows –

<u>Financial Year</u>	<u>Annual Surplus / (Deficit)</u> \$'000
Deficit on formation on 1 May 2001	(2,160,610)
2001-02 (11 months)	(558,223)
2002-03	(226,454)
2003-04	(80,320)
2004-05	3,003,560
2005-06	1,579,074
2006-07	766,533
2007-08	2,094,652
2008-09	(4,458,994)
2009-10	7,018,311
2010-11	2,208,787
2011-12	<u>2,584,046</u>
Total Accumulated Surplus as at 31 March 2012	11,770,362 =====

61. Any surpluses earned by the URA from redevelopment projects are retained and then applied to finance further redevelopment projects and the URA's rehabilitation, revitalisation and preservation efforts. The injection by the URA of \$500 million for the URTF in 2011-12 was also funded from surplus.

62. The operating surplus for 2011-12 of \$2.6 billion was mainly attributable to the favourable property market which has been rising since early 2009.

63. The net cash, excluding the fair value of the investments managed by the investment manager and the URA, less borrowing, held by the URA as at 31 March 2012, was \$7.3 billion.

64. As at 31 March 2012, the URA's cash and bank balances together with the fair value of the investments managed by the investment manager totalled \$10.6 billion, while the URA's accruals

and estimated outstanding commitments in respect of projects under acquisition and resumption stood at \$13.1 billion.

65. The URA has put in place suitable external financing arrangements to ensure that it has funding in place to meet the needs of its extensive work programme over the next few years. These arrangements are kept under constant review.

66. Having obtained a public AA+ credit rating from Standard and Poor's Rating Services (S & P) in December 2008, the URA's rating was upgraded by S & P in December 2010 to AAA, following the upgrading of the HKSAR's rating. The rating was reassessed and reaffirmed after an annual review in February 2012. In addition to the Medium Term Note (MTN) programme, which the URA put in place in 2009-10 with a \$1.5 billion bond issue and a \$200 million private placement in May 2011, the URA is maintaining a total of \$1 billion in committed bank facilities as part of its planned funding programme. The MTN programme was updated in 2011-12. The \$1.3 billion bond issue was arranged in April 2012 to refinance part of its debts due in 2012-13.

67. Detailed financial information relating to the URA's overall position as at 31 March 2012 will be given in its Audited Accounts which will be included in the URA's 2011-12 Annual Report. The Annual Report is expected to be tabled by the Financial Secretary in the Legislative Council in October 2012.

Financial Results of Completed Projects

68. The financial results of each of the two projects completed in 2011-12 are attached at **Appendix III** for Members' information.

69. The two projects completed in 2011-12, namely, Queen's Road East, Wan Chai and Baker Court, Hung Hom, were commenced by the URA under its own form of arrangements and project agreements, which are different from those of the former LDC. The number of such projects commenced by the URA and now completed stands at seven

whilst to date eight projects commenced by the ex-LDC have been completed by the URA.

Land Premium Foregone by the Government

70. Unlike the ex-LDC¹, the URA is exempted by the Government from the need to pay land premium. If not for this arrangement, the URA's total accumulated surplus since its establishment of \$11.8 billion would have been reduced by \$5.5 billion, being the total amount of land premium assessed by the Lands Department to have been foregone by the Government in making land grants to the URA for 17 projects up to 31 March 2012.

Estimated Expenditure

71. We estimate that, in the five years from 1 April 2012 to 31 March 2017, a total expenditure of about \$25 billion, excluding operational overheads, will be required by the URA to meet the costs of all projects contained in its 2012 to 2017 Corporate Plan. This expenditure covers the URA's work in redevelopment, rehabilitation, preservation and revitalisation. However, it should be noted that while the Corporate Plan has been drawn up taking full account of the new URS, expenditure may nevertheless vary subject to the levels of interest shown in the new initiatives included in the new URS, including in particular demand-led redevelopment, flat for flat scheme, the expanded programme of building rehabilitation and other additional initiatives.

¹ *For most of the former LDC's projects, the former LDC tendered out its projects prior to acquisition, clearance and planning approval. Its joint venture partners were generally responsible for the acquisition costs, development costs, bank interest payments and land premium payments. In exchange, the former LDC did the acquisition work, obtained planning approval and received upfront payments or guaranteed payments plus a share of the development profit. The URA operates with a different model. The URA is responsible for acquisition, clearance, site assembly, demolition and obtaining planning approval prior to tender. Only following completion of all these tasks will the URA tender out its projects to joint venture partners. On award of tender, the URA is generally able to recoup its acquisition and other costs in the form of upfront payments, supplemented by some upside potential in the event that sales exceed certain thresholds.*

72. To ensure that its urban renewal programme is sustainable in the long term, the URA will continue to exercise due care and diligence in handling its finances.

