



香港地產建設商會

THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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Comments of

The Real Estate Developers Association of Hong Kong on the Review of the Urban Renewal Strategy

General

- The current Urban Renewal Strategy (“URS”) was conceived in 2001. Over the past decade, we have witnessed a significant change in the public’s attitude and aspirations with regard to the city fabric and living space. It is therefore an opportune time to undertake a review of the urban renewal strategy.
- In our submission to the Government in 2001, we gave our support to the people-oriented approach as avowed by the Urban Renewal Authority in tackling urban renewal. We wish to reaffirm our support to this approach and urge the Government to ensure that any urban renewal strategy must be able to take care of the genuine need and interest of the community.

The People-oriented Approach

- When the URA was set up in 2002, Government injected a funding of \$10 billion to cover its forecast deficits incurred by taking up the projects from the LDC. The URA is required to exercise prudent commercial principles in handling its finances and is supposed to run on a self-financing model. This approach has determined the direction the URA takes with regard to its acquisition policy, and rightly or wrongly, the URA has been perceived by the public as profit-oriented and only interested in profitable projects, leaving out of its business plan those projects which may not generate adequate financial returns but are of great community interests.
- Other issues also emerged as URA carried out its works: in order to increase the financial returns, the development potential of URA’s redevelopment sites may have been driven to the maximum resulting in high density developments. In the course of land assembly, local residents were inevitably displaced and the conflicts between people’s desire to cling to their neighbourhood and the project initiatives had created some negative sentiments against the URA.
- Government should therefore rethink the URA’s financial model – whether urban renewal can be fully self-financing and whether URA’s business plans should be profit-driven.
- Government should recognize that people’s aspiration for urban renewal has changed. With a growing consciousness of their built heritage and identity with neighbourhood, their idea of urban renewal has become mixed with increasing



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demand for the quality of living space. In some cases, demolish-and-rebuild is the right approach; in others, especially when there is strong local character and close neighbourhood network, revival and revitalization may be a better approach. Apart from straightforward knock-down and rebuild, URA should also formulate a strategy to preserve and revitalize a neighbourhood by improving the structural sustainability of the buildings, beautifying the building fabric, celebrating the unique cultural character and heritage of the neighbourhood and enhancing its attractiveness to visitors.

URA as Facilitator

- The access to statutory resumption powers and finance by public funds may easily create a non-level playing field in favour of the URA and put it in a position in direct competition with the private sector. We believe the URA should limit its role to that of being a facilitator only for urban renewal projects and leave their development and construction to the private sector. Once sites are assembled and cleared, the URA should dispose them to the private sector either by way of tender or auction through Lands Department's Land Sale Mechanism. The proceeds generated from the sales of sites can be funneled back to the URA for funding of less profitable projects.
- In instances where the private sector has already amalgamated major landed interests, proper respect must be paid to the land assembly efforts undertaken by the private sector over the years and it is unfair for the URA to resume the entire area. Such action will discourage the private sector from undertaking urban renewal projects as the URA may at any time declare those projects as renewal projects and thereby quashing all the time and effort spent by the private sector. On the other hand there may be situations where the private sector would have difficulties in acquiring all of the properties needed to implement a project. Under such circumstances, the URA should provide the means of facilitation through the owners' participation development mode. Instead of unilaterally earmarking such sites into its development schemes, the URA should consider inviting the larger owner for joint development and step in to assist in the acquisition of the remaining properties and provide relocation packages.

Private Sector Initiatives

- The private sector has a very important part to play in the urban renewal process but its role was little mentioned in the URS. Government should facilitate private sector participation by providing a conducive environment. The Land (Compulsory Sale for Redevelopment) Ordinance (the "Ordinance") was enacted in 1998 with the objective of helping private sector expedite the site assembly process. Its potential however has not been fully tapped because of



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the inherent constraints of the Ordinance, in the respect of the basis for calculation of lot and the stringent triggering threshold.

- The Ordinance allows owners holding not less than 90% of the shares in a lot to apply for compulsory sale. Only in special circumstances can the CE in C approve applications where the holding is less than 90% but over 80%. This is a major hurdle to land assembly. In 2006 the then Housing Planning and Lands Bureau had put forward a set of proposals to lower the threshold to 80% for certain types of lots. While we are pleased to note that in his Policy Address the CE in C has proposed to lower the threshold to 80% for redevelopment of industrial buildings, we would urge the Government to apply these proposal to other types of buildings and introduce the enabling legislation as soon as possible, as it would allow the latent value of the property to be released and individual flat owners could benefit from the sale. It could also clear the way for urban renewal.
- The Ordinance also stipulates that the acquisition threshold must be calculated on a single lot basis. This restriction is too inflexible and would only unduly delay the site assembly process. A more flexible approach by calculating the threshold on the basis of aggregates of lots should be allowed.

Facilitate Building Maintenance

- There are 4 Rs in the URS – Redevelopment, Rehabilitation, pReservation and Revitalization. The URA should not only concern itself with redevelopment initiatives but should also get involved in rehabilitation projects.
- Many of the buildings constructed in the 1970s are in a dilapidated condition but may have little potential for redevelopment initiatives. In these cases the URA should step in and use its resources to assist their rehabilitation/revitalization by providing loans to owners to maintain their buildings, setting up information and resource centres to assist owners and conducting promotional programs to educate the public about the importance of building maintenance.

Preservation of Built Heritage

- Our Urban Renewal Strategy cannot be complete without a holistic policy on the preservation of built heritage. The Development Bureau has taken over the responsibility of heritage preservation from the Home Affairs Bureau since 2007. The Revitalizing Historic Buildings Through Partnership Scheme was introduced in 2008 and though the results are yet to be witnessed, we believe it is one step forward towards a holistic heritage preservation policy.



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- However, there is still a lack of policy on the preservation of privately-owned historical buildings and we believe more innovation is needed to facilitate private initiatives. It is not practical to rely on private owners to fully sponsor the substantial maintenance and repair costs, nor is it equitable to deprive private owners of their right of property development by declaring their property historical monument without proper compensation.
- We believe that if a specific building is to be preserved, the owner should be entitled to compensation for loss of development rights either in the form of cash compensation or through the transfer of development rights. URA could act as Government's agent to negotiate the terms with private owners under the guidance of the Antiquities Advisory Board. Other measures such as transfer of development rights, tax incentives, extra plot ratio could also be means to encourage preservation by the private sector. Financial assistance should also be provided to assist private owners to carry out repairs and regular maintenance.

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