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Paper for the House Committee meeting on 11 February 2000

**Report of the Subcommittee to study the
Urban Renewal Authority White Bill**

Purpose

This paper reports on the deliberations of the Subcommittee to study the Urban Renewal Authority White Bill.

Background

2. In July 1995, the Government issued a public consultation document on urban renewal which put forward a package of proposals to expedite the process of urban renewal. As a result of the consultation exercise, the Government published a policy statement entitled "Urban Renewal in Hong Kong" in June 1996. The policy statement proposed, amongst other things, the establishment of a new statutory authority to take forward a new urban renewal strategy.

3. The Chief Executive announced in his 1999 Policy Address the establishment of the Urban Renewal Authority (URA) in 2000 to replace the existing Land Development Corporation (LDC) to implement a new rigorous and comprehensive approach to overcome the problem of urban decay. On 22 October 1999 the Government published in the Gazette the Urban Renewal Authority Bill in the form of a White Bill for public consultation.

The White Bill

4. The Urban Renewal Authority Bill seeks to provide a legislative framework for the establishment and operation of URA.

The Subcommittee

5. Members agreed at the House Committee meeting on 29 October

1999 to set up a Subcommittee to study the White Bill. At the request of members, the Administration agreed to extend the consultation period on the Bill from 3 December 1999 to 31 December 1999.

6. Hon Edward HO sing-tin and Hon Gary CHENG Kai-nam were elected Chairman and Deputy Chairman of the Subcommittee respectively. A membership list of the Subcommittee is at **Appendix I**. The Subcommittee held nine meetings with the Administration, met 15 deputations and received 22 submissions. A list of deputations received by the Subcommittee is at **Appendix II**.

Deliberations of the Subcommittee

7. Having regard to the tight schedule for examining the Bill, the Subcommittee did not go into the technical drafting aspects of the Bill but focused its attention on the broad issues associated with urban renewal and the operation of the future URA. The deliberations of the Subcommittee are summarized below.

Need for establishing a new authority

8. The question of whether there is a need to establish a new authority to replace LDC is one of the major issues examined by the Subcommittee. The Subcommittee acknowledges that LDC encounters a lot of difficulties in pursuing its urban renewal programmes, including scarcity of sites for profitable redevelopment, lengthy land assembly process and inadequate rehousing resources. There are however doubts among members if the establishment of the URA to replace LDC would enable the Government to pursue its more vigorous urban redevelopment and rehabilitation plans. Some members are of the view that the problem could be resolved by enhancing LDC's statutory powers and improving its resources through suitable amendments to the present legal and institutional frameworks.

9. The Administration however holds a different view. It stresses that LDC was set up with a statutory duty to carry out urban renewal projects by way of redevelopment of buildings only, while the future URA will put equal emphasis on redevelopment and rehabilitation of buildings. If the present legal framework is to be retained to implement the new urban renewal initiatives, almost each and every provision in the Land Development Corporation Ordinance, Cap 15 will have to be amended to achieve the desired purpose.

Urban renewal strategy

10. Many organizations which presented views to the Subcommittee have pointed out that neither the Consultation Paper nor the White Bill sets out

the new urban renewal strategy contemplated by the Administration. This makes it difficult to assess if the Bill is the answer to the problem of urban decay. The Administration's explanation is that an Urban Renewal Strategy Study has just been completed by the Planning Department and released to members of the public in November 1999 for comment. This Study is intended to provide the necessary input for the formulation of urban renewal strategy covering the Metro Area. The Government plans to issue an Urban Renewal Strategy Statement to URA upon its establishment. On the basis of the Government's Urban Renewal Strategy Statement, URA will prepare its urban renewal programme.

11. The Subcommittee has called on the Administration to adopt a people-oriented approach in formulating the urban renewal strategy. Members of the Subcommittee fully endorse the view that urban renewal is a multi-dimensional issue and its scope is much broader than physical restructuring. There is a need to involve the community in charting the Urban Renewal Strategy and in planning and implementing the urban renewal programme. To minimize disruption to established social network in the urban renewal process, the Administration should critically assess the need to undertake sustainability assessment, in particular social impact assessment before launching a redevelopment project. The findings of these assessments will shed light on whether redeveloping a building or a group of buildings in an old district is the best way to improve the quality of life of the residents concerned.

12. The Administration has taken note of the Subcommittee's view and agreed to adopt the people-oriented approach, i.e. people-come-first approach, in the Urban Renewal Strategy Statement.

