Urban Renewal Strategy (URS) Review Public Engagement Stage Gist of Public Forum Discussion 3

Date: 12th September, 2009 (Saturday)

Time: 2:30 p.m. to 5:00 p.m.

Venue: Auditorium, 1/F, Christian Family Service Centre, 3 Tsui

Ping Road, Kwun Tong, Kowloon

Number of Participants: 121 (including 1 member of the Steering Committee, also 3

representatives from the Development Bureau and 5 from the

Urban Renewal Authority present as observers Note 1)

Moderator: Mr. Yip Moon Wah, JP

Mrs. Sandra S.C. Mak

Mrs. Sandra S.C. Mak of A-World Consulting Ltd., the public engagement consultant, briefly introduced the background of the URS Review and the major discussion topics. Special thanks were extended to the collaborating organizations including Kwun Tong District Council, Wong Tai Sin District Council and Kowloon City District Council. The gist of pubic presentations was as follows:

Gist of Public Presentations

Presentation 1

Topic: Announcement and Handling of Compensation for Acquisition of Properties

Speaker: Mr. Lee Chi Hang, Central and Western District Council Member

The speaker pointed out that the valuation assessment of the old buildings by the Urban Renewal Authority (URA) was based on the average value of the seven-year-old buildings assessed by seven surveyors. The assessed value would then become the average acquisition price per square foot in the district. The assessment however did not take into consideration factors affecting the building value such as the orientation and the floor number of the unit. The speaker queried whether this was fair. Moreover, since the compensation amounts obtained by different types of owners (for example, those of owner-occupied, non-owner-occupied, commercial and rented properties) were different, the speaker proposed that the URA should specify accordingly for each type when announcing the acquisition price and should not announce only the highest compensation

Note 1 The observers were the representatives of the Development Bureau and the Urban Renewal Authority. They were present to listen to the opinions and clarify or supplement certain facts and information. Their comments would not be regarded as valid opinions.

amount. Property prices would otherwise rise in the vicinity which would make it even more difficult for those living in the neighborhood to buy units in the same district.

He also alleged that after the announcement of the acquisition, many owners would force their tenants to move out. Those owners did not understand that the compensation amount would still be calculated on the basis of a rented property as recorded in the freezing survey, and then no compensation would be offered to the tenant. He proposed that the URA should make the details clear when conducting the freezing surveys.

The speaker was of the opinion that the public, particularly those intending to continue to live in the redeveloped district, should be allowed to participate more in redevelopment. They should not just be allowed to sell their property or be subject to compulsory acquisition by the URA. For urban renewal, emphasis should be placed on resettling the affected people, as the community network would be destroyed.

Presentation 2

Topic: Not Provided

Speaker: Mr. Chan Ying Wing

The speaker queried the management of bankruptcies in Hong Kong by presenting his own experience. He lived in a dilapidated building with several tens of owners. The owners' incorporation of the building indicated that it was on the verge of bankruptcy because some owners had not paid the management fee. Later on, the residents raised a total of some HK\$100,000 for the costs of repairing the building. A few months later, however, the Official Receiver's Office ordered the owners' incorporation to be liquidated. The chairman of the owners' incorporation did not convene any owners' general meeting.

In particular, the speaker asked Mr. Leong Kah Kit, Legislative Councillor present at the forum, why the Official Receiver's Office had the liquidation proceeding outsourced to a legal firm. The letter issued by the lawyer did not specify the accounts in detail but merely requested each of the eighty odd owners to pay HK\$30,000 for the disbursement fund. This was very puzzling for the residents.

Presentation 3

Topic: Both Parties Should Have Equal Rights to Employ a Surveyor

Speaker: Ms. Wong Yat Man

The speaker was of the opinion that the assessments made by the surveyors employed by

the URA were far from satisfactory. She requested that the owners be allowed to negotiate the price according to the principle of fair trade. Under the current policy, even the Chief Executive of Hong Kong was unable to change the acquisition price. Taking Kwun Tong as an example, the speaker thought that the URA had not assessed the compensation amount based on a district with a similar location and transport network, but had taken reference from other districts such as San Po Kong and Tze Wan Shan. As a result, the surveyor firm's assessed value of properties at market price was HK\$2,200 per square foot only. The price of recent property transactions in the district was however HK\$4,300 per square foot. This far exceeded the assessed price. She pointed out that the compensation amount was merely enough for the affected residents to buy back twenty-six-year-old units.

