

立法會
Legislative Council

LC Paper No. CB(1)1286/14-15
(These minutes have been seen
by the Administration)

Ref : CB1/PL/DEV

Panel on Development

Minutes of meeting
held on Tuesday, 23 June 2015, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Tony TSE Wai-chuen, BBS (Chairman)
Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Cyd HO Sau-lan, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yeet, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Michael TIEN Puk-sun, BBS, JP
Hon James TIEN Pei-chun, GBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Alice MAK Mei-kuen, JP

Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Elizabeth QUAT, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP

Members attending : Hon LEUNG Yiu-chung
Dr Hon CHIANG Lai-wan, JP

Member absent : Dr Hon LAU Wong-fat, GBM, GBS, JP (Deputy
Chairman)

**Public officers
attending** : **Agenda item IV**

Mr Paul CHAN Mo-po, MH, JP
Secretary for Development

Mr Rex CHANG Wai-yuen, JP
Deputy Secretary for Development (Planning and
Lands)²

Ms Winnie SO Chui-ying
Principal Assistant Secretary (Planning and
Lands)⁴
Development Bureau

Agenda item V

Mr Paul CHAN Mo-po, MH, JP
Secretary for Development

Mr Albert LAM Kai-chung, JP
Deputy Secretary (Works)¹
Development Bureau

Ms Vivian KO
Commissioner for Heritage
Development Bureau

Ms Susanna SIU Lai-kuen
Executive Secretary (Antiquities and Monuments)
Leisure and Cultural Services Department

Attendance by Invitation : Agenda item IV

Mr Victor SO Hing-woh, JP
Chairman
Urban Renewal Authority

Mr Daniel LAM Chun, BBS, JP
Managing Director
Urban Renewal Authority

Mr Pius CHENG Kai-wah
Executive Director (Commercial and Operations)
Urban Renewal Authority

Mr Ian WONG Wai-kuen
Director, Acquisition and Clearance
Urban Renewal Authority

Mr Lawrence TANG Kwan-lam
Head, Building Rehabilitation
Urban Renewal Authority

Agenda item V

Mr Andrew LAM Siu-lo, JP
Chairman
Antiquities Advisory Board

Clerk in attendance : Ms Sharon CHUNG
Chief Council Secretary (1)2

Staff in attendance : Mr Fred PANG
Senior Council Secretary (1)2

Mr Raymond CHOW
Senior Council Secretary (1)6

Ms Maggie LAU
Council Secretary (1)2

Ms Christina SHIU
Legislative Assistant (1)2

I Confirmation of minutes

(LC Paper No. CB(1)985/14-15 -- Minutes of meeting on 24 March 2015)

The minutes of the regular meeting on 24 March 2015 were confirmed.

II Information papers issued since the last meeting

(LC Paper No. CB(1)885/14-15(01) -- Issue raised at the meeting between Legislative Council Members and Wan Chai District Council members on 30 April 2015 relating to perfecting the signboard control system

LC Paper No. CB(1)909/14-15(01) -- Issue raised at the meeting between Legislative Council Members and Islands District Council members on 14 May 2015 relating to maintenance and reconstruction of public piers

LC Paper No. CB(1)959/14-15(01) -- Issues raised at the meeting between Legislative Council Members and Heung Yee Kuk Councillors on 5 February 2015 relating to planning and development of land in the New Territories

LC Paper No. CB(1)993/14-15(01) -- Administration's paper on revision of non-livelihood related fees and charges under the purview of the Water Supplies Department

LC Paper No. CB(1)994/14-15(01) -- Administration's paper on reprovisioning of the Transport Department's Vehicle Examination Centres at Tsing Yi

LC Paper No. CB(1)1007/14-15(01) -- Issues raised at the meeting between Legislative Council Members and Tai Po District Council members on 22 January 2015 relating to policies in respect of the provision of parking spaces

LC Paper No. CB(1)1014/14-15(01) -- Administration's response to the letter from the Chairman of the Wan Chai District Council dated 13 May 2015 on control of unauthorized signboards (LC Paper No. CB(1)865/14-15(01))

2. Members noted that the above information papers had been issued since the last meeting.

3. Dr Kenneth CHAN referred to the Administration's information paper on revision of non-livelihood related fees and charges under the purview of the Water Supplies Department (LC Paper No. CB(1)993/14-15(01)) and opined that the legislative proposal set out in the paper should be discussed at a meeting of the Panel. The Chairman advised that the proposal would be scheduled for discussion at the next regular meeting.

III Items for discussion at the next meeting

(LC Paper No. CB(1)987/14-15(01) -- List of outstanding items for discussion

LC Paper No. CB(1)987/14-15(02) -- List of follow-up actions)

4. Members agreed that the following items proposed by the Administration would be discussed at the next regular meeting scheduled for Wednesday, 22 July 2015, at 2:30 pm --

- (a) PWP Item No. 259RS -- Cycle tracks connecting North West New Territories with North East New Territories -- Tuen Mun to Sheung Shui section (Remaining); and

- (b) Revision of non-livelihood related fees and charges under the purview of the Water Supplies Department.

(Post-meeting note: As agreed at the meeting, due to time constraints, the discussion on "Hung Shui Kiu New Development Area Planning and Engineering Study -- Recommended Outline Development Plan and Stage 3 Community Engagement" had been deferred to the meeting on 22 July 2015. With the concurrence of the Chairman, a proposal on conducting an overseas duty visit to study development of seawater desalination and a proposal on establishing a subcommittee under the Panel to study the issues relating to redevelopment of buildings developed under the Civil Servants' Co-operative Building Society Scheme had been included for discussion at the meeting on 22 July, and the meeting would be extended for 15 minutes to end at 5:30 pm. Members were informed of the above arrangements on 20 July 2015 vide LC Paper No. CB(1)1129/14-15.)

5. The Chairman reminded members that a special meeting had been scheduled for Thursday, 16 July 2015, from 9:30 am to 11:30 am to receive public views on "Facilitating the redevelopment of buildings under the Civil Servants' Co-operative Building Society Scheme". The agenda for the meeting had been issued to members on 3 June 2015 vide LC Paper No. CB(1)938/14-15.