13. The Subcommittee also notes that there is no mention in the White Bill of the protection of heritage, which was mentioned by the Chief Executive in his 1999 Policy Address as one important facet of urban renewal. Following discussion, the Administration has accepted members' suggestion to revise clause 5 of the White Bill to expressly provide for the preservation of historical, cultural and architectural sites and structures as one of the purposes of URA.

Mode of operation in urban renewal

14. Different views were expressed by deputations on the role of Government/URA in urban renewal. Some organizations consider that Government should not just play an enabling role for the private sector to undertake redevelopment projects. Government should be more proactive and imaginative in terms of planning and resource utilization in solving urban deterioration. Some organizations, on the other hand, consider that URA should assume the role of a facilitator and promoter in urban renewal. Its main function should be to facilitate private sector participation in redevelopment through site assembly and rehousing of affected residents.

URA should not act as a developer unless every possible means to attract private sector participation has been exhausted.

15. The Subcommittee takes note of the intention of the Administration to implement redevelopment projects by three principal modes: URA may implement a redevelopment project on its own, in association with a joint venture partner or by selling the land to a private developer for redevelopment. According to the Administration, while URA is responsible for carrying out the urban renewal strategy, the private sector will play an important part in the process. Owners of affected buildings will be given a chance to participate in redevelopment projects provided that they are prepared to share the development cost of the projects.

16. In this connection, the Subcommittee shares the concern of deputations about possible disposal of land by URA to a private developer. The Bill allows URA to sell land resumed under the Lands Resumption Ordinance, Cap. 124 with the approval of the Chief Executive in Council. Since the original purpose of resuming the land is to enable URA to implement a redevelopment project, the subsequent selling of the land to a private developer makes it difficult to reconcile with the cardinal principle to resume land for a public purpose as defined in the Lands Resumption Ordinance. The Administration's explanation is that to prevent fragmented redevelopment, it will be in the public interest in certain circumstances to sell or swap the resumed land with a private developer and the private developer will need to pay a fair market price for the land.

Rehabilitation and maintenance of buildings

17. The Subcommittee welcomes the incorporation of rehabilitation as an essential part of urban renewal. Proper maintenance of buildings is instrumental to comprehensive renewal of old urban areas. According to the Administration, a statutory scheme of preventive maintenance of buildings is expected to be released for public consultation later this year. Under this scheme, owners of old buildings which are not properly maintained are required by law to carry out preventive maintenance. The task of implementing this scheme will be shared between URA and the Building Authority (BA). URA will be empowered to operate the scheme in the nine urban renewal target areas, while BA will be responsible for the rest of the areas in the territory. This arrangement, however, has aroused concern among deputations over the co-ordination between URA and BA in this regard. The Subcommittee notes that the implementation of the proposed scheme will require amendments to the Buildings Ordinance, Cap. 123 and has requested the Administration to provide detailed information on how this concern could be addressed when the proposed scheme is released for public consultation.

Public accountability

18. Given the important task to be discharged by URA, the enhancement of public accountability is of concern to members of the Subcommittee. The Subcommittee notes that there are provisions in the White Bill to require members of the URA Board to declare interest, to make available a register of such declarations of interest for public inspection, to require the Chairman and the two executive directors of URA to attend meetings of committees and subcommittees of the Legislative Council and to place URA under the jurisdiction of the Ombudsman. The Subcommittee has also noted the concern of deputations about the lack of measures to enable the public to monitor the work of URA. The Subcommittee considers that to address problems relating to public accountability, there is a need to review in the first place the composition of the highest authority, i.e. the URA Board.

19. The White Bill proposes that the URA Board shall comprise 14 members, including a Chairman who is at the same time an executive director, two other executive directors, seven non-executive directors who are not being public officers and four non-executive directors who are being public officers. The executive role of the Chairman of URA is different from the current non-executive chairman model of the LDC. Although the executive-chairman model is currently adopted in the two railway corporations, some members of the Subcommittee have reservations on the Chairman taking on executive functions as it will decrease rather than increase public accountability of URA. The Administration has agreed to reconsider the matter.

