立法會 Legislative Council

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Panel on Development

Meeting on 24 June 2014

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 March 2013, URA had carried out or continued to implement a total of 48 development projects that would provide about 13 500 new flats².
- 5. Some members have expressed concern about the slow progress of the urban redevelopment process 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

Source: URA Annual Report 2012/2013 (http://www.ura.org.hk/media/1735948/p22-p29 redevelopment.pdf)

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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 Project Pilot Scheme

- 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. So far, URA has launched three rounds of invitation for applications for the pilot scheme. A total of 110 applications were received and nine projects commenced, including one which was terminated as it failed to meet the threshold requirement of securing the consent of 80% of the owners³.
- 8. At the Panel meeting on 25 June 2013, some members enquired whether URA had the manpower and resources to handle more of these projects under the pilot scheme. URA advised that it would consider various factors in determining the number of demand-led projects to be implemented in a year. URA would not be able to expand its manpower establishment in a short time to handle a large number of requests.
- 9. In his 2014 Policy Address, the Chief Executive pointed out that the pilot scheme had received an overwhelming response from property owners. The sites covered by the applications under the scheme were becoming larger, while the factors to be considered were increasingly complex. According to the Administration, it was necessary for URA to review the pilot scheme comprehensively to ensure its sustainability. URA must continue to operate under the principles of prudence and upholding a self-financing objective in the long run. In a written reply to a question raised at the LegCo meeting on 7 May 2014, the Secretary for Development advised that in April 2014, URA had set up an ad hoc committee to oversee the review of the pilot scheme. The committee plans to consult the seven District Advisory Committees of URA and the Panel on the review.

Source: The Administration's written reply to a question raised at the LegCo meeting of 7 May 2014 (http://www.info.gov.hk/gia/general/201405/07/P201405070461.htm)

Facilitating services

- Apart from being an "implementer", URA is required under the new 10. 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. 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. Up to April 2013, the company has taken up six facilitation projects.
- 11. On members' concern about the small scale of the facilitation service, 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

- 12. 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 under the FFF Scheme are to be sold at market price. The owner-occupier can opt for either an "in-situ" FFF unit in URA's new development at the original site or for a unit at a Kai Tak Development ("KTD") site earmarked for the FFF Scheme.
- 13. As at 30 April 2013, one owner-occupier of the first demand-led project at Hai Tan Street had opted for an in-situ FFF unit while another

owner-occupier of the Kowloon City/Sheung Heung Road development project had opted for a KTD FFF unit.

14. 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 the completion of such flats. Otherwise, owners would not be interested in the scheme. URA advised that the affected owners might opt for cash compensation which allowed them to purchase a replacement flat immediately. It considered that, when the KTD FFF units were completed in 2016 and some more redeveloped flats in old areas became available later under the scheme, more owners would show interest as they could move directly from an old flat to a new one.

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. Some Panel members pointed out it was 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 a disadvantaged position. 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

According to the new URS, a new advisory platform, the District 18. 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 The Planning Department will provide secretariat and urban renewal issues. 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. DURF was set up in Kowloon City ("KC") 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.

19. KC DURF has finalized the Urban Renewal Plan for KC and submitted it to the Development Bureau on 29 January 2014. According to the Administration, it was carefully studying the recommendations of KC DURF⁴.

⁴ Source: Speaking note of the Secretary for Development at the special meeting of the Finance Committee on 2 April 2014

(http://www.legco.gov.hk/yr13-14/english/fc/fc/sp_note/session9-devb-pl-e.pdf)

Pilot scheme for the redevelopment of industrial buildings

- 20. 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.
- 21. 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.
- 22. URA kicked off its first industrial building redevelopment project at Smithfield, Kennedy Town under the pilot scheme in October 2012. 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. At the Panel meeting on 25 June 2013, the Administration advised that it had decided not to proceed with the Smithfield project due to the objection of 100% of the owners. As regards the Yu Chau West Street project, the Secretary for Development had authorized URA to proceed with it on 30 August 2013.

