



香港地產行政學會

HONG KONG INSTITUTE OF REAL ESTATE ADMINISTRATION

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03 JAN 2000

To: The Hon. Edward S. T. Ho, DSE, JP
From: Mr. Gordon Hui

2803 9321

December 29, 1999

Mr. Gordon K. C. Siu
Secretary for Planning, Environment and Lands
Murray Building
Garden Road, HK

Dear Mr. Siu,

Urban Renewal

We thank you for your letter dated October 6, 1999 briefing and enlightening us on the subject issue of which your proposed new approach has our full support. Our ad-hoc committee has also attended the URA Bill Consultation Forum on Nov. 13, 1999 and the meeting invited to by the LECO Subcommittee to study the URA White Bill on Nov. 2, 1999.

After thorough scrutiny of the Bill and various discussions, we concur to the basic principle of the Bill and we would like to opine as follows :-

1. Main Objectives

The objectives are sound and clear and are comprehensively reflected in the Bill except item (d) to 'preserve buildings of historical, cultural or architectural interest in urban renewal action areas' which should be more specifically addressed as to the mechanism and procedures to such effect. An ad-hoc committee under the URA may be set up to identify and monitor such areas and to coordinate relevant boards and professional bodies for advisory purposes.

2. Interpretation

The term 'Urban' should be legally defined as to whether it includes 'new' towns, or old towns in the N.T. like Yuen Long and whether there

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should be a physical boundary to the 'Urban' area.

3. Establishment of Board of Authority

We consider that the appointment of a CEO to run the daily activities is still necessary while the Chairman, who may not be an employee of URA, will take on supervisory and monitoring functions of the Board. The term of appointment of 3 years may be too short since duration of development projects is usually longer than 3 years. We suggest that the Board shall not be replaced altogether in 3 years. Instead, 2 new non-executive directors shall be appointed each year (or every 2 years) to replace two existing non-executive members. This system will ensure continuity of policy. We also recommend that no individual member shall serve more than 2 consecutive terms to avoid aggregation of relationship and power.

We also consider that the remuneration of the Chairman and the directors who are non-public officers should be compatible to their experience and competence but shall be subject to LECO monitoring.

4. Purpose of the Authority

It is well expressed in item (a) that one of the purpose of URA is 'facilitating urban renewal', but the underlying meaning as we perceive, may not be properly reflected. We actually consider that the major purpose of the Authority, among others, is to act as a facilitator, provider and supervisor for urban renewal. As such, we consider that the involvement to 'undertake' property development should be kept to a minimum as absolutely necessary. Otherwise the URA will inevitably grow into another bureaucratic mechanism recruiting and maintaining huge number of staffs. The main reason for the URA to be a 'bystander' is that the value of assembled land and property parcel should best be determined by the market. Projects that are of low redevelopment potential can be injected with incentives like increase and concessions in plot ratio but the land premium should be determined by the market by way of tendering or auction. URA participation in development projects may prevent land value to be tested by the market thus distorting the real market situation.



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Projects that can be undertaken by the URA may include maintenance, urban regeneration (or rejuvenation) and preservation programmes which will, in turn generate economical values to the neighbourhood and enhance commercial value to surrounding sites for redevelopment. Return on such projects may not be immediate or tangible but will definitely be value-added to the society.

5. Financial Provisions

We recommended that Government should set up a special purpose trading fund, say, 'Urban Renewal Fund' to finance the operation of URA. Profit and loss of URA shall be reflected in the balance sheet of the fund. Purpose of the fund should be clearly stated for urban renewal and not for profit. This will improve the position of URA when challenged in court by property owners whose properties are resumed under the new ordinance at price which URA may make a profit eventually.

During the initial setting up period (say 5 years), it may be possible for URA to arrange its source of finance by the following ways : -

- a) Loan from Government
- b) Banks or other financial institutions
- c) Redevelopment partner(s)
- d) Disposal of assembled land

We suggest that Government guarantee shall only be granted to URA for projects undertaken by URA only as mentioned above. Granting Government guarantee to joint venture projects is not recommended since Government's contingent liabilities will be increased. For such projects that are commercially viable, there is no reason why URA cannot raise fund from the market at market terms. Otherwise the market may misjudge the risk factor and financial viability of such projects. This will not deter private sector participation if sufficient incentives like increase in development potential and plot ratio concessions etc. are provided.

Again, we reiterate that URA should preferably be acting as a 'project provider' to generate its revenue in order to minimize its financial risks.



6. Planning Procedures

The URA should be allowed to identify or propose projects for implementation to cope with its Corporate or Business Plan. Similarly, private developers, quasi-government organisations like the TDC, HKTA may propose projects that are consistent with the urban renewal strategy through the URA. This would provide incentives to the general public to formulate projects that are economically and socially viable.

We also consider that the programme of implementation of both 'Corporate Plan' and 'Business Plan' of URA should be available publicly before submitting to the Financial Secretary for approval.

7. Resumption of Land

Efficiency in obtaining possession of land is key to success on redevelopment. It is advisable that resumption procedures should be simplified to save time and cost and the actual resumption period should be within a reasonable time of say 2 years. However, the society must acknowledge that property owners affected are actually sacrificing their rights for 'Public Interest', and they should reasonably be compensated. There is a 12-month time lag between the date of publication of the projects and application of resumption to the Secretary. Since the Commencement Day shall be taken as the cut-off date for determining ex-gratia payments to affected property, it should be fair if the interest (time value) of the affected property from the Commencement Day to the actual Resumption Day is included.

There should also be an option for property owners to participate in the redevelopment in the form of Joint Venture or issuance of shares in that particular project.

Finally, we feel that the URA should make use of its renewal proposals as urban design and neighbourhood improvement opportunities, allowing innovative solutions not necessarily abide by the rigid building restrictions of relevant legislation.



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As executives in the property development sector, we ourselves can be on either side of the counter as developers or affected public. As such, we are trying to maintain a balanced view to render the Bill acceptable to the society at large and to attain a sustainable urban renewal system.

Kindly do not hesitate to contact us for further dialogues and we are happy to offer our opinion as appropriate.

Very truly yours,

For and on behalf of
Hong Kong Institute of Real Estate Administration

A handwritten signature in black ink, appearing to read 'Danny Cheung', is written over a faint, illegible stamp.

Danny Cheung
President

DC/JH/SW/ml
c.c. Hon. Advisors

The Hon. Edward S.T. Ho

(for further information, please contact Mr. Danny Cheung at 28237007 or Mr. John Hui at 25760101)