(Post-meeting note: Taking into account the number of deputations attending the above meeting, and with the concurrence of the Chairman, the special meeting had been extended to 1:00 pm. Members were informed of the above arrangement vide LC Paper No. CB(1)1081/14-15 on 8 July 2015.)

IV Work of the Urban Renewal Authority

(LC Paper No. CB(1)987/14-15(03) -- Administration's paper on work of the Urban Renewal Authority

LC Paper No. CB(1)987/14-15(04) -- Paper on the work of the Urban Renewal Authority prepared by the Legislative Council Secretariat (Updated background brief))

Other relevant paper

(LC Paper No. CB(1)1027/14-15(01) -- Submission from a concerned organization (舊區街坊自主促進組) (received on 22 June 2015))

6. Members noted the above submission from a concerned organization.
7. The Secretary for Development ("SDEV") said that since the promulgation of the Urban Renewal Strategy on 24 February 2011 ("the 2011 URS"), the Urban Renewal Authority ("URA") had adopted a "people first, district-based, public participatory" approach to urban renewal. Pursuant to the 2011 URS and the relevant requirements in the Urban Renewal Authority Ordinance (Cap. 563) ("URAO"), URA had to exercise due care and diligence in the handling of its finances. As at 31 March 2015, URA's net asset value stood at \$25 billion including the \$10 billion capital injection from the Government, and its outstanding bond issue stood at \$4.6 billion. The total amount of land premium assessed to have been foregone by the Government in issuing land grants with premium waiver to URA for 26 projects stood at \$14.3 billion. This amount would increase along with the number of redevelopment projects that URA would take on in future. According to URA's estimates, a total expenditure of about \$29 billion, excluding operational overheads, would be required to meet the costs of all the projects contained in its 14th Corporate Plan (2015-2016 to 2019-2020).
8. With reference to the paper (LC Paper No. CB(1)846/14-15(01)) submitted to the Panel in May 2015 setting out the Administration's response to the concerns that had been raised in recent months on the role and work approach of URA, its finances, its acquisition and compensation policies, etc., SDEV emphasized that the Administration had no plan to change the positioning of URA, the directions for implementing the 2011 URS, the Authority's compensation and ex-gratia payment policies, and the Government's commitment to the financial arrangements of URA. He advised that, following the recent resignation of the ex-Managing Director, URA had commissioned a consultant to assist in the recruitment of a new Managing Director.
9. Mr SO Hing-woh, Chairman, Urban Renewal Authority ("Chairman/URA") said that URA had a net operating surplus of about \$1.1 billion for 2014-2015, as compared with a \$2.3 billion net operating deficit in 2013-2014. Although the financial situation of URA had improved, it

was envisaged that more redevelopment projects would likely incur financial loss given that they typically offered minimal plot ratio gains yet requiring substantial compensation outlay and the construction prices were persistently high. The average loss projected to be incurred by a project under the Demand-led Redevelopment Project (Pilot Scheme) ("Demand-led Scheme") amounted to about \$300 million. While URA would continue to uphold a strict financial discipline, the Authority might need to rethink how its work should proceed on a sustainable basis in order to yield greater benefits to the community. Mr Daniel LAM Chun, Managing Director, Urban Renewal Authority then briefed members on the work of URA in 2014-2015 and its future work plan.

Role and positioning of the Urban Renewal Authority

10. Mr Michael TIEN said members of the public were concerned about the changes, if any, in the role and positioning of URA after it had been reported that the ex-Managing Director of URA, who had handed in her resignation in March 2015, had stated that there were differences between her and Chairman/URA over URA's philosophy, mission and direction, and she did not agree that URA should act like a land assembly agent supplying land to developers. He held the view that unlike a private developer, URA should uphold the "people first" principle of the 2011 URS and should not only undertake profitable projects. He enquired whether URA was required to maximize and accumulate surplus or just attain a break-even.

11. SDEV replied that profit maximization had never been an objective of URA. While redevelopment as one of the core businesses of URA might generate surplus, its other activities such as rehabilitation, preserving buildings with heritage value and revitalizing areas within URA's project sites were not-for-profit and might incur financial loss. The Administration had not required URA to operate at a surplus. However, to ensure URA's financial self-sufficiency in the long run, it was necessary for the Authority to consider financial return from its redevelopment projects in order to support its other work.

12. Mr Gary FAN said there were views that since the incumbent Chairman/URA had assumed office, URA, which was originally a public organization, had turned into a property developer and adopted a profit-oriented approach to urban renewal. He noted that URA's fiscal position had turned from a surplus of \$740 million to a deficit of \$2.3 billion in 2013-2014 as a result of making provision for loss for five redevelopment projects, including three projects under the Demand-led Scheme. He

enquired about the criteria adopted by URA in deciding whether a provision for loss should be made. He was concerned whether URA had employed reporting tactics in the presentation of its financial position so that minimizing deficits could be cited as the reason for undertaking fewer projects under the Demand-led Scheme. He further enquired whether the net operating surplus of about \$1.1 billion recorded in 2014-2015 was related to the provision for loss that URA had made.

13. Chairman/URA replied that the financial reports of URA had been certified by independent auditors. A net operating deficit of \$2.3 billion had been recorded in 2013-2014 mainly because the redevelopment projects at Kwun Tong Town Centre Project Development Areas 2 and 3 and Hai Tan Street/Kweilin Street/Pei Ho Street, which were originally scheduled for tender in 2013-2014, had been delayed due to site clearance difficulties. In 2014-2015, the net operating surplus of about \$1.1 billion was mainly from the share of sales proceeds of a number of earlier URA projects and a few others tendered in 2014-2015, and from provision for loss written back in 2014-2015. He advised that URA would continue to take forward redevelopment projects under the Demand-led Scheme, and the fourth round of invitation for applications would commence in July 2015.

14. SDEV said the allegation that URA had employed reporting tactics in the presentation of its financial figures was groundless. The practice of creating a provision for loss was in compliance with the applicable international accounting standards. He assured members that URA would continue to implement the initiatives under the 2011 URS. Citing as an example the redevelopment project at Ash Street, Tai Kok Tsui, which would produce only some 69 residential flats, he advised that although URA had envisaged that the project would incur a loss of about \$770 million, the Authority would still proceed with the project.

