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Panel on Development

Meeting on 25 June 2013

Updated background brief on the work of the Urban Renewal Authority

Purpose

This paper provides background information on the work of the Urban Renewal Authority ("URA") and a summary of members' concerns and views expressed on the subject during the discussions at the Panel on Development ("the Panel") since the 2010-2011 legislative session.

Establishment of the Urban Renewal Authority and promulgation of the new Urban Renewal Strategy in 2011

2. URA was established on 1 May 2001 to undertake urban renewal in accordance with the Urban Renewal Authority Ordinance (Cap. 563) enacted ("URAO") in June 2000. Under section 21 of URAO, URA is required to follow the guidelines set out in the Urban Renewal Strategy ("URS") formulated by the Administration in undertaking redevelopment projects. The first URS was promulgated in November 2001¹. Between July 2008 and June 2010, the Administration reviewed the 2001 URS and conducted a 2-year, 3-stage public engagement exercise. On 24 February 2011, the new URS, highlighting a "people first, district-based and public participatory" approach was drawn up and promulgated.

¹ The full text of the URS issued in November 2001 is available at the following hyperlink:
<http://www.legco.gov.hk/yr01-02/english/panels/plw/papers/plw0208-217-1e-scan.pdf>.

Implementation of the new Urban Renewal Strategy

3. Under the new URS, URA is tasked to adopt "Redevelopment" and "Rehabilitation" as its core businesses.

Redevelopment

4. In line with the new URS, the URA has adopted a three-pronged approach in redevelopment, namely, undertaking URA-initiated projects, undertaking owner-initiated demand-led projects and facilitating owners in the assembly of property titles for redevelopment. As at June 2012, URA had carried out or continued to implement a total of 55 development projects that would provide about 19 700 new flats.

5. At the meeting of the Panel on 28 June 2011, members noted that URA had completed 13 redevelopment projects in its first 10 years of operation. Some members expressed concern about the slow progress and urged the Administration, together with URA, to conduct a review to find out the reasons. The Administration advised that URA had encountered many challenges and difficulties in carrying out its work in its first 10 years of work. This had prompted the Administration to conduct the URS review in 2008. URA explained that the most challenging task involving lengthy process in a redevelopment project was the handling of compensation arrangements for affected property owners and residents.

6. Panel members have stressed the importance to strike a balance between adding economic value to the land of an old area by means of providing new hardware and preserving the existing social network in the planning of a redevelopment project. They pointed out that if there was a big gap between the price of the redeveloped properties and the compensation received by affected residents, it would be impossible for the residents to continue living in the redeveloped area and hence their social networks would be torn down. Moreover, the tendency to replace small shops at the street level by big shopping malls after redevelopment had also affected the social lives of residents of old areas. The Administration shared members' views about the need to maintain the existing social networks in old areas in the urban renewal process. URA advised that there were practical difficulties in fully preserving the social networks. Nonetheless, the Authority would work harder in this respect. Well aware that the replacement of street shops by big

malls had affected the vibrancy of local communities, URA has undertaken to provide street shops in new projects as far as possible.

Demand-led Redevelopment

7. Under the "demand-led" redevelopment model, owners of 67% (i.e. 2/3) or more of the undivided shares of the respective lots of a site may jointly submit an application to URA to initiate a redevelopment project. A pilot scheme for this model was launched in July 2011. URA received 25 applications in this first round of applications and selected three, which were all commenced in April 2012. In 2012-2013, URA had selected four applications for implementation.

8. In a press release issued on 26 October 2012, URA announced that it aimed to expand the redevelopment programme in the next five years in terms of scale and quantity, undertaking 20 to 25 URA-initiated and demand-led redevelopment projects at a total development cost of some \$25 billion. It plans to provide 4 500 residential flats in the next five years, of which around 50 percent will be less than 500 square feet in saleable area. Consideration will be given to the application of the 'Hong Kong Property for Hong Kong People' policy to individual URA projects for which acquisition and clearance are nearing completion taking into account the Government practice and the market conditions as well as URA's commitments.

