

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

**The Administration's response
to major concerns raised
by various organizations
at the Subcommittee meetings held
on 19 and 24 November 1999**

(1) **Urban Renewal Strategy**

(i) **Formulation of the Strategy**

The Planning Department (PlanD) has recently completed an Urban Renewal Strategy Study. In this study, 200 projects have been identified for priority redevelopment, having regard to the age, physical conditions and fire safety design of the individual buildings. Nine urban renewal target areas have also been delineated for comprehensive restructuring and replanning. On the basis of this study, the Planning, Environment and Lands Bureau (PELB) is finalizing an urban renewal strategy which will serve as a road map for the future urban renewal programme. The Government will issue an Urban Renewal Strategy Statement to the Urban Renewal Authority (URA) when it is established. On the basis of the Government's Urban Renewal Strategy Statement, the URA will prepare its urban renewal programme.

Our strategy is to continuously renew the fabric of Hong Kong's built-up areas through timely urban renewal. The main elements of the urban renewal strategy include:-

- (a) restructuring and replanning designated older built-up areas;
- (b) designing more effective and environmentally friendly local transport and road networks;
- (c) rationalizing land uses which are incompatible with the surrounding areas;
- (d) providing more open space and community facilities;
- (e) redeveloping dilapidated buildings into new buildings of modern design and standard;
- (f) rehabilitating buildings in need of repairs within the urban renewal target areas;
- (g) preserving buildings and sites of historical, cultural or architectural interest within urban renewal priority project areas and target areas; and
- (h) redeveloping or revitalizing under-utilized industrial areas.

On the basis of the Government's Urban Renewal Strategy Statement, the URA will prepare a corporate plan setting out its proposed programme of projects for the next five years. It will have to "follow any guidelines set out in an urban renewal strategy (i.e., the Urban Renewal Strategy Statement) prepared from time to time by the Secretary (i.e., the Secretary for Planning, Environment and Lands (SPEL)) when preparing the programme of proposals and projects in the draft corporate plan" (clause 18(3) of the Urban Renewal Authority Bill (the White Bill)).

— A copy of the Executive Summary of PlanD's Urban Renewal Strategy Study is at the Annex.

(ii) Terminology

The term "urban renewal" has been traditionally used by the Government to refer generally to urban renewal, urban redevelopment, urban rehabilitation, urban regeneration and urban renaissance. It is widely understood and accepted by the public. For example, it is used in the public consultation document "Urban Renewal" published by PELB in July 1995 and the policy statement "Urban Renewal in Hong Kong" published by PELB in June 1996. It is also used in existing legislation, for example, the Land Development Corporation Ordinance (Cap. 15).

Urban renewal is defined to include:

- (a) urban redevelopment; and
- (b) urban rehabilitation.

We are of the view that “urban renewal” is more useful and appropriate than trendy terms such as urban regeneration.

(iii) Concept of urban renewal

We agree that the preservation of our heritage should be included in the concept of urban renewal. We propose to revise Clause 5 of the White Bill by adding a new sub-clause after Clause 5(d) which reads (tentatively):

- “(e) preserve sites and structures of historical, cultural or architectural interest; and”.

(iv) People-oriented approach

Our policy is to use a people-oriented approach to urban renewal. However, the term “people-oriented” is not easily defined in legal language. It would not be helpful to use terms which are not capable of precise definition in the Bill.

(v) Maintenance of buildings

We agree that the proper maintenance of buildings is an essential aspect of the comprehensive regeneration of old urban areas. The rehabilitation of buildings improves the urban

environment and reduces the need for redevelopment. We are formulating a new proposal for the preventive maintenance of buildings and will consult the public shortly. If this proposal is supported, a statutory scheme will be introduced to require owners of older buildings which are not properly maintained to carry out preventive maintenance works for their buildings. The task of implementing this scheme will be shared between the Buildings Department (BD) and the URA. The URA will be empowered to implement the preventive maintenance of buildings scheme within its nine urban renewal target areas. Amendments to the Buildings Ordinance (Cap. 123) are required in order to implement this scheme.

(2) **Role of Government/URA in urban renewal**

(i) Role of the private sector

The URA may implement a redevelopment project either:

- (a) on its own (ie, acting as developer);
- (b) in association with a joint venture partner; or
- (c) sell the land (whole or part of it) to a private developer for redevelopment.