VI. CONCLUSION

73. 2011-12 has been an important year for the URA, both in terms of the progress made with its ongoing work and the rearrangement of its priorities under the new URS promulgated in February 2011.

74. Overall, the URA is continuing to strive to implement its vision of creating a quality and vibrant urban living environment in Hong Kong while delivering a financially self-sustaining, integrated, environmentally sustainable, adaptable and well balanced urban renewal programme that generally meets the needs and expectations of the community and gives due regard to changes in the social, economic and market conditions.

75. In 2012-13, the URA will continue to implement the initiatives under the new URS, in accordance with its Corporate Plan and its 2012-13 Business Plan which are both aligned with the new URS. The URA also plans to commence one or two pilot projects for the redevelopment of industrial buildings.

URA Project Highlights as at 31 May 2012

Project Code	Project Name	Launch Year	Launch Month	Development Name	Existing Development Information				Project Development Information							Remarks	Status
					Project Site Area m ²	Existing GFA m ²	Buildings	Population	Residential Flat Number	Total GFA m ²	Residential GFA m ²	Commercial GFA m ²	Other Uses GFA m ²	G/IC GFA m ²	Public Open Space (1) m ²		
1-36 - 36 still ongoing projects commenced by URA																	
1 (2,3)	DL-1 : SSP	229A-G, Hai Tan Street, Sham Shui Po	2012-13	April		483	2,547	1	184	69	3,636	3,232	404	0	0	0	Project commencement gazetted on 20/4/12
2 (2,3)	DL-2 : SSP	205-211A, Hai Tan Street, Sham Shui Po	2012-13	April		470	3,335	1	239	69	3,569	3,172	397	0	0	0	Project commencement gazetted on 20/4/12
3 (2,3)	DL-3 : YTM	Pine Street/Oak Street, Tai Kok Tsui	2012-13	April		865	3,832	11	311	92	6,345	5,640	705	0	0	0	Project commencement gazetted on 20/4/12
4 (3)	YTM-010	Reclamation Street/Shantung Street, Mong Kok	2011-12	February		1,640	9,406	9	682	168	12,519	10,432	2,087	0	0	0	Eligible domestic owners-occupiers can join the Flat for Flat scheme Project commencement gazetted on 10/02/12
5 (3)	KC-007	Kowloon City Road/Sheung Heung Road, Ma Tau Kok	2011-12	November		1,622	7,258	8	550	175	12,456	10,380	2,076	0	0	0	Eligible domestic owners-occupiers can join the Flat for Flat scheme Project commencement gazetted on 25/11/11
6 (3)	SSP-014	Fuk Wing Street, Sham Shui Po	2010-11	March		649	2,456	6	195	72	5,038	4,748	560	0	0	0	Eligible domestic owners-occupiers can join the Flat for Flat scheme Project commencement gazetted on 25/03/11 SDEV authorized URA to proceed on 09/03/12 Initial acquisition offers issued on 04/05/12
7 (3)	KC-006	Pak Tai Street/San Shan Road, Ma Tau Kok	2010-11	March		1,277	6,389	12	380	138	9,782	8,152	1,630	0	0	0	Eligible domestic owners-occupiers can join the Flat for Flat scheme Project commencement gazetted on 25/03/11 SDEV authorized URA to proceed on 05/01/12 Initial acquisition offers issued on 27/02/12
8 (3)	TKW/1/002	Ma Tau Wai Road/Chun Tin Street, Ma Tau Kok	2009-10	February		3,377	10,393	17	519	420	22,640	19,740	1,900	0	1,000	500	The URA has taken the initiative to commence the project following collapse of one building and demolition of the damaged adjacent one. SDEV authorized URA to proceed on 10/12/10 Decision of Appeal Board to uphold authorization gazetted on 29/04/11 Initial acquisition offers issued on 30/05/11 Resumption application submitted on 8/12/11
