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The Government of the Hong Kong Special Administrative Region

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25 November 2013

Clerk to the Panel on Development
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Ms Sharon CHUNG)

Dear Ms Chung,

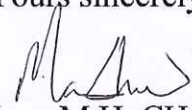
**Graham Street / Peel Street Development Scheme
of the Urban Renewal Authority**

Thank you for your email of 25 October 2013 enquiring on the Urban Renewal Authority's (URA's) Graham Street / Peel Street Development Scheme.

I have pleasure in enclosing the latest information on the development scheme and the moving out of the shop operators for reference by the Legislative Council Panel on Development.

Representatives of the Development Bureau and URA will attend a case conference on the same subject on 17 December 2013 at the invitation of the LegCo Complaints Unit to further respond to questions that Members may have.

Yours sincerely,


(Mann M.H. CHOW)
for Secretary for Development

C.C.

Urban Renewal Authority (Attn.: Mr Lawrence YAU)
(Attn: Mr Ian WONG)

Information Paper for Legislative Council Panel on Development

Graham Street / Peel Street Development Scheme of the Urban Renewal Authority

Purpose

This paper aims to provide information on the latest development of the Graham Street / Peel Street Development Scheme (H18) of the Urban Renewal Authority (URA), and the relocation arrangements for the operators involved.

Background

2. H18 is one of the 25 redevelopment projects announced by the former Land Development Corporation (ex-LDC) in 1998 but which had yet to be commenced. The project, with a site area of about 5 267 square metres (comprising Sites A, B and C), is located in the older part of the Sheung Wan district bounded by Gage Street, Cochrane Street, Wellington Street and Kin Sau Lane. Please refer to the Annex for the location plan showing the site boundary of the project.

3. Ex-LDC prepared a plan for H18 under section 13(2)(a) of the then Land Development Corporation Ordinance (LDCO). The plan, approved by the Town Planning Board (TPB) under section 14(2)(a) of the LDCO on 29 January 1999, was deemed to be a draft plan prepared for the purposes of the Town Planning Ordinance (TPO) by virtue of section 14(3) of the LDCO. Ex-LDC exhibited the draft plan for public inspection under section 5 of the TPO on 12 February 1999. In response to a request in one of the objections received during the two-month exhibition period, TPB decided to propose amendment to the draft plan of H18 by incorporating Nos. 24-26 Graham Street into the draft plan of H18 as part of the Comprehensive Development Area. On 9 November 1999, the Chief Executive in Council approved the draft plan of the project pursuant to section 9(1)(a) of the TPO.

4. The Master Layout Plan (MLP) for the project was approved by the TPB in May 2007. Under the MLP, H18 will be comprehensively redeveloped for residential, commercial, hotel and retail use with the provision of community facilities and public open space. With a view to preserving the operation of the adjacent century-old open-air street market during redevelopment, as well as enhancing its vibrancy, URA proposed amendments to the approved MLP subsequently. The amendments were approved by TPB in January 2009. Upon redevelopment, H18 will improve the general environment of the locality while preserving its local character, blending the old with the new.

5. To minimise any adverse impact of the construction works on the operators and patrons of the adjacent century-old Graham Street open-air market, URA decided to divide the project site of H18 into Sites A, B and C and to carry out demolition and redevelopment by phase. This arrangement would hopefully avoid having hoardings put up on both sides of the street covering the whole street, thus adversely affecting the operation of the hawkers.

6. URA is implementing the project in two phases, with Site B as the first phase, and Sites A and C as the second phase. In November 2010, the Chief Executive in Council agreed that URA could take forward H18 with a phased demolition and redevelopment approach, and made an order to resume land at Site B under the Lands Resumption Ordinance (Cap. 124) for implementation of the project. The land resumption was gazetted on 10 December 2010, with the site reverting to the Government on 10 March 2011. Site formation and foundation works for Site B are underway.

7. URA submitted an application to the Secretary for Development for the resumption of land at Sites A and C in late June this year to implement the second phase redevelopment. The Central and Western District Council (C&WDC) was consulted on land resumption at Sites A and C on 11 July 2013. The Lands Department will soon gazette the resumption of private land at Sites A and C for redevelopment. URA expects that Sites A and C will be resumed by phase in the first half of 2014 at the earliest.

