

# **Executive Summary**

## **Urban Renewal Policies in Asian Cities for the Urban Renewal Strategy Review**

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## **Executive Summary**

### **Background of Study**

1 In mid-2008, the Development Bureau of the HKSAR Government commenced the Urban Renewal Strategy review exercise (URS Review). 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 the urban renewal strategies of a number of Asian cities, namely, Seoul, Tokyo,, Singapore, Taipei, Shanghai and Guangzhou.

2 The main objective of this study is to identify lessons that can be learnt from the policies, practices and experiences of the selected Asian cities which may serve as useful references for the URS review..

3 This research includes both documentary study and study visits to each of the selected cities which took place between October and November 2008. Interviews with the relevant urban renewal implementation agents, key stakeholders such as affected parties, and academics, were conducted during these visits.

4 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”.<sup>1</sup> Based on the URS, the URA formulated its 4Rs strategy which comprises Redevelopment, Rehabilitation, pReservation and Revitalisation.

### **The key issues affecting the urban renewal process in Hong Kong**

5 In identifying the lessons that may be relevant and applicable to Hong Kong for the purpose of discussion during the public engagement stage of the URS Review,, this study aims at addressing the following issues:

#### The roles of the public sector, private sector, civic society organizations, and the general public in urban renewal

6 There are calls for URA to simply play the role of a facilitator in urban renewal, for example, by facilitating the public to redevelop their dilapidated buildings, or to change its mode of redevelopment to one which is “demand-led” i.e. redevelopment projects to be implemented at the initiation of the local residents. On the other hand, calls for URA to

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<sup>1</sup> URS, paragraph 7.

intensify its redevelopment efforts to speed up the urban renewal programme are equally vocal.

7 While URA is brought in to deal with urban renewal issues where the market fails to deal with them adequately, the setting up of the URA was not to address the relevant issues of the market within the private sector. The URA was set up to deal with some of the barriers faced by the Land Development Corporation<sup>2</sup> (LDC) but not those of the private sector, though both the LDC and the private sector might have faced similar barriers. Overseas experience in dealing with similar issues faced by the private sector would be informative.

8 While the URA has stepped up its community engagement process in the past few years, the community (civic society organizations, professional bodies, and people affected) is demanding for higher level of participation in the planning, design, implementation, and ownership of urban renewal process. On the other hand, owing to the significant financial interests in urban redevelopment projects, there is always a need to strike a balance between the confidentiality of the URA projects and public participation.

9 The role of the public sector may vary among different strategies of urban renewal, and with changing public sentiments on matters such as cityscape, streetscape, repair and maintenance of older buildings, preservation of existing social network, revitalization of local economies, as well as the level and manner of public participation in urban renewal.

#### Financing model

10 In line with the objective that the urban renewal programme should be self-financing in the long run, the Government has been providing support to URA in the forms of equity injection and land grants at nominal premium.

11 The major source of income of the URA is derived from the tender value of assembled sites.. With the increasing demand on lower development density, particularly for URA projects, it is conceivable that this source of income will likely be diminished in the future. Coupled with the rising demands for heritage preservation, rehabilitation and revitalisation which require considerable resources but are not revenue-generators, how URA can continue to maintain its position of self-financing will become a real issue.

12 Another side of the financial equation is URA's compensation policy: This has always been a contentious issue in HK as well as elsewhere. It is interrelated with other issues such

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<sup>2</sup> LDC was established in 1988 under the Land Development Corporation Ordinance.

as public housing policy, land policy, development rights, etc. The level of compensation, and possible alternatives to the existing compensation policy such as, “flat for flat”, “shop for shop” exchange and “owners’ participation scheme” have been raised during the envisioning stage of the URS Review.

### Diverse views on urban renewal

13 The majority view is not always obvious. While there are individuals and groups that oppose any form of demolition, there are also others who favour redevelopment. Different stakeholders also hold different views as in many cases of urban redevelopment, e.g. owner-occupiers of residential units tend to prefer redevelopment while operators of shops prefer rehabilitation.