15. Mr YIU Si-wing opined that, as a public organization, URA should operate in a financially sustainable manner, and the Administration should make the role and positioning of URA clear to the public. Mr Frederick FUNG recalled that to help URA achieve a self-financing urban renewal programme in the long run, the Finance Committee had approved in 2002 the Administration's proposal to inject \$10 billion into URA. He queried why the financial self-sustainability of URA had become an issue of concern again.

16. Mr James TO said that he had been a non-executive director of the Land Development Corporation ("LDC") for six years and was a former

non-executive director of URA for another six years. He opined that the Administration had all along expected that, with the Government's financial support, including waiver of land premium for URA's urban renewal and rehousing sites and a capital injection of \$10 billion, URA could achieve a break-even position with a cash balance of \$10 billion. To meet such expectation, URA had to ensure that its projects would be financially viable as a whole, and hence might not be able to undertake demand-led projects which were of great community interest but might not generate good financial return. He said that the work of URA was beneficial to the community: Its redevelopment and rehabilitation work had helped arrest urban decay and improve the built environment, provide more community facilities at the redeveloped districts, promote timely repair and maintenance of worn-out buildings which might otherwise pose threats to public safety. Moreover, the sale and purchase of redeveloped flats would generate stamp duty revenue for the Government. He enquired whether the Administration would in future accept a situation where URA attained a break-even position but with a cash balance of less than \$10 billion.

17. SDEV replied that the Government considered it appropriate for URA to continue to take forward its work under the long-term self-financing objective. Apart from the \$10 billion capital injection and land premium concessions, URA had also been offered "linked sites" on a few occasions which effectively allowed URA to link up the implementation of two redevelopment projects, one of which was profitable and the other not. Moreover, as mentioned in the 2012-2013 Budget Speech, the Administration would consider making capital injection into URA to enable it to redevelop industrial buildings, if URA's long-term commitment in the redevelopment of industrial buildings was confirmed after a review of the Pilot Scheme for the Redevelopment of Industrial Buildings.

18. Mr Albert CHAN said that a number of redevelopment projects with good financial gains had been completed in the past 20 years or so. Most of the remaining building sites which were due for redevelopment would have limited redevelopment gains. On the other hand, there were lots of grievances among the residents affected by URA's redevelopment projects. In view of the incumbent Chairman/URA's employment history with the Link Management Limited, the MTR Corporation Limited and the Hong Kong Housing Society ("HKHS"), and how SDEV was seen to have taken forward the North East New Territories New Development Areas project, he had no confidence that URA under their steer would adopt a people-oriented approach to urban renewal. He held the view that URA should be abolished to avoid doing more harm to the society.

19. SDEV said that Mr Albert CHAN's observation on the limited redevelopment potential of old buildings now remaining in the urban areas was an objective one. He said that instead of redeveloping individual old buildings in a piecemeal manner, URA should take forward redevelopment projects with larger footprints in future so that better planning gains for the benefit of the community could be achieved.

20. Mr LEUNG Kwok-hung said that he had no confidence that SDEV and Chairman/URA could carry out urban renewal work for Hong Kong in a proper way, taking into consideration that the incumbent Chairman/URA was interested in profitable projects only and SDEV had supported the re-appointment of Mr Barry CHEUNG Chun-yuen as Chairman of URA in 2013 even though SDEV was aware of the personal financial problems faced by Mr CHEUNG at that time. SDEV said he would not respond to the accusations which were groundless.

21. Miss Alice MAK declared that she was a non-executive director of URA. She said that how URA would take forward the initiatives under the 2011 URS should be decided by the Board of URA but not by any individual. It was important that the Board members shared a common belief that the Authority should continue to adopt a people-oriented approach to urban renewal. She opined that SDEV and Chairman/URA should make the role of the Board clear to all and take measures to enhance its role in future.

22. SDEV responded that the role of the Board of URA was clearly spelt out in the relevant legislation. He noted Miss MAK's view about the need to enhance the role of the Board and would consider relaying the suggestion to the URA Board for future deliberation. Chairman/URA advised that major decisions of URA had all along been made by the Board but not individual staff members. After he had assumed office, the Board had held a number of brainstorming sessions to consider the future development of the Authority.

Approaches to urban renewal

23. Dr CHIANG Lai-wan declared that she was a non-executive director of URA. She opined that, to improve the built environment, URA should aim at regeneration of larger areas rather than development of "toothpick" buildings. In view of the challenges faced by URA, the Administration should make it clear to URA whether it would step up its financial support for URA's initiatives conducive to urban regeneration.

24. Mr WU Chi-wai declared that he was a non-executive director of URA. He said that the main objective of urban renewal was to improve the living conditions of residents in dilapidated buildings and to address the problem of urban decay so that the community at large would benefit from urban renewal. He held the view that redevelopment of large areas would bring about fundamental changes to the local communities concerned and might lead to more controversies. As projects of a larger scale would usually take substantial time and efforts to implement, they would generate heavier pressure on URA's resources, and were hence more risky.

25. Mr CHAN Kam-lam said that he was a former non-executive director of URA. He opined that the Demand-led Scheme was a preferred approach for facilitating redevelopment of aged buildings because the projects under the scheme would be initiated by property owners proactively. He suggested that URA's Facilitating Services (Pilot Scheme) should complement the Demand-led Scheme so that URA would help property owners who had met the application criteria for the Demand-led Scheme in the search for private developers who were interested in carrying out redevelopment projects for the properties concerned. If the redevelopment of these buildings could be taken forward under the market mechanism, URA would not need to take care of issues like assembly of property titles, compensation and rehousing arrangements, etc.

26. Mr WU Chi-wai said that the Chinese name of URA might give the public an impression that the focus of its work was on demolishing buildings, acquiring properties and dealing with compensation issues, etc., which were all controversial issues. He suggested that the Administration might consider changing the Chinese name of URA to reflect that the Authority's role in urban renewal was not limited to redevelopment.

