

Study Report

The Achievements and Challenges of Urban Renewal in Hong Kong

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Chapter 1: Introduction and Methodology

Background of Study

1. In mid-2008, the Development Bureau of the HKSAR Government has started the Urban Renewal Strategy (URS) review exercise. As part of the URS Review, a Research Team from the University of Hong Kong was engaged in August 2008 to conduct a study on a number of Asian cities, including Seoul of South Korea, Tokyo of Japan, Singapore, Taipei, Shanghai and Guangzhou with respect to their urban renewal strategies. The study was completed in March 2009. As a continuation of the earlier study, the Research Team was asked again in August 2009 to conduct a study on the achievements and challenges of urban renewal in Hong Kong.
2. The current Urban Renewal Strategy (URS) was published in November 2001. It spells out the principles, objectives of urban renewal, and the targets, the role of the Urban Renewal Authority (URA), the land assembly process, the processing of projects including the social impact assessment, financial arrangement, parameters and guidelines. The URS was issued to the Urban Renewal Authority¹, i.e. the URA is the implementation agency of the URS.

Objective of study

3. The objective of the present study is to analyse and consolidate our local experience in urban renewal as we proceed with the URS review.

Scope of study

4. While there are diverse views on what urban renewal should be, to take stock of the achievements and challenges in urban renewal since the formation of the URA, the most appropriate yardstick and framework would be the relevant provisions in the URS.
5. It has been frequently commented that community expectations and aspirations have been changing and this has created substantial challenges to the work of the URA. This aspect of changing expectations and aspirations would be examined.
6. Similar to the study of urban renewal experience in the six Asian Cities, this study will also select a number of urban renewal projects implemented by the URA. The projects

¹ Quoted indirectly from the Preface of the URS.

included were:

- Redevelopment projects - H15 (Lee Tung Street/McGregor Street); K7 (Kwun Tong Town Centre), K2 (with a focus on the difference in approach between LDC and URA);
 - Rehabilitation projects/initiatives - Chung Sing Mansion (the first one in the rehabilitation programme); Tai Kok Tsui cluster; Building Rehabilitation Material Incentive Scheme, and Building Rehabilitation Loan Scheme;
 - Preservation projects/initiatives - Mallory Street/Burrows Street project;
 - Revitalisation projects/initiatives - Tai Kok Tsui street beautification.
7. While the proposed study would be focused on the existing URS and the work done by the URA, a review of urban renewal would be incomplete without stock-taking the efforts in the private sector.
8. The redevelopment work of the Housing Authority and Housing Society would not be included in this study.

Methodology

9. Documentary review formed the major part of the study. Most of the relevant documents were supplied by the URA. Only non-confidential documents will be sought. Assistance from the Buildings Department, Lands Department, Transport Department, Fire Services Department and the Electrical and Mechanical Services Department would also be needed to obtain the necessary information.
10. To capture the views of the general public, particularly, those living or conducting business adjacent to urban renewal projects, a secondary analysis of studies done by the URA and other organizations was also conducted. There are already quite a number of studies that had been conducted by the URA in many of its target areas (including Wanchai, Sheung Wan, Shamshuipo, and Kwun Tong). Many other organizations including district councils and community groups have also been conducting studies related to urban renewal in the past few years. A documentary review and secondary analysis could be conducted to fully utilize the data collected so far.
11. Supplementary interviews and focus groups were conducted, whenever necessary, with stakeholders including affected individuals (residents and shop operators); professional groups, community and concern groups, staff of URA, government officials, etc. As the URS review process is going in parallel, submissions from the public and newspaper

articles also provided important data for analysis of public views in this report.

12. At the same of this study, there are simultaneously several other studies going on, i.e. tracking study on the impact of redevelopment on residents, economic impact assessment of redevelopment project, building conditions study, etc. Thus, the relevant parts dealt with by these studies will not be addressed in this particular study in details.

Presentation of this report

13. In the next chapter, a brief description of the urban renewal in Hong Kong prior to the establishment of the URA will be described. The various case studies in this study would then be discussed. The overview of the achievements and challenges up to the present would be discussed, followed by a set of concluding remarks.

Chapter 2: Background – Pre-URA Urban Renewal in Hong Kong

14. Land is a scarce resource in Hong Kong and apart from the natural harbor and its population, land is the major resource that Hong Kong has. Overcrowding and a congested living environment has always been an issue in Hong Kong since its early days of urbanization. On the other hand, land usage maximization and land value maximization appear to be the predominant “principles” in the urban development of Hong Kong.
15. While urban renewal in the pre-World World II period was primarily related to efforts to tackle overcrowding, public health and fire safety, in the post-war period before the formation of the Land Development Corporation (LDC), urban renewal was primarily left to the private sector. The formation of the Housing Society in 1948 (incorporated by ordinance in 1951) to provide affordable housing and the establishment of the Hong Kong Housing Authority in 1954 to meet the housing needs of low income families marked the segregation of the public and private segments of the housing market. While the formation of the LDC can be considered as the first effort of the Government to establish a public institution to speed up urban renewal, apart from the meager loan of \$100M and the invoking of the Lands Resumption Ordinance when negotiation failed to reach 100% acquisition, the support of the Government given to LDC was rather limited.

Pre-World War II

16. Urban renewal can be seen as the twin brother of urban development of Hong Kong. Since the occupation of Hong Kong Island by the British Force in 1841 and the founding of Victoria City in 1843 after the Treaty of Nanking in 1942, rapid urbanization and urban renewal that soon followed were repeated themes of urban development of Hong Kong.
17. Possession Point², marked the start of the first road, Hollywood Road, in Hong Kong Island constructed by the British Government and marked the beginning of urbanization in the area now called Sheung Wan.
18. Early efforts of urban renewal and urban management were very much related to concerns of overcrowding, public health and fire safety. The first building ordinance,

² It is the location where the British army had landed in 1841 before the signing of the Treaty of Nanking. Currently, the original site was now the Hollywood Road Park.

the Building and Nuisance Ordinance (1856) subsequently replaced by the Buildings Ordinance (1889), and the formation of the Land Commission (1885) are early efforts to deal with these problems. In the preamble of the first land resumption ordinance, “Ordinance to Resume Crown Lands under Lease and to Give Compensation Therefor and Other Cognate Purpose” (No. 23 of 1889), the predecessor of the Land Resumption Ordinance (Cap 124), it was explained that in cases of dwelling houses with insanitary conditions, the Governor was empowered to acquire or resume such lands and buildings compulsorily with a view to erect improved houses³.

19. The bubonic plague (1894) broke out in the area around Tai Ping Shan District (around the area of Tai Ping Shan Street, south of the Hollywood Road) and the Tai Ping Shan Resumption Ordinance (1894) marked the first slum clearance project in Hong Kong⁴. Subsequent to the second Chadwick Report to recommend land resumption and rebuilding insanitary houses, the Public Health and Buildings Bill was tabled in the Legislative Council on July 7, 1902⁵. Resumption and rebuilding in Sheung Wan, including areas in Lower Lascar Row, Ladder Street and Kau U Fong continued⁶.

Post-war and prior to the formation of Land Development Corporation

20. Public urban renewal efforts in the post war period prior to the formation of the LDC in 1987 can be regarded as “minimum” or “ad hoc” (Ng, 1998⁷). The Tai Hang Village project (1959) ended because of strong local objections, the long process of over 2 decades to implement the Pilot Scheme Area (1969) in Sheung Wan with an area of 5.18 ha (Jim, 1994), are very clear examples of the difficulties in public urban renewal efforts during this period (Yeh, 1988⁸).
21. In 1973, the Urban Renewal and Environmental Improvement Coordinating Committee took up the overall coordination and programming of “Environmental Improvements Areas” (EIA) with the main objective to upgrade the environment by providing more land for government, institutional and community (GIC) facilities. Again, it was assumed that existing private buildings would be redeveloped by the owners themselves or by the private sector. The Government concluded that within a few years of

³ Choa, Gerald H. (2000) *The life and times of Sir Kai Ho Kai*

⁴ Jim, C.Y. (1994) “Urban Renewal and Environmental Planning in Hong Kong”, *The Environmentalist*, 14(3): 63-181.

⁵ Legislative Council, Hansard, 7th July, 1902.

⁶ Jim (1994), *ibid*.

⁷ Ng, Issac (1998) “Urban redevelopment in Hong Kong – The partnership experience”, in *International Journal of Public Sector Management*, 11(5): 414-420

⁸ Yeh, A.G.O. (1988) “Public and Private Partnership in Urban Redevelopment in Hong Kong”, proceedings of the 5th CAP Plenary Conference and Southeast Asia Workshop, 28 Nov – 3 Dec 1988.

implementation of EIA it was clear that the long process of programme implementation would prevent it from solving wider issues of urban decay⁹

22. Another major effort was the Urban Improvement Scheme proposed by the Hong Kong Housing Society and supported by the Government in 1974. The objective was to improve the environment of older districts via redevelopment. Since then a total of more than 30 projects were completed¹⁰. The first completed project was Mei Sun Lau¹¹ (1980) in Shek Tong Tsui. However, these projects were considered to be rather small in scale and this effort in urban renewal had not been successfully undertaken on a comprehensive scale (Yeh, 1988¹²).
23. One classical example that took 30 years to complete was the Tsim Sha Tsui Four Streets project (later known as K11 Hanoi Road and recently as K11, The Masterpiece). The Land Development Policy Committee approved the land owners of the “Four Streets” to form a development company to carry out comprehensive redevelopment in 1979, and the Town Planning Board approved the master layout plan (MLP)¹³ in principle in 1980 (Yeh, 1988). Yet, it was not until the formation of the LDC before any real progress could be seen. The completion of the project, i.e. the Master Piece, in 2009 by the URA and its private partner with its record high property value has been the talk of the town for some time.
24. Privately led urban redevelopment in Hong Kong during this period can be characterized as either sporadic “pencil development” of high-rise projects erected on small sites (Adams and Hastings, 2001¹⁴) or the brown field developments in Tai Koo Shing, Whampoa Garden, and Admiralty (Lo and Ma, 1986¹⁵). We should also noted that in the late 1950s and early 1960s, residential buildings could be developed to very high intensities, “in some cases up to an equivalent of plot ratio 12 to 15 (Planning Department, 2007¹⁶).

⁹ Planning, Environment and Lands Branch, HK Government (June 1996) *Urban Renewal in Hong Kong*.

¹⁰ Retrieved from HK Housing Society website on January 3, 2010.

¹¹ Mei Sun Lau has 2 blocks with a total of 264 units.

¹² Yeh (1988), *op cit*.

¹³ We noted that the date in the master layout plan for the Four Streets reproduced in Figure 3.5 of the thesis by (Li, 1983) was 21-8-78. (Li, Chi Miu Phyllis “A feasibility study of pedestrianisation in shopping areas of Hong Kong” (A planning workshop report submitted for partial fulfillment of the degree of Master of Science (Urban Planning) at University of Hong Kong.)

¹⁴ Adams, D., and Hastings, E.M. “Urban Renewal in Hong Kong: transition from development corporation to renewal authority” in *Land Use Policy*, 18(2001): 245-258.

¹⁵ Lo, E.C.W. and Ma, M.T.C. (1986) “Urban Redevelopment in Hong Kong”, in *Planning and Development (Journal of the Hong Kong Institute of Planners)*, 2(1): 2-10.

¹⁶ Planning Department (October 2007) “Information Note No.22 Addressing High densities – A net site approach for large sites?” issued in the context of the *Hong Kong 2030 Planning Vision and Strategy*.

25. Fong (1985)¹⁷ summarized four major institutional weaknesses of urban renewal in this era: no effective mechanism to assemble sites, reluctance to re-house existing occupiers, the lack of a public redevelopment authority, and the lack of commitment from the government in terms of resources.
26. The proposed LDC was one of the solutions to tackle some of the difficulties in urban renewal experienced.

From the Land Development Corporation to the Urban Renewal Authority (PPP model and owners' participation)

27. A public-private partnership (PPP) model was spearheaded by the Land Development Policy Committee (LDPC) in 1984 and accepted by the Executive Council in June 1985 (Yeh, 1988). This is the basic working model of the later formed LDC, i.e. the partnership between the LDC and the private sector. The provisional LDC was formed in 1987 and in the same year, the Land Development Corporation Ordinance (LDCO) was enacted. As suggested by the name "Land Development", the prime role is "land development" or perhaps better still "land recycling", i.e. the assembly of land for redevelopment. The formation of LDC was apparently very much related to the policy drive from the LDPC.
28. Subsequently, the LDC was established on 15 January 1988 with the objective, as spelt out in the LDCO, "to improve the standard of housing and the environment in Hong Kong by undertaking, encouraging, promoting and facilitating urban renewal", (Section 4, Cap. 15). It is accordingly charged with the responsibility of carrying out "a systematic and comprehensive programme of urban renewal to rehabilitate, rejuvenate and revitalize the old dilapidated urban areas" (Razack, 1988¹⁸)
29. While the PPP model partnership was articulated, judging from the fact that the Government had only made a loan of \$100 million available together with the binding principle of "conducting its business according to prudent commercial principles" (Cap. 15, Section 10(1)), minimal government intervention was still the motto. In the first phase of redevelopment, by agreement with four major developers in Hong Kong, the LDC was able to start its first eight projects with approximately \$1.2 billion deposits on

¹⁷ Fong, P.K.W. (1985) "Issues in urban development: the Land Development Corporation", *Built Environment*, 11: 283-93.

¹⁸ Razack, A.E. "Urban Renewal and the Land Development Corporation in Hong Kong", proceedings of the 5th CAP Plenary Conference and Southeast Asia Workshop, 28 Nov – 3 Dec 1988.

land from the four developers¹⁹, i.e. 12 times the loan available from the government. This is a good quantitative indication of the meaning behind “public-private” partnership.

30. Apart from the PPP model, another attempt was “owners’ participation”. With the agreement of the Town Planning Board in 1991, the Planning Department invited the LDC to explore the feasibility of preparing a comprehensive redevelopment scheme involving property owners²⁰. Three initially identified projects were Nga Tsing Wai Village (K1), Hanoi Road (K11, the former “Four Streets” project), and the Queen Street (H1). However, with clear presence of Cheung Kong (Holdings) Ltd in K1, “owners’ participation” would probably turn into a PPP instead. Owners’ participation in K11 was basically the intent of the HK Government back in 1979. LDC was simply continuing with this mandate. However, when most of the owners sold their interests to the New World Development Co. Ltd. and the rest to the LDC, this owners’ participation model was not seen as a success, at least not the usual meaning of owners’ participation that people would construe. Owing to the lack of interest shown by owners, the Queen Street project turned out to be a joint venture partnership with developers who were also owners within the site.
31. In the Phase II redevelopment, many of the projects were quite small and was considered to be “too much piecemeal redevelopment” (Adams and Hastings, 2001), as exemplified by the Ko Chun Court (26 units), Yan Yee Court (46 units), Kui Yan Court (48 units), and the Bulkeley Street (54 units)²¹ projects.
32. Up till April 2001, before the establishment of the URA, the LDC had commenced a total of 26 projects and completed 16²² (See Appendix II for the list of completed projects), including one preservation project, i.e. the Western Market.
33. The limitations faced by the LDC had become apparent and by July 21 1995, the HK government issued a public consultation document on urban renewal which put forward a package of proposals to expedite the process of urban renewal. In June 1996, the HK Government published a policy statement entitled “Urban Renewal in Hong Kong”. It concluded that “... the LDC will not be able to deliver urban renewal on a sufficient scale

¹⁹ The eight projects were taken up by the New World Development Co. Ltd. (4 projects), Sun Hung Kai Properties Ltd. (2 projects), Cheung Kong (Holdings) Ltd. (1 project), and Great Eagle Co. Ltd. (1 project) (Adams and Hastings, 2000, *op cit*)

²⁰ LDC Annual Report (1996-97), page 12.

²¹ LDC Annual Report (2000-01).

²² One of the projects, Kui Yan Court, was actually developed by the HK Housing Society and subsequently purchased by the LDC for rehousing.

and quickly enough to avoid long-term urban decay without new operating mechanisms and increased support from Government” and proposed, amongst other things, the establishment of a new statutory authority, the URA.

34. In the midst of the discussion of setting up a new URA to replace the LDC, the LDC announced 22 new projects in January 1998²³.
35. In the 1998 Policy Address, the Chief Executive indicated that he has asked “the Secretary for Planning, Environment and Lands to formulate an Urban Renewal Strategy which will provide a comprehensive planning framework for urban renewal” and “will seek to establish as soon as possible an Urban Renewal Authority” to replace the Land Development Corporation (LDC) to implement a new rigorous and comprehensive approach to overcome the problem of urban decay. The major reasons for setting up the URA were²⁴:
- Scarcity of sites for profitable redevelopment
 - Lengthy land assembly process
 - Inadequate re-housing resources
 - The statutory duty of LDC was to carry out redevelopment of buildings only without other functions of urban renewal such as rehabilitation.
36. We noted that although in the 1998 Policy Address, the Chief Executive had already said that “we are now finalising our initial proposals for an Urban Renewal Strategy (URS)”, consultation on the URS was made after the enactment of the Urban Renewal Authority Ordinance in 2000 and its finalization was actually completed in November 2001.

The formation of the URA

The Urban Renewal Authority White Bill

37. On 22 October 1999, the Government gazetted the Urban Renewal Authority White Bill for public consultation. A sub-committee was established under the House Committee of

²³ We noted that, as mentioned in the 1996-97 LDC Annual Report (pg.22), 25 projects were identified and recommended to the Government. However, in the 1997-98 Annual Report (pg 18), the number of projects announced in January 1998 was 26, while in the 1998-99 Annual Report (pg.21) this figure was adjusted to 22, even though in both reports, the numbers of projects under planning were exactly the same (i.e. 23) and the names of the projects were exactly the same. The number of projects that is usually considered to be ex-LDC projects that are not commenced and subsequently taken up by the URA is 25 including the Nga Tsin Wai Village and the Macpherson Stadium, both of which are phase II LDC projects always listed in the LDC reports as “Projects under Active Implementation”.

²⁴ Report for the House Committee meeting on 11 February 2000, “Report of the Subcommittee to study the Urban Renewal Authority White Bill”.

the Legislative Council (LegCo) to study the White Bill²⁵. The Sub-committee recommended and the Administration accepted:

- to adopt a people-oriented approach and to minimize disruption to social networks in the urban renewal process, the Administration should critically assess the need to undertake social impact assessment before launching a redevelopment project, and
- that protection of heritage should be included²⁶.

38. The Sub-committee also noted the division of work between the Building Authority (BA) and the proposed URA, while the URA would be responsible for the urban renewal in the nine target areas, the BA would be responsible for the implementation of a preventive maintenance strategy in other areas.

The Urban Renewal Authority Bill

39. The URA Blue Bill was gazetted on 3 February 2000. The provisions of the Blue Bill were essentially the same as those of the White Bill except on some drafting and technical points. In the last session of the Legislative Council in its relatively brief term 1998-2000, on June 26, 2000, the URA Bill was passed. For such an important bill, the time spent on this Bill could be regarded as rather short. On the third reading, the Bill was passed with only two objections from the Hon. Christine Loh and Hon. Leung Yiu-chung. Loh's objection was primarily on the role of the URA. She preferred a more market-led approach of urban renewal instead of having a public body to be "an equity risk partner in development."²⁷ Leung's dissatisfaction was mainly concerned with the coercive land resumption power spelt out in the URA Bill, the lack of an urban renewal strategy prior to passing the Bill, and the compensation package proposed by the Administration. In May 2001, the URA was formally established.

The Urban Renewal Strategy

40. Section 20 of the URAO (Chapter 563) requires the Secretary for Planning, Environment and Lands (or presently, the Secretary for Development) to consult the public before finalizing the Urban Renewal Strategy (URS). The consultation took place between August 1, 2001 and September 30, 2001. On the basis of the comments received from over a hundred submissions, the draft URS was revised and subsequently published in

²⁵ *Ibid.*

²⁶ The Administration accepted the Legislative Council Members' suggestion to revise the clause 5 of the White Bill to expressly provide for the preservation of historical, cultural and architectural sites and structures as one of the purposes. We noted that the emphasis was on the physical sites and structures.

²⁷ Hanzard, Legislative Council, June 26, 2000.

November 2001. It spells out the principles, objectives of urban renewal, and the targets, the role of URA, the land assembly process, the processing of projects including the social impact assessment, financial arrangement, parameters and guidelines. Lastly, it spells out that the “urban renewal strategy will be reviewed and updated regularly (every two or three years). The public will be consulted on the revised urban renewal strategy before it is finalized for implementation.”

41. The URS requires the URA to adopt a “comprehensive and holistic approach to rejuvenate older urban areas by way of redevelopment, rehabilitation and heritage preservation”²⁸.

Basing on the URS, the URA has established its 4Rs strategy, namely:

- to accelerate Redevelopment by replacing old buildings with new to provide a better living environment and neighbourhood;
- to enable and encourage the Rehabilitation of dilapidated buildings to prevent urban decay;
- to pReserve by maintaining and restoring buildings of historical and architectural value, and to sustain local characteristics;
- to Revitalise through enhancing and strengthening the socio-economic and environmental fabric for the benefit of our urban communities.

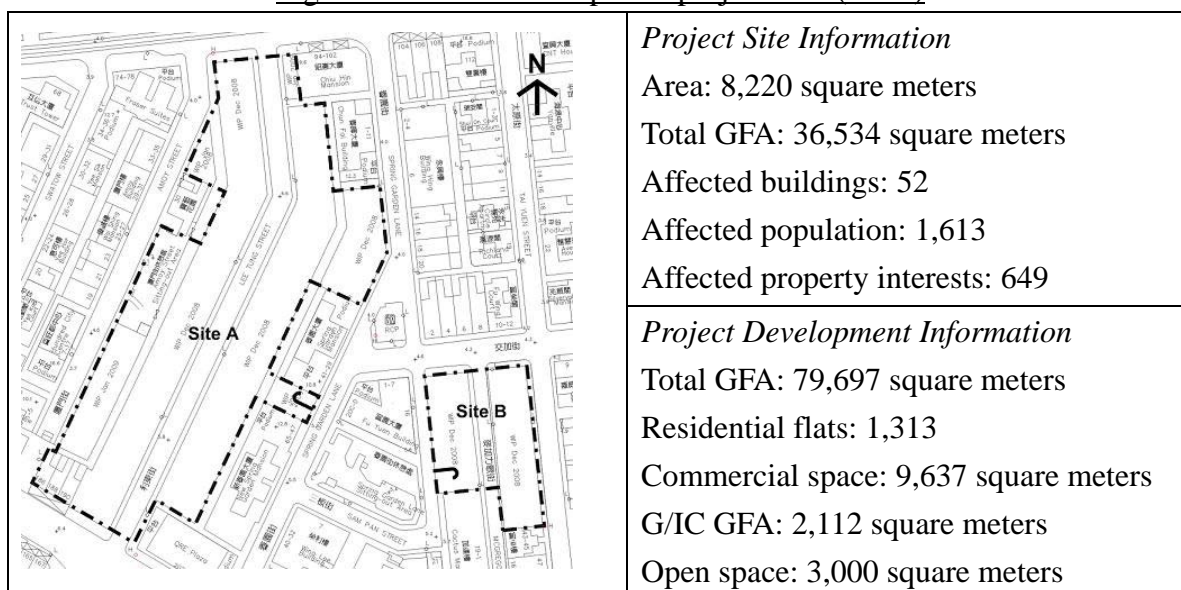
²⁸ URS, paragraph 7.

Chapter 3: The Case of Lee Tung Street/McGregor Street Project (H15)

Background

42. Lee Tung Street was famed of its printing industry. From the 1970s onward, Lee Tung Street was also popular for its wedding cards, red packets, and calendar printing services and was, thus, also called the Wedding Card Street (喜帖街).
43. The Lee Tung Street/McGregor Street project (H15) was one of the projects announced in January 1998 and listed as one of “Projects under Planning” in the LDC Annual Report (1997-98) and it remained so till the last LDC Annual Report (2000-01) .
44. Geographically, the project covers Lee Tung Street and McGregor Street involving an area of 8,900 square meters (Figure 3.1).

Figure 3.1 H15 redevelopment project area (URA)



45. By the end of June 2005, the URA had bought over 80% of the 647 affected property interest within the project area. Planning Application for Comprehensive Development scheme at Lee Tung Street (利東街) / McGregor Street(麥加力歌街), Wanchai Volume I - Planning Statement (MLP) No. H15/MLP1 was submitted in December 2006, and the demolition work was kicked off in late 2007.

Table 3.1 Milestones of the H15 project²⁹

Date	Particulars
13.8.1997	SPEL gave approval to LDC to prepare the Development Scheme
2.1.1998	LDC announced the launching of 25 projects including H15
21.8.1998	TPB approved the DSP (Plan No. S/H5/LDC2/1)
28.8.1998	Gazette of draft DSP (Plan No. S/H5/LDC2/1)
5.3.1999	Gazette of proposed amendment to DSP boundary to meet an objection
19.3.1999	No further objection upon expiry of gazette period
22.6.1999	CE in Council approved the DSP
21.6.2003	Wan Chai District Community Revitalization Workshop was held
19.9.2003	TPB endorsed the planning brief
17.10.2003	URA conducted occupancy survey
3.11.2003	Concept Design competition announced
9.12.2003	Meet the local community forum organized as part of the concept design competition
9.1.2004	URA issued offer letters for acquisition
16.1.2004	Submission deadline for concept design competition
16.3.2004	Adjudication of the concept design competition
8.10.2004	Wan Chai Development Strategy Study by GHK commenced
1.12.2004	Wan Chai CAS Study by HKU commenced
3.2.2005	H15 Concern Group submitted s.16 application to TPB
23.2.2005	Wan Chai Master Plan Study by Benoy commenced
18.3.2005	TPB rejected the application by H15 Concern Group
29.3.2005	URA issued the first letter to the H15 Concern Group
22.4.2005	URA issued the second letter to the H15 Concern Group
25.4.2005	H15 Concern Group submitted a review application to TPB
22.6.2005	URA issued the third letter to the H15 Concern Group
22.7.2005	TPB rejected the review application but agreed to amend the planning brief
9-12.2005	Wan Chai Master Thinking Door-stepping (questionnaires + workshop + government consultation)
15.9.2005	H15 Concern Group lodged an appeal against TPB
21.10.2005	Revised planning brief considered by TPB
15.11.2005	URA PDCC and WCDC were consulted on the revised planning brief
5.12.2005	URA issued comments on the revised planning brief to PlanD
11.2.2006	Local residents were consulted on the revised planning brief (street forum)
28.3.2006	WCDC UR Task Force met to discuss on the street forum recommendations on the revised planning brief
31.3.2006	Letter to TPB expressing concerns regarding delay of confirming the Planning Brief
25.5.2006	WCDC UR Task Force issued comments on the revised planning brief to TPB
23.6.2006	Planning brief finalized and approved by TPB after consultation with WCDC and URA
21.11.2006	DC Consultation Wan Chai District Council passed a motion in support of the general

²⁹ Source: Appendix I of the MLP NO. H15/MLP1 (December, 2006) and additional information provided by URA for period after the submission of the MLP.

