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Tackling Residential Obsolescence in Hong Kong

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Alison COOK and Mee Kam NG

INTRODUCTION

As Hong Kong enters the 21st century it faces urban renewal problems of great magnitude. It is estimated that within the next ten years as much as one quarter of the population will be directly affected by urban renewal actions. The strategy for the Metropolitan area, Metroplan, in 1991 identified over 950 ha. as being in need of urban renewal, two thirds of which is occupied by private housing and one third by public housing. The 1996 government policy statement on urban renewal indicated that 20 per cent (113,000 dwelling units) of the urban domestic premises were more than 30 years old, and that by 2005 this proportion would rise to 40 per cent (Planning, Environment and Lands Branch, 1996, p.3).

Similarly, in the industrial areas, many old factory premises are in poor condition, or are unsuitable for post-manufacturing activities. The restructuring of the economy over the past couple of decades has seen a virtual disappearance of labour-intensive manufacturing activities from Hong Kong. In contrast to the peak of 50 per cent in 1976 (Hong Kong Industry Development, 1991, p.17) only 12 per cent of the workforce are now directly engaged in manufacturing. It is questionable whether these old industrial areas, if redeveloped under the existing zoning, are suitably located for serving new employment purposes.

Whereas in many countries 30 year old buildings still have much remaining economic life, in Hong Kong, because of poor construction in the 1950s and 1960s and poor maintenance, their economic life is much shorter. Attitudes also play an important role. The assumption that buildings will automatically require redevelopment after 30 years is based on precedent. Yet the quality of buildings constructed in the post-1970s period is much higher than in the two previous decades, because of better materials and quality control on building sites, and because of higher standards of design, such as floorspace and amenities. Buildings from this time onwards should have much longer life.

What then is obsolescence? Raftery (1991) identifies three interwoven strands in the interpretation of obsolescence in relation to urban development: that it is a function of human perception and decision (p. 75); that it is the misfit in time between activity requirements and the building provisions (p. 76); and that it is the imbalance between the resources a building offers and the needs of its occupier(s) (p. 77). "Obsolescence, decay and renewal are three points on a continuous cycle which pervades the built environment. ... Obsolescence is inextricably linked to change and is usually a symptom of some other social, technological or economic change" (p. 69).

¹ This research is sponsored by the Research Grant Council, Hong Kong.

This paper is an exploratory attempt to look at issues of residential obsolescence in Hong Kong. In the following section, the experiences of urban renewal in Western cities are summarised to highlight the uniqueness of renewal efforts needed in Hong Kong. It is argued that the Western regeneration approach, after the failures of massive bulldozing (especially in the 1950s and 1960s) and property-led redevelopment (in the 1970s and 1980s), has come a long way in recognising that urban regeneration requires the concerted efforts of the state, the private sector and the community. In Hong Kong, however, renewal, (with the exception of public housing) has largely been handled by the private sector and lately, by public-private partnership. The community is largely invisible in the redevelopment process. To provide a contextual understanding of Hong Kong's way of tackling urban obsolescence, section three discusses the changing political economy in Hong Kong. The government's reclamation-led urban development strategy helps to some extent explain why it has played a minimal role in urban renewal so far. The executive-led governance structure helps explain why a top-down approach is adopted to tackle current renewal issues. Section four argues that the private developers who have played the most important role in renewing most of the low-rise dilapidated urban buildings or under-utilised urban land, are losing interest in redevelopment as most residential obsolescence is now found in areas with high-rise buildings and multiple owners. The government, with a long reputation of non-intervention, seems ill-prepared to tackle this massive market failure. The concluding section outlines the challenges faced by the three dominant actors (the government, the private sector interests and the community) in urban renewal in Hong Kong, and the need for much deeper understanding of the perceptions of these actors.

“ROADS NOT TRAVELLED”: DIFFERENCES OF URBAN REGENERATION HISTORIES IN WESTERN COUNTRIES AND HONG KONG

From State-led Public Private Partnership to “Bringing the Community Back in”: Two Evolving Cycles in Western Countries

Carmon (1997) identifies three generations of neighbourhood regeneration: from the first bulldozing generation to the second generation of neighbourhood rehabilitation; and then the third generation of central city revitalisation. Here, we propose viewing Western urban regeneration efforts from a different perspective in order to highlight the unique situation Hong Kong faces in tackling urban obsolescence. Three major groups of stakeholders can generally be identified in any urban regeneration project: the state, private sector interests and the community. Unfolding the post-WWII history of urban regeneration in the West shows that the roles of different stakeholders varied in significance over time, responding to the changing socio-economic and political circumstances. Roughly four phases (two cycles) can be identified: state-led wholesale redevelopment up to the 1960s; a brief period of multi-dimensional redevelopment and rehabilitation efforts from the mid-1960s to the 1970s; property-led public-private partnership regeneration from the 1970s into the 1980s; and the continuation of partnership regeneration with the recognition of “bringing the community back in” since the 1990s.

Post-WWII-1960s: State-led wholesale redevelopment

In Britain and U.S.A., redevelopment started as slum clearance in the 1930s. This approach was interrupted by the Second World War but was soon continued. If we consider redevelopment as comprising two phases: clearance and rebuilding, we can see some differences in the roles of the state in Britain and U.S.A.

