

Information Paper for the Legislative Council Panel on Development

Demand-Led Redevelopment Project (Pilot Scheme) of the
Urban Renewal Authority

Purpose

This paper informs Members of the LegCo Panel on Development of the progress of the Urban Renewal Authority (URA)'s Demand-Led Redevelopment Project (Pilot Scheme) and the review timetable for the Pilot Scheme.

Background

2. The Government conducted a comprehensive review of the Urban Renewal Strategy (URS) from 2008 to 2010. With broad-based public consensus, the Secretary for Development (SDEV) published the new Urban Renewal Strategy on 24 February 2011 to replace the first URS published in 2001. According to the 2011 URS, a “people first, district-based, public participatory” approach should be adopted in carrying out urban renewal under which URA can forge ahead with urban renewal under diverse forms, including responding to a joint approach from building owners to initiate redevelopment of their lots, further expanding the role of URA in tackling the problem of urban decay in the old districts of Hong Kong.

3. URA launched the first round of the Demand-Led Redevelopment Project (Pilot Scheme) in July 2011. As of today, three rounds of invitation for applications for the Scheme have been launched. A total of 110 applications were received. Among them, eight have been commenced (including the project at Kai Ming Street, which is a successful application from the third round and originally scheduled for commencement in 2014-15 but advanced to 2013-14 due to exceptional circumstances). Among the eight commenced projects, one was terminated as it failed to meet the required conditions for continued implementation. The remaining selected projects of the third round will be commenced in 2014-15.

4. URA plans to conduct a review on the Scheme after launching the three rounds of invitation for applications. The Chief Executive also mentioned in his 2014-15 Policy Address that “Last year, the Government invited the Urban Renewal Authority (URA) to forge ahead with its “demand-led” redevelopment pilot scheme, which has received an overwhelming response from property owners. In two and a half years, the URA has commenced eight projects, including one terminated for having failed to meet the threshold requirement of securing the consent of 80% of the owners. Sites covered by the applications under the scheme are becoming larger, while the factors to be considered are also increasingly complex. It is necessary for the URA to review the scheme comprehensively and to continue to operate it with due care under the principle of upholding a self-financing objective in the long run, so as to ensure its sustainability.”

The Implementation Framework of the First Round of the Demand-Led Redevelopment Project (Pilot Scheme)

5. The URA Board approved the implementation framework of the Demand-Led Redevelopment Project (Pilot Scheme) in May 2011. As demand-led redevelopment is a new initiative, the URA Board considered that its implementation framework should be refined and enhanced in the light of experience and decided that the Scheme should be implemented in the form of a pilot scheme.

6. Under the Demand-Led Redevelopment Project (Pilot Scheme), the same property acquisition and compensation arrangements for owners and tenants as those under URA's self-initiated projects apply. Similarly, URA adopts the notional rate of a seven-year old replacement unit in acquiring properties from owner-occupiers, and also the prevailing policies in compensating and rehousing affected owners and tenants.

7. The following six selection criteria were adopted under URA's Demand-Led Redevelopment Project (Pilot Scheme) in May 2011:

- Owners of 67% (i.e. 2/3) or more of the undivided shares of the respective lots of a site should jointly submit an application to URA to initiate a demand-led project;

- The proposed project should be situated within the redevelopment zones identified by the District Urban Renewal Forum (DURF) if there is a DURF in that district (currently, there is only one DURF in Kowloon City district), or at least not within DURF's proposed preservation areas;
- The conditions of buildings covered by the application site are identified as “poor” or “varied”;
- The site under application should be preferably larger than 400m² to allow planning gains.
- The site should not comprise buildings/structures of historical, architectural or cultural significance as recognised by DURF and/or the Antiquities and Monuments Office unless they can be preserved and integrated with the future new buildings;
- There are available resources from URA to commence and implement the project within a reasonably short period of time.

8. URA will consider and decide whether to accept the applications of demand-led projects based on the above criteria, synchronizing the timetable of its decision with the preparation of its annual business plan. The successful applications will be incorporated into URA’s annual business plan for submission to the Financial Secretary for approval under the law.

9. Should the selected demand-led projects be approved by the Financial Secretary, URA will commence the projects in the next financial year. The commencement of the demand-led projects is similar to that for URA’s self-initiated projects, including publication by Government gazette and the conducting of freezing survey.

10. URA will issue conditional offers to the owners shortly after the expiry of the two-month publication period. Owners will normally have **75 days** to consider whether to accept or not (the consideration period).

11. Under the demand-led model, URA will only take forward the project if it is confirmed that the project is agreed upon and supported by the majority of owners. In addition to meeting the first threshold requirement of

there being owners of not less than 67% of the undivided shares of the lots jointly submitting the application, there must also be owners holding not less than 80% of the undivided shares of the lots confirming and accepting the conditional acquisition offers and entering into agreements for sale and purchase with URA within the consideration period after the issue of the conditional acquisition offers in order to meet the second threshold.