Date	Particulars
	concept of the MLP and its early implementation upon consultation
12.12.2006	AAB was presented with the MLP and its majority view was in generally supportive.
21.12.2006	s.16 of TPO Submission of MLP to TPB for approval
27.03.2007	Submission of the revised MLP, together with the revised Landscape Master Plan and Air Ventilation Assessment, in response to comments from both Government departments concerned and the public to TPB
22.05.2007	TPB approved the revised MLP submission
22.12.2008	Revised MLP Development schedule
20.04.2009	Approval of Gazettal on Road Closure.
04.06.2009	Submitted revised MLP in discharging traffic & AVA planning conditions .

46. Under the Development Scheme Plan (DSP) approved in 1999, the scheme intended to achieve environmental improvement through comprehensive redevelopment, restructuring the land use pattern, promoting efficient land use and providing public open space. Within the DSP, the provision of additional GIC facilities as required by the Government was also stated. In the DSP, adequate off-street parking spaces and loading/unloading facilities were also required so as to improve local traffic flow.

47. In the Planning Brief approved in June 2006, various requirements including development intensity, maximum building height, open space, GIC facilities, transport requirements, building conservation (the pre-war buildings at 186-190 Queens' Road East, Figure 3.2), urban design and landscape considerations (such as preservation of shopping street character, tree preservation and environment) were spelt out.



Figure 3.2 Three pre-war tenement houses at 186 - 190 Queen's Road East, Wanchai

48. To meet the planning requirements and the URS requirements, the URA has performed the following impact assessments and these assessments are submitted to the Town Planning Board:

- Heritage Assessment
- Structural Assessment
- Traffic Impact Assessment
- Environmental Impact Assessment
- Ventilation and Lighting Assessment
- Visual Appraisal

- Socio-economic considerations³⁰

Figure 3.3 Artist's impression of the design

(Source: www.ura.org.hk)



Controversies in H15

49. Title acquisition is usually the source of tension. URA made its offer in January, 2004. When the URA applied to the Government for land resumption in December 2004, it had acquired 75% of the 647 property interests. By August 2005 before the Government started resumption, the URA was in possession of 601 property interests (or 93%). The settlement with the last owner-occupier was reached in October 2006.
50. As in many other URA projects, there were complaints from owners and tenants related to the acquisition process. This part will be discussed separately on the part related to the challenges in redevelopment projects of URA. The major controversies in the H15 project are related to:
- preserving the social network and local economy and
 - community participation in planning
51. The H15 Concern Group, composed of residents and business operators in the project area³¹, was formed soon after the URA announcing the commencement of the H15 project in October, 2003. It had three major objectives which demand for³²:

³⁰ The Social Impact Assessment was not spelt out in the MLP as such but the relevant parts were contained in the section on "Preserving Local Character, Community Spirit, Established Social Network and Local Economy"

³¹ While all the members of the H15 Concern Group were residents or operators in the project area, there were also volunteers from various advocacy groups who participated in its activities from time to time.

³² Translated from http://h15.hk/h15_page_2.htm (retrieved on January 3, 2010) 要求依法賠償同區七年樓 (不要假設, 要確實足夠買同區七年樓的賠償) (2) 要求補差額原區樓換樓 舖換舖 (照顧一些有需要原區安置及復業的居民) (3) 要求保留喜帖街 (不要摧毀本土經濟)。

- “real” compensation according to the 7-year rule;
 - provision of “flat-for-flat” and “shop-for-shop” arrangement with the needed top-up payment; and
 - preservation of the Wedding Street (i.e. conserving the existing local economy).
52. With the assistance from some professionals and a process of bottom-up consultation with the local residents and business operators, the H15 Concern Group submitted a Section 16 application to the Town Planning Board on February 3, 2005, known as the “Dumbbell Proposal”. The main idea of the proposal is to keep the shop-houses (“Tong Lau”) in the central portion of the Lee Tung Street, the pedestrianization of the Lee Tung Street and six new residential blocks³³. The proposal emphasized the people-oriented element and the preservation of the historical characteristics of Lee Tung Street and transformed the aging printing area into a tourist spots to attract local and foreign tourists.
53. The application was rejected by the Town Planning Board March 18, 2005. The Town Planning Board rejected the review application on July 22, 2005 and at the same time agreed that the good elements of the development scheme proposed by H15 Concern Group should be incorporated in the Planning Brief³⁴. These elements included the adoption of a “people-centered” approach, preservation of streetscape and local character of the area, pedestrianization of Lee Tung Street, and provision of linked open space³⁵. Subsequently, the project Planning Brief was reviewed at a Town Planning Board meeting in October, 2005. At the meeting, the Board agreed that the Wan Chai District Council (WCDC) should be consulted in the preparation of the Planning Brief.
54. We noted that during the TPB processing of the DSP in 1998-99, the then Wan Chai District Board supported the comprehensive scheme. In fact, prior to URA’s commencement announcement in October 2003, the URA was frequently urged by the then WCDC to start the process. However, such support changed after the Wan Chai District Council was formed again after the 2003 election.
55. It is quite apparent that there was considerable tension between the Wanchai District Council (WCDC) and the URA with respect to the H15 project. Many members of the WCDC were supportive to the efforts paid by the H15 Concern Group. While the

³³ H15 Concern Group, Proposal for Sustainable regeneration of Lee Tung Street (retrieved from the H15 Concern Group website at http://h15.hk/h15_page_5.htm, on January 3, 2010.)

³⁴ Town Planning Board Annual Report (2005), page 43.

³⁵ Urban Renewal Authority (December 2006) *Planning Application for Comprehensive Development at Lee Tung Street/McGregor Street Wanchai* (Master Layout Plan).

WCDC was consulted on the revised planning brief in November 2005, the comments of the WCDC Urban Renewal Task Force were only issued in May 2006.

56. According to the URA, the following aspects of public views were incorporated in its MLP:

- Design character of the “Dumbbell” proposal
- Pedestrianization of Lee Tung Street
- Preservation of local street character with street shops and mixed
- Residential/commercial uses
- Opportunities for the continued thriving of the local economy
- Preservation of community spirit
- Assist in the revitalization of the old area
- Provision of public and private open space
- Ground level open space to link Spring Garden Lane and Amoy Street
- Linked open space at podium level
- Preservation of pre-war historical buildings along Queen’s Road East
- Small average flat size

57. While the WCDC passed a motion in support of the draft MLP in November 2006, the H15 Concern Group did not support the general concept of the MLP mainly on the ground that there were insufficient measures other than hardware provision to preserve the social network and local character of the area.

58. Some affected residents lodged a complaint to the Ombudsman about the process of consultation and in February 2006, the Ombudsman concluded that the URA has taken appropriate actions throughout the process.

Meeting the requirements of URS

Redevelopment

59. The commencement and implementation of the H15 project is consistent with the commitment of the Government in the enactment of the URAO and the formulation of the URS, i.e. honouring the commitment to complete the 25 projects previously announced by the LDC.

Meeting the objectives of urban renewal strategy

60. The extent to which the H15 project meets the 12 objectives spelt out in URS is set out

in the table below.

	Objective	Achievements
a	Restructuring and replanning designated target areas	Adopted an area-based approach based on a district base planning study - “Wan Chai Master Thinking”
b	Designing more effective and environmentally-friendly local transport and road networks	Pedestrianization of Lee Tung Street and the provision of underground connection to the MTR, off-street parking and loading-unloading area. The re-provisioning of the refuse collection point and public toilets located at the junction of Cross Street and Spring Garden Lane into the site which would improve vehicular circulation along Spring Garden Lane
c	Rationalizing land uses	The re-provision of refuse collection point and public toilet.
d	Redeveloping dilapidated buildings into new buildings of modern standard and environmentally- friendly design	Environmentally friendly features are included, e.g. water-cooling air-conditioning, grey water recycling system, solar energy systems, etc.
e	Promoting sustainable development in the urban area	Achievements in economic and environmental aspects are more obvious and less debatable. However, social aspects of sustainable development are contentious.
f	Promoting the rehabilitation of buildings in need of repair	Not applicable
g	Preserving buildings, sites and structures of historical, cultural or architectural interest	Three pre-war shop houses (Grade II historic buildings) within the site will be conserved and put to adaptive re-uses
h	Preserving as far as practicable local characteristics	Preserve the existing streetscape by maintaining the height, scale and style of the shop-houses at street level. To retain the active street level character, the street will maintain their active mixed uses with commercial, retail, restaurant, etc.
i	Preserving the social networks of the local community	This is one of the most controversial parts of the project. The efforts made by the URA include: <ul style="list-style-type: none"> ● smaller units in the future residential towers will be designed with overall average flat size about 52m² (GFA). Units of less than 50m² GFA would also be provided to enhance the probability for the original residents to purchase a new and affordable flat in H15³⁶ ● non-domestic portion of Site B is proposed to be

³⁶ As to whether such flats would be affordable to the previous owner-occupiers in the future is unknown. For instance, in the J-Residence, a URA project, there were 7 transaction recorded in early 2010 before this report was written, the price ranges from \$11,357/ft² to \$13,799/ft² for flat sizes ranging from 449 to 585 ft².

		<p>retained for possible social enterprises or social capital projects to facilitate the preservation of the social network and building up of social capital in old Wan Chai</p> <ul style="list-style-type: none"> ● a 3,000m² saleable floor area of the non-domestic portion will become a Wedding City comprising wedding themed shops where the original wedding card shops will be allowed to return, which originally occupied about 1,400 m² of saleable floor area. Hence, the provision should be more than sufficient to cater for potential interest. However, whether shop owners would return to the redeveloped site is still unknown³⁷.
j	Providing purpose-built housing for groups with special needs, such as the elderly and the disabled	A residential care home for the elderly (RCHE) cum day care unit (DCU) is included in the site area
k	Providing more open space and community/welfare facilities	Public Open Space: Not less than 3,000m ² – Community facilities: Reprovisioning of refuse collection point and public toilet Welfare facilities: the RCHE cum DCU
l	Enhancing the townscape with attractive landscape and urban design	Reduced site coverage via pedestrianized streets and open spaces to enable various landscaping improvement in the area, including street trees and ornamental planting to increase the amount of green space, and vertical greening to the façade of the new buildings. Set back building lines to create new plazas at Johnston Road and Queen’s Road East. Enhanced pedestrian connectivity through breaking up the low rise building blocks along Lee Tung Street.

61. In sum, while we can safely conclude the H15 project meets most of the objectives spelt out in the URS, the remaining controversial part is related to the social aspects. In terms of preservation of social network, while URA has made provisions to enhance such efforts, given the fact that all the residents and commercial operators have left the site without any existing explicit arrangement for their return, the chance of re-establishing such social network is unknown.

62. The struggle made by H15 Concern Group and its supporters is now usually considered as one important landmark of the “new social movement”. From the preservation of Lee Tung Street to the protest against the demolition of the Star Ferry and Queen’s Pier and the recent controversy about the construction of Express Rail Link, there are more expressed demands among the public in Hong Kong on the preservation of local

³⁷ In the press release of the URA on December 24, 2007, the Chairman of URA stated that “...wish that the wedding card business operators could come back to operate upon completion of the redevelopment work”.

community, local characteristics, cultural assets and collective memories. Other issues in urban renewal, including community participatory planning, owners' participation in redevelopment, "flat-for-flat" and "shop-for-shop" compensation are all reflected in the case of the H15 project.

Chapter 4: The Case of Kwun Tong Town Centre (K7)

Background

63. Kwun Tong (KT) is a large district in Hong Kong, both in terms of its geographical boundary and its population. In the 2006 by-census, Kwun Tong was the most densely populated district in Hong Kong (52,123 persons/km²). In terms of population size, Kwun Tong ranked second among 18 districts in 2006 with 587,071 persons. According to the Census & Statistics Department's projection, KT will have the largest population size among various districts in Hong Kong by 2013, having 661,000 people, making up 9% of Hong Kong's total population.
64. Kwun Tong Town Centre (KTTC) is the heart of Kwun Tong and the central hubs for transportation, shopping, banking and public services. In particular, the KTTC serves as the node of transport for the entire East Kowloon and even the Tseung Kwan O new town, with high concentration of bus routes, public light buses; and the most importantly, the MTR. The function of KTTC being a transportation hub is organically linked to its other functions of being a centre for shopping, banking and public services.

Figure 4.1 KTTC redevelopment project area (URA)



Project Site Information
(including Yuet Wah Street and Main Sites)
Area : 53,500 square meters
Existing GFA : 93,324 square meters
Affected buildings : 24
Affected population : 4,763
Affected property interests : 1,657
Affected shops and hawker stalls: 523



Project Development Information
Total GFA : 401,250 square meters
Residential flats : 2,000
Commercial space: 209,640 square meters
Other uses: 16,700 square meters
G/IC GFA: 14,300 square meters
Public open space: 8,700 square meters

65. Preliminary studies on the redevelopment of KTTC went back to the 1980s prior to the establishment of LDC and KTTC was identified as one of the potential sites for redevelopment. SPEL's approval for LDC to prepare a development scheme for KTTC

was given in 1990 and after a series of planning studies and discussions with Government, the draft development scheme plan of the K7 project was made in 1998 by LDC. Not much progress was made until URA resumed its preparatory work for K7 in 2002. Details of the major milestones are spelt out in Table 3.1 below.

66. We noted that the buildings within the main site area of K7 were built between 1961 and 1967 (43 to 49 years old by 2010). However, dating back to 1988, the buildings were only 21 to 27 years old. Allegedly, owing to the discussion of redevelopment in the past 22 years, the motivation of owners to maintain their buildings had been substantially reduced, and the poor conditions of the buildings would disturb many observers.

Table 3.1 Milestones of the K7 project

Date	Particulars
1988	SPEL designated an area at KTTC for LDC to carry out redevelopment under LDCO.
1989	LDC commissioned consultants to undertake the Kwun Tong Town Centre Redevelopment Study (KTTCRS).
1990	The KTTCRS was completed and submitted to Government. SPEL's approval given for LDC to prepare a development scheme for KTTC.
1991	Planning Brief setting out the relevant planning requirements was issued by the Planning Department.
1993	KTTC Urban Design Study was prepared for the K7 project. The Study resulted in a revised Outline Master Development Plan with alternative scenarios.
1994	LDC revised the phasing plan on SPEL's request.
1995	LDC's proposal submitted to the Government and briefed the District Board on the project.
1996	A consolidated Planning Report was prepared by LDC to serve as the basis for and in support of the redevelopment scheme.
1997	LDC selected KTTC as one of the 26 projects to be recommended to the Government.
December 1997	Freezing survey under LDCO completed.
January 1998	KTTC project announced as one of the 26 projects (LDC, 1997-98 report). LDC continued with the communication with stakeholders and community leaders.
December 1998	LDC submitted the draft Development Scheme for K7 to Government
1999	SPEL advised it would not be appropriate for LDC to start the K7 project in view of the setting-up of URA.
2002	The K7 project was reactivated. Comprehensive Implementation Planning Study for K7 project commenced by URA. Under this Planning Study, a public opinion survey ³⁸ was conducted by the consultants with the aims to map out a brief profile of the users of the KTTC, to ascertain the general view on urban renewal in KT and the adverse impacts of the proposed redevelopment
2003	URA conducted technical assessments under the Comprehensive Implementation Planning Study.

³⁸ An accidental sampling of 160 respondents on the street.

2004	Planning Department developed a preferred strategy for renewal of the KTTC.	
2002-2005	Research studies in the community advocating commencement of the K7 project, (Chan, Leung and Ko, 2002) ³⁹ , (CFSC, 2003) ⁴⁰ ; (KTDC, 2005) ⁴¹	
November 2005	Kwun Tong District Advisory Committee (KTDAC) was formed by the URA composed of the board members of the URA, Kwun Tong District Council members, resident representatives and other stakeholders to advice the URA on the redevelopment, preservation and renewal in Kwun Tong, to reflect the aspirations and concerns of the community and the relevant suggestions, and to facilitate the community's understanding of the work of the URA	
November 2005 to July 2006	Active community engagement stage: URA staff attended 8 meetings with the Kwun Tong District Council and its sub-committees.; met for 32 times with various groups of stakeholders such as residents organizations	
	November 2005	URA commissioned a Community Aspiration Study on Kwun Tong ⁴² .
	January 2006	A community participatory design workshop for the K7 project was organized by the URA to engage the various stakeholders to develop the blueprint for the project
	April, 2006	Publication of the first issue of Kwun Tong Bulletin
August to October 2006	Road show and survey on views of public on 3 design concepts of K7.	
January 2007	URA submitted 2 draft Planning Briefs (PB) to the Metro District Planning Conference (DipCon) of the Planning Department.	
March 2007	DipCon endorsed the PBs.	
	URA gazetted 2 commencement notices of the KTTC – Main Site and Yuet Wah Street Site under URAO. UR conducted Freezing Survey under URAO	
June 2007	URA submitted Stage II Social Impact Assessment to TPB.	
July 2008	The Chief Executive in Council approved the DSPs.	
August 2008	URA submission of the 2 MLPs to TPB,	
December 2008	Acquisition began	
December 2008 and January 2009	The two MLPs were approved by TPB.	
April 2009	A Section 16 planning application was submitted to the TPB for approval to facilitate the relocation of the existing methadone clinic to location near the Kwun Tong Road/Hoi Yuen Road roundabout. This application was later met with objections and alternative site is to be identified.	
July 2009	Expressions of interest in redeveloping Yuet Wah Street Site were invited from potential joint-venture partners	
October 2009	A subsidiary of the Sino Land Company Limited was awarded the tender at Yuet Wah Street Site.	

67. While the URA had commissioned consultants to conduct a public opinions survey in KTTC in 2002 as part of the Comprehensive Implementation Planning Study, the

³⁹ 陳華裕、梁笑詠、高寶齡區議員辦事處 (2002) 《觀塘市中心重建支授網絡住戶問卷調查結果報告》

⁴⁰ 基督教家庭服務中心翠屏社區服務處 (2003) 《觀塘市中心舊區重建居民需要問卷調查結果報告》

⁴¹ 觀塘區議會，香港大學城市規劃及環境管理中心 (2005) 《展望可持續發展的社區：居民對官塘重建區的憂慮及期望》。香港：觀塘區議會

⁴² Law, C.K., Chui, W.T.E., Wong, Y.C., Lee, K.M. & Ko, S.F.L. (2005) *Community Aspiration Survey – Kwun Tong Town Centre* Department of Social Work and Social Administration, University of Hong Kong

progress in this project was considered by various stakeholders, including affected residents, local groups, and District Council members, as “too slow”

68. Between 2002 and 2005, several other studies related to the redevelopment of KTTC were conducted. The research studies in the community clearly advocated for the commencement of the K7 project (Chan, Leung and Ko, 2002; CFSC, 2003; KTDC, 2005). The major worries of residents as reflected in these studies were related to compensation. In the Kwun Tong District Council study (2005), it has also spelt out that there was hardly anything in the Kwun Tong Town Centre that was worth being preserved except for
- the Yue Man Square park and the trees therein,
 - the hawkers market, and
 - the role of the town centre as the transportation hub, banking centre, public service, and shopping facilities.

The Community Engagement Process

69. The community engagement process in the case of K7 was regarded as one of the most elaborate consultation process that the URA has ever taken. The process can be divided into four stages, with the last stage being the statutory required process during formal town planning application process.

The First Stage – Sizing Community Aspirations

70. In July 2005, the URA commissioned the Department of Social Work and Social Administration, University of Hong Kong to conduct a community aspiration study in Kwun Tong. The research team conducted eight focus group meetings and 16 individual interviews involving a total of 62 stakeholders of various types. Four surveys were conducted including a stratified sample of 930 residents living in K7 and the adjacent areas within Kwun Tong, 204 shop operators and their employees in the Town Centre and the industrial area immediately south of K7, 100 shoppers and 52 visitors within the area of K7.
71. Through this round of engagement process using surveys, focus groups, and interviews, the following key community aspirations should form the basis of building up the planning parameters:

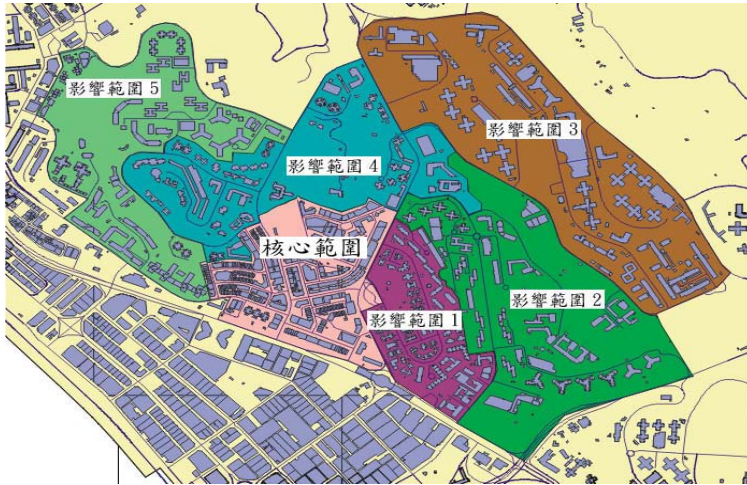


Figure 4.2: A survey of 930 residents within the core area and 5 different influence areas

majority desire of having a new shopping mall, a mixture of shopping facilities including street level shops and hawkers bazaar should be maintained

- The role of K7 as the transportation hub and shopping centre in Kwun Tong should be maintained during the redevelopment and after the redevelopment.
- It is crucial to have sufficient shopping facilities for the grassroots during and after the redevelopment. Together with the
 - Maintaining the convenience of transfer between different types of transportation for residents in the hills of Kwun Tong would be essential. A coherently designed public transfer interchange could be instrumental to fulfill such function.
 - The reduction of noise and air pollution at the street level is paramount
 - ◆ Total separation of pedestrians and vehicles should be considered
 - ◆ Eradication of all street level loading and unloading activities should be considered
 - The design of a land mark structure or building would be desirable.
 - The preservation of the Yue Man Square Park and the increase of greenery in K7 were important.

The Second Stage – developing planning parameters

72. The formation of the Kwun Tong District Advisory Committee under URA in 2005 that marked the beginning of the second stage of community engagement process. The KTDAC was composed of the board members of the URA, Kwun Tong District Council members, resident representatives and other professionals. The function of the KTDAC is to advice the URA on the redevelopment, preservation and renewal in Kwun Tong, to reflect the aspirations and concerns of the community and the relevant suggestions, and to facilitate the community’s understanding of the work of the URA.

73. During this round of community engagement process, the URA could be described as making itself more available to the community in addressing concerns and keeping the community updated on the progress. Between November 2005 and July 2006, the staff members of URA had attended 8 meetings with the Kwun Tong District Council and its sub-committees. During the same period of time the URA had also met for 32 times with various groups of stakeholders such as residents organizations. Again, these meetings were to address the concerns of the stakeholders, such as compensation policies and the time table of redevelopment, and keeping them updated on the progress of the K7 project.

74. The URA organized a community participatory design workshop for the K7 project in January 2006. The workshop employed the methodology of participatory design (PD) which had very broad applications in organization and community planning processes, reflecting the value of open and equal communication regardless of social and official position, professional standing and political affiliation, trying to move towards convergence of majority view and consensus to manage conflicts in opinions and interests, and achieving empowerment of the stakeholders through sharing of technical competence and professional knowledge.

75. One key element of this design workshop hinged on the mixing of stakeholders of different backgrounds (from professional to lay member), of different political positions (from advocacy groups to government officials), of different values (from idealists to pragmatics), and of different interests (from personal, local to political interests) in group discussion. A total of 92 participants in the workshop with KTDAC or subcommittee members of the URA, Kwun Tong District Council members, representatives from various government departments and the Hospital Authority, business and transport operators in K7, members of several advocacy groups, representatives from owner-corporations in the K7, professionals and Kwun Tong residents.

76. Another key element of this design workshop is the use Computer Aided Design (CAD) programme to generate the results in 3D architectural modeling of the group discussion interactively. This approach of 3D modeling in real time simulation interactively with

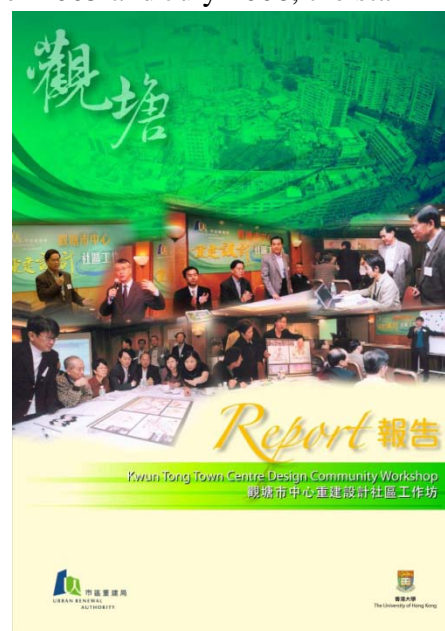


Figure 4.3: A report of the community participatory design report was published

workshop participants was the first time ever in Hong Kong.

77. The major results of this work shop include:

- There was general consensus that redevelopment should be conducted by phases to reduce impact on the community and the whole Kwun Tong district, and the criteria for phase selection included whether premises acquisition would be easier (e.g. bus terminals, government buildings), areas where redevelopment would have the minimum impact to the residents in K7 (e.g. government buildings), and buildings with poorest conditions and requiring urgent redevelopment
- a high degree consensus on the location of different functional areas was obtained except for the public transfer interchange, e.g. residential buildings should be further away from the MTR and Kwun Tong trunk road; in between the residential buildings and Kwun Tong Road there should be a building of non-sensitive use, such as hotel or shopping mall, there should be a enlarged town centre park, etc.
- While there was no consensus or majority view on the height of buildings, the majority preferred sufficient space between residential blocks and to tolerate the height of buildings to make more open space at grade available to the public.
- Basing on the six design frameworks and various consensus and majority views obtained in the design workshop, three architectural consultancy firms appointed by the URA were asked to further refine their design concepts.



Figure 4.4: First issues of the 《觀塘路》

The Third Stage: Road Show

78. The fourth round of consultation was centered on the three design concepts and a series of activities was organized to consult the public from August to October 2006. It includes

- The three models of the alternative design concepts were exhibited in four different locations in Kwun Tong

- to provide more information about the K7 project to the residents of K7 and Kwun Tong, the URA published issues of a district newspaper named as 《觀塘路》 (“Kwun Tong Road”)

- The URA also published a consultative document on the K7 project and three pamphlets on each of alternative design concepts.

- All the above material was also placed in the URA website (<http://www.ura.org.hk>). Visitors to the website could send in their views. At the end of the



Figure 4.5: The consultative document

road show, 42 such emails were received.

- During the road show period, the URA organized briefings for press editors, guided visits to the exhibitions, accepted 8 press interviews, and responded to 30 press enquiries.
- The URA invited and arranged various local organizations, professional bodies,



political parties, government officials, and other concern groups to guided visits and briefing sessions at the exhibition. A total of 39 such briefing sessions were arranged.