9 (3)	SSP/3/001	Shun Ning Road, Sham Shui Po	2009-10	June		836	3,820	5	159	110	7,053	6,202	783	0	0	0	SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 28/04/10 Resumption application submitted on 25/01/11
10 (3)	MTK/1/002	San Shan Road/Pau Chung Street, Ma Tau Kok	2009-10	May		1,170	6,046	7	344	144	10,530	8,775	1,755	0	0	0	SDEV authorized URA to proceed on 29/01/10 Initial acquisition offers issued on 28/04/10 Resumption application submitted on 25/01/11
11 (3,4)	MK/01	Shanghai Street/Argyle Street, Mong Kok	2008-09	September		1,128	3,944	14	170	-	3,944	-	3,944	0	0	0	Zoned OU annotated ' shophouses for commercial and/or cultural uses' DSP approved by CE in C on 02/02/10 Initial acquisition offers issued on 31/03/10 Resumption application submitted on 27/01/11
12 (3,4)	MK/02	Prince Edward Road West/Yuen Ngai Street, Mong Kok	2008-09	September		1,440	4,334	10	31	-	6,126	-	6,126	0	0	0	Zoned OU annotated ' shophouses for commercial and/or cultural uses' DSP approved by CE in C on 02/02/10 Initial acquisition offers issued on 31/03/10 Resumption application submitted on 27/01/11
13 (3)	TKT/2/002	Anchor Street/Fuk Tsun Street, Tai Kok Tsui	2007-08	March		726	3,348	6	257	-	6,534	-	6,534	0	0	0	Draft Land Grant conditions being circulated by Lands D to relevant Government departments for comments Site reverted to Government on 12/11/11 Clearance in progress
14 (3)	TKW/1/001	Chi Kiang Street/Ha Heung Road, Ma Tau Kok	2007-08	February		931	5,226	5	302	116	8,379	6,983	1,396	0	0	0	Clearance completed on 31/10/11 Demolition in progress Joint venture development tender awarded on 27/02/12 Land Grant executed on 18/05/12
15 (3)	MTK/1/001	Pak Tai Street/Mok Cheong Street, Ma Tau Kok	2007-08	February		771	3,772	5	229	92	6,945	5,782	1,158	0	0	0	Site clearance completed on 16/03/12 Binding basic terms offer of Land Grant issued by LandsD on 27/04/12 Demolition in progress
16 (3)	K28	Sai Yee Street, Mong Kok	2007-08	December		2,478	14,434	14	498	290	22,302	17,255	4,956	0	0	0	Resumption gazetted on 18/02/11 Site reverted to Government on 18/05/11 Site clearance completed on 29/02/12 Demolition of vacant buildings underway Provisional basic terms offer of Land Grant issued by Lands D on 21/10/2011
17 (3,4)	K1	Nga Tsin Wai Village, Wong Tai Sin	2007-08	October		4,637	2,051	36	109	750	37,097	34,778	2,319	0	0	0	At-grade conservation park accessible to public will be provided. Commercial space includes preserved buildings/ elements, temple office, village committee's office, reprovisioning of public toilet and other covered areas but actual area still subject to detailed design. Land grant application submitted on 07/01/10 Resumption gazetted on 15/07/11 Government departmental comments on draft Land Grant being reviewed by DLO. Site reverted to Government on 15/10/11 Clearance in progress
18 (3,4)	H18	Peel Street/Graham Street, Sheung Wan	2007-08	July		5,320	20,219	37	823	293	68,533	22,518	44,575	0	1,260	2,060	G/IC is a 1,260m ² multi-purpose activity hall Commercial space includes retail space for relocating wet trade market shops, office space and 9,280m ² for 182 room hotel Site B: Revised MLP approved on 28/09/2011 Resumption of Site B gazetted on 10/12/10 Site B reverted to Government on 10/03/11 Demolition of Site B underway Clearance of Site B completed on 24/11/11 Binding basic terms offer for Land Grant (Site B) accepted by URA on 30/4/12. Joint venture development tender (Site B) awarded on 30/4/12 Sites A & C: Property acquisition in progress Revised MLP approved by the TPB on 28/09/2011