She said that the URA and the residents should have equal rights in employing a surveyor. Last December, some owners in Kwun Tong district employed a surveyor who put forward an assessed price of HK\$8,000 odd per square foot, whilst the URA's compensation amount was merely HK\$5,937 per square foot. Therefore, she queried whether the surveying firms employed by the URA were operating in a 'black-box' and she requested the Secretary for Development to look into this problem.

Presentation 4

Topic: Urban Renewal for Whom? Speaker: Mr. Desmond Sham

The speaker proposed to review the positioning of urban renewal in Hong Kong, including: whether to integrate it with town planning and housing policies or to remain as a single policy; whether to make sustainable development or balancing the budget the top priority; whether urban renewal should be based on need or to consider it as an opportunity to make profit; whether social costs had been calculated and whether it would lead to urban regeneration or aggravate imbalances.

The speaker cited foreign examples of public participation in redevelopment: (1) The New York government originally intended to apply the "bulldozer approach" to redeveloping Cooper Square. With the efforts of the citizens, eventually some buildings were retained and the redevelopment was implemented in stages. Public housing, middle and low income residences and apartments for artists were developed to provide local rehousing for most of the residents. Social and economic value were sustained. (2) As for the redevelopment project of Yerba Buena in San Francisco, initially the city's urban renewal authority refused to construct buildings for local re-housing in the

redevelopment district. The community association took legal action against the authority and finally both parties reached an agreement. Later on, the association became the Tenants and Owners Development Corporation (TODCO) to both guide the construction works and own the new buildings. The project had provided local rehousing, and construction started prior to demolition. Later on, the area became a diversified community with beautiful low-income residences and homes for the elderly, as well as commercial buildings and cultural facilities. (3) The Greater London Council and a developer considered the Covent Garden in London to be a good development opportunity and intended to demolish and redevelop it. The community association with the assistance of professionals proposed a feasible scheme to make the government compromise and order the drafting of a scheme with comprehensive public participation. The government set up a special district panel to, in cooperation with the community association, implement a community-oriented scheme which included more public space and safeguarded the original residents, traditional industries and small shops. Community facilities were constructed but not hotels or commercial buildings. This campaign eventually changed the government policy.

The speaker cited the Urban Renewal Authority Ordinance and the Lands Resumption Ordinance which specified that resumed land must be used for public purposes and based on public interests. Redevelopment projects, however, often turned into luxury flats. The Kwun Tong Renewal Project also included land originally assigned for public purposes. He queried for whom urban renewal was undertaken.

Presentation 5

Topic: Not Provided

Speaker: Mr. Leong Kah Kit, Legislative Councillor

The speaker said that urban renewal was necessary to address urban decay. He illustrated by way of a short story set in Kwun Tong district that the rights of the local residents were very important. The objective of the URS was people-based and should not cause the residents to move out to various other districts. He mentioned that community participation was carried out in countries such as the U.S.A. and Britain because the government was responsible to the people. The Hong Kong Government, however, had in fact, made its decision in the very early stage despite holding many consultation meetings and setting up many committees. Nevertheless, citizens should take the opportunity to participate and be proactive in the decision-marking process of redevelopment.

The speaker proposed that the URA should change its role and should not simply be engaged in acquisition, demolition, redevelopment and property sales just like a real estate developer. On the other hand, he said that the public must consider how much public money should be spent on urban renewal in order to achieve a balance. He also thought that the Hong Kong Government should undertake overall town planning, and study the undeveloped land which made up 80% of the total land area of Hong Kong.

Presentation 6

Topic: The Five-Element Diagram of Redevelopment -- Law

Speaker: Mr. Tam Kei Dik

The speaker analyzed the URA by means of five elements: "Law" means legislation, judiciary and administrative law. "Dao" means the intent or request of the society, "Method" means technology and strategy. "Life" means resources. "Sentiment" means the relationship between the URA and the citizens or the District Council.

He said that at present there was no clear definition in law for the rights of the "stakeholders" in urban renewal. Issues such as the negotiation process to reach a consensus and the level of participation were decided by the URA. He thought that the URA hoped to establish a relationship with the public through public engagement activities, but the URA's actions had upset the public. Therefore, its relationship with the citizens was very bad. Moreover, the URA did not provide enough resources for public participation. The speaker also queried what collateral was used by the URA for issuing bonds. He thought the URA was most likely to make use of the existing projects as collateral, which was a very bad approach.