### Sustainable urban development

14 Together, economic, social and environmental concerns shape modern urban development and urban renewal policies, with the social aspect almost equaling the other two in terms of importance. Despite social impact assessment being carried out for renewal projects, URA’s redevelopment efforts are still frequently seen as destroying urban fabric, local characters as well as social network. Sustainable urban development and social impact assessment would also be taken into account during the review process.

### The planning and redevelopment process

15 Many owners and tenants are also concerned about the relatively long time that it would take for a URA project to go through the planning process before acquisition would commence. In some projects, such process has taken several years. There were cases where some owners could not wait that long and had to sell off their flats to other parties before the URA made an offer to them. Furthermore, it is frequently alleged that tenants were “kicked out” even after the URA freezing survey. In light of these, there have been calls for URA to begin its acquisition process before completion of the planning process.

### The pace of urban decay

16 While the existing URS aims to redevelop 2,000 buildings in 20 years, URA has commenced redevelopment projects involving some 500 buildings in the past 7 years, i.e. substantially below the target. On the other hand, there would be on average 500 buildings

in HK each year reaching its end of design life (i.e. 50 years<sup>3</sup>) in the next ten years. The pace of redevelopment in both the private and public sectors lags substantially behind the growing rate of aged buildings. This issue has to be addressed and the appropriate strategies to deal with this issue have to be derived in the coming review of URS.

#### The coverage of the scope of work of the URA

17 At the time of setting up of the URA, nine target areas were identified and beyond which it would be the responsibility of the Building Authority to implement a preventive rehabilitation programme. On one hand, it is apparent that the issue of urban renewal is faced by all parts of urban Hong Kong to different extents. On the other hand, priority setting is always a matter of policy and administrative decision. The process of identification and selection of priority target areas could be an issue to be reviewed.

#### **Content and methodology of study**

18 The six cities selected in the study are Seoul, Tokyo, Singapore, Taipei, Shanghai and Guangzhou. Two main reasons for selecting these cities were their proximity to Hong Kong and the frequent cultural exchanges that take place among the cities..

19 Literature review: This is basically a desk-top study of existing research literature available in journals, conference proceedings, books, and materials on the internet.

20 The Research team was also engaged in the discussion with the Steering Committee of the URS review, the URA, and the Development Bureau.

21 Participating in the Public Engagement process: this Research Team also worked closely with the Public Engagement Team throughout the envisioning stage of the URS review process. Specifically, the Research Team members served as observer in the focus groups organized by the Public Engagement Team, assisted in the planning of the overseas study visit, and participated in the organization and presentation of a whole day seminar on overseas experiences hosted by the URA on December 15, 2008.

22 The Research Team made use of its existing and also established new contacts with the academic network in the various countries to assist in data collection.

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<sup>3</sup> The design life of 50 years does not mean that the buildings can only last for 50 years. With proper maintenance, “life expectancy” of buildings can be substantially extended.

23 Field visits to each of the city were conducted by the Research Team. As not all the policy documents can be obtained via the internet or email communications with the relevant parties, particularly in the case of Tokyo and Seoul where documentations that are available in English or in Chinese can be quite limited, study visit is quite essential. The visits also enabled the collection of documents that are not available online. During these visits, interviews with various stakeholders were conducted. Photos of selected urban renewal projects were also taken to illustrate the visual impact of urban renewal on the project sites. Various stakeholders include:

- the key officials of implementation agencies (public sector): these involved two to four individuals from more than one public body/bureau/department depending on the complexity of the institutional set-up
- the key stakeholders: it involved individuals or groups including academics, professionals, key personnel of advocacy groups in the area of urban renewal, representatives from the private sector participating in the chosen urban renewal projects.
- affected parties: representatives of residents or business operators affected by urban renewal projects. Depending on the types of urban renewal programmes in the city chosen, one or more urban renewal projects were chosen, e.g. a revitalization, a rehabilitation and a redevelopment programme, etc depending on the representativeness and significance of the project.

