

Urban Renewal Strategy (URS) Review
“Consensus Building” Stage
Radio Response Programme (3) - Gist of Discussion

Date: 20th February 2010
Time: 10a.m. – 11a.m.
Channel: Commercial Radio 1
Host: Mr. Michael Fung
Guests: Mrs. Carrie Lam Cheng Yuet-ngor, Secretary for Development, and Prof. Stephen Cheung, member of the Steering Committee on Review of the Urban Renewal Strategy (the ‘Steering Committee’)
Topic: Compensation / Re-housing policies and financial arrangements

1. The Secretary Mrs. Carrie Lam explained the current Compensation / Re-housing policies under the Urban Renewal Strategy (URS), its review progress, and directions:
 - Since the URS review was launched in July 2008, a lot of public opinions had been received via different channels. Most of the opinions were about “Compensation / Re-housing”.
 - The current compensation mechanism was passed by the Legislative Council in 2001 after extensive discussions. At present, a property owner is offered the market value of the property plus a Home Purchase Allowance (HPA). Prior to 2001, the compensation was roughly based on the value of a 10-year-old notional flat.
 - Years ago when we discussed the establishment of the Urban Renewal Authority (URA), councillors and the public all expressed their wish to improve the compensation mechanism. The authority thus agreed that the assessment of HPA should be based on the value of a 7-year-old notional flat. This mechanism had been put in place since then.
 - Under the current scheme, property owners would be categorized into two groups: owner-occupiers and owner-investors. An owner-occupier would be offered the market value of his property plus the full amount of HPA. The lump sum equals the value of a notional 7-year-old flat in a similar locality to the property. An owner-investor (e.g. letting his property out) would be offered the market value of his property plus 50% of HPA. In a redevelopment project, the URA would also be responsible for providing re-housing and compensation for affected tenants.
 - The spirit of urban renewal is to improve residents’ living environment.

2. Prof. Stephen Cheung said the Steering Committee on Review of the URS and the Development Bureau (DEVB) had received a lot of opinions about alternative compensation options, such as “flat-for-flat” and “shop-for-shop” approaches. He said the benchmark of a 7-year-old notional flat was reasonable because the quality of a 7-year-old flat had improved a lot in recent years and the value of such a flat was close to the value of a new flat. On the contrary, he worried that this mechanism might not be financially sustainable in the long run.

3. Prof. Cheung said the DEVB would carefully consider “flat-for-flat” and “shop-for-shop” approaches. However, there should be very clear criteria and high transparency. The definition, condition and standard of “flat-for-flat” and “shop-for-shop” should be clearly stated to avoid any misunderstanding.
In addition, Mrs. Lam said the redevelopment projects usually took a long time to complete but market conditions changed rapidly in Hong Kong. Other considerations should be taken into account (e.g. the level of risk a property owner would be willing to bear). In the past two to three years, the URA had provided an option for: owner-occupiers who would like to move back to the same redeveloped site would be given priority to purchase the new flats after the redevelopment.

4. The radio show host read out some messages left on the radio online bulletin board. He said all the messages would be passed to the DEVB for follow-up¹:
 - A netizen, who claimed to be a “post-80s” youth, had bought a unit in a building of 50 years old in the “thirteen streets area” (Ma Tau Kok Road) for his own use. He proposed the Government to build flats similar to those under the Home Ownership Scheme on the vacant land in Kai Tak and to use those new flats to compensate for the loss of the property owners who lived in the “thirteen streets area”. He said there were too many “nail households” in old districts. He said an owner who held a property under a company name should not be offered ex-gratia allowances. Individual owners should only be offered one compensation package in his lifetime so as to stop people buying old flats to make profits from compensation. Mrs. Lam said a property owner who had more than one flat would get different levels of compensation under the current scheme. But the suggestions about zero compensation for company owners and "One Life One Compensation" would lead to much controversy. In addition, the URA would help the residents in “thirteen streets area” to repair their buildings under the “Operation Building Bright” initiative. On

¹ The messages on the ebulletin board of Commercial Radio 1 had been transferred to the URS Review website

the issue of finding another piece of land for re-housing, Mrs. Lam said this needed careful consideration. She said Kai Tak had the potential to redevelop into a medium-density, green residential area, blending old and new elements together.