Presentation 7

Topic: Not Provided

Speaker: Mr. Lau Wai Chung

The speaker said that the URS was quite perfect. However, the problem was that the URA needed to be self-financing. As a result, the URA was not market-oriented on acquisition but was very market-oriented on property sale. For instance, it acquired the land in Wan Chai district for HK\$3,000 odd per square foot to construct high-priced buildings at up to HK\$10,000 per square foot. The beneficiaries were the URA and the real estate developer. Of course, the affected residents felt this was unfair. Many other renewal projects of the URA had resulted in the construction of luxury flats, which were difficult for the residents to enjoy.

He said that if the threshold for acquisition was lowered to 80%, many forty-year-old or fifty-year-old dilapidated buildings would be acquired and demolished by private developers. The speaker thought that the URA, in the face of market competition, could only carry out projects which the real estate developers were unwilling to handle, or projects which the Government compelled them to implement.

Presentation 8

Topic: Neighbourhood Voices of Kwun Tong District

Speaker: Mr. Yuen Yun Fai

The speaker thought that as the URS Review had held many consultation meetings, he hoped that the authorities could respond to and solve the problems. Furthermore, many in the neighbourhood pointed out that since the compensation amount was not sufficient for purchasing properties of seven-year-old in the vicinity, they had to move to remote districts. This would not help them improve the standard of living and was not people-based. From the beginning of the year up to date, the Centa-City Leading Index had soared by more than 20 points. Consequently, the URA should adjust the compensation amount. Years ago, when the Government developed the Kwun Tong district, the original residents were re-settled into public housing. At present, the compensation scheme stipulated that those owners who had public housing tenancies were granted only half of the home purchase allowance. The speaker thought that such policy was arguable.

Presentation 9

Topic: Experience-sharing by Old Wan Chai Revitalization Initiatives Special Committee

Speaker: Mr. Ng Kam Chun, Vice-Chairman of Wan Chai District Council

The speaker said that prior to the return of sovereignty, the land strategy in Hong Kong was usually guided by real estate developers. It was regrettable that many buildings with historical value were then demolished. The Old Wan Chai Revitalization Initiatives Special Committee wished to retain buildings and scenic spots with historical and cultural value or of unique style in the Wan Chai district and to provide more resources to this end including (1) retention of the old buildings with historical characteristics in Mallory Street with a view to developing cultural and creative industries; (2) preservation of the Blue House buildings; (3) revitalization of St. Francis Yard, which had a special historical background as the gateway for the introduction of a new religion

into the territory; (4) preservation of Pak Tai Temple and Nam Koo Terrace; and (5) revitalization of the open street markets such as the one at the junction of Tai Yuen Street and Cross Street.

The Committee hoped to preserve the historical and cultural buildings systematically and link the historic sites and scenic spots to form heritage trails to attract tourists and citizens to understand the characteristics in the district. He thought that revitalization was not beautification and should not be standardized. It should bring out different styles and characteristics flexibly.

Presentation 10

Topic: The URA Should Safeguard Tenants during Acquisition

Speaker: Ms. Chu Ju Ying – Old Urban Tenant Alliance

The speaker, representing the Old Urban Tenant Alliance, made three requests to the URA: (1) The lead time for property acquisition proposed by the URA was too long and since the removal of the security of tenure provisions, an owner had the opportunity to force the tenant to move out by increasing the rent. The tenant was not compensated and the home purchase allowance entitlement for the owner was also reduced. The only beneficiary was the URA. (2) It was hoped that the URA would adopt a strategy of "acquisition ahead of planning". (3) It was proposed that the tenants should be safeguarded after registration.

Presentation 11

Topic: Old Urban District in Protest against Urban Development

Speaker: Mr. Ng Wing Shun – Member of the Steering Committee of the URS Review

The speaker said that many forces were driving urban development and change. These were not necessarily led by the URA. Urban change however, would sometimes destroy the original buildings, history, culture and so on, such as the Queen's Pier. With the gradual disappearance of community characteristics, people would become concerned with urban development, participate in discussions and even protest. As a result, certain buildings had been kept, such as the Blue Houses where both the buildings and their occupants were retained. Other buildings had their "shell" retained, such as the Wan Chai Market. Some buildings, such as those at Tai Yuen Street, had originally faced partial demolition but were successfully retained after some endeavour.