27. SDEV said he agreed that urban renewal was concerned with a wider range of activities than redevelopment. Under the 2011 URS, URA would continue to adopt "Redevelopment" and "Rehabilitation" as its core businesses.

28. Mr LEUNG Kwok-hung held the view that the focus of urban renewal in Hong Kong had all along been placed on clearance and demolition of building sites to facilitate private developers to take forward lucrative development projects, until the promulgation of the 2011 URS, which stressed that the core activities of URA should include "Redevelopment" and "Rehabilitation".

29. Miss CHAN Yuen-han said that URA should continue to tackle the urban decay problem in Hong Kong and make more efforts in resolving the controversial issues arising from renewal of older districts. She stressed that the Authority should not take the role of a property developer. Despite its financial difficulties, URA should continue to take forward all the 4R initiatives under the 2011 URS, i.e. Redevelopment, Rehabilitation, Revitalization and Reservation, and should not contract out the work under these initiatives to private companies. Citing the work undertaken by URA for the redevelopment of Kwun Tong Town Centre as an example, Miss CHAN opined that the Development Bureau ("DEVB"), in collaboration with the relevant government departments, should assist URA in overcoming the difficulties that it might face in taking forward the urban renewal programme and in meeting the needs and aspirations of those affected by redevelopment projects.

30. SDEV advised that URA would continue to adopt a "people first, district based, public participatory" approach to urban renewal. A trust fund with an endowment from URA had been set up to fund various activities conducted by the social service teams who provided assistance and advice to residents affected by URA's redevelopment projects.

Impact of redevelopment projects on the existing residents and business operators

31. Dr Fernando CHEUNG said that URA's redevelopment projects had often torn down the social fabric of the existing communities in the redevelopment areas, as the acquisition offers from URA to the owner-occupiers of the properties affected by the projects was not sufficient to enable the owner-occupiers to purchase replacement flats in the same district. The owner-occupiers had no choice but to move out of the redevelopment areas. Members of the public had an impression that URA, in collaboration with private developers, carried out redevelopment projects only for the pursuit of profits, paying little regard to the rehousing needs and livelihood of the existing residents and small-business operators. Mr LEUNG Yiu-chung and Ms Cyd HO said that although URA's work on urban renewal had brought about a facelift to some old districts, most of the flat owners whose properties had been acquired for redevelopment could not move back to live in the redeveloped areas since the prices of the redeveloped properties were beyond their affordability.

32. Chairman/URA responded that URA had all along provided compensation for the persons affected by its redevelopment projects according to the established policies. For the owner-occupiers of properties affected by URA's redevelopment projects, the acquisition offer was based on the value of a 7-year-old replacement flat in the same locality. This rate, roughly around double the market value of the old domestic units, should be sufficient for the owner-occupiers to purchase replacement flats in a nearby area. If the tenants affected by redevelopment projects met the eligibility criteria for public housing, they might elect for a public housing unit provided by the Hong Kong Housing Authority ("HKHA") or HKHS. For those ineligible tenants, URA would offer an ex-gratia payment at three times of the rateable value of their premises.

33. SDEV said that as URA's redevelopment projects usually took considerable time from planning to completion, when the property prices were on the upward trend, it was natural that there would be surplus generated from the sale of redeveloped properties. The surplus earned by URA would be applied to finance URA's rehabilitation, revitalization and preservation efforts as well as the projects under the Demand-led Scheme that incurred losses. As regards URA's compensation arrangements, there were views that in light of the present market situation, its redevelopment programme might not be financially sustainable if URA continued to offer compensation based on the value of a 7-year-old replacement flat in the same locality. He advised that, other than engaging private developers as joint venture partners in its redevelopment projects, URA undertook some projects on its own. Examples of the latter projects were those at Kai Tak Development ("KTD") and the Ma Tau Wai Road/Chun Tin Street project.

34. Mr LEUNG Yiu-chung opined that, to fulfill its mission of improving the living conditions of residents in dilapidated urban areas, URA should provide affordable housing such as rental accommodations for the grassroots. SDEV advised that a project might not break even if the redeveloped flats produced were to be used for rental purposes only.

35. Dr CHIANG Lai-wan was concerned that, as URA would tender out some of its redevelopment projects to private developers, the tenderers might employ bid-rigging practices to push down bidding prices to levels which were much lower than the acquisition prices offered by URA to the affected residents. Chairman/URA replied that the practice adopted by URA to tender out its redevelopment projects to developers would help mitigate the market risk to be borne by the Authority. In determining the bidding price for a project of URA, a developer needed to take into account

various factors such as the land value of the project site, construction prices, property market risks, etc. As the bidding process was usually competitive, there were limited chances of tender-rigging.

36. Ms Cyd HO recalled that the former SDEV had undertaken to ask URA to conduct a tracking survey on affected property owners so as to understand the impact of URA's acquisition on them. She asked about the findings of the survey. She further enquired whether URA would conduct a tracking survey to better understand the impact of URA's acquisition on the tenants affected by its redevelopment projects. Mr Ian WONG Wai-kuen, Director, Acquisition and Clearance, Urban Renewal Authority replied that the tracking survey was undertaken to keep track of the conditions of the residents who had left a project site. From available information on the owner-occupiers tracked, most of the affected residents had chosen to use the cash compensation offered by URA to buy second-hand flats newer than their original ones and keep the rest as savings. Regarding the tenants affected by URA's redevelopment projects, the Authority had all along kept track of the number of them who had moved to public housing units and the number who had received ex-gratia cash payments.

37. Ms Cyd HO sought clarification on whether under URA's Flat for Flat ("FFF") Pilot Scheme, URA would not offer replacement flats free of charge to domestic owner-occupiers affected by its redevelopment projects, but would only provide priorities for these owners to select flats from a new development for purchase. Mr Pius CHENG Kai-wah, Executive Director (Commercial and Operations), Urban Renewal Authority ("ED(Commercial and Operations)/URA") replied that under the FFF Scheme, the affected owners-occupiers would be given the choice to use the amount of cash compensation and ex-gratia payment offered to them to buy a unit at a site in KTD earmarked for the scheme.