Facilitating Services

9. Apart from being an "implementer", URA is required under the new URS to take up a "facilitator" role to help owners of buildings in multiple-ownership to assemble titles for redevelopment. To submit a joint application to URA for "facilitator" service, owners should have at least 50% or more of the undivided shares of the interests of each lot of the site. The role of URA would be confined to coordinating the assembly of 80% to 90% of the titles in the subject buildings for joint sale in the market, and URA would not be involved in the acquisition of any interest in the buildings. Under this approach, URA would assist property owners of old buildings to go through the technical and complicated process of joint sale in the redevelopment process. URA has set up a wholly-owned subsidiary, Urban Redevelopment Facilitating Services Company Limited, a subsidiary licensed under the Estate Agents Ordinance, to implement the pilot scheme. Applications for the "facilitator" service opened on 26 July 2011.

10. Noting that URA only planned to launch one to two facilitation projects in the first year of implementation, some Panel members opined that the number was too small. URA advised that it would consider initiating more of such projects should there be great demand from owners and would increase its resources in this area accordingly. Besides rendering assistance to owners in assembling titles for joint sale, URA would consider other forms of assistance for owners, especially the elderly owners, to enhance their understanding on their rights in the property acquisition process.

"Flat for flat" Scheme

11. Under the new URS, URA will offer "flat for flat" ("FFF") as an alternative option to cash compensation and ex-gratia payment to the owner-occupiers. An owner-occupier opting for FFF will still be receiving compensation and ex-gratia payment at the notional value of a 7-year-old replacement unit. The new flats are to be sold at market price. The owner-occupier can opt for either "in-situ" FFF units in URA's new development at the original sites or for the some 1 000 units at a Kai Tak Development ("KTD") site earmarked for the FFF Scheme. The first two projects accorded with this option were the Pak Tai Street/San Shan Road project and the Fuk Wing Street project. The FFF units at KTD were targeted for pre-sale in 2014-2015 and occupation in 2016-2017.

12. Panel members held the view that it was insufficient to just earmark 1 000 flats in KTD for the implementation of the FFF Scheme in anticipation of the housing need of residents affected by the redevelopment projects in Hung Hom, To Kwan Wan, Ngau Tau Kok and Kwun Tong, etc. The Administration undertook to consider providing more land in KTD for the Scheme if the demand was great.

13. Some members pointed out that there was a large discrepancy in the acquisition price offered by URA to owners and the price of the redeveloped properties, hence affected owners might not be able to afford the flats under the FFF Scheme. They stressed that the flats under the Scheme should be offered at affordable prices, without requiring the owners to make top-up payments, and URA should help owners solve accommodation problems in the interim before completion of such flats. Otherwise, owners would not be interested in the Scheme. URA considered that as the flats under the FFF Scheme were not yet available, it might be premature to comment on the owners' response to the Scheme. There would be stronger support for the

Scheme when the flats were ready for occupation. URA planned to reserve a certain number of flats in each of its redevelopment projects commencing in the next five to six years for implementing the Scheme. The arrangement would provide readily available flats for affected owners in planned redevelopment projects, and hence increase the attractiveness of the Scheme.

14. On 29 October 2012, URA announced the fixed unit prices for the FFF option for its debut demand-led project at 229A-G Hai Tan Street, Sham Shui Po. The fixed unit prices of in-situ flats at the new development on Hai Tan Street, targeted to be available for occupation in 2019/20, are from \$8,847 to \$9,089 per square foot (saleable area), while those for the KTD flats (saleable area) are from \$10,030 to \$11,548 per square foot.

Compensation Arrangements

15. The current compensation and Home Purchase Allowance ("HPA") rate adopted by URA for domestic owner-occupiers affected by URA redevelopment projects are based on a notional 7-year-old replacement flat. There is a differentiation in compensation and ex-gratia payment between domestic owner-occupiers and owners of vacant or tenanted domestic units. Under the new URS, URA has introduced the "Compassionate Allowance for Elderly Domestic Owner-Landlords" to help elderly owner-landlords who rely on rental income from their sole and rented property affected by URA redevelopment projects to sustain their livelihood. Under the scheme, eligible elderly owner-landlords can receive compensation close to 80% of the HPA, which is higher than the normal Supplementary Allowance payable to owner-landlords at 50% of the HPA.

16. Furthermore, to provide better assistance to residents in dilapidated buildings, URA has put in place measures to help tenants whose landlords terminate or refuse to extend their tenancies after the freezing survey has been conducted but before URA successfully acquires the properties. A special ex-gratia payment based on the rateable value of the property has been introduced. In exceptional circumstances, compassionate rehousing will also be considered.

