

“Urban Renewal Strategy (URS)” Review Public Engagement Stage

Gist of Topical Discussion 8: Financing Urban Renewal

Date: 31st October, 2009 (Saturday)
Time: 2:30 p.m. to 5:00 p.m.
Venue: Room 502 Lecture Hall,
The Boys' & Girls' Clubs Association of Hong Kong,
3 Lockhart Road, Wanchai, Hong Kong
No. of Participants: 62 (including 8 representatives from the Development Bureau, the Urban Renewal Authority (URA) and Hong Kong Institute of Asia-Pacific, Chinese University of Hong Kong as observers ^{Note 1} and 6 discussion group facilitators from the Royal Institution of Chartered Surveyors)

Christine Hung, the moderator, briefly introduced the background and key issues of the URS Review, and invited the public to give presentations.

Gist of Public Presentations

Presentation 1

Topic: Urban redevelopment arrangement
Speaker: Mr. Leung Yat Wing (梁日榮)

The speaker quoted some of the proposals made in the meeting of the Legislative Council Panel on Planning, Lands and Works on 2nd March, 2001, including the proposal to the URA that the number of units available for allocation under the “flat for flat” exchange scheme should not be less than 1.2 times of the number of property owners who participated in the scheme. Therefore, he urged the residents whose allowance had been deducted to simply request for “flat-for-flat”. He also said that he was willing to accept the “flat-for-flat” arrangement for a unit within Phase 1 of Yuet Wah Street Redevelopment Project in Kwun Tong. He considered that the URA did not have any financial burden in the “flat-for-flat” and “shop-for-shop” arrangement since the URA could use the developers’ newly completed buildings for rehousing, and then sell the remaining units from which the URA would be able to share substantial profits.

^{Note 1} The observers were the representatives of the Development Bureau and the URA. They were present to listen to the opinions and clarify or supplement certain facts and information. Hong Kong Institute of Asia-Pacific, Chinese University of Hong Kong, takes charge of analyzing the valid opinions collected in the URS Review. Their opinions or saying would not be regarded as valid opinions.

He also queried whether the allowance or compensation deducted from the affected parties was used to pay the annual salaries of the URA's nine directors' (excluding bonuses ^{Note 2}) ranging from HK\$2 million to 4 million. His view was that the more allowance or compensation that was deducted from the residents, the more rewards were given to the staff. In other words, and it was "abusing public funds for personal purposes".

Presentation 2

Topic: Not provided

Speaker: Ms. Ling Fung Ha (凌鳳霞)

The speaker commented that the goal of URS ought to be people centred in creating a better living environment. However, the Government stirred up dissatisfaction among the public as it did not conduct proper public consultation, resumed people's properties by force, took their property rights away and deprived the owners of the right to sell freely. The speaker was dissatisfied with the URA's purchase offer which was not equivalent to the price of a 7-year-old flat at the time of acquisition, and that different owners were entitled to different compensation offers, without taking into account the owners' hardships in acquiring their hard-earned properties. She cited the example of the renowned "Sneaker Street", which was the fruit of the owners' and the commercial tenants' long-term efforts. However, they had been forced to accept the one-off compensation offer and move away.

Concerning the financial arrangements, the speaker opined that the URA must disclose its financial position to the public and be accountable for the money deducted from the allowance for approximately 30 redevelopment projects. She appealed that the profit of \$2.9 billion should be shared amongst the owners and tenants within the redevelopment site, in order to convince them to support the redevelopment.

Presentation 3

Topic: The "misleading" surveyor's property value estimate in Kwun Tong

Speaker: Ms. Helen Wong Yat Man

Based on the estimation by Alliance of Owners' Corporations in Kwun Tong Town Centre Redevelopment Project, the speaker claimed that the URA had cheated the owners in the Kwun Tong Project for at least \$1 million each. They felt that the URA's surveyor report was misleading because: (1) the estimate on per square foot price (calculation based on "usable area") of 7-year-old flats in Kwun Tong or similar districts was conducted at the end of last year, when the property market was going down; (2) the selection criteria for the 7-year-old flats in districts

^{Note 2} According to the annual report of the URA, the remuneration of the URA staff consisted of regular pay and variable pay but there was no bonus.

similar to Kwun Tong varied and hence caused queries and mistrust; (3) views from flats were not taken into account, and the price for older units were much less than newer flats; (4) although Kwun Tong is in a convenient location, the assessment report did not take this into account; (5) in terms of environment, the estimated value of the 7-year-old flats in Kwun Tong was even lower than that of the 11-year old flats in other districts; (6) since Kwun Tong is located at the centre of East Kowloon, the speaker estimated that the URA was able to earn over \$40 billion from the redevelopment project. However, no “added-value” had been included in the assessment; (7) convenient facilities should also be one of the factors in the assessment.