38. Ms Cyd HO enquired whether the amount of compensation made to a property owner affected by URA's redevelopment projects was comparable to the selling price of a Kai Tak FFF flat. The Chairman asked whether URA would make clear to the affected property owners the selling prices of the Kai Tak FFF flats when making the acquisition offers. In reply, ED(Commercial and Operations)/URA explained that upon the commencement of a new redevelopment project, URA would assess the prices of the Kai Tak FFF flats that could be made available to the affected owners for purchase based on their prevailing market values. The prices, once determined and accepted by the affected owners, would be frozen at that level.

39. Dr Fernando CHEUNG said that URA had provided four buildings including Bedford Tower, Rich building, 12 Soy Street and Shun Shing Mansion for rehousing the residents affected by redevelopment projects. He queried whether and how URA would fully utilize these buildings for helping persons with imminent housing needs. Chairman/URA replied that URA was exploring ways to make better use of the four buildings for helping needy persons who were affected by clearance exercises but did not meet the eligibility criteria for moving into the public housing units provided by HKHA or HKHS. He undertook to provide information about the respective numbers of housing units in these buildings, and the respective vacancy rates.

(Post-meeting note: The Administration's supplementary information was circulated to members vide LC Paper No. CB(1)1210/14-15(01) on 27 August 2015.)

40. Mr LEUNG Yiu-chung was concerned about the Administration's rehousing arrangements for the affected occupants when carrying out operations against sub-divided units in industrial buildings. He enquired whether the buildings that had been acquired by URA but not yet tendered out for redevelopment could be temporarily used for accommodating these affected occupants. SDEV replied that as the buildings selected by URA for redevelopment were usually dilapidated and might contain defects and unauthorized building works, they might not be suitable for residential use.

Rehabilitation

41. Mr Frederick FUNG opined that it was important for URA to expedite its urban renewal and building rehabilitation projects. Although URA's rehabilitation work was beneficial to the community, it did not generate revenue for meeting the cost of the work. He enquired whether the Administration would bear the cost of the rehabilitation work.

42. Mr IP Kwok-him said that he was a former non-executive director of URA. He opined that property owners' lack of expertise in planning building maintenance works had given rise to problems of tender-rigging. He asked about URA's plans to establish a database on prices of building repair/maintenance works for public information.

43. Chairman/URA said that in early 2014, URA had launched a website called the "Building Rehab Info Net" to provide useful information for those who intended to carry out building maintenance works. A one-stop service

centre for both urban redevelopment and building rehabilitation had been set up in Tai Kok Tsui. To promote building rehabilitation, regular seminars and public briefings had been held. Up till end-March 2015, URA had assisted the rehabilitation of 1 260 buildings comprising some 48 500 units. Although the funding injected into the "Operation Building Bright" programme would be used up in one to two years, rehabilitation would continue to be one of the core activities of URA. The Authority would take over all the Rehabilitation Scheme Areas previously managed by HKHS under the Integrated Building Maintenance Assistance Scheme ("IBMAS") and provide a territory-wide service.

44. Mr CHAN Han-pan said that rehabilitation was one of the core activities of URA and it had received an extra boost with the introduction of the New Tendering Arrangement, which was aimed at curbing tender-rigging. Considering that URA might require substantial resources to take over the work of HKHS under IBMAS, he enquired whether the Authority would deploy more manpower resources to cope with the additional work.

45. Mr LEUNG Che-cheung opined that URA should put in place measures to reduce opportunities for tender-rigging in building repair and maintenance works. He asked if URA would consider setting up a company that would provide consultancy services for property owners, such as assisting them in the assessment of building maintenance tenders.

46. Chairman/URA replied that he would consider Mr LEUNG's suggestion. He advised that URA would continue to offer assistance to property owners under IBMAS, such as assisting them in the formation of owners' corporations to facilitate building management and maintenance, etc. As the assistance provided under IBMAS was mainly in the form of technical advice, the implementation of the scheme would not create heavy financial pressure on URA. He assured members that URA would keep in view the manpower resources required for taking over the work of HKHS in building rehabilitation and would allocate additional resources to cope with the additional workload as necessary.

47. The Panel noted that URA had conducted a review on the Demand-led Scheme last year. One of the revisions to the scheme was assigning greater weighting to the conditions of buildings in the project selection process. If an application involved a building with outstanding building orders issued by the Buildings Department, it would receive a lower score in the assessment. Mr CHAN Kam-lam was concerned whether

the revision would slow down the pace of redevelopment of dilapidated buildings. He considered it important for URA to accord priorities to redeveloping these buildings so that the owners concerned would not need to seek government subsidies for building maintenance works.

48. Chairman/URA replied that URA had all along paid due regard to the need to expedite the redevelopment of dilapidated buildings. Following the revisions to the Demand-led Scheme, in assessing an application, the condition of the concerned building would account for 50% of the total scores. This was to make it clear that URA did not encourage owners to neglect their duty of building maintenance by seeking redevelopment of their buildings through the scheme.

Heritage preservation and revitalization

49. The Panel noted that URA had obtained the approval of the Town Planning Board in 2013 for the Central Market revitalization plan drawn up on the basis of the outcome of the public engagement programme conducted by the then Central Oasis Community Advisory Committee. Mr IP Kwok-him enquired about the progress of the revitalization project, and whether URA would change the original design of the project in view of the budgetary constraint. Dr Kenneth CHAN said that the revitalization project had dragged on for a long time and there were concerns on whether the proposed budget of \$500 million was adequate for taking forward the project according to the original plan. In the light of the budgetary constraint, some community groups had met URA to discuss the options for simplifying the design of the revitalization project. He asked whether and how URA would proceed with the project.

50. Chairman/URA replied that URA would continue with the Central Market revitalization project and would strive to maximize its benefits to the general public. The Authority was revisiting the details of the project with a view to rationalizing the works to be carried out under the original budget of \$500 million, and would give consideration to some community groups' proposals on refining the design of the project. Dr Kenneth CHAN said there were public concerns that URA would abandon the revitalization plan and the Administration would sell the project site to private developers. He urged the Administration and URA to make known to the public the details about the refined design and take forward the project as early as possible.

