

LEGISLATIVE COUNCIL BRIEF
PUBLIC CONSULTATION
ON THE URBAN RENEWAL AUTHORITY BILL

INTRODUCTION

At the meeting of the Executive Council on 12 October 1999, the Council ADVISED and the Chief Executive ORDERED that –

(a) the Urban Renewal Authority Bill should be published in the Gazette as a White Bill; and

Annex (b) the consultation document (at the Annex) should be issued for public consultation.

BACKGROUND AND ARGUMENT

2. The existing approach to urban renewal is inadequate to tackle the problems of urban deterioration. A new urban renewal strategy and a new institutional framework for urban renewal are required.

3. In his 1999 Policy Address, the Chief Executive announced a new and proactive approach to urban renewal and a plan to establish an Urban Renewal Authority (URA) to implement Government's urban renewal strategy.

4. The Land Development Corporation (LDC) was set up in 1988 as a statutory body to carry out urban renewal projects. Under section 10 of the Land Development Corporation Ordinance, the LDC has to "conduct its business according to prudent commercial principles". Although the LDC has successfully completed a number of redevelopment projects, it has experienced some major difficulties in pursuing its redevelopment programme, including –

(a) the original assumption that urban renewal could be wholly self-financing may not be valid as a result of a scarcity of sites for profitable redevelopment and a less exuberant property market;

- (b) the need by law to undertake protracted negotiations with property owners has prolonged the land assembly process and increased the financial burden of the LDC's projects; and
- (c) with a commitment not to make anyone affected by redevelopment projects homeless, the scope of urban renewal has been restrained by the LDC's shortage of rehousing resources.

5. In the past, private developers had played a significant role in redeveloping low-rise properties, where it was relatively easy to acquire the properties involved and where the development gains made the projects profitable. However, private developers' interest in urban renewal has declined recently because of the long and uncertain process of land assembly and the scarcity of low-rise buildings with redevelopment potential.

6. In an urban renewal strategy study completed recently by the Planning Department, 200 projects for priority redevelopment have been identified, having regard to the age and physical and fire safety conditions of these buildings. If we are to use the conventional urban renewal approach, it would take us 30 years or more to complete these projects. At this pace, we could not even catch up with the current rate of urban deterioration. We need a more rigorous and comprehensive approach to overcome the problem of urban decay.

Proposals

(A) New Approach

7. We propose to move away from the conventional approach to urban renewal. Instead, we should plan urban redevelopment and rehabilitation more rigorously and comprehensively for larger areas, with a view to restructuring and replanning more effectively the older built-up areas, redesigning more effective and environmentally-friendly transport and road networks, replacing incompatible land uses, providing more open space and community facilities, and designing buildings which meet the demands of modern living. We should also plan for the rehabilitation of buildings not in good repair and the preservation of buildings of historical, cultural or architectural interest in the project areas. Under-utilized industrial areas should also be included in our urban renewal programme so that we can

rationalize incompatible land uses and re-vitalize economic activities within these areas.

(B) The Urban Renewal Authority

8. We will formulate an urban renewal strategy which will serve as a road map for our urban renewal programme. To overcome the inherent difficulties of the LDC described in paragraph 4 above, we propose that this strategy should be implemented by a new statutory body, the URA, to be established in 2000. The new URA would replace the existing LDC. While protecting the interests of affected property owners and tenants, the URA should be provided with wider powers to assemble land for redevelopment. The site assembly process of the URA would be expedited by empowering the URA to apply for the resumption of land required for the development of its projects without first having to negotiate with the owners for the acquisition of land. Under the new approach, the 200 priority projects can be completed within an estimated two decades instead of three.

9. To enhance the public accountability of the URA, we propose that the Chief Executive should appoint a board consisting of an executive Chairman, two other executive directors and a number of non-executive directors. The URA would be required to submit a draft five-year corporate plan and a draft annual business plan to the Financial Secretary for approval before the beginning of each financial year.