We envisage that (b) above will be the principal mode of implementing URA redevelopment projects. Private

developers will play a major role in implementing the urban renewal programme as joint venture partners of the URA.

(ii) Enabling role

We are not proposing that the Government/URA should only play an enabling or facilitating role for the private sector in urban renewal. The URA will be tasked to carry out the Government's urban renewal strategy and the 20-year urban renewal programme. We are not relying entirely on the private sector in carrying out urban renewal, although it has an important role to play. Adequate resources will be made available to the URA for it to implement the urban renewal programme.

(iii) Owners' participation scheme

In order for an owners' participation scheme to work, owners must be prepared to take risks and share in any profit or loss. Experience has shown that this scheme is not really suitable for small property owners because of the high risks involved. It may be an option for persons or companies who hold a substantial interest in a redevelopment project site.

(iv) Financial assistance to owners

We do not think that it is appropriate for the Government to provide financial assistance to owners to facilitate redevelopment of their buildings by themselves.

(3) **Public participation**

(i) White Bill

We wish to provide the public with a detailed picture of our proposals. The White Bill sets out the legislative framework through which the urban renewal programme will be implemented by the URA. We believe that a detailed consultation paper, together with the White Bill, is an effective means of consulting the public.

(ii) Community participation

The public will be involved in formulating and updating the urban renewal strategy. The Planning Department will regularly review and update its Urban Renewal Strategy Study. The public will have an opportunity to participate in this review process.

(iii) Urban renewal social work teams

We see merit in having urban renewal social work teams. The experience of the LDC has been that such teams facilitate the urban renewal process and act as a bridge between the LDC and affected owners and tenants. We intend to recommend to the URA that an urban renewal social work team be set up in each of the nine urban renewal target areas to provide assistance and advice to residents affected by URA's redevelopment projects. The team should be in place before the first redevelopment project commences in a target area.

(iv) Public views/information

The URA will put in place a programme for gathering public views. Information on redevelopment projects will be made available to the public.

(v) Resource centre

The proposal to set up a cross-discipline resource centre will be considered by the future URA.

(4) Structure of the URA

(i) Board of the URA

Under Clause 4 (“Establishment of Board of Authority”) of the White Bill, the Board of the URA comprises:

- (a) a Chairman, who is at the same time an executive director (i.e., an executive Chairman);
- (b) two other executive directors (one of whom may be appointed Deputy Chairman);
- (c) seven non-executive directors not being public officers; and
- (d) four non-executive directors being public officers.

A managing board comprising an executive Chairman (similar to that of the Mass Transit Railway Corporation and the Kowloon-Canton Railway Corporation) and two executive directors is appropriate for the URA, as it will be responsible for

the implementation of a large number of redevelopment, rehabilitation and conservation projects. The Chairman and the two executive directors will play a pivotal role in the operation and management of the URA and will be directly accountable for the performance of the URA.

(ii) Conservation architects

We agree that the URA should have conservation architects in charge of its conservation projects.

(iii) Financial controller

We agree that the financial controller of the URA should be appointed with the approval of the Board of the URA.

(iv) Board of the URA

The Board of the URA will be representative of the community and will include professionals from the building industry. We have not yet considered the future membership of the URA Board. Subject to the enactment of the Urban Renewal Authority Ordinance, a Provisional URA Board will be appointed in June next year.

(5) **Public accountability of the URA**

(i) Public accountability

The following provisions are included in the White Bill to ensure that the URA is accountable:

- (a) Members of the URA Board are required to declare interests and a register of such declarations of interest will be made available for public inspection. This provision (clause 7) in the White Bill increases the transparency and accountability of the URA.
- (b) Public officers on the URA Board are duty-bound to state the public interest when the URA deliberates on matters which may affect the public interest (clause 8 of the White Bill). This provision ensures that the public interest is taken into account in the deliberations of the URA.
- (c) The Chairman and the two executive directors of the URA will be required to attend meetings of and be answerable to the Legislative Council, its committees and subcommittees (clause 9 of the White Bill). This provision provides for better monitoring of the performance of the URA. It also enhances the public accountability and transparency of the URA as a public body.
- (d) The URA will come under the jurisdiction of the Ombudsman (clause 32(4) of the White Bill).