20. Apart from the proposed executive-chairman model for the URA Board, the number of non-executive directors who are public officers has also caused concern to members of the Subcommittee. The Chairman and two other executive directors, being appointed by the Chief Executive, together with four non-executive directors being public officers, would take up 50% of the seats of the URA Board. Members are concerned that such a composition will enable the Government to have overwhelming influences on the Board. Although the Administration does not agree with such an observation, it has agreed to review the proposed composition. The Subcommittee has also requested the Administration to take note of the views of deputations that members of the URA Board should represent different strata of the community.

Financial arrangements

21. The Subcommittee takes note of the measures contemplated by the Administration to enhance the financial viability of urban renewal projects. These include waiving land premia, exempting Government/Institution/Community facilities of URA projects from the calculation of gross floor area and relaxing the plot ratio controls up to the maximum levels permitted under the Buildings Ordinance and its regulation. The Administration has advised that where necessary, Government is prepared to consider making loans to

URA and even injecting capital into URA. The aim is to enable URA to be self-financing in the long run.

22. Some members are skeptical of the Administration's assessment that over a period of 20 years, the implementation of the 200 priority redevelopment projects by URA will not incur any public money. They share the concern of some organizations that urban renewal is a continuous process and has significant resource implications. Although the Administration has provided a very broad-brush analysis on the estimated income and expenditure in respect of the 20-year urban renewal programme, the Subcommittee finds it difficult to examine the subject further without having the details on each of the projects which are treated as confidential information at the present stage. Some members therefore remain concerned about the financial cost for implementing the urban renewal programme.

Planning procedures

23. The White Bill proposes that URA could implement a redevelopment project by way of a "development scheme" or a "development project". A development scheme requires an amendment to the zoning of the project site on the outline zoning plan, whereas a development project requires no such amendment. Many organizations have expressed concern about the different objection mechanisms for these two types of projects.

24. In the case of a development scheme, the White Bill does not provide for an objection channel. According to the Administration, since a development scheme requires an amendment to the zoning of the project area on the relevant outline zoning plan, it needs to be approved by the Town Planning Board (TPB). Any objections can be raised and will be dealt with under the Town Planning Ordinance (Cap. 131). TPB is required to consider any objection to a draft plan, i.e. the proposed development scheme in the present case and submit the draft plan with or without amendment and a schedule of objections which have not been withdrawn to the Chief Executive in Council for consideration. The Subcommittee however takes note of the view of some organizations that TPB is more concerned about planning aspects and seldom takes into account other human factors in dealing with objections. These organizations have therefore called for the provision of an objection channel for a development scheme under the Bill itself.

25. As for a development project, the Bill provides an opportunity for members of the public to raise objections within the one-month period of publication of notice of the project in the Gazette by URA. Objections will be considered by URA who should, not later than three months after the expiration of the publication period, submit any objections which have not been withdrawn to the Secretary for Planning and Lands (SPL). SPL will be the ultimate authority in deciding whether or not to allow the development project to proceed. The absence of an appeal channel against SPL's decision has been

of great concern to the Subcommittee. The Subcommittee does not accept the Administration's explanation that the White Bill is already an improvement to the present system under which there is no formal procedure for even lodging objections against a development proposal of LDC and that a further tier of appeal mechanism would inevitably delay the approval process. Members have pointed out to the Administration that one significant difference between URA and LDC is that URA will be conferred with the power to apply for resumption of land required for a development project without the need to negotiate with the owners concerned. Under these circumstances, having an independent body or an authority over and above SPL to review his decision is essential to ensure that individual and public interests have been fully taken into account before proceeding with a development project. The Subcommittee has requested the Administration to consider providing a longer period for raising objections and an appeal channel against SPL' decision in respect of a development project.

Compensation

26. The absence of provisions in the Bill on compensation arrangements has been criticized by many deputations. Members appreciate that there is a need to expedite the land assembly processes so as to reduce redevelopment cost, but they have made it categorically clear to the Administration that compensation payable to persons affected by URA's redevelopment projects must be fair and reasonable.

27. According to the Administration, the existing compensation formula for resuming properties required by LDC will continue to apply. That is to say, a statutory compensation based on the fair market value of the resumed properties will be payable to owners of domestic premises under the Lands Resumption Ordinance. On top of the statutory compensation, owner-occupiers will be eligible for an ex-gratia allowance. The total amount of compensation should enable owner-occupiers to purchase a ten-year old flat comparable to the size of the resumed property in the same locality. The Subcommittee has received different suggestions on the level of compensation payable to affected owners. Some organizations have suggested that the compensation amount should enable the owner-occupier to buy a five-year old or even a new flat similar to the size of the resumed property.