(C) Rehabilitation of Buildings

10. An essential aspect of the comprehensive renewal of old urban areas, apart from redevelopment, is rehabilitation. The rehabilitation of buildings improves the urban environment and reduces the need for redevelopment. Since April 1997, the Buildings Department (BD) has implemented a voluntary Building Safety Inspection Scheme (BSIS). With a view to encouraging better maintenance of buildings, we attempted to introduce a mandatory BSIS last year, but this was not well received by the public. We have now introduced a BSIS on a voluntary basis. This is supplemented by a Building Safety Improvement Loan Scheme which assists owners to participate in the voluntary BSIS by granting them low-interest or interest-free loans. We are reviewing these Schemes with a view to formulating a new proposal for the preventive maintenance of buildings to improve building safety. The review will include the co-ordination and division of work between the BD and the URA within the URA's urban renewal action areas. We will seek the advice of Members once these proposals are ready.

(D) Rehousing

11. To facilitate the URA in expediting urban renewal, adequate rehousing resources must be provided to the URA. We are discussing with the Housing Authority and the Housing Society how we might seek their assistance in this aspect.

Public Consultation – White Bill

12. Detailed proposals for the URA have been incorporated into the Urban Renewal Authority Bill which provides for the establishment and operation of the URA. The Bill will be published in the Gazette on 22 October 1999 as a White Bill for public consultation. A consultation paper will be issued for public comments with the White Bill attached to it. The consultation period will last until 3 December 1999.

13. After considering the comments collected during the public consultation exercise, we will refine the Bill and introduce it into the Legislative Council in early 2000. Subject to the enactment of the Ordinance, we aim to establish the URA within 2000.

THE BILL

14. The Urban Renewal Authority Bill comprises 32 clauses (in eight parts) and one schedule. The main purposes and features of the Bill are highlighted in the following paragraphs.

(A) Preliminary (Part I)

15. This Part includes a short title for the Ordinance and enables the Secretary for Planning, Environment and Lands (SPEL) to appoint the date for the Ordinance to come into operation (**clause 1**). **Clause 2** defines certain terms used in the Bill.

(B) Urban Renewal Authority (Part II)

16. The URA will comprise a Board which will be its governing body and managing board. The Chief Executive will appoint a Chairman, two executive directors, seven non-executive directors who are non-officials and four non-executive directors who are public officers to the Board (**clause 4**). In order to enhance the public accountability of the Chairman of the URA, he will be an executive Chairman, i.e. he is both the Chairman and an executive

director. Since the Chairman will take on executive functions, there is no need to appoint a Chief Executive Officer to run the daily activities of the URA as the LDC currently does.

17. The purposes and powers of the URA are set out in **clauses 5 and 6**. **Clause 5** sets out the purposes of the URA which reflects Government's overall objectives on urban renewal. Compared with those for the LDC, the purposes of the URA are more comprehensive and balanced, covering both redevelopment of dilapidated buildings and rehabilitation of buildings not in good repair.

(C) Public Accountability (Part III)

18. This Part contains provisions aimed at enhancing the public accountability of the URA as a statutory public body. The directors of the Board of the URA will be required to declare interests in writing and all such disclosures of interests will be recorded. Moreover, a register of declared interests will be set up and made available for public inspection (**clause 7**).

19. In order to ensure that the public interest is taken into account when the URA deliberates on matters which may affect the public interest, **clause 8** has been included to the effect that public officers sitting on the Board of the URA are duty-bound to point out what the public interest is and how that interest could be affected by the action or activities of the URA.

(D) Financial Provisions (Part IV)

20. The URA is required to exercise due care and diligence in handling its finances (**clause 10**). The financing requirements for the implementation of all URA projects, whether financially viable or otherwise, will be covered in a draft annual business plan which has to be submitted to the Financial Secretary for approval every year (**clause 19**). **Clauses 11 and 12** empower the URA to borrow and lend money for purposes related to the implementation of urban renewal projects.