Phased Development of H18 by URA

8. To sustain the vibrancy of the Graham Street open-air market adjacent to the site, URA decided to implement H18 by phase despite the fact that the construction period of the whole project would be extended for two years and additional project cost at \$0.2 billion would be incurred with the phasing. Under this arrangement, URA would relocate wet trade operators at Site B to shop premises acquired by URA at Sites A and C during the redevelopment of Site B (first phase redevelopment) to enable them to continue their business in the interim. A two-storey fresh food retail block (new retail block), opening to streets on all four sides, would be built at Site B to accommodate fresh food operators who wish to move back to the project site to continue their fresh food business such as selling fish, meat, vegetables, etc. The new retail block is expected to be completed in mid 2015.

9. To assist affected fresh food retail operators within the project area, URA introduced the Local Fresh Food Shop Arrangement (LFFSA) in 2009. Under the LFFSA, participating operators would be given priority to rent shop premises in the new retail block at Site B in future to continue their fresh food retail business with the first tenancy term of not less than three years. Under the proposed arrangement, upon the completion of the new retail block at Site B, the participating operators would be invited to joint a restricted auction/tender at which they would be able to bid for shop premises at the new retail block at market rents they would be ready to offer during the auction/tender (the assessment basis is the market rent applicable to fresh food shops) to continue their business. URA would also endeavour to arrange LFFSA operators to continue their business in the interim at the acquired shops at Sites A and C until they move into the new retail block at Site B.

10. The C&WDC was briefed on the above arrangement on 9 October 2008 and 11 February 2010 and had given its support. At the same time, URA also explained the details of LFFSA in writing to the shop operators of H18 on 7 January 2010.

Removal Arrangements for the Shop Operators

11. According to URA, arrangement has been made for eight fresh food retail operators at Site B to be temporarily relocated to shop premises acquired by URA at Sites A and C to continue their business in the interim under “licence agreement”. Besides, two fresh food retail operators who have been operating at Sites A and C all along have also been arranged to continue their business in the interim under licence agreement at the shop premises already acquired by URA. Among these ten fresh food retail operators, two have opted to join LFFSA. Since LFFSA allows the fresh food retail operators to relocate to the new retail block at Site B for continued operation in a seamless fashion, URA considers that the impact of the arrangement on the participating operators should be minimal. The LFFSA operators are not eligible for ex-gratia business allowance¹ to avoid double benefit. As for the other operators who did not want to join LFFSA, they are eligible for the ex-gratia business allowance.

12. For those two of the ten fresh food retail operators mentioned above who have accepted the terms and conditions of LFFSA, URA undertook to accord priority to them in renting shop premises in the new retail block at Site B in future at market rent to continue their business.

13. After relocating the two LFFSA fresh food retail operators mentioned above to Sites A and C, there were still some vacant shops acquired by URA available at Sites A and C. Having considered that it would take time for those Site B fresh food retail operators who did not participate in LFFSA or who were not eligible to join the scheme to identify new shop premises, or who might still be interested in continuing their operation in the same locality for a period of time, URA allowed these operators who had already been offered full compensation (including the ex-gratia business allowance) and who had not joined LFFSA to temporarily rent the vacant shops at Sites A and C under licence agreement to continue their business operation until site demolition. As these operators had chosen not to join LFFSA and had already received

¹ In addition to the existing ex-gratia allowance, the URA offered an additional payment of ex-gratia business allowance to enhance the overall amount payable to operators in order to help them identify new shop premises to continue business in the same locality.