The streets in the old urban district were characterized by permeability. Walking through these areas, one might pass places where many people dwelled. There was space for a diverse way of life, with various kinds of large and small shops. These were the district characteristics, local economy and culture. Preservation did not only mean retaining the characteristics of the district. For example, an open street market offered both cheap and quality goods and attracted tourists. More importantly, it ensured that the 'grass roots' people could earn a living. However, due to dense population, lack of public facilities, poor hygiene and traffic congestion, many streets in the old urban areas were demolished and redeveloped.

In the old urban districts, there was originally a lot of public space such as podia, staircases, and beneath trees where local people could stay cool and spend their leisure time. Redevelopments often privatized, commercialized and even fortified the public space, limiting the citizens' activities. The Centre and Times Square were some of the examples.

The speaker concluded that the urban development of Hong Kong was driven by the following factors: digital planning, quantity being more important than quality, high density, high land price, pedestrian-vehicle separation, and a car-based approach. Consequently, all redevelopment projects were on large sites with podium style buildings. There were only commercial centres and no streets. The urban permeability was lost.

Gist of Public Discussion

Mr. Yip Moon Wah hosted the public discussion. The key points were as follows:

1 Vision of Urban Renewal

Some participants said that the goal of urban renewal should be to improve the

citizens' living environment and quality of life. Some proposed that ventilated breezeways and public spaces should be reserved at the planning stage.

Other participants considered that the current mode of redevelopment created adverse effects in Hong Kong. The original characteristics of the community disappeared. Demolition of a market to build a commercial centre deprived operators with small capital of business opportunities. The citizens could not afford the luxury flats after redevelopment. The environment also deteriorated. For instance, the heat island effect and traffic congestion were social costs to be borne by the taxpayers. Some

noted that Hong Kong continued to build large shopping centres with standardized shops. However, tourists actually wanted to shop in the street markets and explore the history, culture and streets with special characteristics. Others also pointed out that the process of urban redevelopment neglected the quality of life of the citizens. The original public services or community facilities were often relocated to distant locations, which caused inconvenience to the 'grass roots' people in the district. There were, however participants who supported the new town planning of pedestrian-vehicle separation and hated the way pedestrians and cars competed for roadspace in the old urban districts.

Some proposed that as the URA adopted a "people-based" approach to urban renewal, therefore the culture and traditions of different hometowns and races should be preserved and displayed in the community. Some also proposed that reference should be made to the experience of business improvement districts implemented in the old urban districts of Britain and the U.S.A. By undertaking local revitalization and renewal, the community and the neighbourhood would be improved, including the retention of the community network and upgrading the people's quality of life.

A participant said that the planning of the industrial districts were not entirely satisfactory. Taking Kwun Tong as an example, in the 1960s and 70s, the industrial areas and the residential areas were developed together. Subsequently, in the 1980s and 90s, the Government announced its intention to redevelop the residential areas. He proposed to merge the development of the industrial and old residential districts, with the former developed into a hub for cultural and creative industries. He did not however agree to expand the mandate of the URA to the industrial areas, as it would extend the "bulldozer approach" to redevelopment. He proposed that other Government departments should take up the responsibilities.

2 The 4Rs Strategies of Urban Renewal

Some participants were of the opinion that redevelopment should be the last choice because it would destroy the residents' original way of life. Hong Kong should broaden its interpretation of urban renewal to include district-based renewal.

There were also participants who said that redevelopment was not the only choice. One example was that the URA had subsidized the rehabilitation of 110 buildings in Wan Chai. Moreover, buildings with historical and cultural value should be retained. The authorities should review the relevant policy.

Some participants said that the URA should redevelop those buildings which really needed redevelopment but should not demolish those whose owners were capable of rehabilitating the buildings by themselves. For instance, the owners of some tenement buildings in Graham Street and Staunton Street in Central had carried out building rehabilitation very effectively and the value of the buildings had risen. Recently, some owners had applied to the Town Planning Board to have their buildings excluded from the redevelopment area so that the buildings could be retained. The Town Planning Board said that they would consider the case, however, the URA revealed its intention to sue the Town Planning Board.