In Britain, 200,000 houses were destroyed in the War, another 250,000 were rendered unfit for habitation, and a similar number were severely damaged (Donnison, 1967, p.163). To tackle this situation, the government had to go beyond clearance to rehousing the affected population. The post-War Labour and Conservative governments both accomplished the rebuilding programme through the provision of new council dwellings. However, by the mid-1950s, a retreat from active provision of public housing was seen with the introduction of the 1954 Housing (Rent and Repairs) Act, which established the legal framework of a three-pronged approach to tackle the problems of obsolete and obsolescent housing: slum clearance; an increase in improvement grants; and rent increases for private landlords (Gibson and Langstaff, 1982, p.27). The extent of obsolescence was controversial then. According to a 1955 survey, nearly 850,000 houses (66%) out of a total stock of 12.9 million in England and Wales were unfit for habitation (op cit., 1982, p.28). By 1965, some 250,000 of these remained and another survey indicated a total of 824,000 unfit dwellings. In 1967, an independent study identified a total of 1.8 million unfit dwellings (op cit., 1982, p.30). In other words, despite comprehensive redevelopment, obsolescence continued unabated. While the government did intervene to provide council housing, the money for the construction of council housing was borrowed from private capital and the houses were mainly built by private firms (op cit., 1982, p.280).

In the U.S.A., one can see that the state was only involved in the clearance stage and many urban renewal programmes were governed by private developers (Carmon, 1997, p.132). According to Mushkatel and Nakhleh (1978, p.149), from 1949 to 1963, urban renewal demolished the housing of 177,000 families and another 66,000 individuals, most of them either poor or black. During the same period, 48,000 new housing units were constructed of which only 20,000 were low-cost housing units. According to another set of figures, from 1949-1971, 538,044 housing units had been demolished by urban renewal efforts and only 101,461 of 200,687 new units were public, low- or moderate-income housing (op cit., 1997, p.149). Less than one per cent of the renewal funds were used for relocation, thus placing a disproportionate share of the cost on those being displaced. It is little wonder that urban renewal was called “the Negro removal program” and the “federal bulldozer” (Friedan and Kaplan, 1975:25). The government’s involvement was confined to the confiscation of private property, facilitating a share of financing the acquisition of properties, and subsidising private enterprise’s efforts (Carmon, 1997, p.149).

The emphasis on clearance and the lack of communication with affected residents during the first generation of redevelopment destroyed the social fabric of many healthy communities in the older parts of the cities, and forced relocation imposed high psychological costs (op cit., 1997, p.132). The rehousing arrangements also did

not meet the needs of the affected tenants. The rise of social movements, as well as economic restructuring processes, brought to an end the bulldozer era.

1960s-1970s: Multi-dimensional Redevelopment and Rehabilitation

The 1960s was marked by the “discovery of poverty” when people in the U.S.A. became disillusioned about the false promises of economic growth. It became apparent that despite the generally prevailing affluence, comprehensive redevelopment led to social polarisation, poverty and degradation. Progress for some meant degradation for many others, very often the poor and the coloured. The social movements that took place in the U.S.A. provoked the government into declaring a “war on poverty”. Massive clearance gave way to the Model Cities programme, administered under the then newly established Department of Housing and Urban Development, to co-ordinate local initiatives for a comprehensive approach to the problems of poor areas (Carmon, 1997, p.133). Besides housing, the programme also supported projects in education, health, manpower training, economic development, public safety, recreation and others (Frieden and Kaplan, 1975, p.259). Furthermore, the government increased its subsidies on housing rehabilitation from 10.4 per cent in 1970 to 21.6 per cent in 1980 (Carmon, 1997, p.132).

In Britain, the bulldozing approach had eliminated many neighbourhoods and reduced the supply of low-cost housing. The multi-storeyed council housing also caused many social problems (Jackson, 1980, p.224). Coupled with the 1967 devaluation of Sterling and successive public expenditure cuts, cheaper means of achieving the housing targets were required and hence rehabilitation (“old houses into new homes”) became the major means of renewal by the 1960s (op cit., 1980, p.229). The Housing Act of 1969 introduced the General Improvement Areas (GIAs) programme to improve the housing and physical environment in deprived areas. By the end of 1973, there were 733 GIAs in England and Wales, comprising 223,000 dwellings (Wood, 1991, p.51).

Following the Conservative Government’s White Paper on “Better Homes: the Next Priorities” (June 1973), the 1974 Labour Administration introduced “Housing Action Areas” (HAAs) in to identify areas with housing and social stresses, such as concentrations of poor housing, undesirable environmental conditions, and poor or elderly people (Mason, 1979, p.142). By mid-1982, more than 500 HAAs were designated in England, covering approximately 173,000 dwellings (Carmon, 1997, p.133). Similar to development in the U.S.A., it was increasingly recognised that poor housing conditions were just one dimension experienced by victims of “multiple deprivation”. Besides these area-based programmes, the government also tapped the resources of semi-public, private institutions and individuals to resolve the housing problem. The period marked a brief interlude when it was recognised that urban renewal policy should be integrated with other social policies to boost economic efficiency and social equity (Jackson, 1980).