(ii) Approval of redevelopment projects

It would not be appropriate to submit individual redevelopment projects of the URA to the Legislative Council for approval before implementation. It would mean that the Legislative Council is taking on a day-to-day executive and management role.

(iii) Trading Fund

The Board of the URA is responsible for the performance of the URA. It would not be appropriate to set up a trading fund for the urban renewal programme since the URA is not a government department.

(iv) Complaints unit

The URA will establish a system for dealing with complaints and for gathering public views.

(6) **Financial arrangements**

(i) Social responsibility

We agree that the Government should play a pivotal role in urban renewal. Adequate financial and rehousing resources will be made available for the URA to implement the Government's urban renewal strategy and the 20-year urban renewal programme. We agree that the "social benefits of urban renewal cannot be quantified in money terms".

(ii) Financing

A package of both financial and non-financial arrangements is proposed to enhance the financial viability of URA's urban renewal projects, including the waiver of land premia, the exemption of Government/Institution/Community facilities of URA projects from the calculation of gross floor area, and the relaxation of plot ratio controls up to the maximum levels permitted under the Buildings Ordinance (Cap. 123) and its regulations. The Government is also prepared to consider making loans to the URA, if necessary. Our aim is to develop an arrangement that would enable the URA to be self-financing in the long run.

(iii) Financial burden

As mentioned above, our intention is that the urban renewal programme should be self-financing in the long run. The urban renewal programme would not be an onerous financial burden on the Government.

(iv) LDC

We welcome the LDC's support for our proposed financial arrangements for the URA.

(v) Waiver of land premia

The waiver of land premia is the Government's contribution to the urban renewal programme. It will not distort the property market.

(vi) Relaxation of plot ratio controls

Each application for relaxation of plot ratio controls will have to be submitted to the Town Planning Board for approval. There are no "double standards". Any application to the Town Planning Board will be considered on its own merit.

(vii) Accounts

Accurate and detailed accounts will be kept by the URA. All the assets and liabilities of the LDC, including fixed assets, will be transferred to the URA, upon the establishment of the URA and the dissolution of the LDC.

(viii) Packaging of projects

One way of financing non-viable projects is to package them with viable ones so as to make them commercially attractive to the private sector. Under this arrangement, financially viable projects can cross-subsidize non-viable ones. This option may be helpful in some cases. However, the URA will ensure that any delay in one project will not cause delay in another project linked to it.

(7) **Planning procedures**

(i) Impact assessment

The impact of a development scheme on the local community, the environment of the locality, local traffic conditions and the townscape will be assessed in URA's submission to the Town Planning Board. The impact of redevelopment on the social networks of affected residents will also be taken into account.

(ii) One-month objection period

The one-month objection period is appropriate.

(iii) Appeal mechanism

At present, there is no objection/appeal mechanism against LDC projects implemented by way of a "development proposal" (similar to URA's development projects). We are considering whether an appeal mechanism is required for objections against the URA's development projects.

(iv) Objections against development schemes

Objections against development schemes are dealt with under the Town Planning Ordinance (Cap. 131), as development schemes involve amendments to the Outline Zoning Plans.

- (v) Basis for formulation of the five-year corporate plan and the annual business plan

The Government will formulate an urban renewal strategy which, inter alia, identifies projects for priority implementation by the URA. On the basis of the Urban Renewal Strategy Statement, the URA will prepare a draft corporate plan setting out its programme of projects for the next five years (clause 18 of the White Bill) and a draft annual business plan setting out the projects to be implemented in the next financial year (clause 19 of the White Bill). The URA is required to submit its draft corporate plan and draft business plan to the Financial Secretary for approval each year. PELB will vet and advise the Financial Secretary on the draft plans.

(8) **Redevelopment of buildings**

- (i) Transfer of development rights

The proposal to allow the transfer of development rights is complicated and has far-reaching implications. It should be considered carefully and is beyond the scope of the White Bill.

- (ii) Packaging of redevelopment projects

Redevelopment projects will be packaged in such a way that smaller developers will also have a chance to compete with larger developers.

(9) **Rehabilitation of buildings**

(i) Preventive maintenance of buildings

Under the urban renewal strategy, besides redevelopment of dilapidated buildings, we will also focus on the proper maintenance of buildings. We will announce early next year a proposal for a statutory scheme of preventive maintenance of buildings for public consultation. If this proposal is supported, a statutory scheme will be introduced to require owners of older buildings which are not properly maintained to carry out preventive maintenance of their buildings. The task of implementing this scheme will be shared between BD and the URA.