On the other hand, some participants urged that redevelopment should be expedited. They were dissatisfied that a project in Shum Shui Po had been postponed for five years due to litigation, as it brought the progress of the entire community to a standstill.

There were also some participants who proposed that owners should have the right to choose whether or not to accept acquisition or redevelopment.

3 <u>The Stakeholders' Roles</u>

3.1 Government and Private Participation in Redevelopment

Some participants thought that private participation was very important. The URA should not be relied on alone. They urged the Government not to implement the policy of "big government and small market", and they supported the lowering of the threshold for compulsory property auction to 80% to expedite acquisition for redevelopment. However, some participants said that if there was no "flat for flat" or "shop for shop" arrangement, the lowering of the threshold to 80% would cause an even greater adverse impact on the affected residents in the neighbourhood.

3.2 The URA's Role

A participant pointed out that the URA was entitled to an interest-free Government loan of HK\$10 billion and to resume land under the Lands Resumption Ordinance. However, it supplied land to private developers for speculative sale, which caused rents and commodity prices to keep rising. This

had weakened Hong Kong's competitiveness. He proposed that the URA should provide citizens with affordable housing. He was of the opinion that the current annual supply of housing units was insufficient in Hong Kong.

Some participants thought that the URA should change its role, such as taking up the responsibility for supervising the redevelopment projects and tendering the works etc.

Some participants pointed out that the quality of land for auction listed by the Government was not so good. However, the URA had the right to acquire quality sites in the town centre and then handed them over to major real estate developers for development. Both the URA and the developers enjoyed the benefits after redevelopment.

3.3 Owners' Participation

A participant said that the URA often alleged that it was unlikely that owners would participate in redevelopment in Hong Kong because: (1) The risk was high, however, many owners in the neighbourhood had made it clear that they were capable of bearing such risk. (2) The plot ratio of the existing building for redevelopment was already very high, leaving no room for rewarding those owners who participated in the redevelopment. Present-day redevelopments however, usually increased the plot ratio. He thought that this increase could readily be a reward for owners who participated in redevelopment. Some participants also indicated that a share-holding arrangement could be adopted in lieu of compensation to allow the owners to share the profit from the increase in the value of the buildings.

4 Compensation and Resettlement Policy

Many participants proposed that opportunity should be taken to formulate a new compensation scheme under the current review.

Some participants said that the ground floor shops were becoming more expensive in Hong Kong and that the rent was also rising. The market was monopolized by the consortiums, which deprived business operators with little capital of their livelihood. Therefore, the authorities must allow "flat for flat" and "shop for shop" arrangement.

Moreover, regarding the comment by a URS Review Steering Committee member that the "flat for flat" and "shop for shop" arrangement would cause a substantial increase in compensation costs, some participants thought that the affected people in the neighbourhood only demanded a home of common quality or comparable to sandwich class housing. Some participants also doubted the Steering Committee member's saying that the compensation obtained by the neighbourhood in Kwun Tong was sufficient for buying a unit for self-occupancy as well as a unit to let.

Some participants said that the owners had property titles which they purchased with their own money. Hence the same standard of reasonable compensation should be offered to all owners. Some participants considered that since the URA had commenced several projects simultaneously, this had led to a substantial increase in property prices in the district. In addition, the compensation was too low. Perhaps the owners could only afford to buy units in Shenzhen. Some participants said that even though owners were dissatisfied with the compensation, it was useless to appeal for review because all the committee members were from the URA. It was proposed that the acquisition price should be fixed and the date of valuation made known to the public. The acquisition price should be calculated based on the land value divided by the number of undivided shares of the building. The current compensation criteria based on a seven-year-old flat had not taken into account the location of the flats. It was proposed that the owners of affected flats in better locations should be given higher compensation. There were also participants who considered that the compensation criteria based on the seven-year-old building was acceptable, it was just that the URA was not being supervised.

Some stated that the URA had placed money-making as its top priority, and had obtained the affected residents' property titles by misleading them and luring them with money. The URA also discredited the conservationists by alleging that their action would affect the compensation to the neighbourhood.

5 Public Participation

Some participants urged the Government not to launch false consultation and that the Government should carry out a real URS Review. He hoped there would be more consultation meetings to enable more communications between the authorities and the public, and to allow the authorities to respond.