The speaker opined that the compensation of many buildings aged over 10 years had been deducted by nearly 20% due to the various factors mentioned above. This was not in compliance with the 7-year-old flat compensation policy under the URA Ordinance. On 30th November 2008, the Centaline Residential Property Index was 55.5, and on 30th October 2009, it was 73.39. This showed that property prices had increased by 33%. For Kwun Tong, property prices had risen by 43% since acquisition. The current compensation standard was only enough for buying a 37-year-old flat in the same district. Therefore, a request was made to implement the “flat-for-flat” option.

Presentation 4

Topic: Strong objection to 'bulldozing' redevelopment approach

Speaker: Ms. Yiu Siu Yung (姚小蓉)

The speaker opined that the URA, without transparency or supervision, was acting like the biggest property agent in Hong Kong. It had forced property owners to sell ground floor shops at cheap prices and deprived owners of the right to sell freely. Even Macau had adopted a revitalizing and renovating policy for the old city and hence she did not understand why Hong Kong had to adopt a “bulldozing” approach for redevelopment. She thought that the URS had caused adverse impacts on the local community and the local economy. While the URS review had not been completed, the Development Bureau had already proposed lowering the threshold of compulsory auction to 80% in order to expedite cheap acquisition of valuable urban land and to make huge profits. She queried the manner in which the URA was spending the 1 billion of surplus money, and suspected the URA of collusion. She proposed to return the surplus money to the affected owners.

The Buildings Department supervised the structural safety of buildings and required owners to be responsible for maintenance and repair. Therefore, the URA should not interfere with private property ownership, and should change its role from a developer to a facilitator, to assist owners in old districts to undertake redevelopment projects. She added that urban districts (e.g. Central) were monopolized by big developers. This had led to high rents and commodity prices

which the people at the grass root level could not afford. It had also forced small shop owners to move out and widened the gap between the rich and the poor.

Furthermore, she agreed to the earlier proposal of the Professional Commons for the URA to assist owners in forming redevelopment co-operative bodies to participate in redevelopment, and to implement various schemes including “flat-for-flat” and “shop-for-shop”.

Presentation 5

Topic: Not provided

Speaker: Mr. Hung Ting Kwan (洪挺堃)

Hong Kong is a modern and highly efficient “Asia’s World City”, but was also the place with the widest gap between the rich and the poor in the world. The speaker explored questions raised at the Topical Discussion on that day.

(1) Given that building rehabilitation, heritage conservation and the revitalisation of old districts are often not financially viable, how should we maintain the long term operation of the urban regeneration programme?

He said that many revitalisation projects in Hong Kong had resulted in gentrification. For instance, Wo Cheong Pawn Shop in Wanchai was converted into a high-class restaurant; and the former Marine Police Headquarters in Tsim Sha Tsui became an arcade for famous brands after redevelopment. The people at grass root level were unable to enjoy these facilities. Moreover, the conservation of the old Wanchai Market had retained only the door number plate and the meaning of revitalisation and conservation had been lost. A similar situation had also occurred in Chinese cities such as Beijing and Chengdu.

(2) As for the self-financing of urban renewal, should the direct financial returns from the renewal projects alone be calculated, or should the indirect economic benefits to the district also be calculated?

He thought that turning small shops into an arcade would often result in higher living standard in the local district. The affected residents would be forced to move to districts with poorer conditions in the northern New Territories etc., and the town centre would be for rich people only – this is called “gentrification”. In 1953, a big fire broke out at the squatter area in Shek Kip Mei. After the fire, the Government built resettlement housing nearby to provide homes for the victims immediately. He did not understand why the Government now had to rely on developers, and queried whether this was due to political factors.

(3) The development density is already very high in Hong Kong so if transfer of development rights is adopted, how could the negative impacts on the environment of the peripheral areas be avoided?

He pointed out that the construction of new high-rise buildings would obstruct the surrounding dilapidated old buildings, and would deteriorate the living environment, forcing residents to leave.

Furthermore, the speaker pointed out that the owners had bought their flats based on the calculation of gross floor area, but the compensation was based on net usable floor area. Therefore, they were entitled to seek reasonable compensation. If the Government cooperated with developers in the acquisition for redevelopment into luxury housing, then they had ignored the needs of the grass-root local residents and had not properly served the Hong Kong people. Hong Kong should remain diversified, and if gentrification of the entire city was to continue, it would affect the harmony and stability of the society.

