

**For Discussion  
on 22 June 2010**

## **LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT**

### **Work of the Urban Renewal Authority**

#### **Purpose**

This paper reports on the progress of the work of the Urban Renewal Authority (URA) and its work plan for the coming year.

#### **Background**

2. The URA was established in May 2001 to undertake urban renewal in accordance with the URA Ordinance. The Urban Renewal Strategy (URS) was published after public consultation in 2001 to provide broad policy guidance to the work of the URA. The URA adopts a 4R strategy to regenerate the older urban areas and improve the living environment of residents. The “4R” refer to “Redevelopment” of dilapidated buildings, “Rehabilitation” of buildings in need of proper maintenance, “pReservation” of buildings with historical, architectural and cultural significance, and “Revitalisation” of older areas.

3. Since its establishment, the URA together with its strategic partner, the Hong Kong Housing Society (HKHS), have successfully commenced all the 25 projects announced but have yet to be commenced by its predecessor, the Land Development Corporation (LDC). The URA has also carried on with the 10 ongoing projects commenced by the LDC and further launched another 17 other projects. As the URS Review is still ongoing in 2009-10, the URA has been focusing more on completing the projects which it has already commenced during this year. In 2009-10 and in the coming year, the URA put and will continue to put more effort into its rehabilitation work to complement the Development Bureau’s policy initiatives on this front.

#### **Progress of the URA’s Work**

4. As at the end of the 2009-10 financial year, the URA had directly, or through collaboration with the HKHS, commenced 38 redevelopment projects (seven of them with preservation elements) and four preservation-cum-revitalisation projects. The URA is now preserving over 60 historical buildings located within its project areas. The URA

had also assisted nearly 510 buildings (over 39 700 units) under its building rehabilitation programmes (excluding those 503 (as at end May 2010) receiving assistance under Operation Building Bright) and carried out area revitalisation initiatives in various districts.

5. A detailed account of the URA's work in 2009-10 is given in Part III of the URA's paper at **Annex**. The major activities of the URA in 2009-10 are highlighted in paragraphs 6 to 11 below.

### ***Highlights***

#### Rehabilitation

6. Operation Building Bright (OBB) is a specific measure for "Preserving Jobs" launched by the Government, in collaboration with the HKHS and the URA, in May 2009 amidst the 2008 financial tsunami to provide subsidies and one-stop technical assistance to help owners of old and dilapidated buildings to carry out repair and maintenance works. The URA has given its full support to OBB by participating in the implementation of the scheme with a financial commitment of \$150 million.

#### Redevelopment

7. The URA launched three new redevelopment projects in 2009-10 including the redevelopment of Ma Tau Wai Road/Chun Tin Street which was the last addition for 2009-10. The collapse of the building at No. 45J Ma Tau Wai Road on 29 January 2010 and the serious damage to its immediately neighbouring buildings have significantly affected the living environment of hundreds of households. The URA has taken the initiative to propose redevelopment of the site occupied by the collapsed building and its adjacent buildings on Ma Tau Wai Road and Chun Tin Street to address the problem of building decay in the affected buildings and to provide relief to the affected residents. The Financial Secretary approved the proposal and announced it in his Budget Speech on 24 February 2010.

8. In the context of redevelopment, over the past year, the URA has enhanced its policy on Relocation Assistance to increase the amount of payment and to relax the criteria for payment to help those affected tenants in hardship. In the special case of the Ma Tau Wai Road/Chun Tin Street project, the URA has also introduced a package of special measures to rehouse the eligible affected tenants and to make early partial payments to owners before formal acquisition offers are made in view of the unique circumstances of this project.

### Preservation

9. Since September 2008, the URA has commenced two projects to preserve two clusters of verandah-style pre-war shophouses of high heritage value and potential for adaptive re-use at Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street. The Development Scheme Plans for these two projects were approved in March 2010 and the URA has proceeded to issue offers of acquisition for these two projects.

### Revitalisation

10. The URA continues its street beautification works around its project areas, in Wan Chai in particular. Working closely with the Old Wan Chai Revitalisation Special Committee chaired by the Vice Chairman of the Wan Chai District Council, the URA launched two heritage trails in Wan Chai in September 2009 with touch-screen kiosks installed along the trails.

11. Following the Chief Executive's announcement in the 2009-10 Policy Address, the URA will be conserving and revitalising the Central Market building to turn it into a new Central Oasis. An advisory committee, the "Central Oasis Community Advisory Committee", was set up by the URA in December 2009 with membership drawn from the Central & Western District Council, professionals and businessmen with proven experience and expertise, to provide advice on this project.

### **Review of the Urban Renewal Strategy**

12. In July 2008, the Development Bureau launched a comprehensive review of the URS, which is expected to complete by the middle of this year. A Steering Committee on Review of the URS (the Steering Committee) has been set up to guide and monitor the whole review process. The Steering Committee, chaired by the Secretary for Development, comprises non-official members who are experienced in urban renewal, city planning, heritage conservation and/or community work. The URA has been providing assistance to the Government in taking forward the Review including funding the relevant consultancy studies and the public engagement consultant for the Review.