51. Mr CHAN Kam-lam and Mr YIU Si-wing opined that the Administration and URA should make every effort to come up with a

feasible option to proceed with the revitalization of the Central Market site, which had been left idle for a long time, within a budget ceiling. Mr YIU stressed the importance for the revitalization project to generate sufficient revenue to support its recurrent expenditure and the cost for the building's proper upkeep. He considered it a waste of land resources if the project site was to be used for providing green and leisure areas only. Citing the case of the revitalization of the Western Market in Sheung Wan, which had transformed the building into a popular place for shopping and dining, he said the Administration should ensure that a revitalization project would not only cater for the aspirations of the local community and environmentalist groups, but would also attain a break-even position so that it would not impose a financial burden on the Administration or URA.

52. Chairman/URA replied that URA would strive to ensure the financial self-sufficiency of the Central Market revitalization project, so that other than the financial provision already earmarked for the project, the Authority would not need to further subsidize the project in future. SDEV advised that the Administration had all along given URA a free hand to plan and design the Central Market revitalization project. The progress of the project had been held up earlier on by applications for judicial review. He referred to the Revitalizing Historic Buildings Through Partnership Scheme under the purview of DEVB and said that some historic buildings revitalized under the scheme were able to operate under a self-financing principle.

53. Dr Kenneth CHAN expressed concern about the slow progress of the Staunton Street/Wing Lee Street redevelopment project. He said that the conditions of the buildings at the project site had been deteriorating over time. Considering that URA might need more time to acquire the remaining property interests in the area, he enquired whether, in the interim, URA would help flat owners to carry out repair and maintenance works.

54. Chairman/URA replied that while URA was responsible for the maintenance of the flats that had been acquired by it, the maintenance of other units had to be initiated by the concerned owners themselves. Dr CHAN said that as URA had acquired only about half of the property interests in the area and it would take some time for URA to acquire other flats, the Authority should actively liaise with the concerned owners on the repair and maintenance of the flats yet to be acquired. The Chairman asked the Administration to note and consider Dr CHAN's views.

Subsidized sale flats

55. Miss Alice MAK expressed support for the Administration's initiative to engage URA in providing subsidized sale flats ("SSFs") to help alleviate the housing shortage problem. She considered that, to allay the concerns of the general public and URA's staff, the Administration should clarify whether the Authority was expected to implement the initiative on a long-term basis and should make clear the relevant financial arrangements.

56. Mr IP Kwok-him enquired, given that URA was mainly tasked with urban renewal and building rehabilitation, how the role of URA in developing SSFs would be different from that of HKHA. Mr CHAN Han-pan said that although URA had predicted that it would experience budgetary constraints, the Administration had entrusted more tasks to URA, including assisting in developing SSFs. He queried whether the continued expansion of URA's scope of work would slow down the pace of redevelopment of dilapidated buildings. Pointing out that URA had not undertaken any redevelopment projects in Tsuen Wan for more than a decade, he asked whether URA had any redevelopment plan for the district.

57. SDEV responded that, as announced in the 2015 Policy Address, the Administration had invited URA and other public or non-profit-making organizations to explore ways to increase the supply of SSFs. After deliberation, the Board of URA had agreed to convert some flats at De Novo in KTD into SSFs, and would give further thoughts to the feasibility of providing SSFs at the Ma Tau Wai Road/Chun Tin Street redevelopment project site. He advised that the Administration would consider the appropriate financial arrangements to enable URA to implement the initiative if necessary.

58. Mr WU Chi-wai held the view that if the Administration expected URA to assist in providing SSFs on an on-going basis, it should put in place a long-term plan to support URA financially to take forward the initiative. SDEV undertook to consider Mr WU's view.

59. Mr Frederick FUNG enquired whether URA, HKHA, HKHS and Hong Kong Settlers Housing Corporation Limited would work together to redevelop Tai Hang Sai Estate. SDEV replied that the organizations mentioned by Mr FUNG would separately explore ways to increase the supply of SSFs. URA would not play any role in the redevelopment of Tai Hang Sai Estate.

[At 4:28 pm, the Chairman suggested and members agreed that, in view of time constraints, the discussion on the item "Hung Shui Kiu New Development Area Planning and Engineering Study - Recommended Outline Development Plan and Stage 3 Community Engagement" would be deferred to the meeting scheduled for 22 July 2015.]

Value-for-money study and organization structure review of the Urban Renewal Authority

60. The Panel noted that URA had commissioned an independent consultant, McKinsey & Company ("McKinsey"), to conduct a value-for-money study and an organization structure review. Mr Gary FAN said that there were concerns on whether the consultancy report would serve as a basis for Chairman/URA to make significant changes to the Authority such as contracting out certain aspects of its land acquisition work to a private developer, namely Richfield Realty Limited, while laying off a large number of URA staff members, etc.

61. The Chairman said that he had received a motion proposed by Mr Gary FAN about the consultancy report. A copy of the proposed motion had been tabled at the meeting. He said that the proposed motion was directly related to the agenda item and, later on, he would invite members to consider whether the motion should be dealt with.

62. Mr Gary FAN said that, taking into consideration that URA had always consulted the Legislative Council ("LegCo") about its renewal strategies in the past, he had proposed a motion urging URA to submit the consultancy report of McKinsey to LegCo and consult LegCo before accepting the recommendations of the report.

63. SDEV said he had previously advised at a LegCo committee meeting that the number of URA staff had increased by about 40% and the operational expenditure had increased by about 40% to 50% from 2009-2010 to 2013-2014. A net operating deficit of \$2.3 billion had been recorded in 2013-2014. URA had also requested a substantial increase in its borrowing limit from \$6 to \$8 billion. In view of these facts, the Government suggested that URA should engage an independent consultant to conduct a study to review the economy, efficiency and effectiveness of the Authority's operation, and to conduct an organization structure review. The consultant commissioned by the Board of URA had submitted its draft final report to the Board in April 2015. The Board would consider the consultant's recommendations before reporting its findings to the

Administration. As the consultancy report contained sensitive information on URA's internal organization structure and operation, SDEV said that he had reservation on the submission of the report to LegCo.