Approaches to urban renewal

23. At the Panel meeting on 25 June 2013, the new Chairman of URA, who had assumed office on 15 June 2013, briefed members on the work of URA in the past year and its work plan for 2013-2014. Some members expressed grave concerns about the Chairman's past heavy-handed approach in dealing with the tenants when he worked for the Hong Kong Housing Society ("HKHS"). Some members were also worried by the Chairman's comparison, in an interview with the media, of URA to a property developer. They queried whether URA would only maximize profits from its

redevelopment projects by setting the prices of the residential units beyond the affordability of the average Hong Kong people.

The Chairman of URA assured members that he would continue to 24. enhance communication with different stakeholders in the urban renewal process and strive to resolve disputes in a sensible, reasonable and lawful manner. As regards the role of URA in urban renewal, the Administration stressed that redevelopment would continue to be one of the core businesses of URA. According to the Administration, it was natural that with a booming property market, there would be surpluses generated for URA from the sales of redeveloped properties. All surpluses would be applied to finance URA's work. It was estimated that URA required \$26 billion, excluding operational overheads, in order to meet the costs of all projects contained in its 2013-2014 to 2017-2018 Corporate Plan. The Administration advised that URA's redevelopment projects had been undertaken based on consideration of their merits in improving the living environment of the older urban areas but not on financial gains. Most of the demand-led projects and URA-initiated projects would likely generate little profit, if not incurring a loss, due to the high compensation and operation costs involved.

Rehabilitation

- 25. The Administration, URA and 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. According to URA, as at the end of 2012-2013, 830 buildings had been rehabilitated out of the 1 450 target buildings within URA's Rehabilitation Scheme Areas. Completion of the project might extend beyond 2015 due to the tight manpower situation in the construction industry which in turn might lead to adjustment in the commencement of rehabilitation works of some buildings under the programme.
- 26. 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.

Some Panel members have suggested that URA should strengthen its 27. 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 owners' corporations. 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.

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 24 June 2014.
- 29. A list of relevant papers with their hyperlinks is in the **Appendix**.

Council Business Division 1
<u>Legislative Council Secretariat</u>
17 June 2014

Appendix

Work of the Urban Renewal Authority

List of relevant papers

Date	Event	Papers/Minutes of meeting
17 July 2008	The Development	Information paper (LC Paper No.
	Bureau formally	CB(1)2193/07-08(01))
	launched a review of	http://www.legco.gov.hk/yr07-08/english/panel
	the first URS.	s/plw/papers/devcb1-2193-1-e.pdf
20 January 2009	DEV Panel discussed	Information paper (LC Paper No.
	with the	CB(1)570/08-09(08))
	Administration the	http://www.legco.gov.hk/yr08-09/english/panel
	review of the first	s/dev/papers/dev0120cb1-570-8-e.pdf
	URS.	Dealtonound brief (LC Denor No.
		Background brief (LC Paper No. CB(1)570/08-09(09))
		http://www.legco.gov.hk/yr08-09/english/panel
		s/dev/papers/dev0120cb1-570-9-e.pdf
		Minutes of meeting (LC Pener No.
		Minutes of meeting (LC Paper No. CB(1)1948/08-09)
		http://www.legco.gov.hk/yr08-09/english/panel
		s/dev/minutes/dev20090120.pdf
15 Amril 2000	DEV Danal massived	Information paper (I.C. Dance No.
15 April 2009	DEV Panel received	Information paper (LC Paper No. CB(1)1240/08-09(01))
	public views on the review of the first	http://www.legco.gov.hk/yr08-09/english/panel
	URS.	s/dev/papers/dev0415cb1-1240-1-e.pdf
	OKS.	
		Minutes of meeting (LC Paper No.
		CB(1)2772/08-09)
		http://www.legco.gov.hk/yr08-09/english/panel
		s/dev/minutes/dev20090415.pdf
23 February 2010	DEV Panel discussed	Information paper (LC Paper No.
	with the	CB(1)1157/09-10(03))
	Administration the	http://www.legco.gov.hk/yr09-10/english/panel
		s/dev/papers/dev0223cb1-1157-3-e.pdf

