

**For information**

**Legislative Council Panel on Development  
Concerns Arising from the Resignation of the  
Managing Director of the Urban Renewal Authority**

**Purpose**

This paper sets out the Government's response to the concerns raised following the recent resignation of the Managing Director of the Urban Renewal Authority (MD/URA) over the Government's position on the 2011 Urban Renewal Strategy (URS) and the question of whether there will be any change to the compensation and ex-gratia payment policy of URA and the way in which URA carries out its acquisition by agreement for its redevelopment projects.

**Concerns and Questions Raised Following Resignation of  
Ms Iris TAM, MD/URA**

2. Following Ms TAM's resignation, concerns have been raised on the Government's position on the 2011 URS and specific questions have been asked as to whether URA will change its compensation and ex-gratia payment policy and the way in which it carries out acquisition by agreement for its redevelopment projects.

**The Government's Response**

Urban Renewal Authority Ordinance and 2011 Urban Renewal Strategy

3. URA was established under the Urban Renewal Authority Ordinance (URAO) in 2001 to replace the former Land Development Corporation to undertake and facilitate urban renewal. The URAO and the 2011 URS clearly set out the purposes for which URA has been established and its directions in implementing urban renewal.

4. Under the URAO, the purposes of URA are to improve the standard of housing and the built environment of Hong Kong by undertaking, encouraging, promoting and facilitating urban renewal; to improve the standard of housing and the built environment of Hong Kong by replacing old and dilapidated areas with new development which is properly planned; to achieve better utilisation of land in the dilapidated areas of the built environment of Hong Kong; to promote maintenance and improvement of individual buildings; and to preserve buildings, sites and structures of historical, cultural and architectural interests.

5. Pursuant to the URAO, URA should follow any guidelines set out in the urban renewal strategy prepared by the Secretary for Development (SDEV) when preparing its programme of proposals and its programme of implementation for projects under its 5-year Corporate Plans submitted to the Financial Secretary for approval each financial year. In 2011, after two years (2008-2010) of extensive public engagement, the Government promulgated the 2011 URS which had broad-based community support. The 2011 URS provides that URA should adopt a “People First, District-based, Public Participatory” approach when carrying out urban renewal, and should balance the interests and needs of all sectors of the community.

6. The role and social responsibilities of URA are clearly elaborated in the 2011 URS. Specifically, paragraph 6 of the 2011 URS stipulates the following *key principles* underlying the Government’s approach to urban renewal –

- (a) owners whose properties are acquired or resumed for implementation of development project should be offered fair and reasonable compensation;
- (b) tenants affected should be provided with proper rehousing;
- (c) the community at large should benefit from urban renewal; and
- (d) residents affected by redevelopment projects should be given an opportunity to express their views on the projects.

7. Paragraph 17 of the 2011 URS mentions that URA should consider the following factors when determining the priority of

URA-implemented projects: the age and building conditions of the buildings within the project area; whether the buildings are in lack of basic sanitation facilities or exposed to potential fire risks; the living conditions of the residents; whether implementation of the project will improve the area through replanning and restructuring; whether the project will achieve a better utilisation of land; and whether rehabilitation of the buildings within the project area is a practicable and viable option.

8. The 2011 URS embracing the aforementioned principles and project selection criteria remains the Government's overall strategy in urban renewal. As SDEV has mentioned on recent occasions, the Government has no plan to conduct another URS review at this stage as the 2011 URS has been implemented for only four years.

#### URA's Finances and Government's Support for URA

9. Pursuant to the URAO, URA shall exercise due care and diligence in the handling of its finances. The 2011 URS also states that the long-term objective of a self-financing urban renewal programme will continue to be upheld as URA implements its urban renewal programme. As a statutory organisation supported by public funds, URA has to exercise financial prudence in line with the URAO and the 2011 URS. Profit maximisation has never been, and should not be, the policy objective of URA.

10. The Government's commitment to the financial arrangements of URA is reiterated in the 2011 URS which states that the Government will continue to support URA through –

- (a) the \$10 billion capital injection already made to URA;
- (b) waiver of land premia for redevelopment sites;
- (c) waiver of land premia for rehousing sites; and
- (d) loans from the Government.

Where fully justified, the Government may also consider providing land to support the financial position of individual redevelopment projects.

11. Based on the audited accounts of URA, while URA recorded a deficit of about \$2.3 billion in the 2013-14 financial year, it had an accumulated surplus of approximately \$13.9 billion and a net asset value of approximately \$23.9 billion as at 31 March 2014. URA also successfully tendered a number of projects in mid to late 2014. As a result, URA has projected that its financial position will improve in 2014-15 and there is no need for capital injection by the Government. The latest financial position of URA will be reported to the Panel when the work of URA is to be discussed in June 2015.

#### Compensation and Ex-gratia Payment Policy of URA and Acquisition Work of URA

12. As mentioned in paragraph 6 above, the 2011 URS has reaffirmed the principle that owners whose properties are acquired and resumed for the implementation of redevelopment projects should be offered fair and reasonable compensation. The prevailing compensation and ex-gratia payment policy of URA broadly follows that of the Government for urban land resumption which was approved by the Finance Committee of the Legislative Council (LegCo) in June 2002. Any change to this compensation basis has to be fully justified, supported by the public and approved by the Finance Committee of LegCo. The Government has no plan to change this compensation policy. We have also not received any proposal for change from URA.

13. Paragraph 25 of the 2011 URS provides that, although URA may request resumption of land for redevelopment under the URAO, it should consider acquiring land by agreement before making such a request for resumption to SDEV.

14. Voluntary acquisition of property interests for URA's redevelopment projects has all along been undertaken by URA staff. The Government has not received any proposal from URA for outsourcing its acquisition function.

**Development Bureau**  
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