13. We have completed the Envisioning Stage and the Public Engagement Stage and moved into the Consensus Building Stage of the URS Review. For the purpose of consensus building, the Steering Committee, based on public views collated in the second stage of the Review and research analyses, has consolidated them into ten preliminary directions which are presented in the "Public Views and Future

Direction – Paper for the Consensus Building Stage of the Urban Renewal Strategy Review” released in May 2010. We sought Members’ views on the ten preliminary directions at the meeting on 25 May 2010. We will attend a Special Meeting of the Development Panel on 10 July 2010 to hear further views from deputations on the preliminary directions. Upon completion of the URS Review by the middle of this year, we will redraft the URS with a view to consulting Members and the public on the text of the revised URS before the end of this year for promulgation afterwards.

### **URA’s Future Work Plan**

14. The Financial Secretary approved the URA’s Corporate Plan (CP) for 2010-11 to 2014-15 and Business Plan (BP) for 2010-11 in March 2010. The 2010-11 BP of the URA presents a measured programme as this is still a year of consolidation with the ongoing URS Review so as not to pre-empt the results of the Review and the future way forward under the revised URS. The five-year CP includes 40 ongoing redevelopment projects and another 12 to be launched within the next five years, four ongoing preservation projects, a rehabilitation programme covering about 1 100 old buildings, and other revitalisation initiatives within the URA’s Scheme Areas.

15. In the 2010-11 BP, the URA plans to commence a few modest scale new redevelopment projects, continue to implement its ongoing preservation projects, enhance its existing building rehabilitation schemes including participation in the future Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme when in place, and continue its area beautification and revitalisation initiatives such as the Central Market.

16. Details of the URA’s work plan are set out in Part IV of the URA’s paper at **Annex**.

### **Financial Position and Disclosure**

17. The URA’s net assets stood at \$ 16.7 billion as at 31 March 2010. A net operating surplus of \$6.9 billion was recorded in 2009-10. The surplus was mainly due to the record upfront payments for those three projects which were tendered out for redevelopment during the year under favourable property market conditions, namely, Lee Tung Street / McGregor Street in Wan Chai, Yuet Wah Street in Kwun Tong and Lai Chi Kok Road / Kweilin Street and Yee Kuk Street in Sham Shui Po.

18. The URA estimates that a total expenditure of about \$16 billion, excluding operational overheads, will be required to meet the costs of all the projects in its 2010-11 to 2014-15 CP. To ensure that it has sufficient funding to meet the needs of its work programme, the URA has sought external financing by means of a \$1.5 billion bond issue in July 2009 under its Medium Term Note Programme and secured some committed banking facilities. The Government will continue to closely monitor the URA's financial position.

19. In response to Members' request made at the Panel meeting in June 2009 and in the interest of transparency and accountability, the URA has made public financial information on its individual completed projects. The financial information on eight completed projects is given at Appendix III of the URA's paper at **Annex**. The following key issues are highlighted to facilitate better understanding of the financial information -

- (a) six out of the eight completed individual projects were commenced by the LDC under a different ordinance and different forms of agreement with the joint venture partners. In general, joint venture partners of the LDC were responsible for the acquisition and development costs plus payment of the land premium involved. In addition, the LDC also received upfront payments from its joint venture partners and a share of the development profits;
- (b) projects commenced by the URA follow a different model. Acquisition, clearance and demolition work as well as planning approval are all handled directly by the URA. Only after completion of these tasks would the URA tender out the project to select the joint venture partner and to recoup the costs incurred;
- (c) the different development models and joint venture agreement structures of the LDC and the URA do not only have a direct bearing on the revenue and costs involved, the volatility of the property market also directly affects the financial performance of individual projects. To illustrate this point, the URA has included two sets of indices in the project information sheets, namely, the Centa City Leading Index and the Rating and Valuation Department Price Index to compare the performance of the property market at the critical stages of the projects using the

1997 and 1999 situations as base cases. A third indicator included is the percentage variation of the property market since the date of issue of acquisition offers of the respective project; and

- (d) the concept of premium foregone explained in Appendix IV is also noteworthy. Unlike the past model under which the LDC was required to pay land premium, as part of the Government's financial support package for the URA, urban renewal sites for new projects set out in the URA's CP and BP as approved by the Financial Secretary from time to time may, in principle, be directly granted to the URA at nominal premium. The amount of land premium foregone in the direct land grants to the URA by the Government as assessed by the Lands Department represents the difference between the value of land granted to the URA and the value of the lots acquired by the URA and the lots resumed by the Government as at the date of land exchange between the Government and the URA. It is important to note that, notwithstanding that the URA has been granted redevelopment project sites at nominal premium, the full market value of the land involved is always recouped by the URA from its joint venture partners through the terms of the joint venture agreement obtained by a tendering process.

### **Control of Flat Sales in Redevelopment Projects**

20. With a view to enhancing transparency and fair play in the sale of flats in the URA projects, the URA announced on 3 May 2010 that it would implement eight additional measures on control of flat sales on top of the nine new measures on first-hand private residential properties announced by the Financial Secretary on 21 April 2010 and implemented through the guidelines of the Real Estate Developers Association of Hong Kong and the Lands Department's Consent Scheme. Details of the URA's control measures are given at Appendix II to the URA's paper at **Annex**.

**Development Bureau  
June 2010**