Date	Event	Papers/Minutes of meeting
	review of the first URS.	Background brief (LC Paper No. CB(1)1157/09-10(04)) http://www.legco.gov.hk/yr09-10/english/panel s/dev/papers/dev0223cb1-1157-4-e.pdf Minutes of meeting (LC Paper No. CB(1)1712/09-10) http://www.legco.gov.hk/yr09-10/english/panel
25 May 2010	DEV Danal disayasad	s/dev/minutes/dev20100223.pdf
25 May 2010	DEV Panel discussed with the Administration the review of the first URS.	Information paper (LC Paper No. CB(1) 1919/09-10(07)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-7-e.pdf
		Background brief (LC Paper No. CB(1) 1919/09-10(08)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0525cb1-1919-8-e.pdf
		Minutes of meeting (LC Paper No. CB(1)2602/09-10) http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100525.pdf
10 July 2010	DEV Panel received public views on the review of the first URS.	CB(1)2943/09-10)
26 October 2010	DEV Panel discussed with the Administration the draft text of the revised URS.	Information paper (LC Paper No. CB(1)155/10-11(04)) http://www.legco.gov.hk/yr10-11/english/panel s/dev/papers/dev1026cb1-155-4-e.pdf
	Tovisca Olas.	Legislative Council Brief on "People First: A District-based and Public Participation Approach to Urban Renewal Urban Renewal Strategy

Date	Event	Papers/Minutes of meeting
		Review" (File Ref.: DEVB(PL-CR)1-150/77) http://www.legco.gov.hk/yr10-11/english/panel s/dev/papers/dev1026-devbplcr115077-e.pdf
		Background brief (LC Paper No. CB(1)155/10-11(05)) http://www.legco.gov.hk/yr10-11/english/panel s/dev/papers/dev1026cb1-155-5-e.pdf
		Minutes of meeting (LC Paper No. CB(1)736/10-11) http://www.legco.gov.hk/yr10-11/english/panels/dev/minutes/dev20101026.pdf
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/panel s/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/panel s/dev/minutes/dev20101207.pdf
28 June 2011	DEV Panel discussed with the Administration the work of URA.	CB(1)2530/10-11(03)) http://www.legco.gov.hk/yr10-11/english/panel s/dev/papers/dev0628cb1-2530-3-e.pdf Minutes of meeting (LC Paper No. CB(1)693/11-12) http://www.legco.gov.hk/yr10-11/english/panel
28 June 2012	DEV Panel discussed with the Administration the work of URA.	s/dev/minutes/dev20110628.pdf 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

Date	Event	Papers/Minutes of meeting
		Minutes of meeting (LC Paper No. CB(1)2599/11-12) http://www.legco.gov.hk/yr11-12/english/panels/dev/minutes/dev20120628.pdf
25 June 2013	DEV Panel discussed with the Administration the work of URA.	Information paper (LC Paper No. CB(1)1333/12-13(03)) http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/dev0625cb1-1333-3-e.pdf Minutes of meeting (LC Paper No. CB(1)203/13-14) http://www.legco.gov.hk/yr12-13/english/panels/dev/minutes/dev20130625.pdf
25 March 2014	The Administration provided an information paper in response to a letter from a member on the Demand-led Redevelopment Project Pilot Scheme of URA.	Information paper (LC Paper No. CB(1)1127/13-14(01)) http://www.legco.gov.hk/yr13-14/english/panel s/dev/papers/devcb1-1127-1-e. pdf
7 May 2014	A written question was raised at the Council meeting on the Demand-led Redevelopment Project Pilot Scheme.	Press release on the question http://www.info.gov.hk/gia/general/201405/07/ P201405070461.htm
14 May 2014	A written question was raised at the Council meeting on Demand-led Redevelopment Project Pilot Scheme.	Press release on the question http://www.info.gov.hk/gia/general/201405/14/ P201405140626.htm