URA Project Highlights as at 31 May 2012

Project Code	Project Name	Launch Year	Launch Month	Development Name	Existing Development Information				Project Development Information							Remarks	Status
					Project Site Area m ²	Existing GFA m ²	Buildings	Population	Residential Flat Number	Total GFA m ²	Residential GFA m ²	Commercial GFA m ²	Other Uses GFA m ²	G/IC GFA m ²	Public Open Space (1) m ²		
19 (3) K7	Kwun Tong Town Centre, Kwun Tong	2006-07	March		53,500	96,104	24	4,440	1,979	401,250	160,610	111,780	97,860	31,000	13,400	Other uses include 65,860m ² for offices and 32,000m ² for hotel G/IC includes 6,200m ² for Kwun Tong Jockey Club Health Centre in YWS Site and 8,100m ² for Government uses in Main Site and 16,700m ² for Public Transport Interchange in Main Site Commercial Space includes some space for social enterprises Actual residential flat production is 1,980 units, but the approved MLP stated not more than 2,000 units to allow flexibility Public space includes min 8,700m ² at-grade public open space and min 4,700m ² private streetscape area/ pedestrian deck	Construction on YWS site in progress GBP for YWS site approved on 23/03/11 Resumption and phased reversion application for Main Site submitted on 13/07/09 LandsD consulted District Council about resumption of DAs 2, 3 and 4 on 03/05/11 CE in C approved resumption application for DA 2, 3 and 4 on 17/01/12 and gazetted on 02/03/12 In-principle approval for draft Land Grant conditions for DA 2&3 obtained at DLC on 28/07/11 Provisional basic terms for STT for site for reprovisioning interim G/IC facilities including the temporary hawker bazaar accepted on 13/10/2011 GBP for interim G/IC facilities Kwun Tong District Branch Office Building (KTDBOB) approved on 19/01/12 Interim government offices relocation from KTDBOB commenced in Feb and Mar 2012 GBP for Methadone Clinic approved on 10/11/2011. Tenancy Agreement for STT for site for reprovisioning of Methadone Clinic was executed by URA on 04/01/12 Road closure for DAs 2 and 3 gazetted on 27/4/12 Interim government offices relocation completed on 1/5/12
20 (3) H14	Sai Wan Ho Street, Shau Kei Wan	2005-06	September		712	3,796	2	21	120	5,791	5,546	631	0	0	0	Project returned by HKHS to URA with effect from 23/11/11. Acquisition, clearance and demolition of residential building completed Acquisition for industrial building in progress	
21 (3, 4) H05-026	Stone Nullah Lane/Hing Wan Street, Wan Chai	2005-06	March	Blue House	906	1,765	9	70	0	2,298	1,569	0	729	0	0	Incorporated into the Revitalising Historic Buildings through Partnership Scheme Other uses include education, recreation, welfare or visitor uses	Project returned by HKHS to URA with effect from 01/02/10
22 K9	MacPherson Stadium, Mong Kok	2005-06	March		2,400	2,788	1	0	293	24,767	16,705	2,443	0	5,619	0	Land grantee is Hong Kong Playground Association G/IC is for Indoor Stadium and Youth Centre	Construction in progress Estimated completion of construction in end 2012
23 (3) 24 (3) 25 (3)	SSP/1/003-005 Hai Tan Street / Kweilin Street & Pei Ho Street, Sham Shui Po	2005-06	February		7,440	25,344	37	1,277	845	56,840	49,650	4,990	0	2,200	1,500	Three projects taken forward as one G/IC includes 1,940m ² for Special Child Care Centre cum Early Education Centre, Day Care Centre for Elderly and Sub-base for a Neighbourhood Elderly Centre; 260m ² for either social enterprise or non-domestic use	Draft Land Grant conditions being circulated to government departments for comments. Resumption gazetted on 19/11/10 Site reverted to Government on 19/02/11 Clearance in progress Road Closure/Road Works Scheme authorization gazetted on 16/12/11 Demolition in progress
26 TKT/2/001	Fuk Tsun Street / Pine Street, Tai Kok Tsui	2005-06	December		560	4,071	3	273	109	4,945	4,107	840	0	0	0	Joint-venture development tender awarded on 22/11/10 Land Grant executed on 25/01/11 GBP approved on 16/03/12 Foundation works in progress	
27 (4) SYP/1/001	Third Street / Yu Lok Lane / Centre Street, Sai Ying Pun	2005-06	December		2,150	4,140	14	213	255	16,457	16,150	245	0	0	1,309	Commercial space includes 26.2m ² for shop and 82.1m ² other covered areas and 136.4m ² like preserved buildings and covered public open space	Joint-venture development tender awarded on 27/09/10 Land Grant executed on 07/01/11 GBP approved on 15/03/12 Foundation works in progress
28 (4) WC/001	Mallory Street / Burrows Street, Wan Chai	2004-05	March		780	2,687	5	122	0	2,402	0	0	2,402	0	309	Zoned OU annotated 'open space and historical buildings preserved for cultural and commercial uses' GFA includes retained façade at Burrows Street and two elevated walkways	Land Grant executed on 13/10/2011 Tender for Main Operator awarded on 15/04/11 Construction and alteration works in progress
29 30	SSP/1/001-002 Lai Chi Kok Road / Kweilin Street & Yee Kuk Street, Sham Shui Po	2004-05	March		3,339	13,197	17	551	402	29,505	24,564	4,898	0	0	580	Two projects taken forward as one Commercial space includes some space for social enterprises	Joint-venture development tender awarded on 22/01/10 Land Grant executed on 16/03/10 Construction in progress
31 K32	Pine Street / Anchor Street, Tai Kok Tsui	2004-05	December		2,328	11,802	12	518	462	20,952	17,460	3,492	0	0	450	Public open space not required under lease	Construction in progress Estimated completion of construction in mid 2012 Flat sale launch on 20/4/12
32 K31	Larch Street / Fir Street, Tai Kok Tsui	2004-05	December	Lime Stardom	2,195	10,332	12	594	377	19,735	16,425	3,310	0	0	0	Commercial space includes the Urban Renewal Resource Centre	Occupation Permit issued on 29/8/2011 Certificate of Compliance issued on 24/11/11 Sales of remaining shops in progress
33 (4) H15	Lee Tung Street / McGregor Street, Wan Chai	2003-04	October		8,236	36,534	52	1,613	1,299	79,789	67,880	9,246	0	2,606	3,967	Commercial space includes some space for social enterprises and three historical buildings G/IC includes Residential Care Home for Elderly/Community Service Support Centre, Refuse Collection Point and Public Toilet	Land Grant executed on 25/02/10 Construction works in progress Modification letter for additional commercial GFA executed on 29/08/2011