(ii) Division of responsibilities

The URA will be tasked with the implementation of the preventive maintenance of buildings scheme within its nine urban renewal target areas. BD and the URA will work closely in implementing this scheme. The demarcation of duties and responsibilities between BD and the URA will be clearly set out.

(iii) Financial assistance

Under the proposed preventive maintenance of buildings scheme, financial assistance will be provided to owners who have difficulties paying for the maintenance and repair costs.

(iv) Public education

We will continue to promote public awareness of building safety and proper building maintenance. We will also investigate how preventive maintenance can be carried out in a scientific manner and will set down general maintenance standards for the reference of building professionals.

(v) Criteria for selecting buildings

The criteria for selecting buildings for the issue of “preventive maintenance notices” will be made known when the proposal for the preventive maintenance of buildings scheme is announced. The criteria will be the same for the urban renewal target areas and other urban areas.

(vi) Antiquities Advisory Board

We generally agree with the views of the Antiquities Advisory Board, i.e., historical buildings outside urban renewal target areas and redevelopment project areas should be preserved and maintained as well, and the preservation of historical buildings on a “locality basis” (i.e., a cluster of such buildings) is the preferred option.

(vii) Other issues

The mortgage system of Hong Kong and the plan approval system for alteration works are beyond the scope of the White Bill. These issues should be dealt with separately.

(10) **Land resumption and disposal**

(i) **Resumption for a public purpose**

In order to resolve land assembly difficulties and to expedite the urban renewal programme, the URA is empowered under the White Bill to apply through SPEL for “direct resumption” of the land required. The Chief Executive in Council is the authority to approve such resumption applications (clause 24 of the White Bill). Affected property owners will be fairly compensated.

(ii) **Sale of resumed land**

Please see our paper to the Subcommittee entitled “Disposal of Land Resumed under the Lands Resumption Ordinance (Cap. 124) by the Urban Renewal Authority”.

(11) **Compensation for land resumed**

(i) **Criteria for evaluation**

Arguments over compensation for resumed land are often caused by differences in the method of valuation. We will issue guidelines for valuation so that surveyors will know how we assess property values.

(ii) Ex-gratia allowance for owners/occupiers of non-residential premises

We are prepared to review the compensation package for owners and tenants of non-residential properties. We will complete this review as soon as possible.

(iii) 10-year flats

Owner-occupiers of residential properties affected by urban redevelopment are eligible for statutory compensation plus an ex-gratia allowance to enable them to purchase a replacement flat of a similar size and about ten years' old in the same locality. We have received divergent views on the proposed package for compensation. Some have argued that owners should be given a home purchase allowance to enable them to buy a five-year-old flat (or even a new flat) of the same size in the same locality, whilst some are of the view that the existing 'ten-year flat' principle is generally acceptable. We will review the position at the end of the consultation period.

(iv) Sentimental value

It is difficult to assess the sentimental value of a piece of property to a person. It is even more difficult to place a monetary value on sentimental value.

(12) **Rehousing**

The Government has made a commitment that nobody will be rendered homeless as a result of the urban renewal programme. The URA will ensure that all affected tenants will be properly rehoused. Our discussions with the Housing Authority and the Housing Society are making good progress. The URA will work closely with the Housing Authority and the Housing Society to rehouse all affected tenants properly.

We do not think that a loan scheme to enable affected tenants to purchase flats in the private sector is really a viable option. Rehousing in public rental housing is a more appropriate option.

(13) **Transitional matters**

We will ensure that there will be a smooth and seamless transition from the LDC to the URA.

(14) **Miscellaneous**

(i) **Building technology**

We will use the opportunity of urban renewal to upgrade building technology and techniques in Hong Kong.

(ii) Obsolete encumbrances

The scope of the White Paper does not include the removal of obsolete encumbrances. The problem should be dealt with as a separate exercise. Perhaps the Land Titles Bill will be a more approach vehicle for resolving this problem.

(iii) Cap. 545

The Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) was only implemented earlier this year. We should let the Ordinance operate for a while before reviewing it.

(iv) Working relationship between the Government and the URA

Please see our paper to the Subcommittee entitled “Future Working Relationship between the Urban Renewal Authority and the Government”.

Planning, Environment and Lands Bureau

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