the ex-gratia business allowance, they would not be given priority to participate in the restricted auction/tender for shops in the new retail block. Neither did URA provide any guarantee that they would enjoy seamless relocation to the new retail block at Site B. At the same time, to facilitate the operators, those who had all along been operating at Sites A and C within the project area were also allowed to rent their original shops at Sites A and C under licence agreement should they wish to do so. As this arrangement was made on a compassionate basis by URA, under the licence agreement, the license fees paid by the operators were calculated on the basis of the rateable value and were set below market rent. The licence agreements were first issued in 2009 and renewed annually. It is stipulated in the licence agreements that a three-month advance notice would be given by URA if the agreements are to be terminated before expiry. To further assist these operators who are temporarily renting the shops at Sites A and C, including those who have not joined LFFSA and those who are not operating fresh food retail business, to resolve possible cashflow problems as they try to identify new shops premises after the termination of the licence agreements, URA has included a clause in the licence agreements which provides that these operators will be refunded half of the total licence fees already paid since commencement until the termination of the licence agreements when they move out from Sites A and C, that is, half of the total licence fees they would have paid for renting the shops. Many of the licence agreements have been renewed twice or thrice, and those signed last year will expire by end December 2013.

14. According to URA, there are 38 operators renting shops at Sites A and C under licence agreement, comprising ten fresh food retail operators and 28 non-fresh food operators. As mentioned above, there are only two operators who have joined LFFSA. For the remaining 36 operators renting shops at Sites A and C under licence agreement (i.e. the eight fresh food retail operators who have not joined LFFSA and the 28 non-fresh food operators), URA, when signing the licence agreements with them last year, had stated clearly that they would have to move out before 31 December 2013 so as to enable phased demolition at Sites A and C. URA has also given them a three-month advance notice to remind them on moving out in line with a provision in the licence agreements. URA has stressed that the promise on their seamless return

to operate at site does not apply to these 36 operators.

15. According to the latest development programme of H18, the new retail block at Site B is expected to be completed in mid 2015. Drawing on the experience at Site B where it has taken 16 months to complete site demolition, and considering that there are busy hawking activities adjacent to the whole project site, URA has allowed for another 18 months for the phased demolition at Sites A and C. This is to minimise the adverse impact of the demolition works on the nearby shops, hawkers and their customers. URA thus issued a three-month advance notice to the 36 operators in September 2013 according to a provision in the licence agreements to prepare for phased demolition at Sites A and C in early 2014. The two operators who are participating in LFFSA will not be affected pursuant to URA's undertaking to them.

Latest Development

16. Since the operators who are operating under licence agreement at Sites A and C have expressed difficulty in moving out as scheduled, URA met with them and members of the Legislative Council and District Councils respectively on 11, 15 and 21 October 2013 to discuss possible way forward. According to URA, a questionnaire survey has been conducted among the operators after the meetings and there have been internal coordination to consider the feasibility of the operators moving out by phase or by batch. URA will endeavour to accommodate the operators' deferred removal plan without prejudice to the overall redevelopment programme.

17. There are a total of 36 operators (that is, the eight fresh food operators who chose not to join the LFFSA, and the 28 non-fresh food operators) who have to move out by the end of 2013 according to the terms of the licence agreements they signed with URA earlier. According to the latest advice of URA, the operators have reached a general consensus that the affected shop premises at Sites A and C will move out by five small clusters. As at 25 November 2013, a total of 26 non-fresh food operators have confirmed their removal dates, and all of

them have already been signing new licence agreements with URA since 8 November 2013. The arrangements are as follows :

	No. of operators
Opt to move out on or before 31 March 2014	8
Opt to move out on or before 30 June 2014	1
Opt to move out on or before 30 September 2014	1
Opt to move out on or before 31 December 2014	1
Opt to move out on or before 31 March 2015	15
Total	26

18. Furthermore, for eight (out of the ten) fresh food operators who chose not to join the LFFSA in 2009, URA has agreed to allow them to opt a second time to join LFFSA provided that the interests of the two operators who had already joined LFFSA in 2009 would not be affected. URA is now discussing the detailed arrangements with the eight operators, and will sign agreements with them as soon as possible. Only two non-fresh food operators have yet to decide on their removal dates. URA will continue dialogue with the concerned operators.

19. Representatives of the Development Bureau and URA will attend a case conference convened by the LegCo Complaints Unit on 17 December 2013 to discuss the matter and to respond to further questions that Members may have.

Development Bureau
Urban Renewal Authority

November 2013