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Panel on Development

Meeting on 23 June 2015

Updated background brief on the work of the Urban Renewal Authority

Purpose

This paper provides background information on the work of the Urban Renewal Authority ("URA") and a brief account of the views and concerns expressed by Members at the meetings of the Legislative Council and the Panel on Development ("DEV Panel") on the subject since the 2010-2011 legislative session.

Establishment of the Urban Renewal Authority and promulgation of the new Urban Renewal Strategy in 2011

2. URA was established on 1 May 2001 to undertake urban renewal in accordance with the Urban Renewal Authority Ordinance (Cap. 563) enacted ("URAO") in June 2000. Under section 21 of URAO, URA is required to follow the guidelines set out in the Urban Renewal Strategy ("URS") formulated by the Administration in undertaking redevelopment projects. The first URS was promulgated in November 2001¹. Between July 2008 and June 2010, the Administration reviewed the 2001 URS and conducted a 2-year, 3-stage public engagement exercise. On 24 February 2011, the new URS,

¹ The full text of the URS issued in November 2001 is available at the following hyperlink:
<http://www.legco.gov.hk/yr01-02/english/panels/plw/papers/plw0208-217-1e-scan.pdf>.

highlighting a "people first, district-based and public participatory" approach ("the 2011 URS") was drawn up and promulgated.

Implementation of the new Urban Renewal Strategy

3. Under the 2011 URS, URA is tasked to adopt "Redevelopment" and "Rehabilitation" as its core businesses.

Redevelopment

4. In line with the 2011 URS, 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. As at March 2014, URA had carried out or continued to implement 54 development projects that would provide about 14 200 new flats².

5. Some Members have expressed concern about the slow progress of the urban redevelopment process and urged the Administration, together with URA, to conduct a review to find out the reasons. The Administration advised that URA had encountered many challenges and difficulties in carrying out its work in its first 10 years of work. This had prompted the Administration to conduct the URS review in 2008. As regards the suggestion to review the 2011 URS, the Administration advised that the new measures recommended in the 2011 URS had only been implemented for a few years. It would take time to consolidate experience to map out any improvements.

Demand-led Redevelopment Project Pilot Scheme

6. Under the "demand-led" redevelopment model, owners of 67% (i.e. 2/3) or more of the undivided shares of the respective lots of a site may jointly submit an application to URA to initiate a redevelopment project. A pilot scheme for this model ("Demand-led Scheme") was launched in July 2011. So far, URA has launched three rounds of invitation for

² Source: URA Annual Report 2013-2014
(http://www.ura.org.hk/media/2278218/p16_p25_e.pdf)

applications for the scheme. Ten projects had been commenced, including two which were terminated after having failed to meet the 80% owners' acceptance threshold³.

7. In his 2014 Policy Address, the Chief Executive stated that the Demand-led Scheme had received an overwhelming response from property owners. The sites covered by the applications under the scheme were becoming larger, while the factors to be considered were increasingly complex. According to the Administration, it was necessary for URA to review the scheme comprehensively to ensure its sustainability. URA must continue to operate under the principles of prudence and upholding a self-financing objective in the long run. In a written reply to a question raised at the Council meeting of 7 May 2014, the Secretary for Development advised that in April 2014, URA had set up an ad hoc committee to oversee the review of the scheme.

8. At the DEV Panel meeting on 24 June 2014 when discussing the work of URA, some members opined that the review on the scheme should be led by the Secretary for Development rather than by URA and its scope should include the minimum site size of applications, the compensation for owners of street-front shops and residential units, etc. In December 2014, the findings of the review were announced. The major revisions to the Demand-led Scheme included increasing the minimum site size of applications, raising the first owners' consent threshold, and attaching a greater weighting to building conditions in the scoring criteria for applications. The details of the revisions are in **Appendix I**. According to the Administration, the revised requirements would apply to the fourth round of the scheme to be launched in 2015-2016⁴.