(E) Planning Procedures (Part V)

21. In order to expedite the urban renewal programme, new planning procedures will be introduced for processing the projects of the URA. We will formulate an urban renewal strategy which identifies projects for priority implementation by the URA. The URA may also implement the uncompleted projects of the LDC. On the basis of Government's urban renewal strategy, the URA will prepare a draft corporate plan setting out its proposed

programme of projects for the next five years (**clause 18**) and a draft annual business plan setting out the projects to be implemented in the next financial year (**clause 19**). The URA is required to submit its draft corporate plan and draft business plan to the Financial Secretary for approval each year.

22. This procedure provides a high degree of flexibility to the URA in scheduling its programme of projects. It will no longer have to seek Government's approval on a proposal-by-proposal basis as long as it operates within the parameters and guidelines set out in Government's urban renewal strategy. The planning procedure also ensures an appropriate level of Government supervision of the URA. To provide flexibility in planning individual proposals, the URA will be allowed to make proposals in areas which are not identified in Government's urban renewal strategy when there are justifications for doing so.

(F) Publication of Project

23. Before implementing a project, the URA is required to publish in the Gazette the commencement date of the project and to exhibit general information about the project for public inspection (**clause 20**). The project may be implemented either by way of a "development scheme" (**clause 22**) or a "development project" (**clause 23**). A development scheme requires amendment to the zoning of the project site on the outline zoning plan, whereas a development project requires no such amendment. The date on which the project is first published will be regarded as the commencement date of the project.

24. The purpose of announcing a commencement date for a project is to provide a cut-off date for determining ex-gratia payments to affected property owners and tenants and also for determining rehousing eligibility for affected tenants. Immediately after the announcement of the commencement date, the URA will conduct a freezing survey to determine rehousing eligibility and ex-gratia payments. The detailed logistics will be worked out in consultation with the relevant authorities.

25. After the publication of a development project, any person affected by the project may raise objections. Details of the procedures for dealing with objections are set out in **clause 21** of the Bill.

26. Objections to a development scheme are dealt with by the Town Planning Board under the Town Planning Ordinance.

(G) Resumption and Disposal of Land (Part VI)

27. The time-consuming land assembly process is the main reason why it takes the LDC such a long time to implement urban renewal projects. Under the existing mechanism, the LDC is first required to take all reasonable steps to acquire affected properties within the project area. This usually involves protracted negotiations with the owners. If there are any properties which the LDC is unable to acquire, the LDC may then request SPEL to recommend to the Chief Executive in Council the resumption of such outstanding properties.

28. In order to expedite the process, instead of requiring the URA to first negotiate and acquire the land needed for an urban renewal project, the URA is empowered under the Bill to apply for direct resumption of the land required. The Chief Executive in Council is the authority to approve such resumption applications (**clause 24**). Affected property owners will be compensated fairly under the Lands Resumption Ordinance.

29. In the case of a development project, the URA has to make an application for resumption within 12 months after the project has been authorized by SPEL. In the case of a development scheme, the URA has to make an application for resumption within 12 months after the plan for the scheme prepared under the Town Planning Ordinance has been approved by the Chief Executive in Council in accordance with section 9 of that Ordinance (**clause 24**).

(H) Miscellaneous (Part VII)

30. This Part includes miscellaneous provisions such as those empowering SPEL to obtain information required from the URA (**clause 27**), providing the Chief Executive with the power to give directions to the URA (**clause 28**) and setting out the procedures and conditions for the URA to make any necessary bylaws (**clause 29**).

(I) Transitional Provisions (Part VIII)

31. This Part includes provisions covering transitional matters. The LDC will be dissolved immediately upon the establishment of the URA (**clause 30**). All the assets and liabilities of the LDC will be transferred to the URA, including its properties, documents, accounts and contractual agreements, etc (**clause 31**). To speed up the implementation of the uncompleted LDC projects, the URA may apply for direct resumption of properties not yet acquired by the LDC/URA for such projects. However,

proper justifications have to be provided to SPEL (**clause 30**).

