

**For Discussion
on 23 June 2009**

LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT

Progress of Work of the Urban Renewal Authority

Purpose

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

Background

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

3. The URA has successfully commenced all 25 projects announced but not completed by the Land Development Corporation (LDC) – the URA was tasked under the current URS to accord priority to the implementation of these projects. In view of the scale of the ongoing complex projects and that we are in the midst of reviewing the URS, 2009/10 will be a year of consolidation for the URA. We consider it realistic and appropriate for the URA to focus more on completing the commenced projects and avoid commencing other large-scale, controversial redevelopment projects. We also expect URA to put more efforts on its rehabilitation and revitalisation work in the coming years to complement the Development Bureau’s policy initiatives to provide a quality city environment.

Progress of URA’s Work

4. As at the end of its financial year 2008/09, the URA had directly, or through collaboration with the Hong Kong Housing Society (HKHS), commenced 35 redevelopment projects (seven of them contain preservation elements) and four preservation cum revitalisation projects.

The URA is now preserving 57 historical buildings located within its project areas. URA has also assisted nearly 500 buildings (over 38 000 units) under its building rehabilitation programmes and carried out area revitalisation initiatives in various districts.

5. A detailed account of URA's work is given in Part III of URA's paper at **Annex**. Some major events in 2008/09 are highlighted below.

Highlights

Rehabilitation

6. The URA will continue to enhance its existing building rehabilitation schemes. In February 2009, the URA joined hands with the Government and the HKHS to launch the Operation Building Bright (OBB). The OBB is a special operation to create employment opportunities through the promotion of building rehabilitation, which covers up to 1 000 old buildings. The URA's financial contribution to the OBB is HK\$150 million.

Redevelopment

7. With the commencement of the last three of the 25 redevelopment projects announced by the former LDC during 2007-08, the URA has commenced all ex-LDC projects. This is an important milestone in URA's redevelopment mission.

8. The Kwun Tong Town Centre Redevelopment project is the largest redevelopment project that the URA has undertaken so far. In December 2008, the URA issued acquisition offers to the owners of the 1 657 domestic and non-domestic property interests in the project area. A record high percentage of owners-occupiers have already accepted URA's offers during the offer period. URA has also agreed to give priority to the owner-occupiers of acquired domestic units to return and live in this redevelopment project upon its completion.

Preservation

9. On the preservation front, the URA announced a conservation strategy for shophouses with a range of approaches applicable to shophouses of varying heritage value. In September 2008, the URA commenced two projects to preserve two clusters of verandah-style pre-war shophouses of high heritage value and potential for adaptive re-use at Shanghai Street/Argyle Street and Prince Edward Road West/Yuen Ngai Street.

10. The URA is keen to pursue further preservation projects as part of its coordinated 4Rs business strategy. It is also mindful of the need to

balance priorities in resource allocation and the potential of buildings to be preserved to generate revenues to cover their long-term maintenance costs.

Revitalisation

11. The URA continues its street beautification works around its project areas and in particular in Wan Chai. Working closely with the Old Wan Chai Revitalisation Special Committee chaired by the Vice Chairman of the Wan Chai District Council, the URA has arranged proper electricity supply and installed a canopy for some hawker stalls in Tai Yuen Street, Wan Chai as a pilot. The URA will finalise the design of these installations after collecting feedback from the stakeholders and the public. In addition, the URA is studying proposals to create heritage trails in Wan Chai and Sheung Wan.

12. To strengthen community relations, URA has established six District Advisory Committees in its major action areas so that people from all walks of life can advise the URA on the planning of renewal projects. The URA has also appointed six district-based social service teams to counsel and advise residents affected by implementation of its projects.

Review of the Urban Renewal Strategy

13. In July 2008, the Development Bureau launched a comprehensive review of the URS, which is expected to take two years to complete. The URA has been providing assistance to the Government in taking forward the Review. URA has provided funding for the engagement of the policy study consultant and the public engagement consultant.

14. We have now completed the Envisioning Stage and have moved on to the Public Engagement Stage of the URS review. We will organise larger scale public engagement activities to engage the public to discuss key issues identified in order to develop a broad consensus on the future direction of urban regeneration in Hong Kong. We are committed to achieving this through an open and transparent public engagement process. We will continue to report progress of the review to the Development Panel from time to time.

URA's Work Plan

15. The Financial Secretary has approved the URA's Corporate Plan (CP) for 2009/10 to 2013/14 and Business Plan (BP) for 2009/10.

Taking account of 2009/10 being a year of consolidation and in order not to pre-empt the findings of the URS Review, the five-year CP includes 39 ongoing redevelopment projects and only another 15 to be launched within the next five years, four ongoing preservation projects, a rehabilitation programme covering about 1 000 old buildings, and revitalisation initiatives within URA's Action Areas.

16. In the 2009/10 BP, the URA plans to commence several modest scale new redevelopment projects; introduce two voluntary schemes for the preservation of verandah-style shophouses; enhance its existing building rehabilitation schemes through launching the OBB together with the Development Bureau and the HKHS; and continue its area beautification and revitalisation initiatives.

17. Details of URA's work plan are set out in Part IV of URA's paper at **Annex**.

Financial Position

18. The URA's net assets stood at \$ 9.9 billion as at 31 March 2009. A net operating deficit of \$4.5 billion was recorded in 2008/09 mainly due to a \$4 billion provision made for the Kwun Tong Town Centre redevelopment project.

19. The URA has indicated that it will be increasingly difficult to balance its books due to its increased commitments in preservation, revitalisation and rehabilitation, which will not generate surpluses in revenue. The financial risks associated with redevelopment is also greater than before in the light of the exceptionally large outlay required for the implementation of the Kwun Tong Town Centre redevelopment project.

20. URA envisages that it will have to seek external financing, by such means as bank loans and bond issues, for the implementation of its urban regeneration programme over the next five years. In preparation for this, the URA sought and has obtained a corporate credit rating of "AA+" from Standard & Poor's. URA's report on its financial position is given in Part V of its paper at **Annex**. The Government will continue to closely monitor URA's financial position.