URA Project Highlights as at 31 May 2012

Project Code	Project Name	Launch Year	Launch Month	Development Name	Existing Development Information				Project Development Information							Remarks	Status
					Project Site Area m ²	Existing GFA m ²	Buildings	Population	Residential Flat Number	Total GFA m ²	Residential GFA m ²	Commercial GFA m ²	Other Uses GFA m ²	G/IC GFA m ²	Public Open Space (1) m ²		
52-59 - 8 Completed projects commenced by ex-LDC (*)																	
52	K17	Yeung Uk Road, Tsuen Wan	(*)	The Dynasty	7,230	NA	0	0	256	44,404	27,031	17,373	0	0	0	Project completed in 2010/11 Leasing of commercial space in progress	
53	K13	Tsuen Wan Town Centre, Tsuen Wan	(*)	Vision City	20,300	56,851	22	7,119	1,466	134,185	107,884	23,221	0	3,080	3,700	G/IC is for transport and community facilities Project completed in 2010/11 Sales of parking spaces in progress Leasing of commercial space in progress	
54	H12	Kennedy Town New Praya, Kennedy Town	(*)	The Merton	6,075	24,808	15	1,683	1,182	62,904	62,794	0	0	110	2,300	G/IC is for public toilet Project completed in 2007/08	
55	H13	Ka Wai Man Road, Kennedy Town	(*)	Mount Davis 33	728	4,000	1	0	89	7,280	7,280	0	0	0	0	Project completed in 2007/08	
56	K10	Waterloo Road/Yunnan Lane, Yau Ma Tei	(*)	8 Waterloo Road	3,869	6,610	19	444	576	32,012	32,010	0	0	0	1,650	Project completed in 2007/08	
57	H1	Queen Street, Sheung Wan	(*)	Queen's Terrace	7,964	25,792	50	648	1,148	66,233	60,579	400	0	5,254	1,200	G/IC includes Single-person Hostel, Care & Attention Home, Day Nursery, Social Centre for the Elderly, Hostel for Moderately Mentally Handicapped and Cooked Food Centre Project completed in 2007/08	
58	K2	Argyle Street/Shanghai Street, Mong Kok	(*)	Langham Place	11,976	40,810	58	2,603	0	167,414	0	160,866	0	6,548	1,100	Commercial space includes 41,933m ² for 686 room hotel, 65,793m ² for offices and 53,140m ² for retail G/IC includes Cooked Food Centre and transport and community facilities Project completed in 2005/06	
59	K8	Kwong Yung Street, Mong Kok	(*)	Paradise Square	1,607	4,190	10	178	272	15,160	12,746	2,414	0	0	0	Project completed in 2005/06	
52-59 Completed Sub-Total (*) (F)					59,749	163,061	175	12,675	4,989	529,592	310,324	204,274	0	14,992	9,950		
Completed Total (*) (D) + (E) + (F)					66,916	192,092	230	14,017	6,140	596,752	368,074	213,684	0	14,992	10,456		
Commenced + Completed					218,208	648,766	855	35,069	19,146	1,872,514	1,178,206	493,159	126,807	74,380	37,224		

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

(?) Demand-led project

(3) The details of projects 1 to 21 and 23 to 25 have yet to be finalised and are still subject to change during the statutory, planning and land grant approval processes.

(4) Projects 11, 12, 21 and 28 are purely preservation projects. All other projects are redevelopment projects, with redevelopment projects 17, 18, 27, 33, 34, 44 and 49 containing some preservation elements.