17. A Panel member pointed out it is not uncommon that there was a wide discrepancy between the value of a property assessed by URA and that assessed by the owner's surveyor. In this regard, it was suggested that an arbitration scheme similar to the financial dispute resolution scheme be set up

for urban redevelopment projects. URA undertook to consider the suggestion. Some members said that in some areas where URA redevelopment projects were going to start, there were unusual tenancy agreements between landlords and tenants putting the latter in disadvantaged positions. They called on URA to review its policy and administrative procedures in providing compensation to tenants. Otherwise, genuinely affected tenants would be deprived of rehousing or compensation and ex-gratia payments.

District Urban Renewal Forums

18. Under the new URS, a new advisory platform, the District Urban Renewal Forum ("DURF"), will be set up in old urban districts to strengthen urban renewal at the planning stage. DURF members will be appointed by the Administration and chaired by a professional familiar with urban renewal issues. The Planning Department will provide secretariat and professional support to DURF. DURF is expected to provide advice to URA, Government departments and other relevant bodies on the district's urban renewal proposals from a holistic and integrated perspective taking account of local characteristics. It will conduct broad-based public engagement activities and various planning and related studies, including social impact assessments before any urban redevelopment projects are proposed. The first DURF was set up in Kowloon City in June 2011. Panel members welcomed the initiative and have called on the Administration to set up DURFs in other old urban districts, such as Tai Kok Tsui, Sham Shui Po and Mong Kok, as soon as possible.

Urban Renewal Trust Fund

19. The Urban Renewal Trust Fund ("URTF") was established in August 2011 with an endowment of \$500 million from URA. It will provide a steady and independent source of funding for various initiatives in line with the new URS, including the appointment and operation of Social Service Teams, the commissioning of planning and related studies by DURF, and heritage preservation and district revitalization initiatives proposed by non-governmental organisations ("NGOs"). URTF has its own independent board which members are nominated by the Secretary for Development.

Rehabilitation

20. The Administration, URA and the Hong Kong Housing Society ("HKHS") launched the "Operation Building Bright" as a special measure for preserving jobs amidst the 2008 financial tsunami to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. The target was to provide financial and technical assistance to over 3 100 buildings aged over 30 years with a total funding of \$3.5 billion contributed by the Administration, URA and HKHS. The Operation was completed in 2012. Starting from 1 April 2011, URA and HKHS have collaborated and amalgamated the five financial assistance schemes for building rehabilitation of the two organizations into a single scheme, namely the "Integrated Building Maintenance Assistance Scheme" ("IBMAS"), adopting a set of unified application criteria and terms and conditions for all eligible buildings in Hong Kong. IBMAS is now co-managed by URA and HKHS.

21. Some Panel members suggested that the Administration and URA should take a more aggressive approach to building rehabilitation by setting a target number of buildings for completion in the rehabilitation programme over a reasonable period of time. The Administration explained that in handling the problems found in dilapidated buildings, technical and financial support to property owners which URA and other concerned parties were providing in their building rehabilitation programmes could only address the hardware part of the issue. Very often, problems in dilapidated buildings were related to the software part, i.e. building management, which was generally weak in such buildings.

22. Noting that URA had completed rehabilitation of about 500 old buildings in 2010-2011 whereas the Buildings Department ("BD") could only set a target to inspect 150 buildings each year in identifying irregularities in building works associated with sub-divided flats, some Panel members suggested that the information about the conditions in old buildings collected by URA in its rehabilitation programmes be used to help BD build up a database on the conditions of dilapidated buildings in Hong Kong. The proposed database covering information on conditions of sub-divided units, fire escape, electric cables, water pipes, etc., in dilapidated buildings would be useful to facilitate enforcement work on building safety. They urged that concerned Government departments and organizations, including BD, the Fire Services Department and URA, should better coordinate their work to enhance

efficiency in building rehabilitation and ensuring building safety. The Administration said that through the implementation of the Operation Building Bright programme, BD, URA and HKHS had built up a strong partnership in building rehabilitation with BD focusing on enforcement, URA and HKHS providing technical support. Given URA's enhanced role in rehabilitation under the new URS, its work would help BD grasp more useful information about the conditions of dilapidated buildings in Hong Kong. For instance, URA had been working closely with BD in conducting a building conditions survey since 2011 on 7 000 buildings aged 30 or above.