Some pointed out that the neighbourhood and owners of the relevant districts should have the right to participate including the right to speak.

6 Financial Arrangement

Some participants queried whether the URA had really suffered losses for the following reasons: (1) The compensation amount was comparatively low. Some participants said that for instance, years ago the affected owners of Hanoi Road in Tsim Sha Tsui were compensated at HK\$2,000 per square foot. For vacant units or units where the owners possessed more than one residential unit, the compensation allowance for the owners was reduced. (2) The Government provided the URA with HK\$10 billion in funding and granted it an exemption of land premium. (3) Government land was granted as part of the redevelopment area. (4) As pointed out by the research report prepared by the consultant appointed recently by the URA, the original plot ratio of a district in Hong Kong needed for redevelopment usually ranged from 4 to 6 times, and the average plot ratio after redevelopment ranged from 9 to 12 times with the highest ranging from 14 to 15 times. (5) The property price kept on rising. For instance, The Masterpiece was sold at HK\$40,000 per square foot. A participant said that the URA had a surplus of HK\$6.7 billion in the 2008/2009 As for the Kwun Tong Redevelopment Project, the participant estimated that the profit would reach HK\$40 billion.

Nevertheless, some participants were of the opinion that the URA had little surplus and that the majority of redevelopment projects suffered losses. If the compensation amount increased, the URA's assets would be split and shared. If however the URA had no surplus, the compensation must be borne by the taxpayers. There were however some other participants who pointed out that since the URA refused to disclose its detailed accounts to the public on the grounds of privacy, then the public could not know the details of its losses.

7 Miscellaneous

• Some pointed out that the URA controlled the actions of the social service teams, making it difficult for them to assist the residents.

At the meeting, the representatives of the URA^{Note 2} and the Development Bureau^{Note 3} had responded and made clarifications.

A-World Consulting September 2009

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Note 2 Ms. Tam Siu Ying of the URA responded and clarified as follows: since the beginning of the URS Review, the URA had always listened to and considered the citizens' opinions carefully. It was stated clearly in the URS published in 2001 that the URA had to implement 225 redevelopment projects, including 25 announced by the former Land Development Corporation, within twenty years. The announced projects included Kwun Tong, Staunton Street, Lee Tung Street and Graham Street. The URA did not "earmark" the land for redevelopment in order to make money. In the first few years after its establishment, URA's redevelopment pace was comparatively slow. Many residents kept on requesting it to launch the announced 25 projects as soon as possible.

All the projects were included in the appendix of the URS. Since the documents included sensitive information, therefore it was not disclosed to the public. The Urban Renewal Authority Ordinance also specified clearly that the URA must submit annually the business plan to the Government for examination and approval prior to the launch of any projects. However, in order to avoid speculation and situations where the owners would force the tenants to move out, the projects must be kept confidential. Before preparing the business plan, if the URA became aware that the single title within a building had expanded over several years, it would not include such a building in its business plan.

Some owners might hope to rehabilitate the building by themselves. After a period of time, however, they might re-consider whether they could accept spending money and moving out temporarily once several years to proceed with rehabilitation. By that time, they might hope to proceed with redevelopment.

Note 3 Ms Winnie So of the Development Bureau responded to the speaker's viewpoint that the conclusion of the Government's consultation was predetermined. She reiterated that the two year URS Review had not pre-set any agenda or conclusion. As the Public Engagement Stage of this review would not be completed until the end of the year, the Government would not be able to respond to the various opinions raised by the citizens at the current stage. Ms. So hoped that the citizens' discussions could continue to deepen, and said that the Government would listen to the relevant opinions. Ms. Winnie So pointed out that apart from redevelopment, urban renewal also included rehabilitation, preservation and revitalization, and the work of the URA included all four modes. She hoped that the public could raise opinions and discussions concerning these issues as well. In the next stage after the Public Engagement Stage, i.e. the Consensus Building Stage, the Government would sum up the mainstream opinions for the Steering Committee of the URS Review to study and to put forward suggestions to address issues of utmost concern for the optimization of the URS. Furthermore, the authorities would proceed with urban renewal District Aspiration Studies to be conducted by the seven district councils within URA Target Areas to explore the issues of revitalization and redevelopment etc. in these districts.