1970s-1980s: Public-private Partnership in Property-led Urban Regeneration

The awakening to “multiple deprivation” experienced by affected residents in poor neighbourhoods was checked by the economic downturn in the 1970s. The oil crises together with the emergence of the New International Division of Labour (NIDL) meant that business interests in the developed world either had to “automate, emigrate, or evaporate” (Kreye et al., 1988). The central debate of urban renewal became: should it concentrate on providing a better living environment for low-income urban dwellers, or should it help enhance the economic base of the city (Williams, 1985, p.143). With the deepening of economic restructuring in the U.K. and U.S.A., the Reagan and Thatcher governments opted for economic regeneration. To capitalise on the market resources, planning was redefined, and planners became entrepreneurs and developers to facilitate rather than control, private investment in the urban realm. Large scale, prestigious, consumption-oriented flagship projects such as shopping malls, convention centres, atrium hotels, etc., epitomised the property-led partnership approach to urban regeneration (Carmon, 1997, p.137).

It was believed that a deregulated planning environment would attract private investment and hence Urban Enterprise Zones were set up in U.S.A. Similarly, the Conservative Government in Britain established centrally funded Urban Development Corporations to carry out a private sector investment-based and demand-led planning regime within a deregulated planning environment. It was believed that disadvantaged groups and neighbourhoods would eventually share in the wealth generated through the trickling down effects (Loftman and Nevin, 1995, p.304). However, “urban policy has become the preserve of powerful people who can operate at the flagship scale” (Dabinett and Ramsden, 1993, p.135). The economic growth biased urban regeneration strategy only produced “divided cities” (Fainstein et al, 1992; Marcuse, 1993) and “islands of renewal in seas of decay” (Berry, 1985). It became increasingly evident that property-led urban regeneration did not offer a reliable foundation for stable and sustainable economic regeneration (Healey et al, 1992). More importantly, by the early 1990s, urban regeneration had acquired a broader meaning: to “regenerate communities, not just land and property markets” (Robinson and Shaw, 1994, p.227 quoted in Loftman and Nevin, 1995, p.311). Since the 1990s, the pendulum seems to have swung back again and there has been a renewed emphasis on “community empowerment” approaches in urban regeneration to reduce social inequities.

1980s-1990s and beyond: Regeneration in Partnership— “Bringing the Community Back In”

Just as the attempts in the 1960s to get rid of urban blight through the massive clearance of unfit houses failed, property-led urban regeneration in the 1980s could not arrest industrial decline, or lessen the deepening of the economic restructuring processes, and problems in central cities. In England and Wales, thousands of hectares of land were either officially declared derelict or recognised as wasteland, and thousands of buildings were left empty (Higman, 1989, p.12). The increasing social problems in “disadvantaged” neighbourhoods led to the “rediscovery” of “community” (Davoudi, 1995, p.333). Similarly, in U.S.A., studies showed that 63 per cent of central city families in the 1980s were in poverty, that only 40 percent of

central-city male youth were employed, and that two-thirds of youthful workers were unable to earn an above-poverty income (Mangum and Mangum, 1986, p.163). It has increasingly been recognised that economic renewal, physical renewal and human renewal must occur simultaneously (op cit., 1986, p.161). In these circumstances a shift in urban policy direction is. A new “partnership” arrangement was initiated by the government which involved not only the public and private sectors but also the voluntary organisations and the community (Davoudi, 1995, p.333).

In the U.K., a new Single Regeneration Budget initiative was launched to encourage financial and organisational partnership for sustainable local development including enhancing employment prospects and education of local people; encouraging sustainable economic growth and wealth creation; improving the environment and infrastructure and promoting good design; improving housing for local people; promoting initiatives of benefit to ethnic minorities; tackling crime and improving community safety; and enhancing the quality of life of local people, including their health and cultural and sports opportunities (DoE, 1995 quoted in Ward, 1997, p.1497).

Before we turn to look at the history of urban renewal in Hong Kong, the following table may help to summarise the above overview.

Table 1: Roles of Different Actors in the History of Urban Renewal in Western Countries

Phase	State	Private Sector	Community
1930s-1960s	Clearance (in U.K., rehousing of affected residents provided)	Rebuilding/redevelopment	
1960s-1970s			Multi-dimensional redevelopment and rehabilitation
1970s-1980s	Public-private partnership in property-led urban regeneration.		
1990s-	Simultaneous economic, physical and human renewal in partnership for sustainable local development.		

Hong Kong: From Private Sector-led Urban Renewal to Market Failure. What Next?