- The collection of questionnaires included a random sample survey of 1,602 visitors to the exhibitions, self-administered questionnaires⁴³ placed in the exhibition sites, arranged visits and briefings to collect views via discussion and completion of questionnaires⁴⁴.
- By the end of the Road Show period, a total of 53 written submissions were collected, together with a total of 155 press-cuttings and 16 electronic media

reports and commentaries.

Figure 4.6: The report of the Road Show consultation

79. Views expressed in the questionnaires, written submission, and the media reports were included in the

Road Show Consultation Report. The report was distributed to all Executive Council Members, Legislative Council Members, Town Planning Board Members, Kwun Tong District Council Members, professional organizations, relevant Government Departments, related organizations in urban renewal, and the URA Board & Committee Members. In the report, apart from the views expressed towards the various design concepts, there were a few more themes identified

- The new town centre can meet the needs of the grassroots in living in Kwun Tong and is a town centre for all classes.
- An area water cooling system would help to reduce the heat island effect of air conditioning requirement in the increased floor areas for shops, offices and hotels.
- With the increase in greening, the use of grey water for the irrigation of the greenery would be desirable.

The Fourth Stage: planning and statutory procedures

⁴³ A total of 1,755 completed self-administered questionnaires at the exhibition sites were collected.

⁴⁴ In the various briefing sessions, a total of 1,177 questionnaires were completed and collected.

80. Though “gazettal and conduct of the freezing survey for the project on 30 March 2007” (URA Annual Report, 2006/07), the last stage of consultation began with the submission of the District Scheme Plans (DSPs) and end with the approval of the Master Layout Plans to the Town Planning Board (TPB) (April, 2007 to January 2009).
81. In April, 2007, the URA submitted the DSPs for both Yue Wah Street Site and Main Site to TPB and this marked the beginning of the statutory process of consultation. Subsequent to the approval of the TPB, the Chief Executive in Council approved the plans in July 2008. The MLPs were submitted in September 2008 and were approved by the Town Planning Board in December 2008 and January 2009.
82. The KTTC (K7) project is now by far the biggest redevelopment project of URA and the implementation work will last for over 10 years and it consists of two sub-sites, namely, the Yuet Wah Street Site and the Main Site.
83. The Main Site Development Scheme Plan (DSP) and Yuet Wah Street Site DSP approved by the Town Planning Board and subsequently the Chief Executive in Council (July 2008) provide a statutory land use framework to guide the implementation of the project. The two sites are rezoned “Comprehensive Development Area (1)” (“CDA(1)”) and “CDA(2)” respectively on the approved DSPs which are intended for comprehensive development/redevelopment of the area for residential, Government and/or commercial users with the provision of open space and other community and supporting facilities⁴⁵

Challenges and controversies in the K7 redevelopment project

Consultation

84. Owing to the mere size of the project and the various types of stakeholders affected, the extensive consultation process mentioned earlier was necessary and was generally regarded as quite adequate. Apart from the general mistrust towards the genuineness of URA in the consultation process by advocacy groups, the major criticism is related to the lack of transparency in the financial projection.

Interim arrangements need during the process of phase development

⁴⁵ URA Press release (2008) *Approved URA Kwun Tong Town Centre - Main Site DSP and Approved URA Kwun Tong Town Centre - Yuet Wah Street Site DSP gazette*
<http://www.ura.org.hk/html/c2100000e35e.html> (accessed, 18/1/2010).

85. Due to its size, subsequently, the required phase development, one of the biggest challenges in the K7 project is how to minimize the negative impact on the vitality of the town centre during the long redevelopment process of over ten years. Issues of transitional arrangement of bus terminals and mini-bus stations have been a great challenge.
86. Within the main site of the project, hawkers would have to move to first temporary and later new permanent fixed pitches. While the interim relocation of the hawkers is another issue yet to be resolved with the relevant stakeholders, the URA has undertaken to provide the hawkers with a new Hawker Removal Assistance of \$9,500 per licensed fixed pitch per move.
87. Within the site of the K7 project, there were 2 bus terminii, one at Yue Wah Street and one at Yan Oi Court, and a number of minibus terminii spreading in different locations within the town centre. After the redevelopment, a two-level below ground Public Transport Interchange (PTI) would be built to cater all the existing buses, mini-buses and also taxi-stands. The interim arrangement of relocating the bus and minibus terminii before the PTI would be built is also one big challenge. We noted that the current spread of the bus and mini-bus terminii around KTTC and the significant flow of people transferring between MTR, bus terminus, and mini-bus terminii has contributed to the vibrancy of the town at the street level. Thus the location of interim measure and final development PTI would also contribute to the success or failure of keeping the vibrancy of the KTTC.
88. To maintain vibrancy, order, safety and reasonable environmental conditions in the acquired properties, the URA has engaged property management contractors to manage and maintain all premises, which have been vacated by their occupiers. At the time of the study, while most of upper floors in the buildings were vacated already, vibrancy at the street level appeared to remain more or less the same.

Preservation and heritage

89. In the earlier part of the consultation, most of the comments received related to preservation were related to the trees in the Yue Man Square Garden and the Garden itself. At later stages, the call for preserving trees near the Bus Station in Yue Wah Street and within the Government Office Building at Tung Yan Street were also made.

90. At the end of its first three stages of consultation and at the time when the statutory process began, the call for preserving “collective memories” began to rise significantly as marked by the protest against the demolition of the Star Ferry Pier in December 2006 and the subsequent demolition of the Queen’s Pier in August 2007. The criticism toward K7 such as causing the “disappearance” of the old KTTC and the “destruction” of the existing social network became more prominent, particularly in the internet. Websites, such as the kwuntong.wordpress.com (活在觀塘), emerged.

Development density and building heights

91. In the earlier part of the consultation, apart from the demands from the community and district council to speed up the redevelopment project and some concerns about the future compensation, one concern is the development density of the K7 project.
92. One call from the community was to maintain the existing development density in the KTTC (SEE Network, 2006), i.e. an equivalent 4.5 plot ratio⁴⁶. While at the beginning of the planning process in 2005, the initial working plot ratio was 8.8 it slowly came down to 7.98, to 7.5 and at last to 6.9 at the time of application to Town Planning Board.
93. One contentious issue is the height of the iconic building proposed by the URA. At the time of considering the DSP and PB in September 2007, the TPB decided that the building height restrictions for the Main Site DSP and PB should be deleted and the building height should be justified by a visual impact assessment in the MLP stage. The initial proposed height of the iconic building is 280 meters.
94. In Jan 2009, after more information was provided by URA to support the revised proposal and the building height was reduced from 280 meters to 260 meters⁴⁷. The MLP of the main site was finally approved with conditions including the addition of an observation deck open for public enjoyment.

Financial Risk and Viability

95. The project was considered by the URA as the “most expensive, complex and high risk exposure project ever undertaken by the URA or its predecessor” (URA, Annual Report,

⁴⁶ SEE Network (2006) KT Vision (「再造觀塘」計劃總結報告).

⁴⁷ 260m is the minimum height is the minimum height of the design. As according to the lookout point analysis, the building will not be seen from the Kai Tak Runway Park (under construction) if it is lower than 260m. As it is the landmark of KTTC, it is supposed to be seen from another redevelopment project in the district.

2006-07). The estimated cost of the project was estimated to be HK\$30 Billion. With the highly volatile real estate market in Hong Kong, the apparent financial risk is due to the fact that acquisition⁴⁸ has to be made at the beginning of the project while the project took over ten years to complete.

96. One of the major criticisms coming from the community and advocacy groups is the transparency of the financial projections of the project. While the URA mentioned from time to time in public that URA ran the risk of deficit in the project, advocacy groups considered it necessary for URA to disclose the details of its financial projection and while such information was not forthcoming, the groups criticized the URA for using the financial projections as an excuse for seeking a higher plot ratio.

Acquisition and Compensation

97. In the planning process, the URA had received strong support from the community. For instance, after the publication of the DSP in October 2007, and during the subsequent 2-month statutory consultation, 86% of the 442 representations supported the proposed K7 redevelopment. However, when the URA made its offer in December 2008, demonstrations from stakeholders, particularly from owners began. There were at least four major sources of controversies, namely, the use of surveyor firms, the price fluctuation in real estate prices, the use of “saleable area”⁴⁹ (實用面積) instead of “gross floor area”⁵⁰ (建築面積), and the difference in compensation for owner-occupiers and non-occupier owners.

98. In fact, tensions began to mount up in the community when the financial tsunami made its impact in Hong Kong in September 2008. Real estate prices went down. Owners in K7 accused the URA for its delay in making offers and sought legal advice as to whether they could sue the URA for the loss due to the delay in making offers⁵¹. In August, 2008, the owners had sought valuation from surveyors and claimed that the

⁴⁸ Apart from the offer made in December 2008, the URA has committed to make a second offer in a few years time.

⁴⁹ The definition of saleable area is based on the Code of Measuring Practice issued in March 1999 and the Supplement to the Code of Measuring Practice issued in August 2008 by the Hong Kong Institute of Surveyors.

⁵⁰ The gross floor area of a unit usually includes a portion of the common area such as staircase and lift

⁵¹ Theoretically, for owner occupiers, the fall in property price would not be a great issue. Particularly when the price is falling, an early acceptance of offer and an early acquisition of a replacement unit by the owner-occupier would be even advantageous. This is basically the same for non-occupier owner. However, the sense of value depletion compounded with the lack of trust towards the URA aggravated ill feelings towards the URA. Furthermore, at the turn of the beginning of 2009, housing prices had already shown signs of revising and for those who hesitated to accept offer for some time, they would have suffered a loss by the time they accepted the offer from URA and acquired a new property.

average value per square foot saleable area should be \$10,215. About the time of the offer made by the URA, the owners⁵² obtained another valuation and claimed that the compensation value should be \$8,200/ ft². Yet, the offer price made by the URA was \$5,937/ ft². The discontent due to such differences was immense.

99. One of the grievances expressed by the protesters was the use of saleable area instead gross floor area⁵³. Their impression was that since gross floor area is larger than the saleable area and thus the compensation so calculated would be smaller. However, as older buildings usually have higher efficiency ratio (實用率) than newer buildings, compensation by saleable area instead of gross floor area with reference to 7-year-old buildings would be usually advantageous to affected owners⁵⁴.
100. As a response to the complaints from the owners, the URA had increased the number of valuation firms for assessment of the unit rate of a notional replacement flat of 7-year-old from the usual 7 to 11 in the case of K7. Furthermore, the URA had also extended the validity period of offer from 60 days to 90 days, and promised to make another offer in 2013. By 30th March, 2009, i.e. the end of the first offer period, owners of 66% of the total 1,657 property interests and 97% of owner-occupiers of domestic properties has accepted URA's acquisition offer.
101. Another source of stress and controversies is related to the occupants of illegal structures mainly on the roof tops and the shops at the ground level between Yue Man Square and Kwun Tong Road. However, as URA is a public body that can only act on within the legal framework, problems such as defective titles cannot be easily resolved within the time frame of acquisition.⁵⁵
102. As noted earlier, at the end of the first offer period, while the URA had acquired two-third of the property interests, 97% of the owner-occupiers of domestic units had already accepted the offers. This is a clear indication that the level of compensation for owner-occupiers is much "fairer" to that offered to the other types of owners. This is the major source of grievance and conflicts between URA and the owners. Front-line staff of URA in the acquisition process is in the forefront of this conflict, particularly,

⁵² 「觀塘市中心心區重建業主立案法團大聯盟」

⁵³ For many decades in Hong Kong, in the selling of flats, developers used to highlight the gross floor areas and this has become the way of thinking among the general public.

⁵⁴ For example, if an old flat to be acquired is 800 ft² in terms of gross floor area (GFA), the saleable area could be, say 90%, 720 ft². The compensation of a 7-year-old flat with saleable area of 720 ft² would probably be equivalent to 960 ft² GFA, say if the percentage of saleable area is 75%. In other words, the compensation would be very likely equivalent to a notional 7-year-old flat that is slightly higher in GFA.

⁵⁵ According to informants of the Lands Department, some title issues remained unresolved years after redevelopment.

when the results of their assessment would mean difference in over half a million dollars⁵⁶.

Meeting the objectives of urban renewal strategy

103. The extent to which the K7 project meeting the 12 objectives spelt out in URS is spelt out in the table below.

	Objective	Achievements
a	Restructuring and replanning designated target areas	The CDA zoning of KTTC aims to enhance vitality and achieve improvement in housing, environmental and traffic conditions in the town centre through restructuring the street pattern, promoting efficient land use and providing Government, institution or community (GIC) facilities and public open space
b	Designing more effective and environmentally-friendly local transport and road networks	The aim of having a PTI to house the various modes of transport and the pedestrianization of the town centre is to reduce the current hectic conflicts between traffic and pedestrians and the crowded pavement with intermingled waiting queues of passengers
c	Rationalizing land uses	Since the building of the MTR into Kwun Tong, 1979, residents in buildings facing Kwun Tong Road had been seriously affected by railway/traffic noise. Redevelopment with a non-noise-sensitive use (commercial) building at Kwun Tong Road will also serve as a “noise barrier” for the town center.
d	Redeveloping dilapidated buildings into new buildings of modern standard and environmentally- friendly design	Dilapidation was observed in 1988 when buildings were only 21 to 27 years old. Conditions had been worsening ever since.
e	Promoting sustainable development in the urban area;	With the gradual growth of population in East Kowloon, the redevelopment project would expand the capacity of the KTTC to meet future needs. Furthermore, the increase in open space and greenery, the use of water-cooling air conditioning systems and renewal energy, and the adoption of various design features would have significant environmental gains. However, the approach of overall upheaval of social networks in the redevelopment process has also been criticized.
f	Promoting the rehabilitation	Not applicable with the area of K7. Within the vicinity of

⁵⁶ For example, the recorded market value of a unit in a building within K7 acquired by URA was \$738,000 (\$2,109/ft² for 350 ft²). The HPA would be approximately equal to 350 x (\$5,937 – \$2,109), i.e. \$1.34M. 50% of the HPA would be \$0.67M. In other words, for a non-owner occupier (for the 1st unit within the site) the amount would be \$0.67M less than if s/he is assessed as an owner occupier. See Appendix VII for a more detailed illustration.

	of buildings in need of repair	K7, from November 2004 to May 2008, 14 buildings had participated in the various rehabilitation programme of URA.
g	Preserving buildings, sites and structures of historical, cultural or architectural interest	During the consultation, only the Yue Man Square Garden and its trees were considered of worthy of preserving. However, at latter stages of planning, additional requests made by the public included trees at the Yuet Wah Street site and those in the Government Offices buildings.
h	Preserving as far as practicable local characteristics	The key local characteristics of KTTC are related to its functions as a transportation, shopping and banking hub for working class population of Kwun Tong. In the planning process, these are key parameters. Yet, some critics commented that the redevelopment project will result in the replacement of the local working class residents within K7 by middle class residents. Public discussion in 2010 concerning the availability of affordable housing for the potential home-owners may have an impact on the types of housing unit to be supplied in later phases of redevelopment of K7. The existing planned average size of flats in the approved MLP in the main site was still 80m ² . The provisions of “Kai-fong” style street shops and hawker bazaars are measures to preserve local characters within the project area.
i	Preserving the social networks of the local community	This is one area of criticisms from advocacy groups. URA planned to provide space for social enterprise with an area of 1,300m ² aimed at preserving and enhancing the local social network.
j	Providing purpose-built housing for groups with special needs, such as the elderly and the disabled	Not included in this project
k	Providing more open space and community/welfare facilities	Public open space will be increased from the existing provision of approximately 2,650 m ² to 8,700 m ² - 40% expansion of the clinic accommodation and a two-level covered PTI of 16,700m ² .
l	Enhancing the townscape with attractive landscape and urban design	The design principles of stepped building height profiles, cascading building forms and landmark creation have been adopted together increased greening and landscaping in the open space have been incorporated into the design. Apart from the multi-storey retail mall and specialised retail in shop stalls, the retail use comprises about 15,000m ² traditional street side shops lining the pedestrianized streets to commensurate with the existing scale of the street shops.



Figure 4.7: The conflicting use by pedestrians and traffic
(Source: MLP submission of URA)

has haunted the whole redevelopment project ever since the beginning of the planning process as clearly articulated in the research studies in the community advocating for the commencement of the K7 project between 2002 and 2005. Such concerns about compensation seemed to have subsided during the consultation process between 2005 and 2008. Yet, prior to the announcement of acquisition tension began to mount and subsequent to the offer made in December 2008, conflicts were heightened. However, this is apparently not just an issue of K7 but the issue of URA in its compensation policy.

104. In sum, while we can safely conclude the K7 project meets most of the objectives spelt out in the URS, as in other URA projects, the remaining controversial part is related to the social aspects, particularly the impact on social networks.

105. While the community engagement process can be considered to be quite successful, the compensation issue

Chapter 5 Preservation and the case of Mallory Street/Burrows Street

Introduction

106. This chapter is not written as an attempt to examine the overall work of preservation work done in Hong Kong. This provides a brief overview of the preservation work under the auspice of the Land Development Corporation (LDC) and the Urban Renewal Authority (URA).

Preservation work under the LDC

107. While it is not clear whether “preservation” is part of the function of “urban renewal” within in the LDC Ordinance⁵⁷, one stated policy of LDC was to retain Hong Kong’s architectural heritage wherever possible and the LDC “regards the conservation of buildings with historical or architectural value as one of its major roles”⁵⁸.

108. During the year 1989-90, the LDC proposed to preserve and renovate the Western Market (西港城)⁵⁹, that was built in 1906 with red brick and granite in Edwardian Style. The idea was to renovate the building and used it as a “Covent Garden type of bazaar” in which traditional Chinese businesses and crafts would be preserved. The initial cost estimate was \$30-40 million funded by the LDC. The project was approved. Renovation work began in February 1991 and was opened by the then Governor in November 1991.

109. Another attempt of the LDC was made⁶⁰ to preserve the façade of the buildings in the Li Chit Street (Wanchai) project. But at the time of implementation, a replica building façade was built to mimic the unique architectural façade of the original old buildings.

110. Apart from the Western Market and the replica façade in Li Chit Street, there was seldom any discussion on preservation in the various LDC Annual Reports. Take the Nga Tsin Wai Village project as an example. The project was proposed to and endorsed by the Government in 1992. A few years later, while it was mentioned in the Annual Report of 1995-96 that Nga Tsin Wai Village was “the last remaining village in

⁵⁷ In Section 4, the purpose of LDC includes “(b) engage in such activities and perform such functions as may be necessary for the undertaking, encouragement, promotion and facilitation of urban renewal”

⁵⁸ LDC Annual report, 1989-90, p.5

⁵⁹ The Antiquities and Monuments Office (AMO) identified the building as one of the Declared Monuments in 1990. The original name in Chinese was 上環街市 (“Sheung Wan Market”) and it was renamed as the 西港城 (“Western Market”) by the LDC.

⁶⁰ Such an attempt was mentioned in the LDC Annual Reports of 1989-90 and 1990-91.

the urban area”, there was no discussion on its preservation. Until the Annual Report of 1997-98, it was mentioned that the LDC planned to “retain the Tin Hau Temple” (not the walled village) as a gesture of appreciation of the shrine’s religious and historical value over the years.

111. Another exception is the Waterloo Road/Yunnan Lane project. The project was one of the Phase I projects of LDC, yet the Scheme Plan was only endorsed by the Executive Council in April 1996 and the resumption application was made in April 1997. In September 2000, the Town Planning Board approved a revised Master Layout Plan retaining the oldest surviving government pumping station structure (the “Red Brick Building”) with a history of 100 years.

112. It would be fair to say that preservation was not an apparent objective of urban renewal in the formation of the LDC. At least, it was clearly stated. Though the LDC considered that preservation of architectural heritage as one of its roles, efforts were scant. Even at the time of the gazette of the Urban Renewal Authority White Bill in October 1999, preservation was not explicit. It was during the discussion in the Bills Committee of the White Bill, that the Administration accepted the recommendations of the members of the committee to revise the clause 5 of the White Bill to expressly provide for the preservation of historical, cultural and architectural sites and structures as one of the purposes. We noted that even at the time of the White Bill, the emphasis was on the physical sites and structures but not on social networks or local characteristics.

Preservation work under the URA

113. Preservation work falls within the terms of reference of the Planning, Development and Conservation Committee (PDCC) of the URA, which recommends proposals for conservation of building, sites, and structures of historical, cultural or architectural interest and endorses selection of conservation as well as redevelopment projects for inclusion into the Corporate Plan and Business Plan.

114. In September 2002, a Conservation Advisory Panel was formed under the Planning, Development and Conservation Committee consisting of URA Board Members internal experts began its deliberation. In its conclusions, a number of recommendations were made to the URA including one that has never been resolved, i.e. the development of a framework for the transfer of development rights arising from preservation.

115. One recommendation of the Conservation Advisory Panel was that the potential conservation features and buildings should be considered in a wider local context instead of not on an individual basis. This has led to a series of preservation projects within the older part of Wanchai in the subsequent years, including the preservation work in the Blue House, the Johnston Road Project, the Lee Tung Street Project and the Mallory Street/Burrows Street Project.

116. In 2003-04, the preservation projects began in the context of the redevelopment work of the URA in Johnston Road and Ship Street (i.e. Johnston Road Project⁶¹) and Queen's Road East (Lee Tung Street Project), comprising a total of 8 pre-war shophouses⁶².

117. In 2004-05, the URA undertook to preserve a cluster of Graded 2 pre-war buildings in the Mallory Street/Burrows Street.

118. In 2006-07, the URA announced its efforts to preserve three non-graded shop-houses along Graham Street, the façade of another building at Wellington Street together with the retention of the streetscape within the Graham Street/Peel Street Project.

At the turn of 2007

119. With the growing demand in heritage preservation and as the aftermath of the series of protests against the demolition of the Star Ferry Pier in December 2006 and Queen's Pier in August 2007, the later part of 2007 marked a series of changes in policies in preservation.

120. In the 2007 Policy Address, the Chief Executive had announced a number of important policy decisions related to heritage preservation. The decisions that are related to scope of this study include:

- the URA would extend its scope of historic building protection to cover pre-war buildings
- to preserve the open-air bazaar in Tai Yuen Street and Cross Street which in the original plan was to be cleared in the midst of URA redevelopment projects

121. About the same time of the Policy Address, a series of announcements were made by the URA and the Government related to the preservation of

- the core-elements of the Old Wan Chai Market within the ongoing Tai Yuen Street

⁶¹ In the Johnston Road project (now named as J-Residence), the four shop-houses along Johnston Road were non-graded while the shop-house on Ship Street is a grade II building (URA, Annual Report, 2006-07)

⁶² Including 7 verandah type shophouses with pillars and 1 cantilever balcony type shophouse

Project

- the preservation of the village gatehouse, stone tablet, the temple and a number of village houses within a theme conservation park in Nga Tsin Wai Village Project

122. Furthermore, in the planning process of several other redevelopment projects, the URA announced several initiatives including:

- the preservation of the market in the Peel Street/Graham Street,
- a series of buildings in the Staunton Street/Wing Lee Street Project and in the
- Yu Lok Lane/Centre Street Project

Preservation of Shophouses outside URA redevelopment projects

123. Subsequent to the Policy Address of 2007, the URA conducted a consultancy study of pre-war verandah-type shophouses and announced a conservation strategy to shophouses in March 2008. Priority was given to preparing and submitting to the TPB draft DSPs covering 20 shophouses of outstanding heritage value. Action plans for the potential preservation of a further 28 shophouses were in the drawing up process⁶³.

124. In September, 2008, URA further announced its intention to preserve two clusters of 10 pre-war verandah-type shophouses each in Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street through DSPs separately to be processed under the Town Planning Ordinance. Subsequent to a series of consultation with owners, District Council, academics and professionals, and surveys, two DSPs were submitted to the TPB in January 2009. The proposed adaptive re-use included shops for daily necessities and traditional foods, and outlets and commercial uses. The DSPs were published in May 2009 and was subject to public consultation. The TPB deliberated on the views and representations received in October 2009 and supported the DSP applications from URA.

125. Apart from the two clusters of pre-war buildings in Mongkok, the URA had invited owners of a total of 16 shophouses since June 2009 to participate in a pilot voluntary acquisition scheme or a voluntary restoration scheme.

The Case of Mallory Street/Burrows Street

126. The lot in the Mallory Street/Burrows Street (Wanchai) revitalization (MBR) project area was first owned by the American firm of Messrs Burrows and Sons and eventually

⁶³ URA Annual Report, 2007-08

Lawrence Mallory. The two streets were named after the two owners. The site previously was being used as timber yard and boat building yard, and later occupied by warehouses, timber/coal storage and several other small industries. The area was owned by the Hong Kong Land Investment Co. in 1905 and the lot was turned into 10 tenement houses in mid 1920s.

127. The pre-war shophouses, Tong Lau (唐樓), were predominantly seen all over southern Chinese and SE Asian cities and towns in the 1960s. The existence of Tong Lau was a result of a series of historic and economic forces in the post war period.

128. The pre-war shophouses are Balcony Type with ground floors used as shops while the units above were for residential use. The external and main walls of the construction are made of plaster rendered red brickwork with tiled timber floor and column and beams of concrete. Conventional grid pattern with the scavenging lanes can be seen. The roofs are original Chinese-tile pitch roof structure supported on round China-fir beams and rafters with a high ceiling.

Project scope

129. The Mallory Street/Burrows Street revitalization (MBR) project was the first revitalization project in Wanchai conducted by URA under the URAO. The MBR project area is in Wanchai Nos. 1-11 Mallory Street and Nos 6-12 Burrows Street. The project is approximately 780 square meters (Figure 5.1). The MBR Planning Brief was endorsed by the TPB in July 2005 and a partial demolition and addition & alteration (A&A) works was proposed by URA.

130. The site has two rows of "Tong Lau" comprising 10 Grade II listed buildings, of which 6 were owned by the Government (Figure 2). The project will preserve and make adaptive re-use of the historical buildings fronting Mallory Street for cultural and commercial uses and will also provide outdoor open-air public space for recreational uses⁶⁴.

⁶⁴ URA (2005), *Notification of the commencement of the Mallory Street/ Burrows Street development scheme* http://www.ura.org.hk/usrImg/804000/apbd_mall_noti.jpg (accessed, 25/11/09).