³ Source: Speaking points of the Secretary for Development at the Special Finance Committee Meeting (Planning and Lands) on 1 April 2015 (http://www.legco.gov.hk/yr14-15/english/fc/fc/sp_note/session15-devb-pl-e.pdf)

⁴ Source: Speaking points of the Secretary for Development at the Special Finance Committee Meeting (Planning and Lands) on 1 April 2015 (http://www.legco.gov.hk/yr14-15/english/fc/fc/sp_note/session15-devb-pl-e.pdf)

Facilitating services

9. URA has set up a wholly-owned subsidiary, Urban Redevelopment Facilitating Services Company Limited, to implement the Facilitating Services Pilot Scheme ("Facilitating Scheme") to help owners of buildings in multiple-ownership to assemble titles for redevelopment. Applications for the "facilitator" service opened on 26 July 2011. To submit a joint application to URA for the service, owners should have at least 50% or more of the undivided shares of the interests of each lot of the site. The role of URA would be confined to coordinating the assembly of 80% to 90% of the titles in the subject buildings for joint sale in the market, and URA would not be involved in the acquisition of any interest in the buildings. In 2013-2014, URA has provided services to four facilitation projects⁵. In November 2013, URA had its first success in facilitating owners of three residential buildings in Kowloon City to assemble property titles for joint sale for development⁶.

10. On Members' concern about the small scale of the facilitation service, URA advised that it would consider initiating more of such projects should there be great demand from owners and would increase its resources in this area accordingly. Besides rendering assistance to owners in assembling titles for joint sale, URA would consider other forms of assistance for owners. In December 2014, URA announced the enhanced "Facilitating Scheme" to expand the scope of service to cover commercial buildings and industrial buildings within non-industrial zones. In the three months since the launch of the enhanced scheme, URA has received one application from an industrial building within a non-industrial zone⁷.

⁵ Source: URA Annual Report 2013-2014
(http://www.ura.org.hk/media/2278218/p16_p25_e.pdf)

⁶ Source: Speaking points of the Secretary for Development at the Special Finance Committee Meeting (Planning and Lands) on 1 April 2015
(http://www.legco.gov.hk/yr14-15/english/fc/fc/sp_note/session15-devb-pl-e.pdf)

⁷ Source: Speaking points of the Secretary for Development at the Special Finance Committee Meeting (Planning and Lands) on 1 April 2015
(http://www.legco.gov.hk/yr14-15/english/fc/fc/sp_note/session15-devb-pl-e.pdf)

Compensation arrangements and "Flat for Flat" Scheme

11. The current compensation and Home Purchase Allowance ("HPA") rate adopted by URA for domestic owner-occupiers affected by URA redevelopment projects are based on a notional 7-year-old replacement flat. There is a differentiation in compensation and ex-gratia payment between domestic owner-occupiers and owners of vacant or tenanted domestic units. Under the 2011 URS, URA has introduced the "Compassionate Allowance for Elderly Domestic Owner-Landlords"⁸ 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.

12. Under the 2011 URS, URA will offer "flat for flat" ("FFF") as an alternative option to cash compensation and ex-gratia payment to the owner-occupiers. An owner-occupier opting for FFF will still be receiving compensation and ex-gratia payment at the notional value of a 7-year-old replacement unit. The new flats under the FFF Scheme are to be sold at market price. The owner-occupier can opt for either an "in-situ" FFF unit in URA's new development at the original site or for a unit at a Kai Tak Development ("KTD") site earmarked for the FFF Scheme. As at 31 May 2014, the FFF Scheme had been offered to affected domestic owners of 10 redevelopment projects. Eight owners had opted to participate in the scheme.

13. Some Members pointed out that there was a large discrepancy in the acquisition price offered by URA to owners and the price of the redeveloped properties. Affected owners might not be able to afford the flats under the FFF Scheme and hence could not move back to live in the redeveloped areas.

14. URA explained that for the owner-occupiers of properties affected by URA' redevelopment projects, the acquisition offer was based on the value of a 7-year-old replacement flat in the same locality. This rate, roughly around double the market price of the affected property, would allow the owner-occupier to purchase a replacement property in a similar district. It was inappropriate to compare the acquisition price with the selling price of a redeveloped property, given that in a booming property market, the property

⁸ Under the scheme, eligible elderly owner-landlords can receive compensation close to 80% of the HPA, which is higher than the normal Supplementary Allowance payable to owner-landlords at 50% of the HPA.

price would rise, and vice versa. URA advised that while there were practical difficulties in fully preserving the social networks, the Authority would work harder in this respect. It considered that, when the KTD FFF units were completed and some more redeveloped flats in old areas became available later under the FFF Scheme, more owners would show interest as they could move directly from an old flat to a new one.