If the community has twice been “brought in” in the history of urban renewal in Western countries, the community is still largely invisible in urban renewal in Hong Kong. Historically, urban renewal in Hong Kong has heavily depended on private sector efforts (PELB, 1996, p.5) and currently about half of all new private domestic units come from redevelopment (op cit., 1996, p.5). However, many of the private redevelopment projects (especially those concerning the redevelopment of low-rise buildings) are carried out in a piecemeal manner without achieving improvements to

urban layout, transport networks, community facilities and services (op cit., 1996, p.6). In fact, with low rise buildings rapidly disappearing, redevelopment is no longer a profitable business for the private sector. Buildings with 10 to 15 storeys and multiple ownership render land assembly a formidable task; and high occupancy of the buildings also means that more people need to be rehoused and more businesses have to be relocated (op cit., 1996, p.6). The high costs incurred and the diminished benefits suggest that the traditional private sector-led urban renewal practice in Hong Kong is no longer sustainable.

As will be further discussed in a later section, the government of Hong Kong had tried to refrain from active involvement in urban renewal before the 1980s. This together with the market failure mean that Hong Kong is now facing a very difficult and gigantic problem of renewing its urban fabric. The socio-economic and political transitions have worsened the situation and present great challenges to the administration. Should it intervene to arrest the market failure? While the answer is an inevitable “yes”, the government has to determine the appropriate ways, especially when non-intervention in the market is still its governance ideology, at least in rhetoric. Should the community be brought in? However, the community has been invisible in the established institutional setting. The government, it seems, has taken for granted that the community only has narrow vested interests and can never provide useful solutions. So, in what sense can community contribute to the renewal efforts? As Hong Kong is also facing economic restructuring, hastened by the current Asian crisis, should it move beyond physical renewal to embrace economic and human renewal? These are some of the questions that we want to address in this paper. However, before we proceed to probe these questions, let us examine the changing political economy of the Hong Kong Special Administrative Region (SAR).

THE CHANGING POLITICAL ECONOMY OF HONG KONG

Despite the fact that Hong Kong is a liberal society, it is hardly a democratic polity. Ever since its days as a British colony, Hong Kong has had an executive-led government. It was not until the 1980s that indirect elections were introduced for the Legislative Council (Legco). In 1991 direct elections were introduced for Legco, and the executive-led government began to face pressures from directly elected councillors. On becoming a Special Administrative Region of China in 1997 Hong Kong reverted to non-elected governance. However, after the 1998 May elections, directly elected councillors will again appear in the new legislature, but they are bound to be the minority among other councillors elected through functional constituencies and the election committee.²

The new HKSAR Government remains a strongly executive-led one. The Chief Executive publicly called for a more depoliticised society in his first Lunar New Year message before the setting up of the SAR. As an established businessman, he believes

² The first Legco election of the HKSAR was held on May 24, 1998. Sixty Legco members were elected: 20 from geographical constituencies (direct election), 30 from 28 functional constituencies, and 10 from an Election Committee which consisted of 800 members coming from different sectors.

that Hong Kong should spend more energy on economics, rather than politics. His plea echoes the pro-economic growth culture of Hong Kong. However, after so many years of liberalisation and the recent experience of moving towards democratisation, the largely money-oriented population can no longer be described as politically apathetic. The close to 54 per cent turnout rate in the May Legco election suggests that civic awareness is on the increase among the community. Instead of passive receivers of government policies, most people are ready to speak up and fight for their interests if they become victims of certain government policies. It might be argued that the executive-led administration seems to be increasingly incompatible with the fledgling political community demanding that their voices be heard and taken seriously in government policy formulation.

While for over a century the government of Hong Kong has claimed to have a *laissez-faire* or a positive non-interventionist economic policy, many have argued that the government has played a central role in allocating land, regulating finance, controlling in-migration and providing infrastructure for production and consumption (Schiffer, 1983; Castells, 1986; Cuthbert, 1992; Ng and Cook, 1997). As the biggest land owner in the territory³, the government has always used the proceeds from land sales to sustain its state functions. Initial land sales constitute most of the lease revenue (Hong, undated; Ng and Cook, 1997, p.6). It is therefore not surprising that reclaiming land from the sea has been the dominant means of facilitating economic restructuring and accommodating urban growth in the territory. Not only does the new land raise very substantial revenue for the government, but the administration also avoids directly intervening in people's lives and livelihoods through resuming land and massive rebuilding and redeveloping. In other words, the government has assumed the dual role of big developer and of administrator who sets the development agenda (op cit., 1997).

These dual functions allow the government great flexibility vis-a-vis the private sector and the community. Before 1997 there seemed to be a tacit alliance between the government and the private developers. Critics had condemned the government's high land price policy and the "bubble economy" generated by a bias towards property market related development. Fuelled by speculative activities, property prices increased dramatically from the late 1980s to 1997. The government was blamed for not using its role as the biggest landlord, in the public interest. The new SAR government seems to have realised this problem and has vowed to provide sufficient land for property development. In his maiden policy speech in October 1997, the Chief Executive also promised to build on average 85,000 flats per year and to achieve a home ownership rate of 70 per cent. This policy, however, has been introduced at an inopportune time. Aggravated by Asia's financial crisis, the stock market crashed and the property-biased "bubble economy" burst. Hong Kong is at a very difficult moment: land sales are unlikely to continue to reap a handsome revenue for the government; and yet the general public look towards the government to play a leadership role in this economic downturn. Hong Kong is at a cross-roads: with few comparative advantages it has to rebuild its economy from the scraps of a fallen

³ Except for St. John's Cathedral in Central District, all land belongs to the government of Hong Kong. The land market operates within a leasehold system.

property biased economy; socio-politically, it has to reconcile the conflicts generated by an elitist administration and an aspiring democratising society. While the dynamic circumstances demand flexible changes and adaptation in the territory, the established institutional set-up within the government seems to have remained insulated from, and hence insensitive to, these forces of change. Urban redevelopment is a case in point.