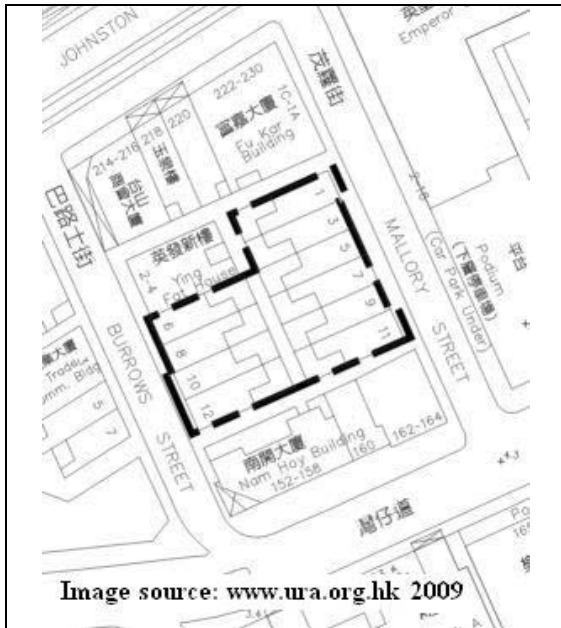


Figure 5.1 The MBR project area

Project area

Existing GFA : 2,687 square meters
 No. of buildings: 10 tenement houses
 Population : 122
 No. of interests: 10
 Building age: Mid-1920s

Development information

Total GFA : 2,140 square meters
 Other uses : 2,140 square meters
 Open space : 300 square meters

Figure 5.2 Mallory Street/Burrows Street area (image source: www.ura.org.hk 2009)



Bird's eye view of the site



Look from outside



Interior view of a shophouse

131. URA would invest over 100 million dollars to design, restore and improve six four-storey buildings at Mallory Street to provide about 20 partitioned units of about 450 square feet each for individual users to promote the cultural and creative industries. Including a new annex block, there would be about 22,000 square feet of GFA.

132. The four dilapidated buildings at Burrows Street were proposed to be demolished as proposed to make way for a 3,000-square foot theme garden for public enjoyment. URA proposed to retain the façade of the Burrows Street buildings to keep the historical theme of the project area⁶⁵ (Figure 5.3).

⁶⁵ URA's Section 16 application made to the Metro-Planning Committee, Town Planning Board, 13/2/2009

Figure 5.3 Artist impression of the idea proposed by URA (image source: www.ura.org.hk 2009)



A bird's eye view of the landscaped open space



Perspective of a facade facing Burrows Street

133. The Planning and Development and Conservation Committee (PDCC) of URA has set up the Conservation Advisory Panel⁶⁶ to provide advice to URA and PDCC on the proposals of heritage preservation as part of a wider area revitalization approach for certain districts. The Panel recognised that potential conservation features and buildings should be considered in a wider local context, but not on an individual basis. The discussion works of MBR project were also linking to the other regeneration projects, such as the preservation and revitalization of the Blue House at Stone Nullah Lane and the former pawn shop in Johnston Road, in Wanchai.

134. The MBR project later has received a Certificate of Merit from the Hong Kong Institute of Planners' annual awards for Conservation and Revitalization⁶⁷ in November 2005.

Consultation

135. In 2000 URA had conducted a survey followed by a workshop on the MBR project. 670 questionnaires were received in the study and among them 44 were from the creative culture industry and the rest were from the public, the results were reported to the

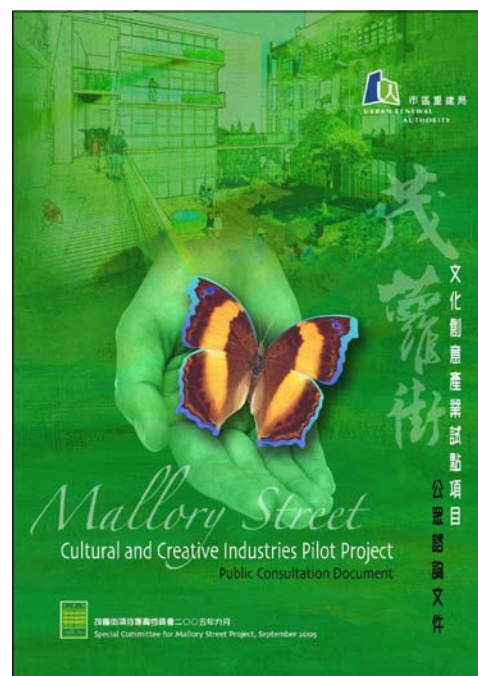


Figure 5.4 Mallyory Street Cultural and Creative Industries Pilot Project Public Consultation

⁶⁶ URA should consider setting up an advisory committee under its Board to advise on preservation work suggested in the URS 2001.

⁶⁷ RASHKB/AMO (2005), *Volunteers Conservation Newsletter* <http://www.royalasiaticsociety.org.hk/pdf/vnnews1105.pdf> (accessed, 2/10/09).

Wanchai District Council⁶⁸.

136. Another territory-wide public consultation⁶⁹ exercise for this MBR project was kicked off by URA in September 2005 for three months to collect views and suggestions from both the general public and operators in the cultural and creative industries. Views of the public on the aspirations and the trade mix in the project, and the views of operators specifically on the architecture design, rent level, mode of self-supporting operational management were sought.
137. Miss Maria Tam, URA Board member and Chairperson of a Special Committee for the project named this as “This project is such a new and unprecedented attempt that we consider it very important to widely consult the general public as well as the prospective operators.” The Special Committee was formed by the URA's Wanchai District Advisory Committee (DAC) with representatives of the Wanchai District Council and District Office for the purpose.

Implementation

138. The implementation of the MBR project has been quite smooth. It can be because the preservation value of the buildings in the project was widely recognized; the scope of the project is relatively small; six out of ten blocks were government properties; all buildings in the area were also very old and in poor condition; and the owners and tenants were mainly old people who were also satisfied with the arrangement. So far, no controversial discussion, confrontation or resistance was evident in public discussion on this revitalization project (from the planning to compensation matters).
139. Property acquisition of the project began in August 2006 and was completed in February 2008. Owners of the 4 previously non-government owned buildings within the site boundary were offered purchase proposals that followed the URA HPA policy and had received an incidental cost allowance (ICA), where applicable, as an incentive for them to accept the offers. The project acquisition and rehousing cost was about \$70 million.
140. Similar to redevelopment projects, URA had commissioned an urban renewal social service team staffed by professional social workers of the Methodist Centre to provide counseling service and practical assistance to residents who may encounter personal or

⁶⁸ WCDC (2007) *Wanchai District Council 20 March 2007 Meeting Minutes*
http://www.districtcouncils.gov.hk/wc_d/chinese/doc_2007/minutes/DC/DC-min21.doc.

⁶⁹ URA (2009), *Public consultation for Mallory Street project begins*
<http://www.ura.org.hk/html/c1002053e156e.html> (accessed, 2/10/09).

family problems.

141. This revitalization project was planned to be self-sufficient in day-to-day operation. The six refurbished buildings of four-storey at Mallory Street would provide partitioned units for individual users to operate. One of the concerns is the project scope of this project is relatively small and itself does not create a substantial cluster to attract visitors and consumers. Apparently, how the operation in this site is integrated with the various preservation projects in Wan Chai and the possibilities of international collaborations with creative industry and cultural organizations would have significant impact on the viability of this project. It was estimated that the rent of the lower 2 levels and the other revenue generated from the project should be adequate to cover the maintenance of the preserved buildings and other building facilities.

142. In August 2008, the last tenant in Mallory Street / Burrows Street had moved out.

143. It has been decided that the production/retail split should be 1:4. URA intended to appoint an operator to manage the tenants and the use of the floor space with the project by the wider arts community, and to organize activities to promote arts and culture. The URA believed that rental can cover the cost of management and maintenance.

Challenges in preservation

144. While there are growing demands from the community in preservation, the major controversies remain very much related to the process of project development and the approach adopted in implementation.

145. Apart from the ex-LDC project of Western Market, most of the earlier preservation efforts of URA were very much related to its redevelopment projects. It is, thus, difficult to single out the challenges in these preservation efforts in the process of project development. After project completion, one major concern is related to public access to the preserved buildings, e.g. the Pawn in the Johnston Road Project.

146. In the consultation process of the Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street DSPs, the concerns were very much similar to those raised in other URA redevelopment projects, including issues of compensation, process of consultation, the preservation of social network (e.g. residents and shop operators moving back to the preserved buildings), the extent and use of Social Impact

Assessments, and owners' participation.

147. The recent cases of the preservation in the Wan Chai district including the Blue House and shophouses in Mallory Street/Burrows Street, the preservation of the two major clusters of pre-war shophouses in Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street, and the voluntary acquisition/restoration scheme for individual pre-war shophouses would be good candidates for evaluation on their successes and failures some time after the completion of these projects.

Chapter 6: Revitalization and the Case of Tai Kok Tsui

Introduction

148. Revitalization is one of the 4Rs of the URA strategies. We noted that the term “revitalization” did not quite appear in the days of the Land Development Corporation (LDC). Even within the Urban Renewal Strategy (2001), the term revitalization was still absent. The term “urban revitalization” is frequently used interchangeably with terms like “urban regeneration”, “urban renaissance”, and even “urban renewal”.

149. URA defined “revitalization” as the “deployment of appropriate means to revive and strengthen the economic and environmental fabric of different districts”, and to achieve revitalization, the URA adopts a “holistic and coordinated approach involving its partners and stakeholders to improve the quality of urban living through redevelopment, rehabilitation and preservation initiatives...to revitalize the old urban districts”⁷⁰. In other words, the other 3Rs in combination will contribute to the revitalization of old urban areas.

150. Operationally, within URA, revitalization projects are those not identified as redevelopment, rehabilitation or preservation projects, and are often very much associated with the improvement in the physical environment, particularly at street level, and organization of activities that would enhance community use of public open spaces. This apparently echoes the strategies spelt out in the URS (2001), namely, to design more effective and environmentally-friendly local transport and road networks; to promote sustainable development in the urban area; and to enhancing the townscape with attractive landscape and urban design.

URA Revitalization Projects

151. So far, the URA has announced six revitalization projects, namely,

- Sheung Wan Revitalisation Project : Sheung Wan Fong
- Street Improvement Scheme: Tung Street in Central & Western District
- Street Improvement Scheme: Tai Kok Tsui District
- Mong Kok Revitalisation Project
- Mallory Street/Burrows Street Project (also considered as one of the preservation projects)

⁷⁰ Download from URA website, January 11, 2010

- Stone Nullah Lane / Hing Wan Street / King Sing Street (URA-HS project, i.e. the “Blue House” project, also considered as one of the preservation projects)

152. The Sheung Wan Fong⁷¹ Project was the first revitalization initiative of the URA announced in late 2001. The site is basically very much associated with the Western Market with a refurbished multi-purpose public square (Sheung Wan Fong) adjacent to the Western Market, the repaving, widening and beautification of sidewalks around the Western Market, the square and Morrison Street. Partners include four government departments (Home Affairs, Highways, Transport, and Lands), two public transport operators (MTR and Tramways), the Central & Western District Council, and the Telford Recreation Club that manages the Western Market.

153. The Street Improvement Scheme: Tung Street in Central & Western District is an extension of the Sheung Wan Fong project involving the improvement work on Tung Street that links the Sheung Wan Fong with the Hollywood Road, pavement widening of Lok Ku Road and feature paving at Upper Lascar Row. The project aimed at linking Western Market all the way up hill to the Man Mo Temple in Hollywood Road.

154. The Mong Kok Revitalization Project was a recently announced project in August 2009, with a budget of \$100 million to uphold and enhance the local characters of a number of themed streets in Mong Kok, including Flower Market Road, Tung Choi Street, Sai Yee Street, Fa Yuen Street, and Nelson Street. The project concept was derived from the Planning Department’s Area Improvement Plan for the Shopping Areas of Mong Kok completed in 2009. The plan was to start the project in 2011.

155. Apart from the six projects mentioned above as listed by URA as its revitalization projects, the URA did consider the followings as part of its revitalization work:

- Extension of beautification work to the nearby streets of Western Market, which are famous for their Chinese herbs, swallow nests and dried seafood shops (2002-03)
- The street improvement works at Portland Street/Nelson Street and a Chinese New Year’s Eve countdown event outside the Langham Place. (2004-05)
- Street improvement measures including transport improvements, new paving, new planting, street lighting and street furniture along Ho Pui Street and Chung On Street (2008-09) nearby to the Vision City redevelopment (2006-07).
- Street enhancements around the Hanoi Road project (2006-07).
- The opening of a Chinese herb garden as part of the Queen Street redevelopment

⁷¹ Initially, the URA named it as the “Sheung Wan Promenade”

project (2006-07)

- Revitalization of Central Market.

156. We noted that the revitalization efforts mentioned above are all related to the various URA redevelopment, rehabilitation and preservation projects. Other similar projects are also in the drawing board, e.g. the revitalization of the Pak Tsz Lane Area (close to the Peel Street/Graham Street Project), the street bazaars on Tai Yuen Street/Cross Street (related to the Tai Yuen Street and Lee Tung Street redevelopment projects), and various projects in the areas of Tai Kok Tsui and Shamshuipo close to various URA redevelopment projects.

The Case of Tai Kok Tsui Street Beautification

Background

157. Tai Kok Tsui (TKT) is one of the nine target areas for urban regeneration⁷². It is not only home to several URA redevelopment projects since early 2002, but is also a target service area for many rehabilitation projects and revitalization projects. However, those redevelopment projects would only be briefly described in this study to facilitate the understanding of other renewal works.

158. The name TKT implies that the area was originally an elongated cape on the east side of Kowloon Peninsula but later the landscape changed after progressive reclamations on both sides.

159. TKT was one of the early mass settlement areas in Hong Kong and is located between Mong Kok and Sham Shui Po. The district then gradually transformed from settlement areas into a major industrial district⁷³ since the late 1880s. Following a series of large scale reclamation in TKT conducted by the government from the early 1900s, more residential buildings were built to accommodate the increasing population, and TKT became a major industrial and residential area in Hong Kong. However, since the late 1970s', most of the factories had moved to Mainland China.

Transportation development of TKT and the surrounding districts

160. The early construction of the MTR in south Kowloon was along Nathan Road with

⁷² Paragraph 11 (e) of Urban Renewal Strategy (2001).

⁷³ For example, the Cosmopolitan Dock, operated by the then British owned company Hutchison Whampoa, was situated in TKT and was one of the major dockyards in Hong Kong.

concentrated development activities in the adjacent Mong Kok and Sham Shui Po districts. With the closure of the ferry service in early 1990s TKT became quite isolated.

161. The West Kowloon Reclamation (1994) and the subsequent construction of the Olympic MTR Station and the associated development such as the Olympic City however have not much success in transforming the old TKT area due to poor access and connectivity through the Nathan Road transport corridor.

162. With limited accessibility and being seen as lack of attractive activities and with low vitality, gradually the population of TKT began to age⁷⁴ together with the buildings. There are many aged residential buildings in dilapidated condition.

163. Recently, the URA's 5 redevelopment projects⁷⁵ (Figure 1), namely the Cherry Street Project (K3), Pine Street/Anchor Street Project (K32), Fuk Tsun Street/Pine Street Project (TKT/2/001), Larch Street/Fir street Project (K31), and Bedford Road/Larch Street Project (K30), and other renewal initiatives in the area, together with the nearby Olympic MTR Station and associated new developments, create a valuable opportunity to revitalize the whole TKT area.



Figure 6.1 Aerial photo showing the 5 URA redevelopment projects in TKT area

⁷⁴ According to the Hong Kong Bi-Census and Statistic Department in 2006, the total population in TKT area was 16,563, with 13.6% of them were 65 year-old or above. Compared to the total population of Hong Kong, the demographic structure of TKT comprises slightly more elderly than the city's average (12.4%).

⁷⁵ The Anchor Street/ Fuk Tsun Street (TKT/2/002) project is not included in this analysis as it was announced after the commencement of the URA's study on the Area Improvement of TKT

Revitalization through Street Beautification

164. Though not all the street beautification works in TKT have completed for examination, we could still examine the planning and implementation of those projects completed or in progress. So far, the improvement works on new paving, street furniture, lighting and greening were completed in



places like Ivy Street, Tai Tsun Street and TKT Road as shown in Figure 6.2.

Figure 6.2 Tai Tsun Street before (left) and after (right) improvement works

165. In TKT, in general, at all times of the day the predominant pedestrian movement is east-west along Anchor Street and Ivy Street, with secondary movement in the north-south direction. There is a very strong pattern of movement southwest-northeast from Olympic MTR/Olympic City, through the Cherry Street Development, across TKT Road, New Kowloon Plaza, up Beech Street, Anchor Street, Oak Street, Fir Street, and across Tong Mi Road towards the MTR station at Prince Edward.

166. There were a few problems identified on the streets in TKT area by the URA:

- In TKT, the street corridor where there are older low rise residential, like Fuk Tsun Street, tend to be over shadowed by advertising signage and facade attachments;
- freedom of movement from road carriageway to shop front, and very heavy duty wear on footpath material finishes;
- building overhangs caused physical height restriction of tree planting; and
- those existing underground utilities were mainly located within exiting footpaths.

167. In late 2006, a Study on the Area Improvement in TKT⁷⁶ was commissioned by URA to examine the constraints and possible improvements that URA could make and some improvement initiatives and design themes for the area were proposed afterward. Among those improvement initiatives, the pedestrian network linkage between the 5 URA redevelopment sites with potential streetscape improvement initiatives was proposed with regard to the local characteristic.

Improvement initiatives

⁷⁶ The Study Area is bounded by Sham Mong Road on the west, Chung Wui Steet and Walnut Street on the north, Tung Chau Street on the northeast, Tong Mei Road on the east, and Cherry Street on the south.

168. Based on the analysis, a network of pedestrian linkage alignment for streetscape improvements has been identified. The network has 3 hierarchies (Figure 6.3), including a primary, a secondary and a tertiary pedestrian linkage.

- Primary Pedestrian Linkage: Connecting the Olympic MTR Station and Prince Edward MTR Station via a proposed bridge to the Cherry Street Project (K3), TKT Road, across Cherry Street, along Beech Street, Ivy Street (between TKT Road and Fuk Tsun Street), Fuk Tsun Street (between Fir Street and Beech Street), Fir Street, Larch Street (between Tong Mi Road and Lime Street) and across Tong Mi Road.
- Secondary Pedestrian Linkage: Including Anchor Street, Tit Shu Street, Pine Street, part of Fuk Tsun Street (between Tong Mi Road and Fir Street) and part of Oak Street.
- Tertiary Pedestrian Linkage: TKT Road and other internal roads east of TKT Road in the Study Area.

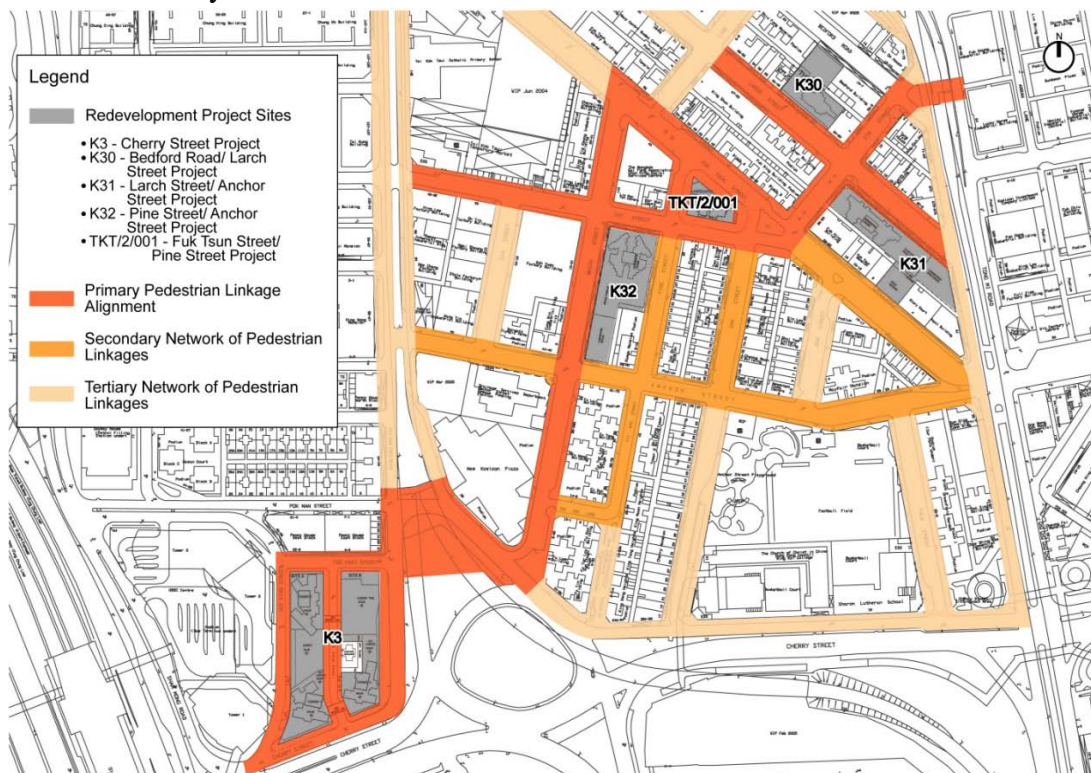


Figure 6.3 Three hierarchies pedestrian network linkage proposed by URA in 2007

169. Apart from network linkage design, streetscape beautification improvements were also proposed for the whole district in order to increase the vibrancy in hope that they can facilitate pedestrian movement, encourage on street activity, and improve the appearance of the area. These proposed beautification projects were intended to cover the following areas:

- Upgrading of existing pedestrian spaces (including existing and proposed pavement

widening) including resurfacing, treatment of existing railings and lighting, seating etc.

- Pavement widening to allow space for tree planting, seating, street art etc.
- Junction modification to facilitate more direct pedestrian crossing
- Special features, including the creation of a “temple courtyard” relating to Hung Shing Temple in the section of Fuk Tsun Street between the Temple and the Community Centre
- New amenity areas within the URA redevelopment sites
- Streetscape improvement proposals to be coherent with the URA’s rehabilitation projects in the Study Area where appropriate
- Design proposals will take full account of and coordinate with the interface between the existing streetscape, including building accesses, ground floor and on-street servicing activities, parking and unloading space, likely wear, and underground utilities, building overhangs and façade attachments. The detailed design of treatments will be tailored to the anticipated level of heavy duty wear and maintenance regime.

170. A “Street Name” design theme was used by URA with reference to some studies conducted and through consultation with the Yau Tsim Mong District Council West Area Committee. The themes being selected are associated with plant species⁷⁷ and culture⁷⁸ according to the street names and the history of the areas, and metal features and street furniture were additional elements incorporated to commemorate the metal-ware industry in TKT area.

171. The schedule and priority of the network improvement works were tied with those core redevelopment projects mentioned (Figure 6.4).

Transparency and Consultation

172. URA had met the concerned government departments, District Council, residents and local bodies and presented their ideas and progress of works to provide information and to obtain views and feedbacks on the proposed work.

⁷⁷ Relevant streetscape improvement elements, such as tree-like sculptures, plaques on seating and paving highlighting relevant plant species are used to feature different plant species in respective streets.

⁷⁸ The entire Fuk Tsun Street is under the “Hung Shing Temple/Festival” theme. To highlight the importance of the Hung Shing Temple in term of its cultural value, a red-paved “Temple Courtyard” is introduced in front of the Temple and its immediate surrounding area. Anchor features, such as decorations and plaques with anchor images, are introduced along Anchor Street to reflect the “maritime” culture of TKT in the old days.

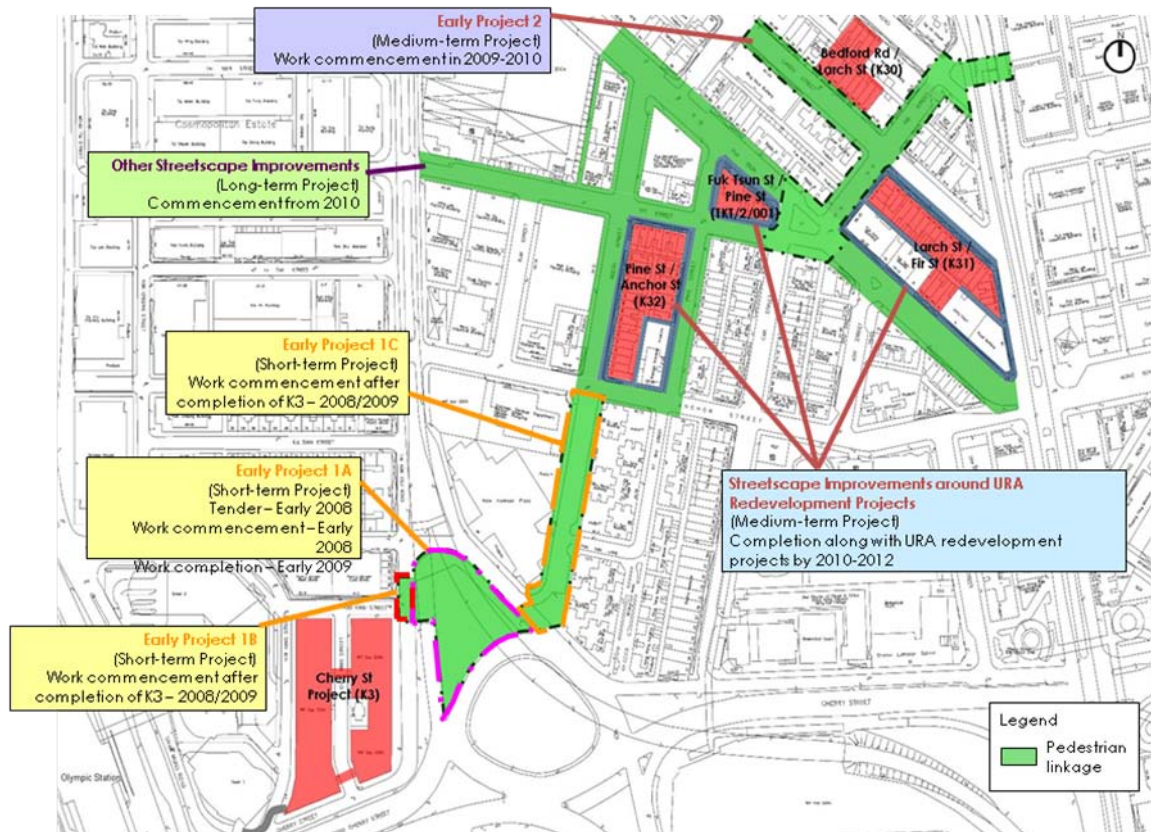


Figure 6.4 Tentative streetscape proposal made by URA in 2007

Impact

173. Since most of the redevelopment projects, such as K30, K31 and K32, have not been completed in TKT district, many street beautification and linkage improvement works are still in progress, and will not be completed before 2012. Besides, some of the works completed were in mini scale and scattered in different parts of TKT like adding 1 or 2 more street lamps in some of the streets.

174. Interviews and focus groups were conducted in this study in mid November 2009 accordingly to gather comments from stakeholders on URA TKT street beautification projects based on the works completed or in progress.

175. All the informants found the vibrancy of TKT area has increased due to some recent changes in TKT area, such as the provision of middle class housing, some popular restaurants move in, and other environment improvement works. The street beautification projects in TKT were conducted at the same time with many other new development initiatives and environment enhancement projects of different government units, most residents could not differentiate the ownership of these projects clearly.

Besides the improvement of different aspects mentioned is interrelating, it is difficult to evaluate the impact of the road beautification works of URA separately.

Vibrancy

176. However, in general, informants being interviewed agreed that the environment of TKT, like Tai Tung San Chuen area, is very much improved, and the value of the URA road beautification works was one of the factors being mentioned.