District Urban Renewal Forums

15. Another highlight of the 2011 URS is the establishment of District Urban Renewal Forums ("DURFs") in old urban districts to advise the Administration on urban renewal proposals from a holistic and integrated perspective taking account of local characteristics. The first DURF was set up in Kowloon City in June 2011⁹. Members of the DEV Panel welcomed the initiative and called on the Administration to set up DURFs in other old urban districts, such as Tai Kok Tsui, Sham Shui Po and Mong Kok, as soon as possible.

Approaches to urban renewal

16. At the DEV Panel meeting on 25 June 2013, the incumbent Chairman of URA, who had assumed office on 15 June 2013, briefed members on the work of URA in the past year and its work plan for 2013-2014. Some members expressed grave concerns about the Chairman's past heavy-handed approach in dealing with the tenants when he worked for the Hong Kong Housing Society ("HKHS"). Some members were also worried by the Chairman's comparison, in an interview with the media, of URA to a property developer.

17. The Chairman of URA assured members that he would continue to enhance communication with different stakeholders in the urban renewal process and strive to resolve disputes in a sensible, reasonable and lawful manner. The Administration advised that URA's redevelopment projects had been undertaken based on consideration of their merits in improving the living environment of the older urban areas but not on financial gains.

⁹ On 29 January 2014, the Kowloon City DURF finalized the Urban Renewal Plan for the district. The Administration advised at the Panel meeting on 24 June 2014 that it was conducting an internal study on the plan.

Rehabilitation

18. To assist building owners in need to carry out repair and maintenance works, URA has participated in the "Operation Building Bright" ("OBB") launched by the Administration in 2009 and in collaboration with HKHS implemented various assistance schemes such as the Integrated Building Maintenance Assistance Scheme ("IBMAS"). OBB¹⁰ is a special measure for preserving jobs amidst the 2008 financial tsunami to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. According to URA, as at the end of March 2014, 1 070 buildings comprising around 40 300 units had been rehabilitated out of the 1 460 target buildings within URA's Rehabilitation Scheme Areas¹¹. As regards IBMAS, following an agreement between URA and HKHS, URA would take over the work of HKHS under the scheme by phases.

19. Taking in view that URA's work in the rehabilitation of old buildings involved increasing workloads and might cause financial loss, some Members urged the Administration to examine the role of URA in this aspect of work. In response, the Administration stressed that building rehabilitation was a major work area of URA. While agreeing that the additional workload would generate pressure on its manpower resources, URA assured members that it would accord priorities to the cases that were more urgent.

20. Some Members have suggested that URA should strengthen its role in assisting property owners of aged buildings without owners' corporations and building management services in carrying out maintenance works for their buildings. The Administration agreed that it was necessary to explore high-level cross-bureau collaboration in pursuing proper management of residential buildings without owners' corporations.

¹⁰ OBB involves a total funding of \$3.5 billion contributed by the Administration, URA and HKHS to provide financial and technical assistance to over 3 100 buildings aged over 30 years.

¹¹ Source: URA Annual Report 2013-2014
(http://www.ura.org.hk/media/2278224/p26_p31_e_.pdf)

Financial Position of the Urban Renewal Authority

21. As at 31 March 2014, URA's net asset value stood at \$23.9 billion. This comprised a capital injection totalling \$10 billion from the Administration and an accumulated surplus from operations of \$13.9 billion. A net operating deficit of \$2.3 billion was recorded in the 2013-2014 financial year¹². URA has estimated that a total expenditure of about \$33 billion, excluding operational overheads, would be required to meet the costs of all projects contained in its 2014-2015 to 2018-2019 Corporate Plan.