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

(*) The project was commenced by ex-Land Development Corporation

Project Numbers Reconciliation

+ 36 projects commenced by URA
 + 6 projects commenced by HKHS
 + 2 projects commenced by ex-LDC
 + 7 completed URA projects
 + 0 completed HKHS projects
 + 8 completed ex-LDC projects
59 projects in total

Glossary of Terms

CE in C = Chief Executive in Council
 DA = Development Area
 DLC = District Lands Conference
 DLO = District Lands Office
 DSP = Development Scheme Plan
 GBP = General Building Plan

GFA = Gross Floor Area
 G/IC = Government / Institution and Community
 HKHS = Hong Kong Housing Society
 LandsD = Lands Department
 LDC = Land Development Corporation
 MLP = Master Layout Plan

OU = Other Specified Use
 SDEV = Secretary for Development
 STT = Short Term Tenancy
 TPB = Town Planning Board
 URA = Urban Renewal Authority
 YWS = Yuet Wah Street

Planning & Approval
Acquisition & Clearance
Demolition & Tendering
Construction
Sales & Leasing
Completion

Progress on Formulating a Pilot Scheme for the Redevelopment of Industrial Buildings

I. Background

1. The Administration has recently invited URA, via the Financial Secretary's 2012-2013 Budget Speech, to launch redevelopment projects of industrial buildings in the form of a pilot scheme. The purpose is to address the growing number of underutilised industrial buildings which are old and dilapidated but for various reasons, such as multiple ownership, have little chance of being redeveloped through private initiative despite the Government support measures under the policy for revitalisation of industrial buildings. Their redevelopment can release more land for residential and commercial uses. After trying out the scheme which should consist of one to two projects (to be identified by the URA for the Financial Secretary's approval) within two years, the Government will review the situation and consult the public before deciding on the level of long-term commitment of URA on the future redevelopment of industrial buildings.

2. To date, the Sai Wan Ho Street redevelopment project is the only URA project which involves the acquisition of industrial properties. A bespoke acquisition policy was formulated in 2005, and this has been followed by the HKHS (which was entrusted with the implementation of the project under the Memorandum of Understanding of Long Term Strategic Co-operation signed between the URA and the HKHS), and subsequently the URA, after the return of the project to the Authority in 2011.

II. Acquisition Policy and Ex-gratia Allowance

3. The URA's current acquisition policy for industrial properties is summarised below:

URA's Current Acquisition Policy for Industrial Properties

	Compensation
Owner-occupier	Existing use value based on market value of property (EUV) + 1 x Ex-gratia allowance (EGA*) + extra cash allowance (0.5 x EGA)
Owner (vacant /tenanted property)	EUV + extra cash allowance (0.5 x EGA)
Tenant-operators	1 x EGA + extra cash allowance (0.5 x EGA)

*EGA = Government EGA as may be determined from time to time by the Lands Department for resumption cases.

4. The URA's current acquisition policy as stated above is broadly based on the Government's compensation and ex-gratia payment policy upon resumption of industrial properties as summarised below :

Government Compensation Policy upon Resumption

	Compensation
Owner-Occupier:	EUV + 1 x Government EGA
Owner (vacant /tenanted property):	EUV only
Tenant-operator:	1 x Government EGA

5. The assessment of EUV by the URA for acquisition purposes is by reference to the comparable sales transacted in the open market between willing sellers and willing buyers.

6. The Government EGA is an annually updated government unit rate calculated with reference to a basis approved by the LegCo Finance Committee

which takes into account the rental allowance to the tenant for a period necessary to carry out fitting-out of an alternative industrial property upon relocation, removal costs, basic fitting out costs, fees payable to estate agents for finding alternative premises, legal fees and stamp duty payable upon relocation. The EGA rate varies with the location of the industrial property affected. The actual amount of EGA payable by the Lands Department is tied to the internal floor area of the property concerned.

Modified Acquisition Policy for Industrial Properties

7. In taking up the invitation to devise a pilot scheme for redeveloping industrial buildings which, if implemented well, may become a going concern of the URA, the Authority is mindful of the need to revisit the relevant acquisition policy.

8. Based on the experience of the Sai Wan Ho Street project which is still in the implementation stage since commencing in September 2005, and taking into account the transactions of industrial properties in recent years in the open market, the URA is of the view that a more robust acquisition policy is needed to support any effort to redevelop industrial buildings on a long term basis. Resumption of industrial properties, like domestic and commercial properties, should only be invoked as the last resort.

9. In formulating a more robust acquisition policy for the pilot scheme, the URA feels that while it should make close reference to the Government compensation policy and the URA's existing policy, there are justifications for providing additional EGA to the affected owners and tenants. This essentially focuses on two separate aspects, namely, the EGA package for property ownership interest of the owners and the EGA package for operating interest of the occupiers.