Sustainability

177. Though public consultation was conducted prior to the implementation of some greening works, some ground floor shop operators found that the planter pots occupied too much space and affected their operation. These pots were subsequently relocated at the shop operators' request.

178. URA was responsible for maintenance of planters for a one year trial period after which it tried to transfer the daily operation and maintenance responsibilities to local authorities as planned but not successful⁷⁹. One of the reasons was the maintenance is costly⁸⁰ and it is a long term commitment.

179. Finally, URA had removed the planters and donated them to NGOs and schools at the end of the trial period due to the above reasons.

Concluding remarks

180. It is apparent from the TKT example that as URA operates more or less on project basis while Government departments are always subject to their own recurrent budget constraints, revitalization projects involving recurrent expenses would not be financially sustainable unless funding support can be obtained from the respective Policy Bureaux. However, as the planning of revitalization projects basically occurs at the district level, it is difficult to obtain policy blessing from respective bureau and hence, the future recurrent funding availability could be questionable.

181. Thus, to achieve long term results for the revitalization projects, cooperation from different government departments has to be sought to derive a funding mechanism for

⁷⁹ Item 5 of Yau Tsim Mong (2008-2011) District Council 9th meeting (30 April 2009) minutes.

⁸⁰ It was estimated that the yearly total maintenance cost would be around \$250,000-300,000 according to HAD. See YTM 2008-2011 DC 9th meeting minutes.

recurrent expenditure at district level for non-standard design items of the project⁸¹.

182. However, much beautification works which, as long as they account to enhancement of existing provisions under the mandate of existing government departments, then any additional future recurrent implications would be minimal and can be absorbed by existing departmental operational budgets, e.g. improvement of pavement material and widening of pavements, etc. Such work would become more sustainable.

⁸¹ This can be exemplified by a different case, revitalization project at Chung On Street in Tsuen Wan, where such cooperation is being sought (Reference: Item 5 of minutes of Community Building Task Force of Tsuen Wan Community Building, Planning and Development Committee on 4 Nov 2009.)

Chapter 7: Rehabilitation and the case of Chung Sing Mansion in Tai Kok Tsui

Background

183. While it is widely agreed by the public on the principle that property owners should bear the ultimate responsibility for the condition keeping of their buildings and the cost involved⁸², there are many aged and dilapidated buildings in Hong Kong needing maintenance and repair urgently. Public initiatives to facilitate and enable rehabilitation of old buildings works in Hong Kong are considered to be necessary and in the public's interest.
184. The two bodies in Hong Kong that currently perform this public function are the Hong Kong Housing Society (HKHS) and Urban Renewal Authority (URA).
185. Back in 1994, a collapsed canopy tragedy in Aberdeen causing 1 death and 13 injured had already highlighted the collective responsibility of owners of multi-storey buildings to any liabilities due to improper care paid and maintenance made to their buildings⁸³.
186. The SARS epidemic in 2003 is also considered to be one of the warnings given to Hong Kong about the threat of poor sanitation arising from building environmental dilapidation.
187. The call from the Government to speed up rehabilitation works was made in the 2005 Policy Address of the Chief Executive:
“We will also speed up the maintenance of old buildings. In this regard, we are pleased to have the support of the Hong Kong Housing Society in introducing a "one-stop" Assisted Building Management and Maintenance Scheme. The Housing Society will set aside \$3 billion for the implementation of the Scheme for the next 10 years. On the strength of its experience and expertise in proper upkeeping of buildings, the Housing Society will provide technical advice, incentives and interest-free loans to help owners improve their living conditions through proper management and maintenance of their buildings. This Scheme will complement the Urban Renewal Authority's building rehabilitation efforts. About 800 buildings will benefit from this Scheme annually. We are working out the details with the Housing Society with a view to announcing the implementation arrangements shortly.” (Para. 92)

⁸² Housing, Planning and Lands Bureau (2005a), *Public consultation on mandatory building inspection*, Housing, Planning and Lands Bureau, Hong Kong.

⁸³ The URA actually highlighted this case in its promotion material on its rehabilitation programme.

188. In October 2005, the Secretary for Planning, Environment, and Land issued a consultation paper on “Public Consultation on Mandatory Building Inspection” and proposed support measures through phased implementation, including window inspection to assist owners in discharging their responsibility of proper upkeep of their buildings. It was not until 22 January, 2010 that the Buildings (Amendment) Bill 2010 was introduced to the Legislative Council.

189. On the 26th of February 2009, the Secretary for Development further speeded up the rehabilitation works by introducing the "Operation Building Bright"⁸⁴ and \$700 million was earmarked for "Operation Building Bright" in the 2009-10 HKSAR government budget. The project is also aiming at creating job opportunities to reduce the impact of the financial tsunami. Together with the allocation of \$150 million each from the Hong Kong Housing Society (HKHS) and the Urban Renewal Authority (URA), a total of \$1 billion has been injected to assist owners of about 1,000 dilapidated buildings to carry out building repair works.

Table 7.1 Building Rehabilitation Programmes operated in Hong Kong

Urban Renewal Authority	Building Rehabilitation Loan Scheme Building Rehabilitation Materials Incentive Scheme Hardship Grant Scheme
Buildings Department	Building Safety Loan Scheme
Hong Kong Housing Society ⁸⁵	Building Management Incentive Scheme Home Renovation Loan Scheme Building Maintenance Incentive Scheme
The Government of Hong Kong Special Administrative Region (administered by Hong Kong Housing Society)	Building Maintenance Grant Scheme for Elderly Owners

190. The “Operation Building Bright” was subsequently expanded to \$2 billion aiming to assist a total of around 2,000 buildings. A further \$500 million of additional funds was allocated to this programme in the 2010-11 Budget. However, the “Operation Building Bright” is only a one-off measure with specific target and purpose instead of a long term measure for tackling the building decay problem in Hong Kong. Moreover the programme, at time of introduction, was one of measures to tackle unemployment

⁸⁴ HKSAR (2009) “Operation Building Bright” to create many job opportunities <http://www.info.gov.hk/gia/general/200902/26/P200902260200.htm> Press released February 26, 2009 (accessed 15/12/2009)

⁸⁵ Up to 2008/09, the Housing Society has provided financial and technical assistance to about 185,000 flats in more than 3,800 buildings and facilitated the formation of more than 900 Owners’ Corporations (Hong Kong Housing Society Annual Report, 2009).

problem, particularly in the construction industry.

191. At the time of this study, apart from the Operation Building Bright programme, there are a number of rehabilitation programmes operated by different bodies (See Table 7.1). This paper will primarily focus on the work done by the URA.

URA Incentive Schemes

192. URA has been providing three forms of assistance to encourage better care of domestic premises in multiple ownership by the owners since 2003. They are namely the Building Rehabilitation Loan Scheme (BRLS), Building Rehabilitation Materials Incentive Scheme (BRMIS) and the Hardship Grant Scheme.

Building Rehabilitation - Materials Incentive Scheme (BRMIS)

193. BRMIS⁸⁶ was formerly known as the Extended Trial Scheme and was launched in November 2003. Under the BRMIS scheme, URA invites Owners Corporations (OCs) of domestic or composite buildings in multiple ownership and subject to statutory repair orders to participate in this Scheme and will advise on building rehabilitation works, implementation programs, building inspection, tendering and supervision, and supply of renovation materials. The objectives of the scheme are to encourage the owners of multi-owned and close to or over 20 years old buildings and with established OCs to carry out preventive building maintenance and promoting sustained maintenance and management after rehabilitation.

Building Rehabilitation - Loan Scheme (BRLS)

194. An interest-free BRLS⁸⁷ was announced by URA in May 2004 to cover buildings which meet similar criteria to those for the BRMIS and are not subject to statutory orders in order to encourage owners to undertake voluntary rehabilitation early. It encourages owners of multi-owned old buildings with established OCs to carry out preventive building maintenance voluntarily and to improve their living environment. Loans will be arranged through OCs but made to individual domestic property owners for up to \$100,000 per domestic unit for a term of up to five years (depending on the amount).

Hardship Grant Scheme

⁸⁶ <http://www.ura.org.hk/html/c510000e1e.html>

⁸⁷ <http://www.ura.org.hk/html/c512000e1e.html>

195. URA also has introduced a limited Hardship Grant Scheme⁸⁸ to assist owners, such as the elderly on low incomes, who are unable to contribute to overall rehabilitation costs and may discourage or prevent other owners from going ahead. The Scheme applies to the URS Target Areas and covers the same class of buildings as the BRMIS and BRLS. Grants may be up to \$10,000 per domestic unit or 100% of the share of cost of the works for the whole building attributable to that unit (whichever is lower).

196. In total, around \$425 million has been allocated in the corporate plan of URA⁸⁹ for the five years from 2009/10 to 2013/14 for funding the building rehabilitation programme. This can potentially cover up to 1,000 buildings, comprising about 66,000 domestic units, within the five-year period covered by the corporate plan. So far assistance the owners of about 38,100 units in over 490 buildings have been benefited from URA rehabilitation schemes and the expenditure incurred under all schemes up to May 2009 is around \$240 million. URA also has obtained support from 17 local banks to offer mortgages on enhanced terms in respect of older domestic privately owned flats in buildings, which have benefited from URA's rehabilitation programmes. Other subsidies include subsidies for Authorized persons fees and third party risk insurance premiums.

197. URA has benefited or is now benefiting almost 41,000 residential units in nearly 530 buildings under its own rehabilitation schemes up until March 2009.⁹⁰

Rehabilitation in Tai Kok Tsui

198. As at March 2009, in Tai Kok Tsui (TKT), a total of 8 and 15 rehabilitation projects were completed under the BRLS and BRMIS respectively since the commencement of the schemes. Respectively, 2 and 12 of these projects were in different stages of progress at the time of the present study.

199. As one of the target areas, the building rehabilitation need in TKT area is high. There are many old and decaying buildings in the areas and in general the awareness of owners on building maintenance is low. The problem is particularly serious for small buildings with only a few-storey high and with only a few units. In these buildings, each owner would have to pay a large proportion of the building maintenance costs and many of these owners are elderly with limited means. Many of these owners would rather have

⁸⁸ <http://www.ura.org.hk/html/c512000e1e.html>

⁸⁹ Legislative Council Panel on Development "Progress of Work of the Urban Renewal Authority", 23 June 2009.

⁹⁰ Download from the URS Review Website: <http://www.ursreview.gov.hk/eng/about.html> on January 13, 2010.

their buildings redeveloped instead of maintaining them, particularly, when they received orders from the Buildings Department⁹¹.

200. Compounded with problems such as “missing” owners, vacant flats, illegal roof-top housing units, illegal partitioning of units, etc., making collective decisions in repair and maintenance is very difficult in these types of situation.
201. Another disincentive for these owners to do major renovation of their buildings is due to that many of these buildings do not meet the current building safety standards and if they are to do any major renovation, they would have to follow current building standards and hence requiring a much higher investment that many of the owners would not be able to afford.
202. Owing to small number of owners in these old buildings, it would be very difficult to find owners who would be willing to serve the OCs, especially to deal with rehabilitation matters.
203. In the course of study, many informants in TKT “complained” that when they made complaints to the Buildings Department about illegal and unsafe structures or illegal partitioning of units, the Buildings Department would ask them for evidence and many of them would hesitate to perform this “investigative” role.

Social service team support

204. In 2003, URA engaged the Chan Hing Social Service Centre (CHSSC) to provide support to building owners in TKT that had received repairing orders from BD to carry out building maintenance works required. The roles of the social worker were to provide information and support to facilitate concerned buildings to form OCs, to plan and start the rehabilitation works. Later, HKHS also sought the assistance from CHSSC to provide similar services to buildings.
205. We noted that owing to the fact the CHSSC had been operated in Mongkok and TKT since 1980, they have considerable contact with local residents and most local residents are aware of their services in TKT. This has enabled the social service team of CHSSC to develop rapport with the relevant residents and owners. However, according to the informants in CHSSC, even at the end of the contract with URA, CHSSC still could not

⁹¹ We do note that while these owners would rather have their building redeveloped, but when the time of acquisition has come, many of them would still be very dissatisfied with the terms offered.

help all the concerned buildings to form their OCs, and mostly for one simple reason that quite a number of the owners could not be reached.

The case of Chung Sing Building

206. At 63 Chung Wui Street, Tai Kok Tsui, Chung Sing Building (Figure 7.1) was built in 1966. In early 2003, Chung Sing Building OC received repairing order from BD and the comprehensive rehabilitation works was completed by January 2004 under the support of the BRMIS and the loan from HKHS



Figure 7.1 Chung Sing Building before (Left) and after (right)

Readiness of OC

207. While the OC of Chung Sing Building has been established for many years, yet members were not experienced in building maintenance at the time when the OC received the repairing order from BD. As most of the other OCs in TKT, in 2003, the members of Chung Sing Building OC did not know how to handle the repairing order from BD and they did not have the knowledge to follow up all the planning, budgeting, tendering, and quality control works. The OC of Chung Sing Building sought for the advice from the OCs of other buildings in the district.

208. The owners of some units in Chung Sing Building had financial difficulties to shoulder the maintenance cost at the beginning and finally 30 units had successfully applied loan from the Buildings Department (BD), though they found the requirement of the BD loan scheme quite strict, tedious and they had to keep very good record and documentations.

209. At that time there was no rehabilitation loan scheme from URA yet. However, the OCs managed to obtain material support from the URA BRMIS, but the items being supported during the time were fewer than nowadays (only 10% of the total amount required). URA also gave them advice on how to conduct and observe the repairing works like water proof coating and wall repairing to facilitate their decision making and project management.

Problems encountered

210. For the OC, it was difficult to reach consensus on rehabilitation issues, e.g. deciding on paint colour and selecting contractors. For example, some owners of lower floors may not want to share the cost to repair the building roof. On the other hand, people at the top floor may want to use better and thus relatively more expensive material to fix the roof problem. Financing and individual concerns caused many conflicts and mistrust made it difficult for owners to reach consensus.

211. Most of the repairing works were conducted in summer rainy season and that made the work more difficult and took longer time to complete. In addition the building was covered by the construction “net” during the maintenance, it made the air inside the building very bad. Finally some people moved out and stayed away from the building because of health reasons caused by the noise and air pollution during the implementation of rehabilitation works.

212. While the support of Approved Person was important in supervising the project quality, it was the owners who took up the day to day “close supervision”, such as avoiding stealing and other improper practices.

213. Apart from the compliance required by the BD repair order, in the course of rehabilitation, the OC also found that the underground pipe system needing urgent repair. At the end, each owner of Chung Sing Building had to bear the cost of \$22,500 per unit.

214. As expected, collecting money from owners was difficult and finally the OC had to seek legal advice to solve the problem. But as many units had been left for many years and the OC had no contact with the relevant owners, the OC had to turn to Small Claims Tribunal on eight problem cases and each unit had to share \$190 per case for the court fee concerned.

Effects of the rehabilitation scheme

215. According to the informants, after receiving the repairing order, owners of the Chung Sing Building have also performed a closer inspection of the conditions of the building, and finally, repairing works conducted were more than being required by the BD repair order. After rehabilitation, the building safety and the operation of building facilities like water pipe were also enhanced. At the same time, the exercise also enhanced the understanding and awareness of owners of the building on building management.
216. The property rent and price of the units in Chung Sing Building have gone up significantly after the completion of rehabilitation work⁹². However, property values in Hong Kong had appreciated significantly ever since the SARS epidemic and it is difficult to isolate the impact of rehabilitation on the change on property price. With reference to some local studies, the positive impact on property value of building rehabilitation is consistent to the change in Chung Sing Building case. As shown in a local study⁹³, rehabilitation has positive influence on property transaction volume in TKT and some other areas. The findings also found that rehabilitation had significant contributions in increasing property values of old but rehabilitated residential buildings.

Concluding Remarks

217. Building maintenance is obviously a very professional job and should be performed by professionals. Yet, the process and knowledge required to engage professionals, consultants and contractors is also very demanding and very taxing on owners, particularly in old buildings.
218. We noted that while 61% of about 40,000 private buildings in Hong Kong had OCs, only 26% of those private buildings built before 1960 had any OCs.⁹⁴
219. This is compounded by the fact that multi-unit buildings have divided ownership and it is not infrequent to find dissenting owners who do not trust the OCs and making collective decisions very difficult in building management. This is particularly difficulty when it comes to repair and maintenance of common areas of the buildings and it usually involves a large sum of money.

⁹² According to the OCs member of the Chung Sing Building, the rent of a unit in the building had increased from HKD4,600 to HKD5,300 after the completion of the rehabilitation work.

⁹³ Hui, E.C.M., Wong, J.T.Y. & Wan, J.K.M. (2008) The Evidence of Value Enhancement resulting from Rehabilitation, Facilities, 26 (1/2): 16-32.

⁹⁴ The above information was extracted from the data base of private buildings in Hong Kong maintained by the Home Affairs Department obtained on January 18, 2010.

220. While most people will agree that maintenance of buildings is the responsibility of the owners, yet given the complications mentioned above, public intervention is basically necessary. The efforts made by the various bodies discussed in this paper can be considered as only recent phenomenon. While we can conclude that the efforts and progress made in the past few years can be regarded as remarkable, yet given that we have 18,000 buildings aged 30 or above, the number of buildings that URA had managed to reach was still quite minimal. This challenge will be further discussed in the last two chapters of this report.

Chapter 8 The Achievements and Challenges

Major Achievements

Redevelopment

221. As discussed in Chapter 2, the general conclusion is that the progress of urban renewal has not been satisfactory in the early years prior to the establishment of Land Development Corporation (LDC). The objective of forming the LDC is to speed up urban renewal and land “recycling”.
222. The LDC commenced 25 projects (including one preservation projects) and completed 15 in its 13 years of history (1988-2001). Again, as concluded in the review conducted by the Government in 1996, the LDC would not be able to deliver urban renewal on a sufficient scale and quickly enough to avoid long-term urban decay. It was against this background that the formation of the Urban Renewal Authority (URA) was conceived, and subsequently formed in 2001.
223. URA in its first eight years (2001-2009) has commenced 41 projects including all of the 25 ex-LDC projects⁹⁵. While redevelopment has appeared to have been speeded up in the era of the URA, if we take into consideration that some preparatory work for the 25 ex-LDC projects have begun in the LDC years and some early project identification work (i.e. the 200 projects) had been done by the Government before the formation of the URA, the commencement of 16 URAO projects in 8 years by URA is basically not much different from the commencement of 25 projects in 13 years by the LDC.
224. While the URS requires that “priority should be given to the 25 uncompleted projects of the LDC”, we should also take note that that many of the ex-LDC projects had become quite controversial in the URA years, e.g. the Nga Tsin Wai Village (K1), the “Sneaker Street” (K28), the Kwun Tong Town Centre (K7), the “Wedding Card Street” (H15), the Peel Street/Graham Street (H18), the Wing Lee Street/Staunton Street (H19), etc. The need to fully engage the community and various stakeholders has been growing together with the increasing demand for community participation and heritage preservation. Support from District Councils in early years of project initiation has waned when public sentiment on heritage preservation changes. There were District Councils which once urged the URA to speed up redevelopment and had later become more demanding

⁹⁵ At this point of time, it would not be fair to compare the number of projects completed by URA in its first eight years as compared to that completed by LDC in 13 years, as projects would take many years to complete and many projects that were completed by the URA were commenced by the LDC.

and took more time, as they should have in representing the community sentiments, to scrutinize URA proposals. Representations made to the Town Planning Board regarding to URA projects have also grown in these years. These changes in the community and in politics can at least partially explain why many of the ex-LDC projects have taken the URA 6 to 7 years before the URA can officially announce project commencement.

225. Furthermore, we should also note that the role of the URA has been expanded to include preservation and rehabilitation, as compared to that of the LDC. Redevelopment is only one of the options for old buildings.

226. While the URA has stepped up its community engagement efforts as shown in the case of the Kwun Tong Town Centre Project, the demand from advocacy and community groups for participation is ever increasing. In particular, such demands for participation include district and community based planning and the choice of redevelopment sites and projects. These are the issues that the URS review would have to address.

227. If we take the number of URAO projects commenced by URA is comparable⁹⁶ to the number of projects commenced by the LDC coupled with the complexity and level of controversies in many of the ex-LDC projects, we can conclude that the URA has indeed speeded up urban redevelopment already.

228. However, in the Urban Renewal Strategy (URS, 2001), the target was to redevelop 2000 buildings in 20 years, i.e. on average 100 buildings each year. At the time of study, the URA has redeveloped more than 500 buildings⁹⁷. While this figure looks quite impressive to many people, it is still less than the target of 100 buildings each year.

Rehabilitation

229. Urban decay has been a matter of public concern for many decades. While discussion in early years was primarily related to redevelopment, it has become very apparent that on one hand the progress of our redevelopment programmes has been less than satisfactory, and on the other hand if we allow such urban decay and building

⁹⁶ It is approximately 2 projects per year.

⁹⁷ As discussed later, in its eighth year of operation 2009, redevelopment has apparently been speeded up. In 2009, 105 buildings were redeveloped by the URA and its partner HKHS. At the time of study, URA has commenced 31 redevelopment projects and has assisted HKHS to launch a further 7 projects on URA's behalf. In total, these 37 redevelopment projects cover 520 buildings.

dilapidation to continue in its pace, this city would soon become unsafe to live in. While the URS (2001) has clearly spelt out the importance of rehabilitation as part of the urban renewal efforts, it has only mentioned the need for the URA to consider introducing a maintenance costs reimbursement scheme for property owners affected by land acquisition for its redevelopment projects. The work of the Buildings Department is primarily related to the assurance of compliance in terms of modern building standards and safeguarding public safety in cases of eminent risk.

230. The Building Rehabilitation Materials Incentive Scheme, the Building Rehabilitation Loan Scheme and other efforts of URA to assist owners to maintain their buildings are initiatives of the URA that have gone beyond what is required in the URS (2001).

231. The fact that the URA has assisted 506 buildings and the HKHS has assisted 377 buildings in the past few years in rehabilitation is indeed quite remarkable (See Table 8.1). Furthermore, the recent “Operation Building Bright” programme launched by the government has already covered almost 800 buildings in URA’s Rehabilitation Scheme. While comparing to the total number of 18,000 private buildings⁹⁸ aged 30 or above in Hong Kong, such numbers are still quite minimal, if these programmes have been even more extensive, we may be running a risk of having all owners expecting public intervention to be forth coming before they would take initiative to better maintain their own buildings, and this would be even more detrimental to the future state of our stock of private buildings, unless we would expect that the governance motto of “small government big market” would be changed to “big government small market”.

Table 8.1: Number of buildings assisted in rehabilitation by URA and HKHS as at 15/3/2010

	Applications No.	Application Approvals No.	Completed Buildings No.
Bldg Maintenance Incentive Scheme (HKHS)	1,051	946	377
Materials Scheme and Loan Scheme (URA)	517	512	506

Preservation

232. Preservation was not seen as an important part of urban renewal until the enactment of the URA Ordinance. While it was not one of the specified functions of the LDC, the LDC took initiative to take up the responsibility of preserving the Western Market. Yet,

⁹⁸ While in the context of the Urban Renewal Strategy review, a study related to the work of the Government and other public agencies in building maintenance is in progress at the time of this present study, there is currently no data available suggesting to what extent that the owners, themselves, have taken initiative to rehabilitate their buildings without the help from the public sector.

this was the only remarkable preservation effort of the LDC.

233. As spelt out in the URS (2001), there are three objectives relevant to preservation that URA has to achieve in its urban renewal efforts. They are:

- preserving buildings, sites and structures of historical, cultural or architectural interest;
- preserving as far as practicable local characteristics;
- preserving the social networks of the local community;

Preserving buildings, sites and structures of historical, cultural or architectural interest

234. On the other hand, we also note that in the discussion prior to the formation of the URA, there was no clear demand to make URA a conservation authority, something like the Urban Redevelopment Authority (URA) in Singapore. In other words, URA, in its construction, is not the conservation authority in Hong Kong, and we will not be expecting that the URA is the body that deals with all the preservation work in Hong Kong, though it is definitely one of the possible agents for the HKSAR Government in preservation. Furthermore, we would expect the above three objectives would be automatically achieved in the case of building rehabilitation. In fact, in the process of rehabilitation, there is always a need to strengthen social networks, at least, within the relevant building, in order to proceed with the rehabilitation work. Thus, the above three objectives related to preservation appear to be more applicable in the context of redevelopment. However, it is becoming more and more unclear in the recent developments, as discussed in the paragraphs below, as to how far the URA can move from the “preservation in the context of redevelopment” to “THE conservation agent” of the HKSAR Government or where to draw a fine line between the two roles.

235. We can conclude that URA has clearly made efforts in “preserving buildings, sites and structures of historical, cultural or architectural interest” in the context of its various redevelopment projects such as the Johnston Road Project, the Lee Tung Street, Nga Tsin Wai Village, etc., though the recent debate in the preservation of the whole Wing Lee Street has not come to a conclusion at the time of writing this report.

236. Moreover, the URA’s initiatives in the Mallory Street/Burrows Street project and the recent efforts to preserve pre-war shop-houses that are outside the sites of URA redevelopment projects can be considered as a step ahead that the URA has gone beyond “preservation in the context of redevelopment”. Between the Mallory Street/Burrows Street Project and the preservation of pre-war shop-houses, there is yet a fine line.

237. The Mallory Street/Burrows Street Project can still be considered as an integral part of Master Thinking in Wanchai developed by URA and is very much related to the cluster of redevelopment and preservation projects in Wanchai. On the other hand, the preservation of pre-war shop-houses in Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street is clearly quite unrelated to other URA projects, even though the cluster of shop-houses in Shanghai Street/Argyle Street is situated just opposite to the ex-LDC project of Langham Place. Furthermore, the pilot voluntary acquisition scheme or a voluntary restoration scheme, that the URA invited owners of a total of 16 shophouses to participate since June 2009, is already quite similar to the work done by the URA of Singapore.

Preserving as far as practicable local characteristics

238. While there was not much discussion in the era of the LDC, this is perhaps one of the most controversial parts in the work of the URA. Some critics would even accuse the URA as an agent of destroying local characteristics. On one end, there are demands to keep the status quo of the pre-existing local characteristics intact, while there are also demands to clear existing sites not optimally utilized to make way for development. In between, there are many possibilities of striking the “balance”, including the call for “organic regeneration”.

239. However, the concept of “local characteristics” is rather vague. At least, there is hardly any serious discussion on this matter in the literature. The set of “local characteristics” is not well defined. For instance, “poverty” may be associated with “low cost living”. While we would like to keep “low cost living” and eradicate “poverty”, but in practice, when we have eradicated “poverty” in a particular area, the cost of living will inevitably rise. Thus, by removing some of the undesirable characteristics of an area, the local character can never be the same again. The relevant tasks required to be clearly defined in the process of preserving local characteristics are:

- what the local characteristics are;
- which local characteristics should be kept ; and
- how to preserve the relevant local characteristics when some of related characteristics have been changed

240. As illustrated in the case of K7 (Kwun Tong Town Centre), the URA in its community engagement efforts by design can deal with this issue in the following manner:

- community aspiration surveys can help to identify what the local characteristics are and which characteristics that people would like to preserve (e.g. the central hub for

residents in Kwun Tong in terms of transportation, shopping, banking, etc.);

- community design workshops can help the URA to identify the key local characteristics that should be preserved and how that can be incorporated into the overall plan and design (e.g. the hawkers bazaar and street level shopping as part of the character of Kwun Tong Town Centre); and
- District Advisory Committee: Local interests are basically included in the district advisory committees set up by the URA.