28. Some members of the Subcommittee have expressed strong views on the need to stipulate the principles of compensation in the Bill. They consider that an express provision on compensation will dispel any uncertainty over the matter and allay the concern of affected persons. Given that owners have no choice but to surrender their properties targeted by URA for redevelopment, some members consider that an ex-gratia allowance should be part and parcel of the compensation package and its payment or otherwise should not be subject to individual circumstances. They have suggested that the ex-gratia allowance become part of the statutory compensation which should be

enshrined in the law. The Administration has rejected the suggestion but agreed to review the existing principles of assessing statutory compensation under the Lands Resumption Ordinance.

Rehousing

29. The Subcommittee welcomes the pledge of the Administration that no person shall be rendered homeless by the implementation of URA's redevelopment projects. The Administration envisages that about 5,000 reception flats will be required to rehouse affected residents in the first five years of the urban renewal programme. The Subcommittee takes note that the Administration has reached a preliminary agreement with the Hong Kong Housing Society in this respect. Under this agreement, the Housing Society will provide a sufficient number of rental flats from its existing housing stock and newly-built blocks to URA to rehouse affected residents. It will also construct pump-priming blocks on sites granted to it for the purpose of rehousing these residents. Members of the Subcommittee have urged the Administration to expedite its discussion with the Hong Kong Housing Authority with a view to securing the Authority's assistance in providing rehousing resources.

30. The Subcommittee takes note of the intention of the Administration to encourage affected persons to opt for rehousing in lieu of cash compensation. Members agree that it is the right approach to solve the housing need of persons living in dilapidated urban areas. As the Administration has yet to come up with concrete proposals on how this could be done, the Subcommittee considers that such details should be made available when the Blue Bill is introduced into the Legislative Council.

31. Regarding measures to expedite the pace of redevelopment, the Subcommittee notices that it is often dictated by the availability of rehousing resources. In response to the Subcommittee's request, the Administration agrees to consider in detail the provision of a temporary rent allowance to residents displaced by URA's redevelopment projects during an interim period before rehousing could be arranged. The Administration has also agreed to consider the Subcommittee's suggestion that affected tenants be eligible for a loan scheme to purchase flats in the private sector.

Recommendation

32. The Subcommittee notes that the Administration has given notice to introduce the Blue Bill into the Legislative Council on 16 February 2000. It recommends that a Bills Committee be formed to scrutinize the Bill.

Advice sought

33. Members are requested to note the deliberations of the Subcommittee.

Prepared by
Council Business Division 1
Legislative Council Secretariat
8 February 2000

Appendix I

Subcommittee to study the Urban Renewal Authority White Bill

Membership List

Hon Edward HO Sing-tin, SBS, JP (Chairman)

Hon Gary CHENG Kai-nam, JP (Deputy Chairman)

Hon HO Sai-chu, SBS, JP

Ir Dr Hon Raymond HO Chung-tai, JP

Hon LEE Wing-tat

Hon NG Leung-sing

Hon Ronald ARCULLI, JP

Hon James TO Kun-sun

Hon Christine LOH

Hon CHAN Yuen-han

Dr Hon LEONG Che-hung, JP

Hon Andrew WONG Wang-fat, JP

Hon WONG Yung-kan

Hon Jasper TSANG Yok-sing, JP

Dr Hon YEUNG Sum (withdrew on 12/11/1999)

Hon TAM Yiu-chung, GBS, JP

Dr Hon TANG Siu-tong, JP

Total : 17 Members

Appendix II

Subcommittee to study the Urban Renewal Authority White Bill

Names of organizations received by the Subcommittee

- (1) Hong Kong Institute of Architects
- (2) Hong Kong Institution of Landscape Architects
- (3) Hong Kong Institution of Engineers
- (4) Hong Kong Institute of Planners
- (5) Hong Kong Institute of Surveyors
- (6) Hong Kong Society of Urban Renewal
- (7) Hong Kong General Chamber of Commerce
- (8) The Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shopowner Organization
- (9) Hong Kong Council of Social Service
- (10) Hong Kong People's Council on Housing Policy
- (11) Real Estate Developers Association of Hong Kong
- (12) Centre of Urban Planning and Environmental Management, University of Hong Kong
- (13) Hong Kong Institute of Real Estate Administration
- (14) Land Development Corporation
- (15) Antiquities Advisory Board