Presentation 6

Topic: Not provided

Speaker: Mr. Lau Wai Chung (劉偉忠)

The speaker stated that the Government had provided the URA with a HK\$10 billion capital injection, in addition to land premium exemption and land development rights. The URA had however maintained that they pursued a self-financing mode in preservation, revitalization and renewal, hence public funds must be used carefully. His analysis revealed that the projects ranging from Cherry Street in Tai Kok Tsui to Boundary Street and Fuk Tsun Street had- (not including the commercial tenants) affected nearly 15,000 people. In other words, since the establishment of the URA, one out of every 300 Hong Kong people had been affected by redevelopment. The data indicated that the total floor area acquired by the URA's redevelopment projects was around 3.4 million ft², that is, the "net floor area" as mentioned by other presenters. Upon completion of the redevelopment projects, the commercial floor area was nearly equivalent to the total acquired floor area. The area available for residential units had reached 10 million ft². The URA was therefore making large profits. He opined that the URS Review must examine whether the URA had wasted public funds and placed a greater burden on tax payers.

He hoped that upon the completion of the URS Review, the report would indicate the following: (1) How much compensation had the URA provided for the owners and tenants in the redevelopment areas? (2) How much compensation had the affected commercial tenants received? (3) The total acquisition costs, including the remuneration of the URA staff and the demolition costs; (4) How much was the profit from selling completed buildings to developers? He queried why the selling prices of new buildings in redevelopment areas were so high but the owners only received the average compensation of \$5,000 per square foot. It was really difficult for the residents, without knowing how much profit URA has made from redevelopment projects, to participate in the URS Review and express their views.

Presentation 7

Topic: Study of transferring development rights in Taipei

Speaker: Ms. Yau Hoi Wan (丘凱雲)

The speaker pointed out that the Taipei government implemented the transfer of development rights to help enable the preservation of historic buildings. Landlords were compensated by means of trading and transferring the development rights whilst the government also saved expenses. The Taiwanese government had implemented this policy since 2000. As of March this year, a total of 218 cases involving approximately 130,000m² of floor area had been approved. The new site receiving the transferred development right could only receive a maximum of 40% of the total development area. If the land receiving the transferred development rights was of a comparatively lower value, then the development rights received would be comparatively more. Since the development rights of a site were transferred to another site for use, therefore the development rights of the latter site would increase.

On the other hand, developers could buy the development rights at a low price to increase the incentive for land development. The government had made provisions for sites receiving the transferred development rights in order to enable the effective development of certain areas. The market for the transfer of development rights in Taipei was however not well established and lacked transparency. Land owners preferred compensation from the government since the amount of compensation was likely to be higher.

The current Hong Kong law states that each land lot was subject to the restriction of maximum development rights. Therefore, for the transfer of development rights to be successful, it was necessary to consider the impacts this might have, for example on whether Hong Kong people could accept higher density, the capacity of existing infrastructure, and the capacity to increase plot ratio under the existing maximum development restrictions. Since the market prices fluctuated rapidly in Hong Kong, should the Government valuation differ significantly from the market price, speculation might occur under the transfer of development rights scheme. Moreover, although the Taiwan government saved expenses and land owners were compensated, it was yet to be discussed in Hong Kong whether transfer of development rights could serve as an indirect monetary compensation. The system of transferring development rights could also provide direct land or monetary compensation to land owners.

Gist of Group Discussion

1. Vision and scope of urban regeneration

Some participants opined that the URA should examine the objective of urban renewal – whether it was to proceed with development projects, or to adopt a

more people-orientated approach of revitalisation, so that residents could live in harmony.

It was pointed out that rehabilitation and conservation were Government responsibilities. However, residents were unable to enjoy the fruits of many urban renewal projects. For instance, revitalised heritage buildings were converted into hotels and high-class restaurants, which the general public could not afford.

2. Long-term operation of urban regeneration programme

Some mentioned that the URA should be prudent in the use of the Government capital injection of \$10 billion. The topics of land resumption expenses, and how income from cooperative development with developers could help long-term development in Hong Kong should be studied further, and longer-term urban regeneration programmes should be established in future.

There were also some opinions that most of the URA's projects were in cooperation with private developers. Consequently, most of the redevelopment projects included facilities such as clubhouses and car parks, which caused property prices to increase substantially. Thus, the former residents were unable to live in the same area. In the long term, redevelopment projects should not include recreational or high-end facilities.

Some participants stated that many building rehabilitation and preservation projects were not being implemented properly in Hong Kong because the Government or Home Affairs Department had not managed the owners' corporations (the corporations) effectively. Usually, the corporations lacked sufficient knowledge to proceed with rehabilitation on their own initiative. In addition, many tenants were elderly and as a result, many owners were unwilling or unable to gather funds. Some corporation members were involved in corruption, and abused power for personal gain and did not carry out the relevant works properly. In the process, even District Councillors might act out of their personal interest. The Home Affairs Department had not made use of its power to supervise the accounts of the corporations. It was proposed that the Government should employ professional accountants to assist the corporations in financial management, in order to enhance supervision and eliminate corruption so that owners would be encouraged to rehabilitate their own properties. In this way, it could effectively reduce the number of dilapidated old buildings and avoid the need for redevelopment.