10. Taking into account the costs and expenses likely incurred by the industrial property owners in purchasing alternative premises under a modified EGA

package, the URA will offer **1.5 times Government EGA** to the owners. In cash terms and assuming EGA basic rate for industrial upper floors at \$2,200/m² (as at 2011), 1.5 times Government EGA is equivalent to \$3,300/m² or \$300/ft². It is believed that it can cover the normal costs of purchase of an alternative property by the owner concerned including:

- (a) Agency Fee;
- (b) Stamp duty;
- (c) Legal fee; and
- (d) Double overheads (such as rates, property management fees, Government rent etc., during the intervening period).

11. Under the modified EGA package, the URA will offer a slightly higher multiple of Government EGA, i.e. **2.5 times Government EGA** to the tenant-operators to cope with the disturbance period of operator's business, including the time required to decorate the alternative rented accommodation. Applying the aforesaid basic rate of \$2,200/m² Government EGA, the sum payable to tenant-operators is about \$500/ft². In the light of an average monthly rental of flatted factories at about \$10 to \$12/ft², the modified EGA package would help the operator with some 36 months' rental at the alternative rented premises, together with other related costs to relocation such as agency fees and stamp duty, etc.

12. Under the modified EGA package, an owner-occupier will receive the aggregate of the above two EGA packages, i.e. **4 times Government EGA**.

13. In any event, the legal operators / occupiers of the affected industrial premises are entitled to business loss claims based on actual assessment of substantiated business records, should they elect not to accept the fixed sum calculated at 2.5 times Government EGA as explained above.

Area Basis for Calculating EGA

14. For maintaining a consistent practice in assessing the market value as well as ex-gratia allowances for acquisition of shop / commercial and residential properties undertaken by the URA, a unified approach of measuring the saleable area, instead of internal floor area (which is generally about 3-5% smaller than saleable area), as the basis of calculating the modified EGA package is to be adopted.

15. The following table compares the Government compensation policy upon resumption, the URA's existing acquisition policy and the modified acquisition policy:

	Government (under resumption)	URA's Existing Acquisition Policy for Industrial Properties (applied in Sai Wan Ho Street project)	URA's Modified Acquisition Policy for Redevelopment of Industrial Buildings Pilot Scheme
Owner-occupiers	EUV + 1 x Govt EGA	EUV + 1.5 x Govt EGA	EUV + 4 x Govt EGA
Tenant-operators	1 x Govt EGA	1.5 x Govt EGA	2.5 x Govt EGA
Owners of Vacant or Tenanted Property	EUV only	EUV + 0.5 x Govt EGA	EUV + 1.5 x Govt EGA

III. Domestic Residents in Industrial Buildings

16. In recent years, there has been a proliferation of illegal domestic use in subdivided units in industrial buildings. These domestic residents are exposed to high risks of fire and other industrial accidents as there could still be industrial activities and storage of dangerous goods in the buildings. To arrest this growing problem,

the Buildings Department (BD) has taken a firm stand in pursuing enforcement actions against illegal sub-divided cubicles in industrial buildings.

17. In redeveloping industrial buildings, URA may encounter domestic residents. In balancing the need to provide some form of assistance to the needy, while holding the line that illegal use should not be condoned, let alone encouraged, the URA shares the BD's stance that no one displaced by the BD's enforcement action, including households that have applied for public rental housing (PRH) under the general waiting list, should be given an earlier allocation of PRH, with the exception of compassionate rehousing by the Social Welfare Department for needy cases.

18. The URA will provide a removal allowance to affected residents registered during the Freezing Survey. The detailed arrangements are being worked out by the URA.

IV. Policy Application

19. The modified acquisition policy for industrial buildings and the approach to dealing with domestic residents therein have been approved by the URA Board. This policy will not have retrospective effect and will apply to the Pilot Scheme that is anticipated to be launched within 2012 -13.

URBAN RENEWAL AUTHORITY
CUMULATIVE FINANCIAL RESULTS OF ALL COMPLETED PROJECTS
(to be read in conjunction with Attachment 4 to Appendix III)

Number of Projects Completed

Projects Completed from 2001 to 2010-11	13
Projects Completed in 2011-12	2
Total Number of Projects Completed	15

Reference Dates

	Date	Centa City Index (July 1997 = 100)		R&VD Domestic Index (1999=100)	
		Index	% Variation Since Formation	Index	% Variation Since Formation
Formation of URA	May 2001	43.1	100%	80.5	100%
Commencement of First Project by URA	January 2002	39.9	93%	74.1	92%
Year of Project Completion of Last Project	2011-12	98.1	228%	184.6	229%