64. Dr Fernando CHEUNG said that URA was a statutory organization funded by public money. He considered that the consultancy report should be made known to the public.

65. Miss Alice MAK and Mr CHAN Kam-lam said that they did not agree to Mr Gary FAN's view that URA should submit the consultancy report to LegCo before deciding on whether to accept the recommendations of the report. They opined that, as McKinsey was engaged by the Board of URA, the decision on whether to accept the recommendations should be made by the Board itself. Mr CHAN opined that even if the Board accepted the recommendations, URA still had to continue its work pursuant to the 2011 URS and the relevant requirements in URAO.

66. Noting that at the meeting, some members had expressed doubts on whether URA would engage Richfield Realty Limited in undertaking its acquisition work, Mr WU Chi-wai considered it necessary for the Administration to clear the doubts. Chairman/URA responded that URA had no plan to outsource its acquisition work to Richfield Realty Limited or other organizations. Whether or not URA should contract out any service was a decision to be made by the Board but not the Chairman of URA himself. In response to Mr WU's enquiry on whether URA would continue its urban renewal work pursuant to the 2011 URS no matter what the findings and recommendations of the consultancy report would be, SDEV advised that the Administration had no plan to change the urban renewal strategies promulgated in 2011. The independent consultant was commissioned by URA to explore how to implement the strategies in a more effective way.

67. Mr Gary FAN said that, in the light of the remarks made by SDEV about the consultancy report at the meeting, he would propose a new motion which would replace the original one.

68. At 4:51 pm, the Chairman ordered that the meeting be suspended for 10 minutes until 5:01 pm to facilitate him to consider the new motion to be proposed by Mr FAN and summon members to the meeting.

Motion proposed by Mr Gary FAN

69. At 5:01 pm, the meeting resumed. The Chairman said that Mr Gary FAN had forwarded to him a new proposed motion, which replaced the original one and had been tabled at the meeting. He considered that the new proposed motion was directly related to the agenda item.

70. At the invitation of the Chairman, Mr Gary FAN read out the proposed motion. The Chairman put to vote the question that the motion proposed by Mr Gary FAN be dealt with. Mr Gary FAN requested a division. Two members voted for and nine members voted against the question. The votes of individual members were as follows --

For:

Mr Alan LEONG
(2 members)

Mr Gary FAN

Against:

Mr CHAN Kam-lam
Mr CHAN Hak-kan
Mrs Regina IP
Miss Alice MAK
Ir Dr LO Wai-kwok
(9 members)

Mr Abraham SHEK
Mr CHAN Kin-por
Mr YIU Si-wing
Dr Elizabeth QUAT

71. The Chairman declared that the question had been voted down by a majority of members. He advised that the Panel would not proceed to deal with the motion.

V Progress report on heritage conservation initiatives

(LC Paper No. CB(1)987/14-15(05) -- Administration's paper on progress report on heritage conservation initiatives

LC Paper No. CB(1)987/14-15(06) -- Paper on heritage conservation initiatives prepared by the Legislative Council Secretariat (Updated background brief))

72. At the invitation of the Chairman, SDEV updated members on various heritage conservation initiatives undertaken by the Administration

since the last report to the Panel in June 2014. Chairman of the Antiquities Advisory Board ("Chairman/AAB") briefed members on the outcome of the policy review on the conservation of built heritage ("the policy review"). The details were set out in the Administration's paper (LC Paper No. CB(1)987/14-15(05)).

Effectiveness of the Administration's work on built heritage conservation

73. Citing the cases of demolition of privately-owned historic buildings like Ho Tung Gardens and the Eastern Cotton Mills, Dr Kenneth CHAN considered that the existing measures put in place by the Administration, including the internal mechanism to monitor the demolition of/alterations to historic buildings, the non-statutory grading system of historic buildings, and the statutory declaration of a building as a proposed monument, were inadequate to preserve these buildings. He asked whether the Administration would consider, as the cases warranted, withholding the applications for the development/re-development of privately-owned historic buildings so as to allow more time to come up with mutually acceptable conservation options for the buildings.

74. Deputy Secretary (Works)1, Development Bureau ("DS(W)1/DEVB") explained that the Administration had established an internal mechanism to monitor any demolition of/alterations to privately-owned historic buildings. Under the mechanism, the Buildings Department, the Lands Department and the Planning Department would alert the Commissioner for Heritage's Office ("CHO") of DEVB and the Antiquities and Monuments Office ("AMO") regarding any identified possible threat which might affect privately-owned historic buildings that had been brought to departments' attention through applications, enquiries received and regular inspections. CHO and AMO would approach the owners concerned to explore possible conservation options and encourage them to conserve their historic buildings under the "preservation-cum-development" approach. Moreover, the Antiquities Authority could declare a Grade 1 historic building facing demolition/alteration threat a proposed monument for a period of 12 months to allow time for discussion with the owner on possible conservation options, and any demolition/alteration works during the period would be subject to the approval of the Antiquities Authority.

75. Dr Kenneth CHAN suggested that the Administration should strengthen the role of AMO under the internal monitoring mechanism by encouraging the experts in AMO to voice out their professional views on the

preservation of historic buildings under threat. He also considered that members of the Antiquities Advisory Board ("AAB") should place greater emphasis on the heritage value of antiquities and monuments than on other considerations when advising the Administration on conservation of built heritage.

76. Chairman/AAB explained that while the heritage value of antiquities and monuments was always the basis of AAB's considerations, individual AAB members would exercise their independent judgments and take into account all the relevant factors when making their recommendations. The final decisions on whether and how to preserve a historic building were made by the Government.

77. Citing the controversy arising from the conversion of the historic residence at 27 Lugard Road at the Peak into a hotel, the Chairman opined that the existing policy on the conservation of built heritage could not always meet public aspirations on one hand and respect the development rights of private owners of historic buildings on the other. The Chairman asked if the Administration would consider introducing new incentives to encourage private owners to preserve their buildings.