URBAN RENEWAL: THE HONG KONG CASE

Market Failure to Address Residential Obsolescence

The extent of the urban renewal problem which Hong Kong is facing is quite massive. According to Metroplan (the metropolitan development strategy for Hong Kong), 639 ha. of private residential development are denoted as requiring selective or comprehensive improvement or renewal (Planning Department, 1991a, p. 25). One of the technical reports prepared as inputs to Metroplan estimates that a net area of about 260 ha. of private residential development and 190 ha. of private non-residential development is in need of urban renewal either because of under-utilisation of land, or because of obsolescence. Sixty per cent of this is in Kowloon. Despite such a large area being identified, there is virtually no explanation of how this amount was determined; nor of the dimensions of the problems in the deteriorated urban environments.

Some of the problems relate to the physical structures. The very rapid growth of Hong Kong in the 1950s and 1960s placed enormous pressures on housing which had to be constructed very quickly at minimal standards to meet the requirements of the day. Although government has carried out studies of building condition, very little of this information is available. The only indication of physical condition is from an unpublished 1992 survey of 14,720 buildings by the Building Ordinance Office. One per cent of these buildings were classified as being in a very dangerous state, 36 per cent as being of “suspect condition”, and 62 per cent as being in “reasonable condition”.

The problem of improving deteriorated living environments is exacerbated by the urban form and occupancy characteristics. Hong Kong is characterised by extensive areas of extremely high density land use. Not only is commercial development high rise with intensive use of space, but residential and industrial development is also characterised by similar urban form and occupancy characteristics: high buildings with multiple occupancy and ownership.

This type of urban form is not a recent phenomena in Hong Kong. The Building Ordinance Regulations 1935 limited the building height to five storeys and this remained in force for about twenty years. Changes to the Regulations occurred in 1956 which resulted in a boom in construction of twenty storey residential blocks. The lease provisions of the 1956 legislation enabled residential development with a plot ratio (PR - defined as the ratio of the building floorspace to the site area) of up to 10 in existing urban areas, and of 15 for non-residential use. A scaling back occurred

in 1965 when three residential density zones were introduced with PRs of 8, 6.6 and 3. Hence for over forty years high rise development has been the norm in Hong Kong.

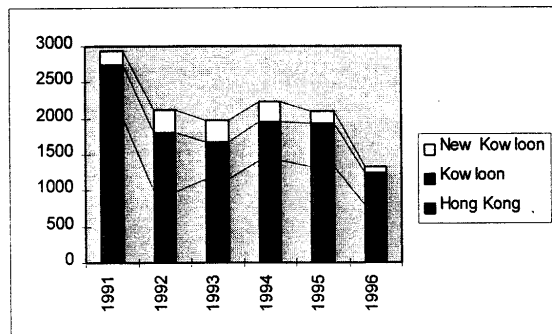
In the public housing sector, renewal to higher accommodation standards with higher quality living environment, such as the provision of landscaping and children's play areas, is now a well established process. However, the approach to renewal of privately owned premises has been ad hoc and fragmented and its magnitude is not easily identified from statistical records. A broad indication of the amount of redevelopment of private domestic premises which has been taking place in Hong Kong can be gauged from demolition statistics. These show that most activity in the past six years has been on Hong Kong Island, where residential property prices are highest (1997 average price of \$83,568 per m² for a flat of 40-69.9m² on Hong Kong Island compared with \$54,983 in Kowloon), and returns from redevelopment are therefore likely to be attractive to developers.

Table 2 Demolition of Private Domestic Quarters

	Hong Kong Island	Kowloon	New Kowloon	Total main urban area
1991	1992	761	178	2931
1992	986	824	302	2112
1993	1153	522	288	1963
1994	1411	543	267	2221
1995	1319	603	178	2100
1996	788	456	81	1325

Source: Hong Kong Property Review 1995-1997. Rating and Valuation Department, Hong Kong Government.

Figure 1 Demolition of Private Domestic Quarters in the Main Urban Area.



The impact on residents from the demolition of these dwellings is a grey area. It is very difficult to estimate the number of affected residents as factors such as overcrowding, which is likely in many of the areas which are redeveloped, make

application of an occupancy ratio based on the size of the quarters, suspect. Susnik and Ganesan (1997) estimated that the average demolition rate of domestic buildings (not living quarters) was 570 per year for the decade to 1993. Further, about 70 per cent of these buildings were six storey tenements with an average occupancy of 35 persons per building. Based on this assumption, in excess of 14,000 people are displaced each year from private housing.