23. Some Panel members have suggested that URA should strengthen its role in assisting property owners of aged buildings without owners' corporations and building management services in carrying out maintenance works for their buildings, such as coordinating owners to collect funds for undertaking urgent repair works. They recommended that the Administration should consider introducing legislation to require building owners to engage service providers to properly manage and maintain their buildings and believed that URA had the capability in providing building management services to these buildings. The Administration agreed that it was necessary to explore high-level cross-bureau collaboration in pursuing proper management of residential buildings without owner corporations. As regards the provision of assistance to property owners in arranging urgent repair works, the Administration considered that NGOs could have a role to play by operating as social enterprises and this could be further explored at DURFs.

Preservation and Revitalization

24. While redevelopment and rehabilitation are URA's core businesses under the new URS, URA continues to allocate resources for taking forward those preservation and revitalization projects to which it has already committed. Major projects included the two shophouse preservation projects at Prince Edward Road West/Yuen Nagi Street and Shanghai Street/Argyle Street, Central Market (Central Oasis), the Pak Tsz Lane revitalization project and the Mong Kok revitalization project.

Pilot scheme for the redevelopment of industrial buildings

25. In his 2012-2013 Budget Speech, the Financial Secretary announced that URA would be invited to launch a pilot scheme to redevelop industrial buildings. The objective of the pilot scheme is to accelerate the pace of

renewal of dilapidated industrial buildings in areas already rezoned so as to release more land for residential or commercial development.

26. The Administration briefed the Panel in June 2012 on URA's acquisition policy for industrial buildings. A major feature of the policy is that the assessment of the existing use value ("EUV") of the units will be made by reference to the comparable transaction prices in the open market. Panel members in general welcomed the implementation of the pilot scheme. The Administration advised that in assembling property interests in industrial buildings for redevelopment, URA would face difficulties caused by multiple-ownership. The modified acquisition policy would provide economic incentives to owners of industrial properties to accept URA's acquisition.

27. URA kicked off its first industrial building redevelopment project at Smithfield, Kennedy Town under the pilot scheme in October 2012. The project will provide about some 180 residential units and some floor areas for retail businesses. The second project commenced in January 2013 at Yu Chau West Street, Cheung Sha Wan, targeted for providing about 16 700 square meters of office and retail floor space.

Recent developments

28. The Administration and URA will brief the Panel on the progress of work of URA under the new URS and its work plan for the next financial year at the Panel's meeting on 25 June 2013.

29. A list of relevant papers with their hyperlinks is in the **Appendix**.

Work of the Urban Renewal Authority

List of relevant papers

Date	Event	Papers/Minutes of meeting
3 October 2001	The Panel on Planning, Land and Works ("PLW Panel") discussed the consultation paper on the Urban Renewal Strategy ("URS").	<p>Discussion paper (LC Paper No. CB(1)2038/00-01(01)) http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/a2038e01.pdf</p> <p>Consultation paper http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/a1854e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1046/01-02) http://www.legco.gov.hk/yr00-01/english/panels/plw/minutes/pl011003.pdf</p> <p>Consultation report http://www.legco.gov.hk/yr00-01/english/panels/plw/papers/report-e.pdf</p>
November 2001	The Administration published the first URS.	<p>Urban renewal strategy http://www.legco.gov.hk/yr01-02/english/panels/plw/papers/plw0208-217-1e-scan.pdf</p>
21 June 2002	The Finance Committee approved a new commitment of \$10 billion under the Capital Investment Fund for injection as equity into the Urban Renewal Authority ("URA").	<p>Financial proposal http://www.legco.gov.hk/yr01-02/english/fc/fc/papers/f02-24e.pdf</p> <p>Minutes of meeting (LC Paper No. FC21/02-03) http://www.legco.gov.hk/yr01-02/english/fc/fc/minutes/fc020621.pdf</p>

Date	Event	Papers/Minutes of meeting
23 November 2004	PLW Panel discussed with the Administration and deputations the compensation arrangements for land resumption for urban renewal projects.	<p>Discussion paper (LC Paper No. CB(1)263/04-05(02)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-263-2e.pdf</p> <p>Background brief prepared by the Secretariat (LC Paper No. CB(1)263/04-05(03)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-263-3e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)509/04-05) http://www.legco.gov.hk/yr04-05/english/panels/plw/minutes/pl041123.pdf</p> <p>Follow-up paper on "Assessment of Home Purchase Allowance rates for Urban Renewal Authority projects" (LC Paper No. CB(1)1202/04-05(01)) http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1123cb1-1202-1e.pdf</p>
17 May 2006	Legislative Council meeting -- a motion on "Review on URS" was debated and negatived	<p>Official Record of Proceedings (Pages 242 to 337) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0517ti-translate-e.pdf</p>
7 February 2007	Legislative Council meeting -- an oral question on URS	<p>Official Record of Proceedings (Pages 45 to 55) http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0207-translate-e.pdf</p>
27 November 2007	The Panel on Development ("DEV Panel") discussed with the Administration the property acquisition	<p>Information paper (LC Paper No. CB(1)297/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev1127cb1-297-4-e.pdf</p>