78. SDEV advised that the existing economic incentives, such as relaxation of plot ratio and land exchange, were remedial in nature. They were therefore not always attractive enough for some private owners to preserve their buildings. The Administration had been exploring the possibility of allowing the relevant authorities to have a greater flexibility in putting forward incentive options in accordance with the grading of historic buildings.

Policy review on the conservation of built heritage

79. Noting that the Administration had set up task forces to follow up the recommendations of AAB on the policy review, the Chairman enquired about the composition of the task forces and the timetable for implementing the recommendations.

80. DS(W)1/DEVB replied that the task forces comprised officials from the relevant government bureaux/departments and would engage representatives from the professional bodies of surveyors, engineers and architects, etc. The task forces would meet regularly to discuss the recommendations of the policy review.

The Revitalizing Historic Buildings Through Partnership Scheme

81. Referring to the example of the former Lai Chi Kok Hospital having been revitalized as the Jao Tsung-I Academy, Ir Dr LO Wai-kwok expressed appreciation on the Administration's efforts in implementing the Revitalizing Historic Buildings Through Partnership Scheme ("the Revitalization Scheme"). Ir Dr LO sought information on how the Administration could monitor the work of the participating organizations to ensure that they could fulfill their responsibilities in preserving the historic buildings concerned and operate on a self-financing basis. He also asked if the Administration had any contingency measures to assist the participating organizations in case they faced financial difficulties in running the revitalization projects.

82. DS(W)1/DEVB advised that under the Revitalization Scheme, the Administration had partnered with non-profit making organizations ("NPOs") to revitalize government-owned historic buildings for public enjoyment. During the application stage, the selected NPOs were required to provide details about their business plans, which included a plan for achieving financial self-sustainability by the third year of operation. Besides, various monitoring measures had been put in place to ensure the smooth implementation and operation of revitalization projects. These monitoring measures included requiring the NPOs to meet certain criteria (technical aspects, management capability, etc.), and conducting regular reviews by CHO on individual projects after their commissioning. However, if during the monitoring process, it came to the attention of the Administration that the operation of some projects under the Revitalization Scheme had not achieved the expected result, the Administration would provide necessary support to the NPOs concerned.

Conservation of historic buildings

83. On the conservation of the former Central Government Offices Complex ("the former CGO Complex"), Dr Kenneth CHAN urged the Administration to strike a balance between public aspirations for making the complex more open to the public and the operational needs of the Administration over the issue of whether to preserve the fences and gates erected by the then Government. Dr CHAN considered that the preservation of the West Wing of the former CGO Complex was crucial in upholding the integrity of the Government Hill and in line with the "point-line-plane" conservation approach. He urged the Administration to take the opportunity

to promote the concept of the "point-line-plane" approach for heritage conservation.

84. Chairman/AAB replied that in considering the heritage value of a historic building or its features, there might be a divergence of views among the general public as well as among AAB members. AAB adopted an open and transparent approach when reviewing the results of the relevant expert assessments. The Board held special meetings to engage the public in discussing the preservation of built heritage where necessary. As regards the issue of the fences and gates in the former CGO Complex, from the viewpoint of heritage conservation, the features of a building added at a specific time reflected the historic background at that time. That said, the heritage impact assessment on the former CGO Complex concluded that the fences and gates could be removed and the Administration did not insist that they had to be kept.

85. Referring to Chapter 1 of the Director of Audit's Report No. 60 on the Administration's work on the conservation of monuments and historic buildings, Dr Kenneth CHAN enquired if AAB had set a timetable for finalizing the grading of the historic buildings which had yet to be confirmed, including those military sites and structures managed by the Hong Kong Garrison of the Chinese People's Liberation Army ("the Hong Kong Garrison").

86. DS(W)1/DEVB said that, as explained at a special Finance Committee meeting this year, DEVB had already contacted the Hong Kong Garrison on the grading exercise via the Security Bureau. The Hong Kong Garrison would co-operate with the Administration in conducting the exercise. He added that the grading arrangements for the sites managed by the Hong Kong Garrison were similar to those for non-government-owned historic buildings.

(At 5:39 pm, the Chairman directed that the meeting be extended for 15 minutes to allow more time for members to discuss this item.)

Preservation of historical remains

87. Dr Kenneth CHAN expressed concern about the proposed re-provisioning of the Harcourt Road fresh water pumping station ("the pumping station") to a site near the Hong Kong Park ("the proposed site"), taking in view that a section of an old stone wall with a history of over 150 years lied within the proposed site. Noting that the

location of the stone wall was not widely known, Dr CHAN asked if it was the reason for the heritage impact assessment in relation to the proposed reprovisioning project to conclude that the value of the wall was only at a moderate level of significance. If so, the Administration should enhance its publicity work to raise public awareness of the heritage value of the stone wall.

88. DS(W)1/DEVB advised that in view of Panel members' concerns on the reprovisioning of the pumping station to the proposed site, the Administration was reviewing the urgency of the proposed project and exploring other feasible options. The Administration would keep the Panel informed of the results of the review. Chairman/AAB said that AAB would not take into account the level of public awareness of a historic site when determining its heritage value. For example, although the Race Course Fire Memorial in Happy Valley was not well known by the public, the Administration, with the support of AAB, was going to declare it a monument. As in the cases of Ho Tung Gardens and King Yin Lei, AAB considered Ho Tung Gardens having a higher heritage value than King Yin Lei and unanimously supported the declaration of the site as a monument. Yet, the preservation of King Yin Lei received wider public support due to its higher public recognition level.

89. Ir Dr LO Wai-kwok opined that in view of the loose structure of the old stone wall in the nursery of the Hong Kong Park, the Administration's proposal of temporarily relocating the wall before the commencement of the construction works for the pumping station and reinstating the wall later was a good way to preserve the wall. Referring to the archaeological discoveries at the To Kwa Wan Station of the Shatin to Central Link ("SCL") and the costs associated with the preservation of these remains (including the costs incurred by the delay of the constructions works for SCL), Ir Dr LO considered that a balance should be struck between preservation of historical remains found at works sites and the costs arising from the preservation. SDEV took note of Ir Dr LO's views.

VI Any other business

90. There being no other business, the meeting ended at 5:51 pm.