With the exception of the public housing sector, government involvement in urban renewal had been negligible until the establishment of the Land Development Corporation in 1988. Government undertook an urban renewal project in Western District in the 1960s, and the demolition of the Kowloon Walled City with subsequent re-use of the site for a park in the early 1990s.

Government Action in the Private Residential Sector

The Land Development Corporation (LDC) was set up as an independent statutory body in 1988 to accelerate the urban renewal process. Its purpose, under the Land Development Corporation Ordinance, is to undertake urban renewal: to identify sites for urban renewal; to prepare outline schemes for redevelopment; to acquire land for the purpose of undertaking urban renewal; and to then sell the assembled package to the private sector. Strangely, the Ordinance contains no definition of urban renewal.

The governing criterion for the operation of the LDC is that it must “conduct its business according to prudent commercial principles”; in other words the projects it undertakes must be financially viable. It must operate as a self-funding body, albeit with an injection of seed money provided from the public purse to start the operation. The question therefore arises of what the Corporation can achieve that the private sector cannot. Multiple ownership is recognised as a major constraint to redevelopment and the LDC was given limited powers of resumption under the Town Planning Ordinance, which enables it to resume property as a last resort. Further it was considered that the problems of the old urban areas were too great to be tackled on an ad hoc and piece-meal basis, and that the Corporation would be able to take a comprehensive approach to renewal which would encompass the provision of facilities and amenities for creating a better living environment. The third advantage is that the LDC is non-profit-making and that any surpluses are used to repay the initial injection of public funds, are channelled into subsequent projects, or are returned to consolidated revenue.

However, the assumption that the LDC would be able to renew areas which were not attractive to private developers does not match with the “financially and commercially viable” conditions set for its operations. In essence, it was assumed that the public corporation could operate in a market mode, but with the added advantage of limited land resumption capabilities.

The context in which the LDC was established was devoid of government policy on urban renewal. Ten studies of areas with a poor physical living environment were carried out by the LDC. These Studies of Development Opportunities (Cuthbert and Dimitriou, 1992) showed that there were large areas where people were living in a

very substandard environment. The process employed by the LDC for identifying potential urban renewal sites was a two step one. First, potential urban renewal areas were based on three sets of criteria: the physical living conditions (building age, height and condition; and opportunities for physical environmental improvement); the social living conditions (population density, degree of sharing, occupancy rate, and degree of overcrowding) and additional growth potential (existing plot ratio and increase in GFA permitted according to the Outline Zoning Plan). Then, specific sites were identified based on ownership considerations, location, and planning constraints (op. cit., 1992). From these investigations the LDC targeted 80 ha. containing about 47,000 residential units and 59,000 families as being priority areas for urban renewal (see Table 2). Moreover, the government estimates that by the year 2005, more than 40 per cent (260,000) of the domestic premises in the urban area will be over 30 years old, that is, they would be ripe for redevelopment as the construction standards and maintenance works are below standard (PELB, 1996, p. 13). An informal discussion with a government official revealed that the figure, could in fact, be greater than 40 per cent⁴.

Despite the urgency suggested by these figures, progress has been very slow. At the beginning of 1998, ten years after the setting up of the LDC, only 1.8 ha., two per cent of this target, had been completed. This is a mere 0.3 per cent of the areas identified by Metroplan.

Table 3 Urban Areas which Merit Priority Redevelopment

District	Site area (ha)	Affected units	Estimated affected households
HONG KONG			
Central and Western	6.34	3,561	3,855
Wanchai and Causeway Bay	6.34	4,129	4,851
North Point	1.88	985	1,113
Shaukeiwan	0.92	564	616
Kennedy Town	1.35	524	559
<i>Sub-total Hong Kong</i>	16.83	9,763	10,994
KOWLOON			
Tsim ShaTsui	3.16	1,165	1,428
Yau Ma Tei	2.60	2,214	2,839
Mong Kok	17.95	7,298	9,781
Sham Shui Po	12.52	7,931	10,668
Hung Hom	13.34	11,903	4,960
San Po Kong	2.70	1,635	2,089
Kwun Tong	4.41	1,568	2,380
<i>Sub-total Kowloon</i>	56.68	22,714	44,145
TSUEN WAN	8.03	3,449	4,096
TOTAL URBAN AREA	81.54	46,926	59,235

Source: Planning Environment and Lands Branch, Appendix C, 1996.

⁴ Discussion in an informal workshop on May 1, 1998.

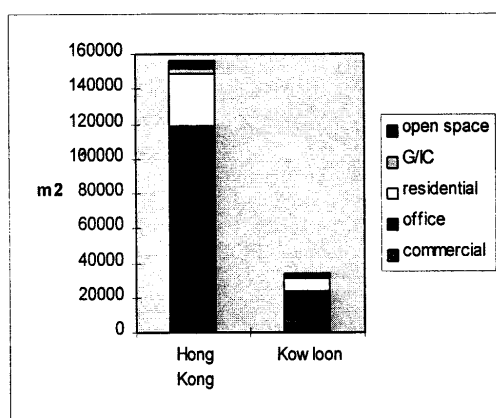
Table 4 Projects Completed by the Land Development Corporation
(as at March 1998)

Location	Site area (m ²)	Land use: GFA of the redevelopment (m ²)				
		commercial	office	residential	G/IC*	open space
HONG KONG	12,466	5,089	113,207	30,090	3,199	4,275
KOWLOON	5,284	7,877	15,976	7,190	666	2,035
TOTAL	17,750	12,966	129,183	37,280	3,865	6,310

Source: compiled from Land Development Corporation, 1998

Of the redevelopment undertaken, very little has been replaced by residential accommodation or community facilities; in fact 68 per cent of the new space is for commercial and office use and 18 per cent for residential use. The total number of residential units produced in the above projects is 738.