3. Direct financial gain and indirect economic benefits

Concerning the direct financial gains from URA redevelopment projects, some groups proposed to issue new bond or shares for all URA projects. Individual projects might be divided to seek independent public subscription to raise funds.

Moreover, some social worker participants stated that it was necessary to consider indirect economic benefits, including whether the residents could really enjoy the improved environment after redevelopment. Therefore, the authorities must include public participation in the town planning process to ensure that the outcome of urban renewal would be in compliance with their aspirations.

Some stated that the majority of properties acquired by the URA were of plot ratio 3 only but with redevelopment the plot ratio could be raised to 10 or 11 to increase the development profit. Owners and residents have spent years of effort in building up the local community, therefore, the URA should share the profits with owners.

Some groups felt that the financial accounts of URA's urban renewal projects lacked transparency. Hong Kong people did not know the operational costs (including staff remuneration and daily expenses) of the URA, the acquisition cost of each project, the income from property sales and the commercial income of each project (including the respective amounts of financial gain which the URA paid to the Government, booked to the URA's own accounts, or if the gain was taken solely by the developers). All of these were to be monitored. Some participants indicated that they had no clear understanding of the cooperation details between the URA and developers after land acquisition, and were concerned that the former might become the money-making tool of the latter. They proposed that the URA should disclose its accounts to the public similar to the practice of the former Land Development Corporation. This practice would facilitate the public to participate in consultation exercises in a more meaningful way and to provide more objective comments.

4. Self-financing approach

There was a suggestion to set up a fund for collecting profits from urban renewal projects, which would be carried forward and invested to subsidise the URA, so as to avoid its frequent statements that it suffered financial losses. There were also participants who doubted whether the capital injection to the URA was really insufficient.

Some participants felt that residents or the Government should not continue to inject capital into or subsidise the URA because it could make use of the income from the commercial portion of its redevelopments (such as the rental of the commercial centre) to support its development of other projects and to be self-financed.

Some participants stated that if the URA was responsible for preservation, then it should do it by self-financing. The problem was, however that it had no financial resources and was unable to carry out the transfer of development

rights, hence the Government remained responsible for implementing preservation projects.

5. Transfer of development rights and “linked development sites”

Some groups suggested the provision of various options to allow owners to freely sell their properties in the form of “Land Exchange Entitlement” and offering the transfer of development rights including “flat-for-flat”, “shop-for-shop” and “estate-for-estate” options.

Another group opined that these two concepts were basically feasible and could be achieved with good faith.

6. The role of URA in redevelopment

Some participants hoped that the URA should not serve the developers and should be “people-centred” in order to achieve the organisation’s objectives, i.e. to undertake urban renewal, to be people-orientated, and to act as the mediator or facilitator, and as the Government representative to assist residents in redevelopment.

The Government must review the role of the URA in preservation. There was no reason to finance preservation projects in a certain district with the profit earned from redevelopment projects in another district. The URA has not performed properly in both preservation and redevelopment projects. Consideration should be given to stop wasting public money.

Some groups opined that the functions of the URA overlapped with certain Government departments. For example the Architectural Services Department or the Buildings Department already oversee building maintenance and/ rehabilitation. The Government should avoid wasting resources.

7. Owner participation

Some groups opined that residents and owners should take the initiative in redevelopment projects. They proposed setting up redevelopment cooperative societies or civil societies to enable owners to participate in redevelopment projects and to decide whether, when and how the local area should be redeveloped. Such a bottom-up approach could prevent disruption to existing social networks.

However, some groups had reservations on the establishment of cooperative societies, because due to different opinions and stances, as well as potential conflicts of interests, it might take a very long time for residents to discuss the matter and reach a consensus. Another concern was that owner participation would expose owners to greater risks.

8. Compensation and resettlement

Some groups discussed the 7-year-old flat compensation criteria approved by the Legislative Council. Many affected owners had long asked for actual implementation of the policy by the URA, but in most cases the amounts of compensation were insufficient for them to buy 7-year-old flats.

9. Miscellaneous

- In order to prevent property prices from rising, speculators or foreigners should be prohibited from buying local property.
- It was hoped that the URA could disclose to the public the method of calculating staff salaries, allowances and bonuses^{Note 2}.
- As the URA had provided an annual bonus^{Note 2} for their staff in the past, therefore it was impossible for the URA to suffer losses.
- Most of the shops in the commercial centres of the joint URA and private developer redevelopment projects would be let out upon completion, such as the projects at CityWalk in Tsuen Wan and in Kwun Tong Town Centre. Therefore, the URA should not allege that it had suffered from financial losses, which was misleading to both residents and the media.

A-World Consulting
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