241. In the case of H15 (“Wedding Card Street”), the advocacy groups demanded to keep the buildings along the Lee Tung Street and the existing trades within them. The URA took up some of the ideas, i.e. proposed to reconstruct low rise buildings along the future pedestrianized Lee Tung Street simulating the streetscape of the existing Lee Tung Street and planned to develop a theme shopping facilities named as the “Wedding City”. Similarly, in the case of K28 (the “Sneakers Street” project), the URA proposed to redevelop a “Sports City”, and in the case of H18 (Peel Street/Graham Street Project), the URA has pledged to maintain the vitality and sustainability of the street market by phase development and by providing facilities and premises in the interim and after project completion to existing operators, and also proposed to keep the streetscape of the Graham Street in the new design. However, URA was accused of destroying many traditional trades and unwelcomed trades that would find it hard to relocate (such as tire shops).

242. Apparently, “as far as practicable” is a matter of value judgment of what is “practicable”. As in the case of H15, the deliberations in the Town Planning Board (TPB) during the processing of the relevant H15 applications can be considered as the articulations of the TPB members’ value judgment of what “as far as practicable” with respect to the representations made by the H15 Concern Group and the comments from the URA and Planning Department. While the advocacy groups would criticize the representativeness of the members of the TPB, members being appointed by the Government would definitely represent what the Administration considered as needed to expedite its governance, to discharge the duties of the TPB and to represent the views of various sectors in the community. Any further discussion on the TPB and its deliberation process would be beyond scope of this study.

243. Apparently, there is no “purely objective” way of judging whether the URA has “preserved as far as practicable” or not. However, we can conclude that the URA has made clear efforts at the planning stage to assimilate the views from the public into its proposal as far as what they would consider as practicable and acceptable to the TPB.

Furthermore, we should also note that in the long process of planning, as quite illustrative in the case of the H19 (Staunton Street/Wing Lee Street), public attitude towards heritage preservation has changed substantially over time.

Preserving the social networks of the local community

244. This is the aspect that URA redevelopment projects are frequently criticized.

245. At times, URA is compared to the Housing Authority (HA). In the redevelopment of public rental housing under the HA, it is the policy of the government to make it possible for redevelopment in place and in phases to allow residents affected to be resettled within the same or nearby housing estates, i.e. “in-situ relocation” (“原區安置”). However, the feasibility of the same policy applying to the URA is limited by the following factors:

- The scale of the redevelopment projects of the URA is relatively much smaller than that for the HA redevelopment projects (with the exception of K7).
- The landlord and tenant relation in the case of the HA does not apply to the case of URA in redevelopment projects. Even if the function of URA could be expanded to become a landlord, about another half of the affected households in the URA redevelopment projects are not tenants. To preserve the existing social networks, URA would have to keep buildings with units that can be either sold or rented to the residents affected by redevelopment.
- While the HA is itself a “developer”, the URA is not. Partnership with the private sector will inevitably lead to profit maximization and in many cases the building of expensive flats, and most of the original residents would find it highly unaffordable to return to the redeveloped flats.

246. Though the URA and the Social Service Teams (SST) will help the affected individuals to find replacement housing, it is basically not possible to “transplant” the whole neighbourhood or even the major part of the neighbourhood in a near-by site. In practice, the URA and the SST will help the affected individuals to find replacement housing according to the individuals’ preference, including finding accommodation in the nearby neighbourhood.

247. For the above reasons, the social network would inevitably be affected during the redevelopment process of the URA under the current mode of operation.

248. In 2009, the URA has modified its tender specification for the SSTs that it engages to

extend its follow-up service to six months after relocation of the affected residents with the objective of helping the affected individuals to “re-establish” their social network after resettlement or to maintain their network with their previous neighbours as far as possible.

249. In the case of H15, the URA has also planned in its master layout plan to provide smaller units in the future residential towers designed with overall average flat size about 52m² (GFA) to enhance the probability for the original residents to afford to purchase a new flat in H15, and to provide a total GFA of 1,000m² at Site B for possible social enterprises or social capital projects to facilitate the preservation of the social network and building up of social capital in old Wan Chai.

250. “Expression of Interest in Purchasing Arrangement (EIPA⁹⁹)” was introduced in Nov 2007 as a pilot scheme for Project H18 (Peel Street/Graham Street) and Project SYP/1/001 (Yu Lok Lane) and then extended to Projects K1 (Nga Tsin Wai Village) , K28 (Fa Yuen Street / Sai Yee Street), H19 (Staunton Street / Wing Lee Street), SSP/1/003-005 (Hai Tan Street / Kweilin Street / Pei Ho Street), MTK/1/001 (Pak Tai Street / Mok Cheong Street), TKW/1/001 (Chi Kiang Street / Ha Heung Road) and K7 (Kwun Tong Town Center). The Board has approved to extend the application of EIPA to all redevelopment projects which will provide residential flats in their new developments. The effectiveness of this policy to allow the original owner occupiers returning to the completed project site has yet to be evaluated.

251. In sum, as with any redevelopment (except those undertaken by HA) of residential buildings in HK, existing social networks in the community will be adversely affected and “dispersed” by URA’s redevelopment projects. On the other hand, the URA has made attempts to address these impacts in recent years, such as the provision of space in the site for development of social enterprises that can enhance the development of social network, the plans to invite previous shop operators back to the completed project sites, the EIPA, and the modified scope of work for SSTs to mitigate the negative effects of breaking up existing social networks in the community.

Major Challenges in Urban Renewal

⁹⁹ In this pilot EIPA, the interest of eligible owners will not be transferable except to their immediate family members who are residing with them at the time of the Freezing Survey. Furthermore if the number of eligible owners is larger than the number of flats reserved for this purpose, selection priority of flats will be determined by ballot. The eligible owners will have to pay the current market value when exercising their interests. The EIPA is now a standing policy of URA. Some 1,100 owner-occupiers have been invited to consider EIPA and about 1/3 has expressed interest.

252. Urban renewal has always been a very controversial public policy area. Conflicts in urban development or urban redevelopment resulting in tragedies are not uncommon in history in various cities around the world. The height of such conflicts usually occurs at the time of clearance. The conflicts that Hong Kong has experienced in urban redevelopment can be considered as relatively mild and peaceful.

Challenges in Redevelopment

Urban decay and aging of private buildings

253. As discussed earlier, from the outbreak of the bubonic plague (1894) in the area around Tai Ping Shan District to the formation of the URA (2001), urban decay has always been an issue. While the URA has stepped up its efforts in redevelopment, yet the target of 2000 buildings in 20 years is still a big challenge.

254. We should note that while on the one hand URA has not yet met its target of redevelopment, it is already being accused by heritage advocacy groups and many members of the public as doing “too much” redevelopment. The original reason for aiming at reconstructing 2,000 buildings in 20 years could not be found in official record. However, at the time of 2000, there were approximately 10,000 buildings aged 30 years or above¹⁰⁰. In other words, in 20 years time, without any redevelopment, there would be a total of 10,000 buildings aged 50 years of above. Thus, if the public sector, in the case of URA, taking the share of 20% of the economy, would have to redevelop 2,000 buildings.

Table 8.2: Number of buildings per age group in January, 2010¹⁰¹

Age group of buildings	Number of buildings	%
< 10	1,343	3.4%
10-19	9,840	24.9%
20-29	10,311	26.1%
30-39	8,040	20.3%
40-49	6,519	16.5%
50-59	3,112	7.9%
60-69	399	1.0%
70-79	7	0.0%
80+	2	0.0%
Total	39,164	100.0%

¹⁰⁰ In table 8.2, we have approximately 10,000 buildings aged 40 or above now. In other words, ten years ago at the time of 2000, these buildings would be aged 30 or above.

¹⁰¹ This table is generated from the Building Management Data Base is obtained from the Home Affairs Department on January 18, 2010.

255. By 2010, we had about 6,500 buildings aged 40-49 years. In other words, in the coming 10 years, if we are still redeveloping at the pace of 200 buildings per year, we will still be having additional 450 buildings aged 50 years or more each year¹⁰². Though 50 years is the minimum required design life of buildings or in accounting terms, buildings would be fully depreciated in 50 years, it does not mean that the buildings can only be used for 50 years, if they have been adequately maintained. However, given the state of repair of our old buildings in Hong Kong, the “aging” is very rapid. Comparing to the “aging” population of HK people, i.e. doubled in 20 years time, our aging population of buildings will be more than doubled in 10 years time.

256. We noted that in the year 2009, the speed of redevelopment has been speeded up. Particularly, for the work of the URA, a total of 105 buildings were demolished¹⁰³ by URA and its partner HKHS in 2009, as compared to only 55 in 2008. In the same year, while redevelopment in the private sector has also appeared to have been speeded up, yet the total number of old buildings demolished was only 175, as compared to 155 in 2008. In 2009, the URA/HKHS took up a market share of 37.5% (or 3/8) in terms of reconstruction of buildings. The speed of redevelopment in the private sector is obviously still very slow.

Table 8.3 Dangerous building reports received by the Buildings Department¹⁰⁴

Year	No. of reports ¹⁰⁵
2000	4,280
2001	6,671
2002	5,956
2003	8,685
2004	10,407
2005	13,999
2006	6,758
2007	4,566
2008	6,138
2009	5,566
total	73,026

¹⁰² Though 50 years is the minimum required design life of buildings or in accounting terms, buildings would be fully depreciated in 50 years, it does not mean that the buildings can only be used for

¹⁰³ Buildings for which the Building Authority has issued demolition consent (Data extracted from the Monthly Digest of the Buildings Department).

¹⁰⁴ Data extracted from the Monthly Digests of the Buildings Department.

¹⁰⁵ Figures include reports from the media and members of the public and referrals from other Government departments.

257. The average number of the dangerous buildings reports received by the Buildings Department in the past 10 years was 7,303. While these are merely reports received from the media and members of the public and referrals from other Government departments and do not necessarily reflect that the reported buildings are technically dangerous, we can see that safety of buildings is a matter of grave concern of the public.

258. Taking the rapid ageing rate of private buildings, the poor state of repair, and the slow reconstruction rate, urban redevelopment is still a big challenge for HK in the coming years.

Redevelopment – inclusion or exclusion

259. The choice of site and the decision to include certain buildings in a redevelopment programme is always a big challenge.

260. In most URA projects, while domestic owner-occupiers, in general, welcomed redevelopment by URA, the shop owners did not. As in the case of K7, three months after the first offer, i.e. by 30th March, 2009, the URA had acquired 66% of the total 1,657 property interests and 97% of owner-occupiers of domestic properties. The difference in compensation between owner-occupiers and non-occupier owner accounts for the major difference in the rate of acceptance of offer (to be discussed further in later sections).

261. Shops and residents usually reacted very differently to redevelopment. Traditional shops or “unwelcomed” business would find it hard to relocate their business and redevelopment could mean an end to their businesses. Even when this may not be an issue, as in the case of K28 (“Sneakers Street”), shop owners and operators are still more resistant to the idea of having their businesses interrupted by redevelopment.

Table 8.4 : Views of K28 residents and business operators towards redevelopment¹⁰⁶

	Residents			Business			
	Owner occupier	Owner non-occupier	Tenant	Owner occupier	Owner non-occupier	Tenant	employees
Support rehabilitation	1.4%	49.0%	23.5%	58.3%	91.8%	47.0%	54.3%
No opinion	12.2%	20.8%	25.0%	41.7%	6.1%	27.5%	27.1%
Support redevelopment	86.5%	30.2%	51.4%	-	2.0%	25.4%	18.7%
N	74	53	68	12	49	51	59

¹⁰⁶ Table extracted from the consultancy study conducted by HKU on “Community Opinion for Project K28” for the Urban Renewal Authority, October 2006.

262. As shown in Table 8.4, we noted that while 86.5% of the owner-occupiers of residential units supported redevelopment, only 1 of the 61 title owners of the commercial units in K28 supported redevelopment. This is apparently also an issue very much related to the different levels of compensation given to owner-occupiers of residential units and to owners of commercial units. If we pooled the two types of owners together and based on the number of units they owned¹⁰⁷, the results clearly demonstrated the divided views with 42.1% supported rehabilitation and 43.1% supported redevelopment. The K28 is perhaps one of the URA projects with clearly divided views among owners towards redevelopment.
263. As in the recent case of the Ma Tau Wai Road/Chun Tin Street Project¹⁰⁸ commenced on 24 February 2010, we noted that from time to time, while there are shop operators who are included in the redevelopment project expressing objections to being included, there are also owners of residential flats in the vicinity (in this case, on the other side of Chun Tin Street) objecting to not being included in the redevelopment project.
264. One of the major criticisms towards the URA is usually the lack of transparency and the lack of consultation prior to the announcement of project sites and site coverage. The major reason for such “confidentiality” is due to the substantial financial interest that may arise from redevelopment, and the “need” to avoid possible abuses, such as people moving into the affected flats before the freezing survey, e.g. non-owner occupiers evicting tenants and moving into the units themselves so that they can obtain 100% of the Home Purchase Allowance¹⁰⁹, or more tenants moving in so that they would be able to be resettled in public housing earlier or to be able to obtain the cash allowance for tenants, etc.
265. We noted that in many of the ex-LDC projects, while many of them have been announced many years ago and many relevant District Councils have continuously urged the URA to speed up the process, the exact time of implementation has not been made known beforehand. We do not have any evidence to show that the problems of “abuses” existed in these cases though there might be some. Thus, apparently the major issue of confidentiality is very much related to the time of implementation (i.e. as

¹⁰⁷ For example, if an owner owned 7 units, his/her answer would be counted 7 times.

¹⁰⁸ Project resulting from the collapse of 45J Ma Tau Wai Road on January 29, 2010, and subsequent demolition of adjacent properties on safety grounds..

¹⁰⁹ In many URA projects, there are also cases where the non-occupier owners evicted tenants even after the announcement of projects. While theoretically they will not be entitled to be classified as owner-occupiers, they will still try their very best to argue with the URA frontline staff members that they are bona fide owner-occupiers.

marked by the freezing survey) and is critical to establish eligibility for compensation and re-housing, instead of the actual decision on the exact site and the site coverage. Another related issue is that if the time between the decision of site selection and the time of implementation is unreasonably long, e.g. over ten years as in the case of K7, there would be problems such as building conditions deteriorating rapidly due to the lack of incentives for maintenance bringing hardship to residents and also uncertainty to business operators. Thus, if such decisions are to be made with more transparency and community participation, the time frame between decision and implementation cannot be too long. In other words, it cannot be too long to avoid building condition deterioration and business uncertainty and at the same time cannot be too short to avoid possible abuses such as investor speculation and tenants being required to move out early.

266. We also note that the issue of abuses is very much related to the issue of compensation. Say, for example, if the compensation is the same for the public sector (i.e. URA) and private sector, the issue will probably disappear as acquisition can occur any time for old buildings in the private sector and there is no significant difference between owner-occupiers and non-occupier owner¹¹⁰. This issue of compensation will be discussed in the section on compensation.

Sustainability

267. As noted earlier, in the next ten years, the average number of buildings that would become 50 years old is 650 each year. To simplify the analysis, taking the total stock of our private buildings as 40,000 and if each building can only be used for 50 years as the minimum design life, then, in the long run, we may have to redevelop, i.e. demolish 800 buildings each year. Judging from the fact that the demand for inert construction and demolition waste (C&D waste¹¹¹) is very low, demolition of 800 buildings would create a volume of C&D waste with no place to go. Even if we can extend the building life to 100 years by, say, doing better preventive maintenance and extending the required minimum design life from 50 years to 70 years, the long term average number of buildings to be demolished will still be 400 per year which is well above the already

¹¹⁰ For acquisition for redevelopment purposes in the private sector, market value for vacant possession (i.e. no tenants or owner-occupiers) may be slightly higher than those units that are tenanted. But this difference may vary depending on the time frame of acquisition. If the planned acquisition is for a few years, the initial acquisition value may even be higher for tenanted units.

¹¹¹ Though theoretically most C&D waste can be recycled by using Selective Demolition (note: rarely practiced in the private sector), most of the C&D waste is concrete and the demand for recycled concrete is quite limited (e.g. sub-base for roads and pavement concrete bricks), and we have limited demand for reclamation type of public fill.

high demolition rate in 2009, i.e. 280 buildings only. We are basically facing a dilemma, demolition rate too slow will result in too large a number of aged buildings and demolition rate too high will cause a big problem in dealing with the volume of C&D waste.

*Compensation policy*¹¹²

Compensation to Owners

268. This is the most controversial issue in urban renewal. In the era of the LDC, the LDC had been changing its compensation almost once every few years to make the compensation package more attractive¹¹³. For instance, the compensation for owners of a domestic unit was by private negotiation¹¹⁴, i.e. basically the market value, and gradually increased from 10% over the existing market value, to a level better than a notional 10-years-old flat under the Government Home Purchase Allowance¹¹⁵. The compensation for owner-occupiers in URA was raised to the level of a notional 7-years-old flat after lengthy political negotiation during the time of enacting the URAO. This level of compensation, to be fair to owners affected in different projects implemented at different times, so to speak, has basically remained the same.

269. However, for a non-occupier owner the current compensation is only 50% of the HPA¹¹⁶ for the first domestic unit and as discussed in Chapter 4, it may mean a difference of 700 thousand dollars for a small flat of saleable area of 350 ft² as compared to what is received by a owner-occupier. For investor-owner in a site holding a few units will mean well over several millions of dollars. This is one major source of conflict.

270. The major reason for owner-occupiers having a higher compensation is that the URA should also compensate for the loss of “residency” for owner-occupiers and provide them with the means to purchase a home of adequate standard. If we used the compensation offered to tenants as a reference as a compensation for the loss in residency, we would note that the level of compensation payable to the owner-occupier over and above that payable to the non-occupier owner (i.e. 50% of the HPA) would be

¹¹² The term “compensation” is used throughout this report. Formally, the terms “ex-gratia payment” and various forms of “allowance” on top of market value are used. The term “compensation” used in this report is basically the layman’s version.

¹¹³ See Appendix V for the details of such evolution.

¹¹⁴ LDC Annual Report 1988-89, page 5.

¹¹⁵ On April 25, 1997, the Finance Committee of the Legislative Council approved the Government’s policy on Home Purchase Allowance (HPA) and subsequently, the LDC’s Managing Board approved that the LDC’s HPA rate would be based on a new building up to five years old.

¹¹⁶ Home Purchase Allowance (HPA) = value of a 7-year-old flat minus the existing market value of the unit.

much higher than the amount of compensation payable to the tenants. That is, the amount of compensation payable to owner occupier is much better than the compensation payable to non-owner occupier plus that payable to the tenants living in these units (See Appendix VII for illustration).

271. As illustrated in the Appendix VII, the compensation to an owner-occupier is higher than the compensation for ownership (i.e. payable to non-occupier owner) plus the compensation for residency (i.e. payable to tenant or Housing Authority)¹¹⁷. This discrepancy basically accounts for the variation in acceptance rate of different categories of affected persons towards the redevelopment compensation package offered by the URA.

272. The fact that the LDC had to change its compensation policies from time to time and the compensation policies of the URA has been continuously under challenge is indicative the challenge of deriving a fair compensation for all types of affected persons in redevelopment projects.

273. One of the most popular compensation policies that is demanded by advocacy groups and political leaders is “flat for flat” and “shop for shop”. There are basically two different meanings in this demand and if we are to derive any compensation policy we have to take them into consideration both separately and together. They are:

- Compensation of “flat for flat” and “shop for shop” is a fair compensation in terms of value
- Using “flat for flat” and “shop for shop” compensation will provide an opportunity for the original residents and shop operators to return to the redeveloped site.

274. The idea that “flat for flat” and “shop for shop” being fair compensation in terms of value is purely rhetorical. For domestic and commercial units in Hong Kong, value depends on size, floor (upper or lower), orientation (e.g. sea view or street view), location and neighbourhood, and many other factors. Setting a compensation policy on “flat for flat” and “shop for shop” without specifying these variables will not be meaningful though it appears to be simple and straight forward.

275. The other meaning of “flat for flat” and “shop for shop” would be the return to the

¹¹⁷ One argument for a different compensation to “residency” for owners and for tenants is that the residency of a tenant is limited by the terms of tenancy while that of an owner-occupier is not subject to such limitation and therefore, the compensation for the loss of residency for owner-occupier should be higher than that for tenants. Yet, we should note from the illustration in Appendix VII, this difference can amount to almost one million dollars. It would be difficult to conceive if the difference in tenure can cost as much as a million dollars.

redeveloped site, and this is very much related to the issue of preserving the social network and local character. In other words, if a “flat” or “shop” is made available to the affected “residents” and “shop operators” (instead of owners) in some form of arrangement, the purpose of allowing them to return to the site would be achieved if they choose to do so. This will also enhance the possibility of maintaining the local character (without the effect of gentrification) and the original social network¹¹⁸.

276. To make it possible for most “residents” including both owner-occupiers and tenants to return to the redeveloped site, there are two pre-requisites

- For owner-occupiers, the price of the new residence in the redeveloped site is affordable, i.e. comparable to the compensation that they received in the first place. It is not quite conceivable for most of the owner-occupiers in the Hanoi Road Project (K11, “The Master-piece”) to be able to return to K11 except for the very few who are very rich.
- For tenants, the role of the URA has to be expanded to become a landlord and it will only charge these tenants a discounted rent, i.e. a rent comparable to the old rent before redevelopment instead of the rent of a newly built unit.

277. The URA’s EIPA policy to allow purchase of units in the redeveloped site is restricted to owner-occupiers. We are yet to see the effectiveness and practicability of this policy.

278. As for “shop for shop” compensation, the meaning is even more obscure. To do so, there will be other prerequisites:

- The type of business in the site after redevelopment remains the same (for both owner-operator and tenant-operator). This depends on very much on the type of business that is considered to be viable in the future.
- At least, some of the commercial units are on sale instead of by rental as most URA projects would be¹¹⁹. This involves a change in practice for the URA.

279. We also note that the difference in the compensation in the private sector and the compensation offered by the URA is also a possible area of dispute For non-owner

¹¹⁸ A counter-argument for the preservation of social network using “flat-for-flat” and “shop-for-shop” is that: since most construction period would last several years, residents/businesses may have already established a new social/business network in the relocated area and it makes no sense to destroy such new network again. Apparently, the time taken to establish new network varies. For social network for older people, it may take very much longer and properly more difficult. For businesses, a few years can be considered as quite long already.

¹¹⁹ This is not impossible. If we considered that keeping the vibrancy and organic nature of street level shops of most old urban areas as desirable, a “distributed” ownership may be more viable than a centralized ownership, though we know that a centralized ownership will make management of such facilities much easier and usually of better quality.

occupiers in the private sector as normally they have higher holding power, they would be either compensated at the “ransom price” or the “reserve price”¹²⁰ which has taken into consideration the development value of the site and would be likely very much higher than the market value plus 35% as offered in the URA projects¹²¹.

280. While owner-participation and owner compensation are two different issues, yet they are related and owner-participation is frequently discussed in the context of compensation. For instance, if owner-participation means a share of the development project, i.e. when owners have a share of the profit or loss of the redevelopment, it is basically a matter of compensation. Many non-occupier owners are basically investors and many of them would see that they should be compensated to the extent that reflects the possible profit of the redevelopment project. The major challenges of applying the concept of owner-participation in urban redevelopment comes from two sources, namely, the current financing model of URA and the legal framework of a owner-participation model:

- Currently, the URA is exempted from paying land premium. It would be difficult to justify this policy if individual owners have a share of the redevelopment project and they do not have to pay for the relevant premium which is usually quite substantial as in the case of K7 because of the significant parcels of government land given to URA without charges (e.g. the bus terminal sites). Having the owner-participation in place may mean that we may have to change this policy related to payment of land premium and this would have a very significant impact on the long term financial viability of URA.
- There are many technical issues that have to be sorted out if owner-participation is to be in place, e.g. whether the owners would have a share of the added value of merged sites (“marriage value”), how the cost of all the preparatory, planning, and project management can be accounted in the share of URA, etc.
- URA as a public body would be required to incorporate views and demands from stakeholders other than the affected owners such as demands for public facilities and open space from the broader community, and entertaining such demands may affect the overall development value of the site and hence the financial return to the owners.

¹²⁰ In the private sector, price offered by developers in acquisition can normally be classified in three stages. Most initial acquisitions are made in market value or market value plus some incentive payment. Near the threshold required in compulsory sale or when it is very close to 100%, developers usually would be counter-offered by owners at a very high “ransom price”. In compulsory sale, say after reaching the threshold of the required 90% of titles acquired, the reserve price is set at the level which would taken into consideration the value of the site, and which is very much equivalent to the base land value that the Lands Department used in land auction.

¹²¹ The difference between the reserve price and EUV depends very much on the development potential of the site, i.e. the extent to which there would be more GFA after redevelopment.

- In Taiwan, South Korea and Japan, they have specific legislations to make owner-participation possible. Though the LDC has attempted to apply an owner-participation in three of its projects, they all turned up to be merely some form of partnership model with developers instead of individual owners. It is uncertain as to whether the existing Company Ordinance could be used for this purpose. A more detailed study in this legal framework would be required before we can conclude whether new piece of legislation or amendments to existing legislation would be required to protect the rights of the minority owners who participate in redevelopment projects and whether such arrangements would be consistent with the requirements of the Securities and Futures Commission.

Compensation to tenants

281. In the days of LDC, compensation to tenants was frequently mentioned in its annual reports as one of the major difficulties. Re-housing to tenants was provided via purchasing of four residential buildings and constructing two buildings¹²². In 1997-98, the Government agreed to grant land to the HKHS to construct building for the LDC to be used for re-housing tenants. In lieu of re-housing, cash compensation was offered. The cash compensation was increased from two times the ratable value (RV) in 1991-92 to five times in 1993-94 and finally to the 7-5-3-1 level of compensation (See Appendix V for details).

282. In view of the difficulties in re-housing, at the time of establishing the URA, assistance was obtained from the Housing Authority and HKHS to provide re-housing for tenants¹²³. While cash compensation under URA is relatively less generous, i.e. 3.5 times RV, compensation to tenants was not a controversial issue. A major issue that is raised from time to time and has not been adequately resolved is related to the eviction of tenants by owners after freezing survey¹²⁴. While eviction of tenants by owners is an issue in its own right as to whether existing laws in Hong Kong have provided them with a reasonable level of protection, the eviction of tenants right after the announcement of projects of URA can be attributed directly to such an announcement of public action and it is clearly something that the Government and the URA has to deal with, no matter how difficult it is.

¹²² LDC Annual Report, 1991-92.

¹²³ For instance, the URA has to compensate the Housing Authority the development cost of a unit.

¹²⁴ This phenomenon has arisen since the removal of security of tenure provisions for domestic tenancies under the Landlord and Tenant Ordinance in July 2004.