22. In his 2015 Policy Address, the Chief Executive stated that high property prices resulted in a marked increase in demand from low and middle-income families for Home Ownership Scheme flats or other subsidized flats, and the Administration must therefore actively explore ways to increase the supply of sale flats through a multi-pronged approach by engaging public or non-profit-making organizations such as URA. An oral question was raised at the Council meeting of 28 January 2015 expressing concern on whether the Administration would make further capital injections into URA to ensure that the latter had sufficient funds to undertake the additional work. In reply, the Secretary for Development advised that according to the audited accounts of URA as at 31 March 2014, URA was financially healthy. While a deficit of about \$2.3 billion was recorded in 2013-2014, URA had projected that its financial position would improve in 2014-2015 and there was no need for capital injection by the Government.

Recent developments

23. In March 2015, the Managing Director ("MD") of URA handed in her resignation. Hon James TO and Hon Emily LAU wrote to the DEV Panel Chairman expressing concerns on, among others, the Administration's position on the 2011 URS following the MD's resignation¹³.

¹² The 2012-2013 financial year recorded a \$4.4 billion net operating surplus.

¹³ The letter and the Administration's response have been circulated to members vide LC Paper Nos. CB(1)698/14-15(01) and CB(1)846/14-15(01) respectively.

24. The Administration and URA will brief the DEV Panel on the progress of work of URA and its plan for the next financial year at the meeting on 23 June 2015.
25. A list of relevant papers with their hyperlinks is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
16 June 2015

Major revisions to the Demand-led Scheme

The Urban Renewal Authority completed a review of the Demand-led Scheme and announced revisions to the scheme in early December 2014. The major revisions¹⁴ are as follows --

- (a) raising the application threshold of requiring not less than 67% owners' consent to not less than 80% owners' consent so that the demand-led projects to be selected in future will have secured a higher degree of support from the incumbent owners at the point of application in order to enhance the chance for the project to proceed smoothly;
- (b) increasing the minimum site size of applications from 400 m² to 700 m² so as to enhance the planning gain and efficiency of floor layout of the demand-led project upon redevelopment; and
- (c) assigning greater weighting to the conditions of buildings covered by the applications in the project selection process. If the application involves buildings with outstanding building orders issued by the Buildings Department, scores will be deducted. This is to make it clear that the Urban Renewal Authority does not encourage owners to neglect their duty of building maintenance and management by seeking redevelopment of their buildings through the Demand-led Scheme.

¹⁴ Source: The Administration's paper on initiatives of Development Bureau in the 2015 Policy Address and Policy Agenda (LC Paper No. CB(1)447/14-15(03))
(<http://www.legco.gov.hk/yr14-15/english/panels/dev/papers/dev20150127cb1-447-3-e.pdf>)

Work of the Urban Renewal Authority

List of relevant papers

Date	Event	Papers/Minutes of meeting
17 July 2008	The Development Bureau formally launched a review of the first URS.	Information paper (LC Paper No. CB(1)2193/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/devcb1-2193-1-e.pdf
20 January 2009	DEV Panel discussed with the Administration the review of the first URS.	Information paper (LC Paper No. CB(1)570/08-09(08)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-8-e.pdf Background brief (LC Paper No. CB(1)570/08-09(09)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-9-e.pdf Minutes of meeting (LC Paper No. CB(1)1948/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090120.pdf
15 April 2009	DEV Panel received public views on the review of the first URS.	Information paper (LC Paper No. CB(1)1240/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0415cb1-1240-1-e.pdf Minutes of meeting (LC Paper No. CB(1)2772/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090415.pdf

Date	Event	Papers/Minutes of meeting
23 February 2010	DEV Panel discussed with the Administration the review of the first URS.	<p>Information paper (LC Paper No. CB(1)1157/09-10(03)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-3-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1157/09-10(04)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1712/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100223.pdf</p>
25 May 2010	DEV Panel discussed with the Administration the review of the first URS.	<p>Information paper (LC Paper No. CB(1)1919/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-7-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1919/09-10(08)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-8-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2602/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100525.pdf</p>
10 July 2010	DEV Panel received public views on the review of the first URS.	<p>Minutes of meeting (LC Paper No. CB(1)2943/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100710.pdf</p>
26 October 2010	DEV Panel discussed with the Administration the draft text of the revised URS.	<p>Information paper (LC Paper No. CB(1)155/10-11(04)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026cb1-155-4-e.pdf</p> <p>Legislative Council Brief on "People First: A District-based and Public</p>