- A netizen said that the profit gained from redevelopments should go to the original owners as we should create wealth for them. He said this was a more direct and constructive way to help people than schemes like poverty alleviation and corporate social responsibility.
 - Another netizen suggested that a mediation mechanism should be introduced into the negotiation process between property owners, the URA and private developers.
5. A caller asked if the Government had staff designated to help non-mandatory inspections on old buildings. He said those buildings which were included under “Operation Building Bright” were at risk of collapse. He proposed that the Government should take the initiative to acquire old buildings for redevelopment as rehabilitation was not a once-and-for-all solution. Mrs. Lam said the Legislative Council was debating the mandatory building and window inspection schemes. She added that the Buildings Department was responsible for ensuring building safety in Hong Kong through inspections, maintenance orders, and prosecution. As to whether rehabilitation was of no use, Mrs. Lam said she would like to see a consensus reached on the issue of redevelopment or rehabilitation in this review.
6. A caller said some owners forced the tenants to leave the flats during the time between the freezing survey and the commencement of a redeveloped project. The tenants would not receive any compensation or be re-housed in public housing estates. The URA also refused to promise to give compensation for their loss. Mrs. Lam said she was very concerned about this issue. Even if the tenants were forced to leave the flats, the owners would not be considered as owner-occupiers under the freezing survey and the compensation amount would not be increased. The URA would make arrangement for that particular tenant on an individual basis. She said the URA was more flexible and the Land Development Corporation had bought some properties for re-housing. The DEVB and the URA would study ways to minimize the impacts on affected tenants and provide assistance to them.
7. Mrs. Lam said individual owners should follow the market mechanism and obey the law if they wanted to share the profit of a redevelopment project. However, projects under the URA involved a public mission and social responsibility. They

were of a different nature and purpose. The Government should not use public funds to fulfil individual owners' expectations and to subsidise their projects.

She said the authority understood that some property owners had difficulties in obtaining consents from others to carry out renovation works. They also lacked professional knowledge. At the same time, they did not want their properties to be acquired by developers, but they were not able to find an "honest broker" to help. She said the role of the URA might change in the future. At present, the URA 'picked' a land lot and conducted redevelopment. In the future however, the URA might take on the role of an "honest broker" when the owners came to the URA asking for help to redevelop. The URA would provide professional services and could receive a service fee whilst the owners could share the profit of a redevelopment project. She said the authority was now studying this proposal. The authority would also study how to effectively help the owners to maintain and repair their buildings.

8. Prof. Cheung proposed that a "flat-for-flat" approach could follow the current cash compensation mechanism, which meant an owner would get a property of equivalent value to his cash compensation. This would be a fairer approach. He said a "shop-for-shop" approach was more complicated to implement and the owner should bear the risk if he chose this approach. The implementation procedures should be clearly stated, such as the shop should be of the same value and the owner should be given the priority to purchase the shop.
9. A caller said the URA should treat everyone alike when the URA acquired their flats. Very often the price offered by the URA was lower than that of private developers, this would make acquisition more difficult as the owners would stand up to fight for more. Mrs. Lam said that the URA was a public organisation, operating with a social function and under an accountable, open, and consistent policy. A URA redevelopment project was different from a commercial project, both in its nature and its purpose. The authority would not offer different compensation simply because the projects had different potentials. She said a non owner-occupier (who used his property for investment and did not occupy his property as his residence) would only be offered a market value of his property plus 50% of HPA under the current mechanism.
10. As to rebuilding the community, Mrs. Lam stressed two points:
 - 1) During redevelopments, the authority will try its best to improve the community

- by providing more public space and public facilities; and
- 2) The goal of redevelopment is to improve residents' living environment. The building conditions are considered and the projects implemented are based on social needs. Therefore, preservation or redevelopment projects conducted by the URA often lead to a loss.

A-World Consulting Ltd
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