Figure 3 Projects Completed by LDC



Projects currently under construction comprise a further 3.2 ha., consisting of over 80 per cent commercial/ office development and only 13 per cent residential. In January 1998 the LDC announced a massive new programme of 26 urban renewal projects, eight on Hong Kong Island and the remainder in Kowloon. No target completion date has been given for this programme which would bring the total area renewed to 21.6 ha., still only slightly more than a quarter of the "priority" areas. On completion of these projects the LDC would have made provision for a total of 15,762 new housing units. No information is available on the number of housing units lost in the process. The outcome of the total planned urban renewal programme (21.6 ha.) will be that over half the GFA will be for commercial/office use and 40 per cent for residential, and the remaining six per cent for community facilities and open space.

Public consultation undertaken in the development of Metroplan raised a number of concerns about urban renewal (Planning Department, 1990, Appendix III). These were categorised as "implementation issues" but this terminology is misleading as there was no urban renewal policy in place to implement. Included were the need for an

integrated approach to planning for new and old areas; the question of incentives for urban renewal; the potential for small owners and developers to be involved in the process; rehousing and compensation; and issues relating to social equity and improvement of the living environments of affected residents. The LDC recognised the lack of policy framework governing its activities and recommended the formulation of an urban renewal strategy. In sum, a large gap in urban policy was identified through these consultations.

Following the preparation of Metroplan government acknowledged that the issue of urban renewal required further investigation, and in July 1995 a Public Consultation document was issued, followed by a policy paper, *Urban Renewal in Hong Kong* in 1996. The government view expressed in these documents is that urban renewal is essentially a process to deal with the problems of physical decay of urban infrastructure. The key improvements needed are identified as provision of more open space, community facilities and other facilities; improvements to road networks and other infrastructure; replacement or renovation of obsolete buildings; better utilisation of land; thinning out of development to reduce densities and the strain on over burdened transport and other infrastructure; and, making land available to meet various uses such as housing. Three major difficulties are highlighted: site assembly, relocation of residents and businesses and financial viability.

The government put forward an ‘Action Plan’ in 1996 to tackle urban renewal problems through both short term ameliorative actions and long term measures. Long term measures include the upgrading of the LDC into an Urban Renewal Authority, establishing a rehabilitation fund for renovating old buildings, and enacting legislation to enable disposal of a site if the majority of owners were in favour of selling. To date, none of the long term actions have been implemented. The Chief Executive’s Policy Address in 1997 made a commitment to establish an Urban Redevelopment Authority to expedite urban renewal in a more comprehensive manner, but as yet only an “urban renewal team” has been established under the Secretary for Planning, Environment and Lands.

CHALLENGES AHEAD

From the above analysis, one can imagine the magnitude of urban residential obsolescence in Hong Kong. The density, concentration and scale of the problem probably is unique in the global context. The sheer physical dimension of the redevelopment task is quite formidable, even without the socio-economic and political restructuring complicating the issue. The economic restructuring process, which had seemed to be smoothly taking place in Hong Kong, has been destabilised and may further suffer as the Asian economic crisis continues to unfold. Real economic growth in the territory contracted 2 per cent in the first three months of 1998. The unemployment rate hit a 13 year high of 4.1 per cent. This aggregate figure probably hides a much higher unemployment rate in some sectors. In other words, while Hong Kong faces a huge physical redevelopment problem, recent events all point to the possibility that Hong Kong, not unlike her counterparts in mature economies, also faces issues of economic as well as human regeneration.

Renewal in the context of socio-economic and political restructuring presents overwhelming challenges to the three major actors in the process.

The Government

As argued above, the government has refrained from playing an active role in renewing the urban fabric in the territory. While it might have recognised the magnitude of the problem in recent years, its ability to cope with the issues seems to have been limited by its traditional top-down approach in mapping out the urban development strategy and its economics-biased mindset in solving urban issues.

In an informal discussion with one of the government planners responsible for formulating an urban renewal strategy in Hong Kong, we were told that the information feeding into this strategy was confidential and could not be released. Although the government may have assembled much information about the dimensions of the urban renewal problem, it is not accessible to the public. In fact, from the informal workshop held between the planner and the authors, it seems that the government has decided to take a more active role in solving the problem as it can no longer rely on the market to fix it. However, the commitment is basically a top-down approach, and one has the impression that the government has no intention of involving the community to help resolve the issues. In fact, government officials have complained that the community only cares about the amount of compensation it can garner in the redevelopment process. In other words, a three-way partnership as the way to tackle regeneration issues in the 1990s in the West is probably out of question in Hong Kong.