Date	Event	Papers/Minutes of meeting
	policy of URA and related issues.	Minutes of meeting (LC Paper No. CB(1)606/07-08) http://www.legco.gov.hk/yr07-08/english/panels/plw/minutes/de071127.pdf
24 June 2008	DEV Panel discussed with the Administration the review of the first URS and the work of URA.	Information paper on Review of the Urban Renewal Strategy (LC Paper No. CB(1)1951/07-08(03)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev0624cb1-1951-3-e.pdf Information paper on the work of URA (LC Paper No. CB(1)1951/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/dev0624cb1-1951-4-e.pdf Minutes of meeting (LC Paper No. CB(1)2322/07-08) http://www.legco.gov.hk/yr07-08/english/panels/plw/minutes/de080624.pdf
17 July 2008	The Development Bureau formally launched a review of the first URS.	Information paper (LC Paper No. CB(1)2193/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/plw/papers/devcb1-2193-1-e.pdf
20 January 2009	DEV Panel discussed with the Administration the review of the first URS.	Information paper (LC Paper No. CB(1)570/08-09(08)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-8-e.pdf Background brief (LC Paper No. CB(1)570/08-09(09)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0120cb1-570-9-e.pdf Minutes of meeting (LC Paper No. CB(1)1948/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090120.pdf

Date	Event	Papers/Minutes of meeting
15 April 2009	DEV Panel received public views on the review of the first URS.	<p>Information paper (LC Paper No. CB(1)1240/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0415cb1-1240-1-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2772/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090415.pdf</p>
23 February 2010	DEV Panel discussed with the Administration the review of the first URS.	<p>Information paper (LC Paper No. CB(1)1157/09-10(03)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-3-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1157/09-10(04)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0223cb1-1157-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1712/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100223.pdf</p>
25 May 2010	DEV Panel discussed with the Administration the review of the first URS.	<p>Information paper (LC Paper No. CB(1)1910/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-7-e.pdf</p> <p>Background brief (LC Paper No. CB(1)1910/09-10(08)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-8-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2602/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100525.pdf</p>

Date	Event	Papers/Minutes of meeting
10 July 2010	DEV Panel received public views on the review of the first URS.	Minutes of meeting (LC Paper No. CB(1)2943/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100710.pdf
26 October 2010	DEV Panel discussed with the Administration the draft text of the revised URS.	<p>Information paper (LC Paper No. CB(1)155/10-11(04)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026cb1-155-4-e.pdf</p> <p>Legislative Council Brief on "People First: A District-based and Public Participation Approach to Urban Renewal -- Urban Renewal Strategy Review" (File Ref.: DEVB(PL-CR)1-150/77) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026-devbplcr115077-e.pdf</p> <p>Background brief (LC Paper No. CB(1)155/10-11(05)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev1026cb1-155-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)736/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101026.pdf</p>
20 November 2010	DEV Panel received public views on the draft text of the revised URS.	Minutes of meeting (LC Paper No. CB(1)1309/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101120.pdf
7 December 2010	DEV Panel received public views on the draft text of the revised URS.	Minutes of meeting (LC Paper No. CB(1)1605/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101207.pdf

Date	Event	Papers/Minutes of meeting
28 June 2011	DEV Panel discussed with the Administration the work of URA.	Information paper (LC Paper No. CB(1)2530/10-11(03)) http://www.legco.gov.hk/yr10-11/english/panels/dev/papers/dev0628cb1-2530-3-e.pdf Minutes of meeting (LC Paper No. CB(1)693/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20110628.pdf
28 June 2012	DEV Panel discussed with the Administration the work of URA.	Information paper (LC Paper No. CB(1)2207/11-12(01)) http://www.legco.gov.hk/yr11-12/english/panels/dev/papers/dev0628cb1-2207-1-e.pdf Minutes of meeting (LC Paper No. CB(1)2599/11-12) http://www.legco.gov.hk/yr11-12/english/panels/dev/minutes/dev20120628.pdf