Cumulative Financial Results for Completed Projects

	Total for 13 Projects Completed by 31 March 2011	Total for 2 Projects Completed in 2011-12	Total for All Projects Completed by 31 March 2012
	A	B	A + B
	\$ million	\$ million	\$ million
Total Revenue	10,556.8	451.2	11,008.0
Total Direct Cost	(8,418.0)	(119.8)	(8,537.8)
Surplus / (Deficit)	2,138.8	331.4	2,470.2
Land Premium Foregone by Government	(380.0)	(3.0)	(383.0)
Net Surplus / (Deficit) after Land Premium Foregone	1,758.8	328.4	2,087.2

Remarks

Developers and URA are holding commercial spaces in four out of thirteen projects completed by 31 March 2011 for letting pending future sales in accordance with the joint venture agreements of the project. There was no new addition in 2011-12. Estimated total value of URA's shares in these four commercial spaces was approximately \$3,117 million as at 31 March 2012.

URBAN RENEWAL AUTHORITY
PROJECT INFORMATION SHEET
(to be read in conjunction with Attachment 4 to Appendix III)

Project Address, Name and References

Address: Queen's Road East, Wan Chai
Name: Queen's Cube
References: No.50 in Project Highlights

Project Site Information

Area m² 378
Original GFA m² 1,806
Buildings 5

Project Development Information

Total GFA m² 3,984
Residential Flats 96
Commercial Space m² 441
Project Duration 9 Years

Milestones

	Date	Centa City Index (July 1997 = 100)		R&VD Domestic Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by URA	March 2003	33.5		61.2	
Issue of Acquisition Offers	June 2003	31.4	100%	59.3	100%
Project Agreement	February 2007	53.3	170%	96.6	162.9%
Land Grant	April 2007	54.3	173%	98.7	166.4%
Launch of Sales	October 2010	85.2	271%	160.2	270.2%
Year of Project Completion	2011-12	98.1	312%	184.6	311%

Financial Results

	\$ million
Total Revenue	416.2
Total Direct Cost	(95.9)
Surplus / (Deficit)	320.3
Land Premium Foregone by Government	Nil
Net Surplus / (Deficit) after Land Premium Foregone by Government	320.3

Remarks

URA responsible for acquisition and demolition.
Developer paid all development costs.
URA received upfront payment and share of surplus sales proceeds above certain threshold.

**URBAN RENEWAL AUTHORITY
PROJECT INFORMATION SHEET**

(to be read in conjunction with Attachment 4 to Appendix III)

Project Address, Name and References

Address: Baker Court, Hung Hom
Name: 'Baker Residences'
References: No.51 in Project Highlights

Project Site Information

Area m² 277
Original GFA m² 834
Buildings 2

Project Development Information

Total GFA m² 2,338
Residential Flats 68
Commercial Space m² 261
Project Duration 9 Years

Milestones

	Date	Centa City Index (July 1997 = 100)		R&VD Domestic Index (1999=100)	
		Index	% Variation Since Offers	Index	% Variation Since Offers
Commencement by URA	July 2003	31.7		58.4	
Issue of Acquisition Offers	August 2003	31.7	100%	58.6	100%
Project Agreement	May 2008	71.3	225%	126.4	216%
Land Grant	June 2008	72	227%	126.6	216%
Launch of Sales	February 2012	94	297%	183.3	313%
Year of Project Completion	2011-12	98.1	309%	184.6	315%

Financial Results

	\$ million
Total Revenue	35.0
Total Direct Cost	(23.9)
Surplus / (Deficit)	11.1
Land Premium Foregone by Government	(3.0)
Net Surplus / (Deficit) after Land Premium Foregone by Government	8.1

Remarks

URA responsible for acquisition and demolition.
Developer paid all development costs.
URA received upfront payment and share of surplus sales proceeds above certain threshold.

Explanatory Notes to Project Information Sheets

1) Project Commencement Financial Year

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

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

2) Project Completion Date/Financial Year

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

3) Project Duration

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

4) Total GFA

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

5) Revenue

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

- (a) Upfront payments received from joint venture partners at the inception of the joint development agreements;
- (b) Guaranteed payments received from joint venture partners in accordance with the terms of the joint development agreements;
- (c) Shares of surplus sales proceeds received from joint venture partners in accordance

with the terms of the joint development agreements, including the share of net rental income from the leased commercial portion of the project up to the reporting year but excluding the share of the value of the commercial portion of the project which is yet to be sold.

- (d) Net sales proceeds received from the joint venture partners for the purchases of those project properties previously acquired by the ex-LDC, prior to the engagement of the joint venture partner.

6) Direct Cost

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

7) Land Premium

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

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

8) Allocated Overheads

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

9) Notional Interest

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