Challenges in Rehabilitation

283. While the current pace of redevelopment does not appear to be able to catch up with the aging process our buildings, for reasons of sustainability, rehabilitation should be given the highest priority in urban renewal.
284. Given the current state of repair of our stock of old buildings in Hong Kong, we should accept the fact that maintenance of multi-storey buildings with divided ownership is very difficult for ordinary citizens in Hong Kong. As exemplified in the process of the Bills Committee of the Legislative Council in dealing with the Building Management (Amendment) Bill 2005, the management of private buildings is a very complex task. The Bill aimed at rationalizing the appointment procedures of a management committee. Assisting OCs in performing their duties and exercising their powers, and safeguarding the interests of property owners. On the face of it, the scope of the Bill is quite narrow, yet it took 2 years and 51 meetings before the Bill was finally passed.
285. When it comes to repair and maintenance of private buildings, the major source of conflicts comes from financing and decision making. The current financing arrangement for major repairs of most private buildings is basically a “musical chair” system, i.e. the reserve of OCs is in general grossly inadequate and the current owners have to pay for the repair work. In the course of the present study, the suggestion to require OCs to set up a sinking fund for major repair and maintenance was mentioned¹²⁵.
286. Apparently, the major challenge is to how to ensure that owners would be empowered and would take responsibility to maintain their own buildings. Furthermore, as noted earlier, 74% of those private buildings built before 1960 have no OC. The repair and maintenance of these buildings would require a much more active government intervention.

Challenges in Preservation

287. The role of URA in preservation is rather obscure. From “preservation within

¹²⁵ One possible suggestion is that owners should contribute 2% of the building cost of the building each year, as a kind of depreciation, to a sinking fund. Assuming the average building cost to be about \$1,200/ft², it would mean that owners have to contribute \$24/ft² each year to the sinking fund. This sinking fund should be adequate for repair and even reconstruction cost of the building. (The 2% is related to the 50-year design life of the building and existing accounting practices in depreciation for buildings.)

redevelopment” to “preservation in general”, a clearer fine line has to be drawn.

288. At present, there is no conservation authority in Hong Kong. While the Antiquities and Monuments Office (AMO) is responsible to identifying, recording and researching on buildings and items of historical interest and assessing and evaluating the impact of development projects on heritage sites, as well as organizing appropriate mitigation measures; many preserved buildings under the auspice of the URA were not historical or graded buildings. The identification and the decision on the extent of preservation will always be subject to the challenge of the ever changing public attitude towards preservation. Furthermore, with the absence of a preservation framework, the measures used in preservation would have to be adhered to existing rules and regulations of buildings which are not meant for preserved buildings.

289. At present, preservation work done by the URA is primarily financed by the possible income derived from redevelopment projects. The financial sustainability of preservation work will depend very much on the overall financial sustainability of URA as discussed later.

Gentrification

290. While one of the major aims of redevelopment is to improve the quality of life of residents living in dilapidated buildings, under the current mode of operation in redevelopment, most of the residents relocated would not be able to enjoy the improved environment of the redeveloped site. While the effectiveness of the EIPA has yet to be evaluated, the chances of owner-occupiers returning to the redeveloped site would be slim under the present mode of operation in redevelopment, i.e. the developers will always try to enhance the “quality” of the new buildings to the extent of maximizing their profits and making the new buildings unlikely to be affordable to most of the original owner-occupiers. The recent approach adopted by URA for the Ma Tau Wai Road/ Chun Tin Street project, i.e. developing the site by itself with the intention of building small affordable flats, is one possible way to reduce the effect of gentrification and an important element that would make sustaining the original social network more possible. However, this approach will also have serious implications to the financial sustainability of the URA.

Challenges in Revitalization

291. While vitality of a community depends very much on the ongoing vitality of private

activities and the availability and recurrent maintenance of facilitating infrastructures, the URA involvement in projects can only serve as a “catalyst” in the midst of its holistic approach in urban renewal and cannot be quite conceived as a continuous agent in revitalization. Sustainability of the impact of revitalization projects is one of the major challenges in project identification, formulation and implementation¹²⁶.

Challenges in Financing

292. In the early dates of the LDC, most of the projects were basically financed by the private sector. This is probably the only way that the LDC could have operated in its early days with very minimal financial support from the Government. However, this mode of partnership, nowadays, is frequently seen very critically and could be alleged from time to time as a kind of “collusion” between the Government and individual developers.

293. The following recent and upcoming changes create significant challenges to the future financing of urban renewal efforts:

- the increasing demand in reducing development density in the urban area;
- the increasing demand for better terms of compensation;
- the increasing demand for URA to build affordable housing;
- the increasing demand on preservation which usually involves substantial upfront investment in acquisition, refurbishing the building structure and heavy recurrent maintenance cost;
- the increasing degree of “used-up” plot ratios of redevelopment sites coming up in the future;
- areas where redevelopment is most needed are densely populated and development potential is almost fully used, income generation from redevelopment is more and more unlikely, as the lack of private sector interest would have indicated.

294. In view of these changes together with the financing of rehabilitation and revitalization programmes, the expectation that the URA would be in the long run financially viable should be reviewed.

¹²⁶ We noted that in overseas examples, local government usually plays a very important role in revitalization.

Chapter 9 Concluding Remarks

295. Most of the challenges of urban renewal arise from the diverse and changing attitudes of the public towards different approaches of urban renewal. Furthermore, urban renewal has a significant impact on the way of life and even livelihood of the people for those being affected. The financial implications to different types of people being affected can also be very different. It would mean a difference in terms of millions of dollars to some stakeholders and the end of business for some operators.
296. One issue of consultation in planning is the degree of participation in various stages of planning. Frequently, at early stages of consultation, the responses from the public are quite lacking in enthusiasm. It is usually when it comes to real bread and butter, the reaction becomes more heated. In general, the degree of specificity and relatedness to individual members of the public determine the degree of enthusiasm in consultation. Thus consultation in the early stages of urban renewal, particularly, in the identification of projects would have to be conducted as close to those who would possibly be affected as early as possible. A bottom-up approach on a district basis appears to be a more viable option. With the growing demand on community participation in planning and in urban renewal, a district based planning mechanism for urban renewal has to be worked out. Project identification, selection and decision mechanism has to be reviewed and a new mechanism has to be put in place. In particular, how social impact assessment can be used to determine the kind of urban renewal approach (redevelopment, rehabilitation and preservation) should be reviewed.
297. As discussed during the process of the URS review, the role of URA in redevelopment (particularly whether URA should also play a facilitator apart from the implementer role or not), in rehabilitation (i.e., the extent to support the rehabilitation of private buildings), and in preservation (i.e. an agent of preservation in the overall context of preservation or preservation in the context of other aspects of urban renewal) has to be reviewed and any changes should be clearly reflected in the URS.
298. Compensation to different types of owners (occupier or not, residential versus business, and possibly different types and history of businesses may have to be taken into account) should be reviewed to reduce the possible conflicts that have experienced in the past and possibly in the future. Difference in the compensation between public sector and private sector can also be a source of conflict particularly related to the choice of sites and their boundaries, and when the role of URA in the future may include that of a

facilitator to help redevelopment using the private sector. This issue has to be addressed too.

299. A more thorough review of our existing regimes in building rehabilitation is apparently a very urgent matter and has to be more extensively reviewed. This can include our legislation related to land and buildings, coordination among different Government departments, and our community building strategies with respect to building management, etc.

300. Any changes in the URS would have significant impact on the financial sustainability of the urban renewal. In view of the possible changes in the role of the URA, the different approaches that URA may adopt in redevelopment, the relative emphasis that is put on redevelopment, rehabilitation and preservation, and the changing public attitudes towards various strategies of urban renewal, the financial model of future urban renewal has to be worked out.

Appendix I

List of interviewees

1. Miss. Mona WOO, Chief Estate Surveyor, Lands Department, HKSAR (地政總署總產業測量師吳月齡女士)
2. Mr. Ronnie MAK, Senior Estate Surveyor, Lands Department, HKSAR (地政總署高級產業測量師麥漢森先生)
3. Mr. Eric TANG, Senior Estate Surveyor, Lands Department, HKSAR (地政總署高級產業測量師鄧景輝先生)
4. Mr. Albert SU, Principal Transport Officer, Transport Department, HKSAR (運輸署首席運輸主任蘇祐安先生)
5. Mr. Ludwig CHAN Ho Leung, Senior Engineer, Transport Department, HKSAR (運輸署高級工程師陳浩樑先生)
6. Mr. CHEUNG Kai Ying, Senior Engineer, Transport Department, HKSAR (運輸署高級工程師張啟英先生)
7. Ms Donna TAM Yin Ping, Senior Town Planner, Planning Department, HKSAR (規劃署高級城市規劃師譚燕萍女士)
8. Mr Eric YUE, District Planning Officer, Planning Department, HKSAR (規劃署九龍規劃專員余賜堅先生)
9. Mr. TAM Kin Keung, Senior Manager (Acquisition & Clearance), Urban Renewal Authority (市區重建局收購及遷置高級經理譚建強先生)
10. Mr. Lawrence TANG, General Manager (Standards & Contract Management) Urban Renewal Authority (市區重建局規格及合約管理總經理鄧堃霖先生)
11. Mr. Roger TANG, General Manager (Kwun Tong Project), Urban Renewal Authority (市區重建局觀塘項目總經理鄧文雄先生)
12. Ms. Ellen WONG, General Manager (Acquisition & Clearance), Urban Renewal Authority (市區重建局收購及遷置總經理黃麗娟女士)
13. Mr. David AU, Senior Manager, (Planning & Design), Urban Renewal Authority (市區重建局高級規劃及發展經理區志偉先生)
14. Mr. CHAN Man Yau, Councilor, Yau Tsim Mong District Council (油尖旺區議會陳文佑區議員)
15. Mr. POON Kit Man, URA Yau Tsim Mong District Advisory Committee (市區重建局油尖旺地區諮詢委員會潘潔文先生), Ex-office-bearer, Owner's Corporation of Chung Sing Building (前中星樓業主立案法團執行委員)
16. Prof. Desmond HUI, Old Wan Chai Revitalisation Initiatives Special Committee (發展局活化灣仔舊區專責委員會委員許焯權教授)
17. Mr. Kenneth TO, Kenneth To & Associates Limited (杜立基規劃顧問公司杜立基先生)
18. Social Worker Ms. TSE Yuk Wai, Mong Kok Kai Fong Association Ltd Chan Hing Social Service Centre (旺角街坊會陳慶社會服務中心謝玉慧社工)
19. Mr. WAN Man Yee, M Y Wan and Associates Limited (溫文儀測量師行有限公司溫文儀先生)
20. Mrs. CHAN Chiu Wai Fong, Secretary, I.O. of 89-91 Oak Street, Tai Kok Tsui (大角咀橡樹街 89-91 號業主立案法團秘書趙惠芳女士)
21. Mr. CHENG Kwai Hoi, Ex-treasurer, Owners' Corporation of Mido Mansion (美都大廈)

- 前業主立案法團司庫鄭貴海先生), Ex-member of KTDAC (前觀塘地區諮詢委員會委員), Ex-member of K7OCA committee (前觀塘重建區業主立案法團大聯盟執委)
22. Ms. CHU Chuk Ying, Concern Group on the Rights of Tenants upon Redevelopment of Tai Kok Tsui (大角咀重建租客權益關注組朱祝英女士)
 23. Mr. CHUI Siu Kong, Chairman, Incorporated Owners Of Cheong Fung Mansion (長豐大廈業主立案法團主席徐肇港先生)
 24. Mr. CHUNG Chak Fai, Tai Kok Tsui District Resident Livelihood Concern Society (大角咀區民生關注會鍾澤輝先生)
 25. Mr. LAM Wing Wong, Owners' Corporation of Hing Shun Mansion (興順大廈業主立案法團林榮煌先生)
 26. Mr. LEE Ming Hing, Chairman, Incorporated Owners Of Lime Street 6-8 and 56-62 Larch Street (菩提街 6-8 號洋松街 56-62 號業主立案法團主席李名慶先生)
 27. Ms. Helen WONG, Chairperson, Alliance of Owners' Corporations in Kwun Tong Town Centre Redevelopment Project (觀塘市中心區業主立案法團大聯盟主席王一民女士), Ex-member of KTDAC (前觀塘地區諮詢委員會委員)
 28. Mr. Abraham E. RAZACK, ex-Chief Executive of Land Development Corporation. (前土地發展公司總裁石禮謙先生)
 29. Mr. Billy LAM, ex-Managing Director of Urban Renewal Authority (前市區重建局總監林中麟先生).

Appendix II
List of projects commenced by the Land Development Corporation

Completed by April 1, 2001

No.	Project Code	Project Name
1.	H2	Western Market (Sheung Wan)
2.	H3	Grand Millennium Plaza (Central)
3.	H4	Ko Nga Court (Sai Ying Pun)
4.	H4A	Ko Chun Court (Sai Ying Pun)
5.	H5	Li Chit Garden (Wan Chai)
6.	H6	The Center (Central)
7.	H8	Queen's Road Centre (Central)
8.	H10	Tai Yuen Court (Wan Chai)
9.	H11	Yan Yee Court (Wan Chai)
10.	K4	Soy St. (Mong Kok)
11.	K5	Chow Tai Fook Centre (Mong Kok)
12.	K6	Ginza Plaza (Mong Kok)
13.	K12	Yuen Po St. Bird Garden (Mong Kok)
14.	K14	Tung Hei Court (Hung Hom)
15.	K18	Sunrise House (Sham Shui Po)

* One of the LDC projects, Kui Yan Court in Sai Ying Pun, was actually developed by the HK Housing Society and subsequently purchased by the LDC for re-housing. This project was not included in the above list.

Commenced but not completed by April 2001

	Project Code	Project Name
1.	H1	Queen St., Sheung Wan [Queen's Terrace]
2.	H9	Tai Yuen St./Wan Chai Rd., Wan Chai [The Zenith]
3.	H12	New Praya, Kennedy Town [The Merton]
4.	H13	Ka Wai Man Rd., Kennedy Town [Mount Davis 33]
5.	K2	Argyle St./Shanghai St., Mong Kok [Langham Place]
6.	K8	Kwong Yung St., Mong Kok [Paradise Square]
7.	K10	Waterloo Rd./Yunnan Lane, Yau Ma Tei [8 Waterloo Rd.]
8.	K11	Hanoi Rd., Tsim Sha Tsui [The Masterpiece]
9.	K13	Tsuen Wan Town Centre, Tsuen Wan [Vision City]

10.	K17	Yeung Uk Rd., Tsuen Wan [The Dynasty]
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Appendix III

List of redevelopment projects announced by the Land Development Corporation and commenced by the Urban Renewal Authority

No.	Project Code	Project Name
1.	H16 (LDCO scheme)	Johnston Rd. [J Residence]
2.	K3 (LDCO scheme)	Cherry St. [Florient Rise]
3.	K26 (LDCO proposal)	Fuk Wing St./Fuk Wa St. [Vista]
4.	K19 (LDCO proposal)	Po On Rd./Shun Ning Rd. [Beacon Lodge]
5.	K27 (LDCO proposal)	Reclamation St. [MOD 595]
6.	H20 (LDCO scheme)	First St./Second St. [Inland Crest]
7.	H19 (URAO scheme)	Wing Lee St./Staunton St.
8.	H17 (LDCO proposal)	Queen's Road East
9.	H18 (LDCO scheme)	Peel St./Graham St.
10.	H15 (LDCO scheme)	Lee Tung St./McGregor St.
11.	K1 (LDCO proposal)	Nga Tsin Wai Village
12.	K7 (URAO scheme)	Kwun Tong Town Centre
13.	K9 (LDCO proposal)	MacPherson Stadium
14.	K28 (LDCO proposal)	Sai Yee St.
15.	K30 (LDCO proposal)	Beford Rd./Larch St. [i-home]
16.	K33 (LDCO proposal)	Baker Court
17.	K31 (LDCO proposal)	Larch St./Fir St.
18.	K32 (LDCO proposal)	Pine St./Anchor St.
19.	H14 (LDCO proposal)	Sai Wan Ho St. (HKHS)
20.	H21 (LDCO proposal)	Shau Kei Wan Rd. (HKHS)
21.	K25 (LDCO proposal)	Po On Rd./Wai Wai Rd. (HKHS)
22.	K20 (LDCO proposal)	Castle Peak Rd./Cheung Wah St. (HKHS)
23.	K21 (LDCO proposal)	Castle Peak Rd./Un Chau St. (HKHS)
24.	K22 (LDCO proposal)	Un Chau St./Fuk Wing St. (HKHS)
25.	K23 (LDCO proposal)	Castle Peak Rd./Hing Wah St. (HKHS)

*Projects 19-25 were implemented by the Hong Kong Housing Society.

Appendix IV
List of redevelopment projects proposed and commenced by the Urban Renewal Authority

	Project Code	Project Name
1&2	SSP/1/001& 002	Lai Chi Kok Rd./Kwelin St. and Yee Kuk St.
3	WC/001	Mallory St./Burrows St.
4	H05-026	Stone Nullah Lane/Hing Wan St. (HKHS)
5	SYP/1/001	Yu Lok Lane/Centre St.
6	TKT/2/001	Fuk Tsun St./Pine St.
7&8&9	SSP/1/003-005	Hai Tan St./Kweilin St./Pei Ho St.
10	K03/2/001	Fuk Tsun St./Anchor St.
11	TKW/1/001	Chi Kiang St./Ha Heung Rd.
12	MTK/1/001	Pak Tai St./Mok Cheong St.
13	MK/01	Shanghai St./Argyle St.
14	MK/02	Prince Edward Road West/Yuen Ngai St.
15	MTK/1/002	San Shan Rd./Pau Chung St.
16	SSP/3/001	Shun Ning Rd.
17	TKW/1/002	Ma Tau Wai Road/Chun Tin Street

Appendix V
Compensation policy practiced by LDC and URA in the past

1. The purpose for compiling this appendix is to provide a documentation of the changing compensation policy at the era of the LDC and URA. This documentation can serve as “the basis for the review of compensation policy in the future.

2. During the era of the LDC, according to its annual reports, there were claims about the “principles” of its compensation policy. However, if such principles were not substantiated by specific methods of calculation. For example, in its Annual Report (1990-91), it was mentioned that for owners of domestic property “are offered cash compensation which will enable them to acquire newly built flats of similar sizes in the vicinity”. This principle was not clearly substantiated in the relevant documents available.

3. The changes of compensation policy in the era of LDC had been quite substantial. Thus, it is difficult to say what was the LDC compensation policy, except for what it was at certain time, such as at the time of its termination. The changes in compensation to owners are listed below:

Year	Acquisition/compensation offer
1988-89	Private negotiations principle
1989-90	<ul style="list-style-type: none"> ● Affected owners will have priority to purchase LDC flats with discount on the open market value; ● Special Interest Rate Home Mortgage Arrangement was developed in conjunction with its bankers (The application interest rate is the best lending rate plus 0.5% per annum); and ● Provide rental housing for those in lower income brackets, subject to their satisfying LDC criteria. ● Valuation was performed by an independent surveyor firm.
1990-91	<ul style="list-style-type: none"> ● Compensation package includes:- <ul style="list-style-type: none"> ■ for owners of domestic property, the offer of a sufficient amount of money to enable them to purchase a reasonable replacement flat in the locality. (Note: the level of HPA was not specified in various documents. In the subsequent 1991-92 report, 10% above market value was mentioned)); ■ for owners, and if there is sufficient supply for affected tenants, the opportunity to purchase at discount a new LDC flats;

	<ul style="list-style-type: none"> ■ an advantageous mortgage financing scheme developed by LDC in conjunction with various banks, whereby the interest rate is limited to best lending rate for the first two years of the loan term and increased only to 0.5% above this rate thereafter. ● Valuation was performed by an independent surveyor firm.
1991-92	<ul style="list-style-type: none"> ● Additional measures in compensation <ul style="list-style-type: none"> ■ Owners of commercial properties were compensated at market value plus 10%. Business losses would be compensated on substantiated grounds. ■ Single ownership would be compensated at 10% of the existing use value or the redevelopment value, whichever is the higher. ● One additional surveyor firm was engaged to provide a second evaluation. The higher evaluation of the two surveyor firms would be used.
1992-93	<ul style="list-style-type: none"> ● LDC reimbursed property owners' employment of independent surveyors upon successful conclusion of acquisition. ● Owners of domestic premises have the additional choice of receiving new flats from the Corporation by contributing their existing properties via a "flat-for-flat" exchange in the Queen Street redevelopment upon completion and a rental allowance of not less than \$200,000 during the redevelopment period, or exchange a domestic unit in the Third Street or Kui Yan Lane. ● Owner participation scheme in Queen Street redevelopment project (Note: at the end, no owner joined the scheme except developers): <ul style="list-style-type: none"> ■ Share value calculated on the basis of market value of vacant possession ■ Participating owner had a right to receive a monetary payment after sale of the completed redevelopment.
1993-94	<ul style="list-style-type: none"> ● Offered cash compensation which would enable them to acquire "newly-build" flats of similar sizes in the vicinity (Note: details not substantiated). ● Owners of ground level shops were offered market value + 20% for vacant possession. For tenanted ground level shops and non-ground level business, the +10% remained unchanged.
1996-97	<ul style="list-style-type: none"> ● LDC's HPA rate based on a new building up to five years old against the Government's HPA rate based on a 10-year-old building¹²⁷.

¹²⁷ This information was extracted from the LDC Annual Report of 1996-97. However, this is not consistent with the common knowledge that the LDC Acquisition Policy was based on a notional 10-year-old

	<p>[Note: clear differentiation between owner-occupiers and non-occupier owner was made, e.g. 50% of HPA for non-occupier owner]</p> <ul style="list-style-type: none"> ● Ground level shops: increased to +35% over market value for vacant possession or +20% for tenanted shops.
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4. For tenants, rehousing options were available. The changes of LDC policies in compensating are listed below:

Year	Replacement support/ Rehousing
1989-90	LDC acquired the following properties for rehousing purposes: <ul style="list-style-type: none"> (1) 3, Kui Yan Lane, Sai Ying Pun; (2) 163-165, Lai Chi Kok Road, Shamshuipo; (3) 466, Des Voeux Road West; (4) 68-72, Bedford Road, Tai Kok Tsui; and (5) Man Lai Court, Taiwai, Shatin.
1990-91	Purchased a number of properties to meet this need and eligibility criteria for such rehousing which favour the lower income tenant households and the elderly.
1991-92	LDC constructed buildings at Third Street, Sai Ying Pun and Soy Street, Kowloon to rehouse affected tenants.
1993-94	Rent under LDC would be subsidized: households earning less than \$8,500 per month will be charged 23% of the market rent for a rehousing unit. Families with monthly income between \$8,501 and \$12,000 will be charged 35% of the market rent. Families earning over \$12,000 a month will be required to pay 52% of the market rent. All rentals are inclusive of rates and management fees.
1994-95	Rent adjustment Households whose income is less than \$10,000 per month pay 23 percent of full market rent; families with monthly income between \$10,001 and \$14,000 are recharged 35 percent; while families whose income is in excess of \$14,000 per month pay 52 percent.
1995-96	Government decided to grant land to the Housing Society at one third of the full market premium, allowing for the construction of 2,000 rehousing units for people affected by Corporation projects. The LDC would pay the full cost of redevelopment, including premium, while the Housing Society would manage the units. As an interim measure, while the units await

building, which was the same as the Government's HPA rate at that time.

	completion, the Housing Society will make available to the Corporation its existing stock to re-housing displaced tenants.
1996-97	The Government agreed to grant three sites to the Housing Society for the construction of re-housing units. The LDC would pay for the cost of the land and construction and the Housing Society will manage the units.

5. For tenants in lieu of re-housing, LDC provided cash compensation. The changes are listed below:

Year	Cash compensation
1991-92	Between 8 X 1983 rateable value (RV) and 16 X 1983 RV or 2 X RV, whichever is higher.
1993-94	Increased from 2RV to 5RV.
April 1996	5RV or the statutory (“7-5-3-1”) requirement, whichever is higher. A further incentive of 30%, 20%, or 10% if settlement can be reached within one, two or three months respectively of the offer date.