Provisional Urban Renewal Authority

32. A non-statutory provisional body, to be called the Provisional Urban Renewal Authority (PURA), will be set up to carry out the necessary preparatory work for the establishment of the URA. The PURA's main tasks will be the arrangement of the transfer of assets and liabilities from the LDC to the URA, the handling of staff transfer matters and the preparation of the URA's first draft five-year corporate plan and the first draft annual business plan.

33. The PURA will be managed by a Board with the same composition as that of the URA comprising an executive Chairman, two executive directors and 11 non-executive directors. Four of the non-executive directors will be public officers. The rest will be non-officials. All directors, including the Chairman, will be appointed by the Chief Executive. It is expected that all members of the Board of the PURA will be appointed to the Board of the URA.

34. The PURA will be set up after the Ordinance is enacted. It is expected that the PURA will complete its work in four to six months' time. It will be dissolved upon the establishment of the URA.

35. We will agree with the PURA the administrative arrangements between Government and the URA, including the format, submission and processing of corporate and business plans, proposals and resumption applications.

FINANCIAL AND STAFFING IMPLICATIONS

36. In conjunction with our financial advisers, we are working out the financing arrangements for the urban renewal programme. Preliminary findings show that it would be possible to attract private sector participation, provided that the underlying assumptions remain valid that the proposed projects will have an improved plot ratio and the property market maintains a positive direction. We are also considering waiver of land premia for urban renewal sites, exemption of Government/institution/community facilities within project areas from plot ratio calculation, and packaging redevelopment projects so that financially viable projects can cross-subsidize non-viable projects. Notwithstanding the above, Government may consider making some funding available to the URA where necessary. We will seek the approval of

the Finance Committee for any Government funding that may be required upon enactment and commencement of the Ordinance.

37. Dedicated urban renewal teams have been set up in the Planning, Environment and Lands Bureau (seven posts), Lands Department (30 posts) and Planning Department (21 posts) to facilitate and speed up the work of the LDC and to formulate urban renewal policies. These posts are currently funded by the LDC. Upon our request, the LDC has agreed to continue funding these posts until its dissolution. We plan to submit to the Establishment Sub-committee of the Finance Committee at its meeting on 27 October 1999 our proposal for the retention of four supernumerary directorate posts in the urban renewal teams.

38. We intend to ask the URA to continue to fund these urban renewal teams initially upon its establishment. We will consider transferring the funding responsibility from the URA to Government in the light of a review of the deployment of resources in the Lands Department and the Planning Department relating to the policy objective on developing Hong Kong. We will also examine the resource implications on the Lands Tribunal for processing land resumption appeal cases in relation to URA projects.

ECONOMIC IMPLICATIONS

39. An accelerated programme of urban renewal will have a positive impact on the economy. Through urban redevelopment, we can rationalize obsolete and incompatible land uses and provide more efficient transport and road networks. The well-being of the community as a whole will be improved.

ENVIRONMENTAL IMPLICATIONS

40. Obsolete urban design and overcrowding are two major factors leading to environmental problems in old urban areas. Comprehensive redevelopment is an effective solution. The proposed establishment of the URA would expedite urban renewal and hence improve the urban environment. Intensive construction works during the renewal period will have noise, construction traffic and dust impacts on nearby residents that will need to be managed effectively both through enforcement of pollution control legislation and by allowing reasonable time to complete works.

PUBLICITY

41. The Urban Renewal Authority Bill will be gazetted tomorrow. A press release will be issued to announce the launch of the public consultation exercise. Both Chinese and English copies of the consultation paper will be made available for collection by the public at all District Offices. Briefing sessions will be arranged for members of the Legislative Council, Provisional District Boards and professional/trade bodies during the consultation period.

OTHERS

42. For enquiries, please contact Mr Jerry AUSTIN, Acting Principal Assistant Secretary (Urban Renewal) on 2848 2030.

Planning, Environment and Lands Bureau
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