Another problem which limits the government's way of tackling renewal issues is the "financial viability" approach to implementing urban renewal in respect of privately owned buildings. This approach basically relies on three factors: added value through plot ratio gain, up-zoning, and a rising property market. As argued below, such an approach does not provide a robust basis for long term redevelopment.

The assumption that Hong Kong was immune to large fluctuations in the property market, that a strong upward price was assured, because of the "shortage of land for urban development", has now been shown to be a false one. A combination of the Asian financial crisis and local policy changes resulted in a marked drop in property prices this year. This has not only affected residential prices but has also had a major impact on the commercial property market. Now many office values are similar to residential ones with the result that a change of land use from residential to commercial may not provide the expected financial gains. An additional factor affecting the commercial market, which is likely to carry to at least the medium term future, is the large increase of the supply of commercial space through reclamation. Some 450 ha. of land have been added to the central Hong Kong urban area by filling in a large part of Victoria Harbour. Thirty-one ha. of this are designated for commercial development, the majority of which provides an extension to the CBD. The implications of the slow-down in the economy and of rising unemployment are that rate of take-up of office space will decline, and further downward pressure will be

bought to bear on prices. Such a scenario is likely to have an adverse impact on urban renewal projects which are reliant on value-added through conversion of land in the redevelopment process to higher economic use.

It is possible to renew areas where the physical fabric is the most deteriorated and improve the living environment for the residents of these areas by an approach which focuses on economic viability? This is not a new line of questioning, and one has been reminded of it again recently by Lichfield (1998, p.12) in relation to the criteria used for public grant support of urban regeneration projects in Britain: “those projects that produce the greater yield to the funding agency are most likely to be approved”. In the case of Hong Kong, the examination of the redevelopment problem from primarily an economic perspective, and the LDC’s practice of creating commercial/office space to fund housing development is not sustainable in the long term. One may even argue that the exclusion of the community in formulating the urban renewal strategy is also a recipe for failure. Changing circumstances in Hong Kong dictate that the concerned parties are consulted and their collective wisdom solicited in identifying solutions to the huge problems of urban renewal.

Many issues need to be debated and sorted out: the overall vision/mission/strategy for renewal; criteria for identifying redevelopment and rehabilitation needs, means to facilitate land assembly, rehousing arrangements, resources allocation and institutional set-up etc.

The Private Sector

While it is acknowledged that the private sector has shown little interest in renewing the densely populated multi-storey buildings in the dilapidated urban areas, there is limited research investigating the problems which the private sector faces in the redevelopment process. Given its important role in renewing the old urban fabric in the past decades of economic growth, the private sector should have accumulated a wealth of valuable experience in redevelopment. Private developers should also be aware of the major problems and issues that are encountered in redeveloping high-rise obsolete buildings. It is therefore important that this knowledge is tapped to facilitate the formulation of more innovative means to tackle the renewal problems in Hong Kong.

The Community

From the Western experiences that we have reviewed, we have seen the limitations of a physically oriented redevelopment strategy. The bulldozing era ignited social movements in the U.S.A. in the 1990s. The property-led urban regeneration strategy in the U.K. in the 1980s saw the continuing plight of poor neighbourhoods. Physical renewal may help the gentrification process but it contributes little to improving the lives and livelihood of residents in run-down communities. In Hong Kong, “potential for urban renewal” in government reports is based on physical factors such as population and housing density, shared living quarters, and building age and condition. The top-down response by government towards residential obsolescence has been land and building oriented. The community is largely invisible in the

process. The people affected by the redevelopment are not really considered to be part of process but simply “items” to be compensated or rehoused. Few attempts have been made to involve the local community throughout the redevelopment process.⁵

Is it possible to “bring the community in” to the renewal process? Many planners would probably say “no” in the context of Hong Kong. While “community” is perhaps a rather peripheral concept to Chinese culture⁶, the democratising society, however, points to a more positive role for the community to play in formulating various policies. Communities need to be nurtured before they can take care of themselves. Information sharing, consultation, partnerships and the power of influencing decision making are important means of involving the public. The communities may seem to be indifferent to the top-down government policies. However, if the government does not take the step to involve the public in resolving its own problems, and if anything goes wrong as in the politically induced economic recession in the 1960s and the economic downturn in 1984, the community might resort to violence to make itself visible to the authority.

Concluding Remarks

Undertaking academic research is an uphill task in Hong Kong as we have illustrated in this paper. The government perspective, with huge gape in information and statistics, is the most readily available one. Very little research focuses on the role of the private sector. Data availability is a major reason. Commercial secrets is probably another. The community perspective is an under researched field. In other words, Hong Kong seems to have a long way to go to achieve a three-way partnership in urban regeneration. The very first step is to clarify the perceptions of the three major actors on urban renewal issues in the search for a common basis for co-operation.

⁵ In a recent redevelopment attempt, the LDC has tried to involve the owners to work out the redevelopment scheme. As the project is still ongoing, no evaluation can be made at this stage.

⁶ It has been argued that the family and the state, rather than individuals and communities, are important in the social institutional set up in Chinese culture.

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