6. Relatively, the compensation policy of URA has been quite stable with some additional features added from time to time. We also note that the compensation for tenants in ex-LDC projects was slightly different from those in URAO projects. The differences are also spelt out in the following table:

Project type	Projects previously announced by the former Land Development Corporation (LDC) in January 1998 - Former LDC Projects	Projects announced by the URA under the Urban Renewal Authority Ordinance (URAO) (other than Former LDC Projects) - URAO Projects
Rehousing and Ex-gratia allowance for tenants affected by LDC/URA redevelopment projects		
Target receiver	To affected tenants (other than tenants of industrial premises) of projects announced by the former Land Development Corporation	To affected tenants of projects announced by the URA under the URAO (other than projects previously announced by the former Land

		Development Corporation in January 1998 and tenants of industrial premises)
Re-housing Arrangement	1. Eligible domestic tenants required to move out from (LDC: premises affected by URA projects/ URA: URA acquired properties) will be re-housed in units provided by the HKHA or the HKHS. In addition, they may opt for other subsidized housing schemes provided by HKHA and HKHS, if available.	
Re-housing Eligibility	2. Domestic tenants who have been genuinely living in the project area before and since the project Freezing Survey (conducted by the former LDC/ of the project (“Freezing Survey”) conducted by the URA) and have no alternative accommodation will be eligible for re-housing subject to the eligibility criteria. 3. The prevailing eligibility criteria for public rental housing of the HKHA and the HKHS will apply.	
Ex-gratia Removal Allowance	4. Tenants who are re-housed as a result of a URA project will be offered an ex-gratia removal allowance. These allowances are in line with the HKHA's rates. Individual tenant will be informed of the allowance receivable according to the size of the household and the rates prevailing at that time. 5. Half of the total amount of ex-gratia removal allowance will be paid upon the execution of surrender agreement and the remaining half will be paid after the delivery of vacant possession.	
Compassionate Re-housing	6. Households who do not meet the normal eligibility criteria may be re-housed on compassionate grounds if they would otherwise face genuine hardship arising from factors such as ill health, disability or special family circumstances.	
Ex-gratia Payments for Domestic Tenants		
	Affected tenants (other than tenants of industrial premises) of projects announced by the former LDC in January 1998 and presently commenced by URA.	Affected tenants of projects announced by the URA under the URAO (other than projects previously announced by the former Land Development Corporation in January 1998 and tenants of industrial premises).
	1. According to existing legislation which took effect on 9 July 2004, domestic tenants are not entitled to any compensation or other payments if their tenancies are terminated. However, tenants who are not allocated re-housing due to various reasons or who decline re-housing, may receive	1. According to Landlord and Tenant (Consolidation) Ordinance, domestic tenants are required to move out from the properties and are not entitled to any compensation or other payments if their tenancies are terminated and are not renewed. However, for tenants of URA acquired properties who are not allocated

	ex-gratia payments.	re-housing as described in <Re-housing (Applicable to Domestic Tenants only)> above due to various reasons or who decline re-housing and agreed to move out from the properties, URA will still offer to them an appropriate amount of ex-gratia payments as described below.										
	Tenants who commenced occupying the premises before 9 July 2004	Tenants who commenced occupying the properties before the date of Freezing Survey										
	2. URA will offer a basic ex-gratia payment to tenants who commenced occupying the premises under valid tenancies before 9 July 2004 and continued occupying thereafter based on the formula for calculating statutory compensation as stipulated in the Landlord and Tenant (Consolidation) Ordinance (LTO) immediately effective before the amendment of LTO on 9 July 2004	2. Subject to the exceptions described in Paragraph 4 below, URA will offer a basic ex-gratia payment equal to 3 times the RV to tenants who had commenced occupying the properties under valid tenancies before the date of Freezing Survey.										
	<table border="1"> <thead> <tr> <th>Rateable Value (RV)</th> <th>Basic Ex-gratia Payment</th> </tr> </thead> <tbody> <tr> <td>the first \$30,000 RV</td> <td>7 x RV</td> </tr> <tr> <td>the next \$30,000 RV</td> <td>5 x RV</td> </tr> <tr> <td>the next \$30,000 RV</td> <td>3 x RV</td> </tr> <tr> <td>the remaining RV</td> <td>1 x RV</td> </tr> </tbody> </table>	Rateable Value (RV)	Basic Ex-gratia Payment	the first \$30,000 RV	7 x RV	the next \$30,000 RV	5 x RV	the next \$30,000 RV	3 x RV	the remaining RV	1 x RV	3. Subject to the exceptions described in Paragraph 4 below, URA will also offer a cash incentive equal to 0.5 times the RV to tenants on top of the basic ex-gratia payment described in Paragraph 2 above. The total amount of basic ex-gratia payment and cash incentive is subject to a minimum amount of HK\$70,000 for a one-person household and a minimum amount of HK\$80,000 for a two-person or larger household.
Rateable Value (RV)	Basic Ex-gratia Payment											
the first \$30,000 RV	7 x RV											
the next \$30,000 RV	5 x RV											
the next \$30,000 RV	3 x RV											
the remaining RV	1 x RV											
	3. Subject to Paragraph 4 below, URA will also offer a cash incentive of 70% of the basic	4. The basic ex-gratia payment described in Paragraph 2 above and the cash incentive and										

	<p>ex-gratia payment (subject to a maximum amount of \$200,000) to tenants who accept the offers of ex-gratia payment. The total amount of the basic ex-gratia payment and cash incentive is subject to a minimum amount of HK\$70,000 for a one-person household and a minimum amount of HK\$80,000 for a two-person or larger household.</p> <p>4. The said cash incentive and minimum amounts are not applicable to tenants who have alternative accommodation and/or who are not genuinely residing in the premises within the project and/or who have received any form of cash compensation or ex-gratia payment or re-housing from URA or HKHS within two years prior to the date of Occupancy Survey of the project or at any time after the date of Occupancy Survey of the project.</p>	<p>minimum amount described in Paragraph 3 above do not apply to (i) tenants who have alternative accommodation or (ii) tenants who are not genuinely residing in their properties within the project or (iii) tenants who have received any form of cash compensation or ex-gratia payment or re-housing from URA or HKHS within two years prior to date of Freezing Survey or at any time after the date of Freezing Survey. URA will only offer an ex-gratia payment equal to 2 times the prevailing ex-gratia allowance offered by the Lands Department on resumption (Government EGA) to tenants who fall under any of the circumstances described above in this Paragraph.</p>
	<p>Tenants who commenced occupying the premises on or after 9 July 2004 and before the date of Occupancy Survey</p>	<p>Tenants who commenced occupying the properties on or after the date of Freezing Survey</p>
	<p>5. URA will offer a basic ex-gratia payment equal to 3 times the RV to tenants who had commenced occupying the premises under valid tenancies on or after 9 July 2004 and before the date of Occupancy Survey subject to Paragraph 7 below.</p> <p>6. URA will also offer a cash incentive equal to 0.5 times the RV to those tenants who accept the offers of basic ex-gratia payment. The total amount of basic ex-gratia</p>	<p>5. Subject to the exceptions described in Paragraph 6 below, URA will only offer an ex-gratia payment equal to 2 times the Government EGA to tenants who had commenced occupying the properties under valid tenancies on or after the date of Freezing Survey.</p> <p>6. The ex-gratia payment described in Paragraph 5 above does not apply to (i) tenants who have alternative accommodation or (ii) tenants who are not genuinely residing</p>

	<p>payment and cash incentive is subject to a minimum amount of HK\$70,000 for a one-person household and a minimum amount of HK\$80,000 for a two-person or larger household. This paragraph is subject to Paragraph 7 below.</p> <p>7. URA will only offer an ex-gratia payment equal to 2 times the prevailing ex-gratia allowance offered by the Lands Department on resumption (Government EGA) to tenants who have alternative accommodation and/or who are not genuinely residing in the premises within the project and/or who have received any form of cash compensation or ex-gratia payment or re-housing from URA or HKHS within two years prior to the date of Occupancy Survey of the project or at any time after the date of Occupancy Survey of the project.</p>	<p>in their properties within the project or (iii) tenants who have received any form of cash compensation or ex-gratia payment or re-housing from URA or HKHS within two years prior to the date of Freezing Survey or at any time after the date of Freezing Survey. URA will only offer an ex-gratia payment equal to 1 times the Government EGA to tenants who fall under any of the circumstances described above in this Paragraph.</p>
	<p>Tenants who commenced occupying the premises on or after the date of Occupancy Survey</p>	
	<p>8. URA will only offer an ex-gratia payment equal to 2 times the Government EGA to tenants who had commenced occupying the premises under valid tenancies on or after the date of Occupancy Survey of the project subject to Paragraph 9 below.</p> <p>9. URA will only offer an ex-gratia payment equal to 1 times the Government EGA to tenants who have alternative accommodation and/or who are not genuinely residing in the premises within the</p>	

	<p>project and/or who have received any form of cash compensation or ex-gratia payment or re-housing from URA or HKHS within two years prior to the date of Occupancy Survey of the project or at any time after the date of Occupancy Survey of the project.</p>	
Principal Tenants	<p>10. Principal tenants whose tenancies commenced before 9 July 2004 will be offered a basic ex-gratia payment and cash incentive for the areas occupied by them according to paragraphs 2 to 4 above plus an additional ex-gratia payment equals 12 months' profit rent. The total amount of the basic ex-gratia payments, the cash incentive and the 12 months' profit rent is subject to a minimum amount of HK\$ 70,000 for a one-person household and a minimum amount of HK\$ 80,000 for a two-person or larger household.</p> <p>11. Principal tenants whose tenancies commenced on or after 9 July 2004 but before the date of Occupancy Survey of the project will be offered a basic ex-gratia payment and cash incentive for the areas occupied by them according to paragraphs 5 and 6 above plus an additional ex-gratia payment equals 12 months' profit rent. The total amount of the basic ex-gratia payments, the cash incentive and the 12 months' profit rent is subject to a minimum amount of HK\$ 70,000 for a one-person household and a minimum amount of HK\$ 80,000 for a two-person or larger household. If the</p>	<p>7. Subject to the exceptions described in Paragraph 8 below, for principal tenants who occupy their properties and whose tenancies commenced before the date of Freezing Survey, URA will offer to them a basic ex-gratia payment equal to 3 times the RV of the area occupied by them plus a cash incentive equal to 0.5 times the RV of the area occupied by them and an additional ex-gratia payment equal to 12 months' profit rent (i.e. rent received from the tenants after deduction of the rent payable by them to their landlords). The total amount of the basic ex-gratia payments, the cash incentive and the 12 months' profit rent is subject to a minimum amount of HK\$ 70,000 for a one-person household and a minimum amount of HK\$ 80,000 for a two-person or larger household.</p> <p>8. The ex-gratia payment, the cash incentive and minimum amount described in Paragraph 7 above does not apply to (i) principal tenants who have alternative accommodation or (ii) principal tenants who are not genuinely residing in their properties within the project or (iii) principal tenants who have received any form of cash compensation or ex-gratia payment or re-housing from</p>

	<p>circumstances in paragraph 7 above also apply, URA will only offer an ex-gratia payment equal to 2 times the Government EGA.</p> <p>12. Principal tenants whose tenancies commence on or after the date of Occupancy Survey of the project will be offered an ex-gratia payment according to paragraphs 8 to 9 above.</p> <p>13. Absentee principal tenants whose tenancies commenced before 9 July 2004 will be offered HK\$10,000 plus 12 months' profit rent. Absentee principal tenants whose tenancies commenced on or after 9 July 2004 but before the date of Occupancy Survey of the project will be offered HK\$10,000 or 12 months' profit rent, whichever is the higher. No ex-gratia payment will be offered to absentee principal tenants whose tenancies commenced on or after the date of Occupancy Survey of the project.</p>	<p>URA or HKHS within two years prior to the date of Freezing Survey or at any time after the date of Freezing Survey. URA will only offer an ex-gratia payment equal to 2 times the Government EGA plus 12 months' profit rent to principal tenants who fall under any of the circumstances described above in this Paragraph.</p> <p>9. Principal tenants occupying the properties and whose tenancies commenced on or after the date of Freezing Survey will be offered an ex-gratia payment according to Paragraphs 5 or 6 above, whichever is applicable.</p> <p>10. For those principal tenants who do not occupy their properties and whose tenancies commenced before the date of Freezing Survey will be offered HK\$10,000 or 12 months' profit rent, whichever is the higher. No ex-gratia payment will be offered to principal tenants who do not occupy their properties and whose tenancies commenced on or after the date of Freezing Survey.</p>
	<p>➤ Principal tenants will be offered rental reduction as follows. Where any sub-tenant surrenders his leased portion to URA before the principal tenant delivers vacant possession, the rent payable by principal tenant will be reduced accordingly.</p>	
Payment Arrangement	<p>➤ Half of the total of the above amounts will be paid upon the execution of surrender agreement and the remaining half will be paid after the delivery of vacant possession.</p> <p>➤ The ex-gratia payment is intended to cover the costs of moving to new accommodation and therefore, no ex-gratia removal allowance will be offered to tenants who receive ex-gratia payment.</p>	
Ex-gratia Allowance for Non-domestic Tenants (Other than Tenants of Industrial Premises)		
	Affected tenants (other than tenants of industrial premises) of projects announced by the former Land Development Corporation in January 1998 and presently commenced by	Affected tenants of projects announced by the URA under the Urban Renewal Authority Ordinance (URAO) (other than projects previously

	URA.	announced by the former Land Development Corporation in January 1998 and tenants of industrial premises).
Ex-gratia Allowance	1. According to the existing legislation, non-domestic tenants are not entitled to any compensation or other payments if their tenancies are terminated. However, the URA is prepared to pay 3 times the Rateable Value of the affected premises as an ex-gratia allowance for non-domestic tenants (other than tenants of industrial premises).	1. According to the Landlord and Tenant (Consolidation) Ordinance, non-domestic tenants are required to move out from their properties and are not entitled to any compensation or other payments if their tenancies are terminated and are not renewed. However, URA will still offer an ex-gratia allowance equals to 3 times the Rateable Value of the affected properties to non-domestic tenants (other than tenants of industrial premises) who agreed to move out from their properties.
	2. An additional payment of ex-gratia business allowance is payable to any tenant-operator of non-domestic property (other than industrial property) who had commenced occupying the premises for business before the date of Freezing Survey/Occupancy Survey of the project and accepts the ex-gratia allowance offer from the URA both unconditionally and within the validity of the offer. The amount is directly proportional to the number of years of continuous operation by the tenant-operator as business owner in the property. The amount of the allowance is payable at a rate of 0.1 times the Rateable Value for each year that the tenant-operator has operated the business as the business owner in the property concerned up to a maximum of 30 years, and subject to a maximum amount of \$500,000 and a	2. In addition to the ex-gratia allowance described in Paragraph 1 above, additional payment of ex-gratia business allowance is payable to any tenant-operator of non-domestic property (other than industrial property) who had commenced occupying their properties for business use before the date of Freezing Survey and have accepted the ex-gratia allowance offer from URA both unconditionally and within the validity period of the offer and agreed to move out from their properties. The amount is directly proportional to the number of years of continuous operation by the tenant-operator as business owner in the property. The

	<p>minimum amount of \$70,000. For an incomplete year, the amount is calculated on a pro-rata basis to the nearest month. The tenant-operator is required to substantiate the period of continuous operation in the property as business owner.</p>	<p>amount of the allowance is payable at a rate of 0.1 times the Rateable Value for each year that the tenant-operator has operated the business as the business owner in the property concerned up to a maximum of 30 years, and subject to a maximum amount of \$500,000 and a minimum amount of \$70,000. For an incomplete year, the amount of ex-gratia business allowance is calculated on a pro-rata basis to the nearest month. In the application for ex-gratia business allowance, the tenant-operator is required to substantiate the period of continuous operation in the property as business owner. "Tenant-operator" here means a tenant who occupies his property for his own business.</p>
	<p>3. A tenant-operator may choose to claim for business loss as an alternative to the above two allowances. "Tenant-operator" here means a tenant who occupies his property for his own business.</p>	<p>3. A tenant-operator may choose to claim for business loss as an alternative to the above two allowances (if applicable)</p>
<p>Payment Arrangement</p>	<p>4. Half of the total amount of ex-gratia allowance and ex-gratia business allowance mentioned above will be paid upon the execution of surrender agreement and the remaining half will be paid after the delivery of vacant possession.</p>	

7. For tenants registered in the Freezing Survey and yet subsequently evicted by the landlord will only be eligible to receive a "Relocation Assistance"¹²⁸.

8. The compensation to owners of domestic unit was discussed quite repeatedly in this report and would not be repeated here.

¹²⁸ In view of the public concern over a number of tenant households affected by a redevelopment project in Shamshuipo, i.e. being evicted soon after the freezing survey, the URA Board decided in its meeting on November 3, 2009 to double the amount of RA, together with a number of related measures to improve the assistance given to these affected households, and to review prevailing policies as the need arises with a view to enhance protection of the tenant households (The Administration's answer to LegCo Question, 11, November 4, 2009),

9. For non-domestic properties, the URA offers the following compensation package:
 - Owner of tenanted property: $MV + (10\%MV \text{ or } RV \text{ whichever is higher})$
 - Owner-occupier: $MV + (35\%MV \text{ or } 4RV \text{ whichever is higher})$. Furthermore, an ex-gratia business allowance: $0.1RV$ for each year of business up to a maximum of 30 years or not more than \$500,000 and not less than \$70,000. An owner-occupier may choose to claim for business loss as an alternative to the above two allowances.

10. In several URA projects, there were also arrangements aiming at preserving the local characteristics of the project site, namely, the Local Sport Shop Arrangement for K28, Local Fresh Food Shop Arrangement for H18, and Local Flower and School Shop Arrangement for MK/02.

Appendix VI
Rehabilitation Projects under URA rehabilitation support schemes in TKT area
(Completed, in progress and approved)

Building Rehabilitation Materials Incentive Scheme

Name of building	Address	OP Date	Completion date *
1. Chung Sing Building	63 Chung Wui Street	1966	Jan 2004
2. Tai Wing Building	44-64 Tai Tsun Street	1974	Jan 2004
3. Tai Kwei Building	22-42 Tai Tsun Street	1974	Jan 2004
4. Kin Fook Mansion	249-255 Tai Kok Tsui Road	1965	Feb 2004
5. Peony House East Block	1-7 Pok Man Street	1959	Dec 2004
6. Kar Hing Building	20-26 Li Tak Street	1964	Feb 2006
7. Tai Shing Building	70-86 Ivy Street	1974	Feb 2006
8. Tai Chuen Building	88-102 Ivy Street	1974	Feb 2006
9. Bedford Mansion	32-38A Bedford Road	1966	Sept 2006
10. Tai Fung Building	27-41 Tai Tsun Street	1975	Feb 2007
11. Tai Moon Building	43-59 Tai Tsun Street	1975	Feb 2007
12. 69-71 Larch Street	69-71 Larch Street	1959	Aug 2007
13. Tai Lee Building	31-41 Kok Cheung Street	1968	Nov 2007
14. Tai Yau Building	13-21 Tai Tsun Street	1974	Jan 2008
15. Chung Pak Building	6-8 Lime Street	1963	Mar 2008

*Latest comprehensive rehabilitation works completed.

Building Rehabilitation Loan Scheme

Name of building	Address	OP Date	Completion date *
1. Tai Kung Building	107-127 Tai Kok Tsui Road	1974	Jan 2006
2. Tai Wah Building	62 Wong Tai Street	1976	Jan 2006
3. Dragon Phoenix Mansion	64 Sycamore	1963	Sep 2006
4. Tai Kwei Building	22-42 Tai Tsun Street	1974	Nov 2006
5. Tai Wing Building	44-64 Tai Tsun Street	1974	Nov 2006
6. Peony House North Block	63 Tai Kok Tsui Road	1959	Feb 2007
7. 8-10A Pok Man Street	8-10A Pok Man Street	1957	Apr 2008
8. 50 Fuk Tsuen Street	50 Fuk Tsuen Street	1964	May 2008

*Latest comprehensive rehabilitation works completed.

Rehabilitation works in progress

Name of building	Address	OP Date
1. 39-53 Tai Kok Tsui Road, 1 Ka Shin Street & 2 Pok Man Street	39-53 Tai Kok Tsui Road, 1 Ka Shin Street & 2 Pok Man Street	1957
2. Boundary Building	2 Boundary Street	1966
3. Hing Wong Mansion	67-85 Tai Kok Tsui Road, 1-5 Li Tak Street, 2-6 Fuk Chek Street	1964
4. Peony House West Block	36-46 Hoi King Street	1961

Application approved

Name of building	Address	OP Date
1. 15-17A Ka Shin Street	15-17A Ka Shin Street	1959
2. Cheong Fung Mansion	85-95 Tong Mi Road	1966
3. Tsin Shui Mansion	87-93 Tai Kok Tsui Road	1963

Appendix VII

Illustrative example – compensation payable to owner-occupiers versus compensation payable to non-occupier owner and tenants

1. This is for illustrative purposes only and the figures are all approximations and may not reflect any singular real case.

2. The compensation policies are slightly simplified for illustration purpose as follows:
 - For owner-occupier, the compensation is equivalent to a notional 7-years-old flat.
 - For non-occupier, the compensation is equivalent to the existing use market value (EUV) + 50% of the HPA (which is equal to the difference between the value of a notional 7-years-old flat and the EUV).
 - For tenants, they can be either rehoused in public housing unit or eligible of receiving a cash compensation equivalent to 3.5 x annual ratable value¹²⁹
 - Assuming the ratable value for a 500ft² GFA (or 350 ft² saleable area) domestic unit in Kwun Town to be \$60,000, the cash compensation would be \$210,000.
 - For a public rental housing unit, the URA has to reimburse the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS) the cost of a public rental housing unit based on a set of rates which will be reviewed and agreed between HA/HS and URA annually. The current average cost of a public rental housing unit reimbursed by the URA to the HA/HS would be \$155,210.

3. Take a unit in K7 as an example:
 - Saleable area: 350ft²
 - Existing Use Market Value (EUV): \$1,476/ ft², \$738,000
 - Notional 7-years-old flat value: \$5,937/ ft², i.e. \$2,077,950
 - HPA = \$1,339,950
 - The ICA¹³⁰ for owner-occupied property was \$111,900
 - The ICA for tenanted property was \$87,700

Compensation payable to	amount
Owner-occupier (\$2,968,500+\$111,900)	\$2,189,850
Non-occupier owner (\$738,000+\$1,338,850/2+\$87,700)	\$1,495,675
<i>Difference</i>	\$694,175

¹²⁹ In fact for all tenants resided in ex-LDC project areas before 4/7/2004, they will be compensated by the “7-5-3-1” compensation which is usually more favourable than the 3.5RV. See Appendix V for details.

¹³⁰ Incidental Cost Allowance (ICA) is offered by URA to owners of domestic properties to assist payment of removal expenses and expenditure relating to the purchase of a replacement property.

Tenants or	\$210,000
HA/HS	\$155,210

4. In other words, the amount payable to compensate owner-occupier is substantial higher than the compensation for ownership (i.e. amount payable to non-occupier owner) plus the compensation for his/her residency (i.e. amount payable to tenants or to HA/HS) if s/he is the sole tenant in the property¹³¹.

¹³¹ In property leased to a number of tenants, say more than 7, and if all of them chose public rental housing units for settlement, the total compensation payable for a multiple tenanted property could be higher than that paid for an owner-occupied property.

Appendix VIII

The Case of Langham Place (K2)

Background

1. The K2 (Langham Place) at Argyle Street/Shanghai Street Project is one of the first 8 projects initiated by the LDC with its partner, Great Eagle Co. Ltd. In 1988/89. The project took 15 years and was completed in 2004 by the URA and officially opened in 2005.
2. Langham Place situated at the heart of Mongkok, which, as its Chinese name (旺角) indicated, is the busiest part of Hong Kong with streets packed with people most of the time during the day. The site is bounded on the east by Portland Street, on the south by Shantung Street, on the west by Reclamation Street and on the north by Argyle Street.
3. The area covered by the Langham Place was originally an old mixed use area consisting of residential buildings and mix of retail uses including traditional Chinese bridal shops as well as entertainment premises such as mahjong parlors and brothels on the upper floors, and a unique feature with the concentration of shops and hawkers selling pet birds fronting Hok Yuen Street which were relocated as part of the scheme by LDC to the Yuen Po Street Garden.
4. The Langham Place redevelopment project has changed the land use pattern and the socio-economic profile of the whole area. Upon redevelopment, the Langham Place replaces the original old lower-end residential - commercial buildings with new skyscrapers (Figure VIII.1).
5. The Public Transport Interchange (PTI) under the Langham Place provides the first mini-bus terminus built underneath a private development.



Figure VIII.1 Langham Place, 6 Oct 2005
From www.globalphotos.org

Project Information

6. The site was designed as a Comprehensive Development Area with 11,976 m². After redevelopment, it is a multi-function complex comprising shopping arcades for retail, office spaces, hotel, and open space and there is a 15-level shopping mall, a 60-storey Grade A office tower and a 59-story 5-star Langham Hotel with 665 rooms and suites, as well as some G/IC facilities. Langham Place is the landmark in Mongkok and is the tallest building in the Kowloon peninsula when it opened. There are about 300 shops and restaurants in the 53,100m² GFA shopping mall, which have provided many new employment opportunities. We noted that with a plot ratio of 1:14, the redeveloped GFA in this project is 4 times more than the original GFA.

Table VIII.1 Changes in land use and GFA

	Before redevelopment	After redevelopment
GFA	40,810 m ²	167,419 m ²
Use	Mixed	Mainly commercial (160,870 m ²) with some G/IC (6,548 m ²) and open space (1,100 m ²)
Number of buildings	58	2 blocks
Population	2,603	0

Project implementation

7. The major milestones of the project was listed in Table VIII.2

Table VIII.2 Major Milestones

Date	Particulars
1988/89	Argyle Street/Shanghai Street project was initiated
Mar 1988	Area zoned CDA on OZP.
Mar 1991	Scheme plan gazetted under Sec 5, TPO.
Dec 1992	MLP for Argyle Street/ Shanghai Street redevelopment was approved by the TPB
Jul 1993	Scheme Plan approved by Governor-in-Council
1993/94	Soy Street rehousing units were completed and were used partly for rehousing residents affected by Argyle Street/ Shanghai Street redevelopment
Oct 1993	Acquisition began
Jun 1995	Resumption application submitted
Jan 1997	Resumption gazetted
Mar 1997	The scheme originally comprised 2 office tower blocks and retail facilities. The project was proposed to change the use of one office tower to a hotel and was approved by the TPB. Demolition and preparation works were progressing actively at the same time.

Date	Particulars
Dec 1997	Resumption and clearance works completed
Jan 2000	Foundation and construction kicked off
Feb 2000	Land Grant Executed
Oct 2000	A revised MLP to tie in with the General Building Plan for the project was submitted to TPB and was approved the following month
Mid 2004	Langham Place construction completed
25 Jan 2005	Langham Place Opening ceremony and became a landmark in Kowloon

8. To facilitate the implementation of the project, a wholly-owned subsidiary¹³² of the LDC was set up to participate in the joint development agreements between the LDC and the joint venture partners. Such agreement includes:
- The payment by the developer to the LDC a deposit on land¹³³,
 - The payment by the developer of all costs related to the acquisition of the site and the subsequent development costs¹³⁴;
 - The sharing of the profit on sale of the property after development between the developer and the subsidiary or LDC¹³⁵.
9. While acquisition began in October 1993, by end of 1997, 90% of the 538 interests were acquired. Acquisition policy adopted for K2 changed as the policy adopted by LDC changed. Initially, it was by private negotiation, i.e. mainly close to market value and gradually improved (see Appendix V for details). Application for resumption was approved and completed in December 1997.

The Impact of the K2 Project

10. As this project is basically planned and implemented by the LDC, though completed by the URA, it would not be appropriate to use the URS framework to evaluate this particular project. However, the following impacts of the K2 projects are very obvious:
- Langham Place project is characterized by its festival market-places, office

¹³² In fact, a total of 8 subsidiaries were formed in the first year of operation for each of the first 8 projects initiated by the LDC.

¹³³ While data for individual projects is not available, the total deposit on land made by the 4 developers in the 7 Phase-I redevelopment projects of LDC amounted to \$1.2 billion received in 1988/89 as reflected in its auditor report. For instance, this deposits had created a revenue of \$28.375M for 1988/89 and \$118.13M for 199/90 from fixed deposit interest to finance the operation of the LDC. This interest income is the only source of revenue that the LDC could have obtained in its early years.

¹³⁴ Together with the deposit on land, the total funds advanced by the joint venture partners for the Phase I projects were estimated to be exceeding \$20 billion (LDC, Annual Report, 1991/92, p.7)

¹³⁵ LDC Annual Report (1988-89), Notes 7 of Audited Account.

complexes, cinema, restaurants, shopping malls, and its landmark architectural design. The project had revitalized the dilapidated area, especially Portland Street, that previously known as a red light district to improvement the social environment of the area.

- The PTI under the Langham Place for mini-buses helps to better managed the congested road traffic and support the increasing transport needs led by the Langham Place redevelopment project in the area. In addition, the widening of certain sections of the Portland Street and Shanghai Street, provided loading and unloading areas for passengers.
- Pedestrian links facilitate commuters and customers to connect to the MTR station and other areas.
- There is a public open space (1,100 m²) where before there was only an area zoned for such use
- There is now a community centre.
- Before there was only a cooked food centre and now the function has been replaced by a modern food court within the shopping mall
- While the Langham Place is an iconic building area, critics considered the buildings being too “intrusive” and “massive” in the neighbourhood.
- All the original residents and shop operators in the original site were all displaced.
- The pet bird shops have been relocated to Yuen Po Street Garden which is now a tourist attraction.

11. We also noted that together with the District Council and relevant departments, the URA had make revitalization efforts to develop the area as a theme street to capitalize on the various special features of commercial activities in the area.