12. The implementation of a project under the demand-led redevelopment model is subject to the meeting of the second threshold which requires that owners of not less than 80% of the undivided shares of the lots accept URA's conditional offers within the consideration period, and that the SDEV gives authorisation for the project to proceed within one year after URA has made its conditional offers. If the 80% threshold is not achieved within the consideration period, the project will cease to proceed. If the two requirements are met, the demand-led project will be implemented and URA will then complete the sale and purchase agreements with the owners. If the time lapse between the date of issue of the conditional acquisition offers and the completion date of sale and purchase agreements exceeds three months due to various reasons, URA will adjust the offer price according to a pre-determined methodology.

Demand-Led Redevelopment Project (Pilot Scheme) – First Round

13. The first round of URA's invitation for demand-led applications went from July 2011 to October 2011. Twenty-five applications were received and the following three projects were selected for commencement on the same day in April 2012-

Project	Site area	Remarks
Nos. 229A-G, Hai Tan Street, Sham Shui Po	About 483 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.

Nos. 205-211A, Hai Tan Street, Sham Shui Po	About 470 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.
Nos. 13-31 Pine Street (odd numbers) and No. 87 Oak Street, Tai Kok Tsui	About 865 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.

14. Site areas of the three demand-led projects selected for commencement are all over 400 square metres, and can bring planning benefits to the community. Besides, building conditions of the blocks concerned are either “varied” or “poor”.

15. The three demand-led projects selected from the first round applications can improve the living condition of some 746 residents, and will be able to provide about 330 small and medium sized flats upon completion.

16. Amongst the remaining 22 submissions received in the first round that were not selected, most of them failed to meet the 67% undivided shares threshold while some were either too small in site area (under 400 m²) to achieve planning gains or that the building conditions were fair.

17. The total development cost of the three first round projects, including acquisition and rehousing expenses, construction cost, interest and other expenses is projected to reach \$1,582 million.

Demand-Led Redevelopment Project (Pilot Scheme) – Second Round

18. The second round of the URA's demand-led applications went from 1 June 2012 to 31 August 2012. Thirty-four applications were received during the application period and the following four projects were selected. They were commenced in April 2013 and June 2013 respectively-

Project	Site area	Remarks
Nos. 1-3B Kowloon Road / Nos. 1-5 Kiu Yam Street, Sham Shui Po	About 599 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.
Nos. 270-286 Tung Chau Street / Nos. 1-5 Kweilin Street, Sham Shui Po	About 1,640 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.
Nos. 8-10, Fuk Chak Street/Nos. 7-9 Li Tak Street, Tai Kok Tsui	About 716 m ²	Owners of not less than 80% of the undivided shares accepted the URA's conditional offers within the consideration period, and authorisation was given by SDEV to implement the project.
Nos. 25-31, Wong Chuk Street, Sham Shui Po	About 485 m ²	Failed to meet the <u>80% threshold</u> of acceptance of URA's conditional offers by owners holding the said percentage of the undivided shares within the consideration period. The project was terminated.

19. Amongst the remaining submissions in the second round that were not selected, most of them failed to meet the 67% undivided shares threshold while some were either too small in site area (under 400 m²) to achieve planning gains or that the building conditions were fair.

20. The total development cost of the four second round projects (excluding the terminated project at Nos. 25 – 31, Wong Chuk Street in Sham Shui Po), including acquisition and rehousing expenses, construction cost, interest and other expenses was projected to reach \$3.45 billion. These projects can improve the living condition of about 1,200 residents, and will be able to provide about 435 small and medium sized flats upon completion.

Demand-Led Redevelopment Project (Pilot Scheme) – Third Round

21. The third round of the URA's demand-led applications went from 2 July 2013 to 30 September 2013. Fifty-one applications were received during the application period. Commencement of one of the selected projects at Nos. 41-51 Kai Ming Street (odd nos) in To Kwa Wan was advanced (commenced in December 2013). The other selected projects are scheduled for implementation in 2014-15.

22. There were minor adjustments made to the implementation framework of the third round demand-led projects. In computing the required 67% threshold, if any owner owns not less than 20% of the undivided shares in a lot, it is a requirement that the owner(s) must be an owner-applicant/owner-applicants.

23. URA announced on 19 December 2013 the advanced commencement of a demand-led redevelopment project (at Nos. 41-51 Kai Ming Street (odd nos) in To Kwa Wan) which should originally be commenced in 2014-15. This decision was made after giving special consideration to the fact that the Buildings Department had issued demolition orders to the owners of Nos. 45, 47, 49 and 51 Kai Ming Street on 19 December 2013. URA considered that if the project was to commence in the following financial year as scheduled, property owners affected by the demolition orders would be put in an extremely difficult situation. URA therefore proposed to advance this project to the 2013-14 financial year,

which was endorsed by the URA Board and approved by the Financial Secretary.

24. The Kai Ming Street project has a site area of about 500 m². The six street numbers within the project area are located at Kai Ming Street in To Kwa Wan. The buildings were built in 1957, ranging from six to seven storeys in height and are mostly in “poor” or “varied” conditions. The project can improve the living conditions of about 140 residents and will be able to provide 72 residential flats upon completion. URA made conditional offers to the affected owners in early March 2014. The owners have 75 days to consider the offers.

Review timetable

25. URA plans to conduct a comprehensive review of Demand-Led Redevelopment Project (Pilot Scheme) before mid-2014. URA will be able to report further to the Development Panel on its findings after the review.

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