Date	Event	Papers/Minutes of meeting
		<p>Participation Approach to Urban Renewal -- Urban Renewal Strategy Review" (File Ref.: DEVB(PL-CR)1-150/77) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026-devbplcr115077-e.pdf</p> <p>Background brief (LC Paper No. CB(1)155/10-11(05)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026cb1-155-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)736/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101026.pdf</p>
20 November 2010	DEV Panel received public views on the draft text of the revised URS.	<p>Minutes of meeting (LC Paper No. CB(1)1309/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101120.pdf</p>
7 December 2010	DEV Panel received public views on the draft text of the revised URS.	<p>Minutes of meeting (LC Paper No. CB(1)1605/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101207.pdf</p>
28 June 2011	DEV Panel discussed with the Administration the work of URA.	<p>Information paper (LC Paper No. CB(1)2530/10-11(03)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev0628cb1-2530-3-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)693/11-12) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20110628.pdf</p>
28 June 2012	DEV Panel discussed with the Administration the work of URA.	<p>Information paper (LC Paper No. CB(1)2207/11-12(01)) http://www.legco.gov.hk/yr11-12/english/panels/dev/papers/dev0628cb1-2207-1-e.pdf</p>

Date	Event	Papers/Minutes of meeting
		Minutes of meeting (LC Paper No. CB(1)2599/11-12) http://www.legco.gov.hk/yr11-12/english/panels/dev/minutes/dev20120628.pdf
25 June 2013	DEV Panel discussed with the Administration the work of URA.	Information paper (LC Paper No. CB(1)1333/12-13(03)) http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/dev0625cb1-1333-3-e.pdf Minutes of meeting (LC Paper No. CB(1)203/13-14) http://www.legco.gov.hk/yr12-13/english/panels/dev/minutes/dev20130625.pdf
25 March 2014	The Administration provided an information paper in response to a letter from a member on the Demand-led Redevelopment Project Pilot Scheme of URA.	Information paper (LC Paper No. CB(1)1127/13-14(01)) http://www.legco.gov.hk/yr13-14/english/panels/dev/papers/devcb1-1127-1-e.pdf
7 May 2014	A written question was raised at the Council meeting.	Hansard -- written question (No. 8) on "Demand-led Redevelopment Project Pilot Scheme" (p. 10352 - 10354) http://www.legco.gov.hk/yr13-14/english/counmtg/hansard/cm0507-translate-e.pdf
14 May 2014	A written question was raised at the Council meeting.	Hansard -- written question (No. 9) on "Demand-led Redevelopment Project Pilot Scheme" (p. 10943 - 10950) http://www.legco.gov.hk/yr13-14/english/counmtg/hansard/cm0514-translate-e.pdf
24 June 2014	DEV Panel discussed with the Administration the work of URA.	Information paper (LC Paper No. CB(1)1623/13-14(03)) http://www.legco.gov.hk/yr13-14/english/panels/dev/papers/dev0624cb1-1623-3-e.pdf

Date	Event	Papers/Minutes of meeting
		Minutes of meeting (LC Paper No. CB(1)214/14-15) http://www.legco.gov.hk/yr13-14/english/panels/dev/minutes/dev20140624.pdf
28 January 2015	An oral question was raised at the Council meeting.	Hansard -- oral question (No. 6) on "The Work of Urban Renewal Authority" (p. 5189 - 5198) http://www.legco.gov.hk/yr14-15/english/counmtg/hansard/cm20150128-translate-e.pdf
12 May 2015	The Administration provided an information paper in response to a letter from Hon James TO and Hon Emily LAU about the resignation of Managing Director of URA.	Information paper (LC Paper No. CB(1)846/14-15(01)) http://www.legco.gov.hk/yr14-15/english/panels/dev/papers/devcb1-846-1-e.pdf