24 In both the literature review and study visits, the following areas were studied:

- Institutional arrangements in formulating and implementing urban renewal policies;
- Statutory and executive power of implementation agencies and the composition of their boards and public accountability;
- Land laws and administrative policies relating to land ownership/tenure in the context of planning and development, policy approaches and powers to enable property acquisition or resumption;
- Financial models of urban renewal, financial arrangements of implementation;
- Relative emphasis on different strategies of urban renewal (i.e. redevelopment, rehabilitation, revitalisation and preservation);
- Role of the public sector (planner/facilitator/developer/etc.), private sector, NGOs, and the affected bodies;
- Approaches used in different strategies of urban renewal including initiation of project, community participation, and financing;
- Approaches used in various strategies of urban renewal (e.g. voluntary/compulsory)
- Compensation and re-housing policies;
- Community engagement processes (statutory/non-statutory); and

- Community involvement in shaping the content, mode, land use, development density and scale of urban renewal projects.

25 Apart from identifying “what” the above are and “how” the above are implemented, it is also important to find out “why” these are done and can be done. The value basis, the political structure and culture in these cities, and the dynamics and power relationship among various stakeholders are important dimensions that we have to look into before we can assess the extent to which these overseas examples can serve as reference of urban renewal in HK.

### **Limitations of Study**

26 The issues covered in this study and the areas of specialized knowledge related to urban renewal are quite vast. Though the Research Team members have been involved in urban renewal studies in Hong Kong for a number of years, the study of urban renewal policies and practices of the selected Asian cities would demand a high degree of comprehension of the social, cultural, historical, legal, political, economic aspects and of course the urban planning systems of these cities. This is the major challenge faced by the Research Team.

27 In the case studies of Seoul and Tokyo, language was a particular issue faced by the Research Team. For a start, availability of relevant literature written in English is rather limited in these two cities. Where they are available, some inconsistencies are noted in the official publications and academic publications. The Research Team has tried its best to triangulate the information from various sources to ensure, first that they are referring to the same subjects, and second to identify the common factors of the different descriptions.

28 Similarly, interviews with the various stakeholders in Seoul and Tokyo have to be conducted via translators, and the translators are not trained in any way related to urban renewal issues. The validity of the information obtained in this process would depend on the extent to which these translators can translate the various concepts of urban renewal in two different social and cultural contexts.

### **Some common patterns found in the urban renewal among the various cities**

29 Post-war rapid urban development is common among the various cities. Initial phases of urban renewal in many cities involved squatter clearance and the improvement of urban infrastructure. Massive redevelopment was the major characteristics in their early stage of urban renewal. Preservation and rehabilitation become more important in recent years and are gaining momentum.

30 Major international events such as Olympics (as in the case of Seoul) and Asian Games (as in the case of Guangzhou) would create impetus for major “face-lifting” urban redevelopment projects.

31 Another feature commonly found in Singapore, Seoul, Tokyo, and Guangzhou is that early phases of urban redevelopment had driven the residential population out from the city centre to give way to commercial and office buildings and subsequently leaving the city centre as almost a dead city at night. Attempts are made in these cities to bring people back to live in the city centre.

32 Many cities have faced substantial difficulties in various stages of urban redevelopment, perhaps except Singapore and Tokyo. At certain stage of the development, the governments in these cities attempted to leave urban renewal to the private sector (as in the case Shanghai, Guangzhou, Seoul, and Taipei). Finding such an approach not very successful, particularly in areas where redevelopment is most needed, these governments have returned to play a more prominent role. Shanghai, Guangzhou, Seoul and Taipei have now all adopted the mode of public-private partnership.

### **Lessons learnt from Singapore**

33 In Singapore, urban renewal in the private sector is primarily the responsibility of the owners and the business sector. To facilitate redevelopment in the private sector, the Singapore government has:

- reduced required percentage of consent for en bloc sale (i.e. similar to the compulsory sale in Hong Kong), in 1997, from 100% to 90% for buildings less than 10 years, and to 80% for buildings 10 years or more
- gradually phased out rent control between 1988 and 2001, which is again similar to Hong Kong but slightly earlier than that in Hong Kong

34 We noted that the overall planning of Singapore as reflected in its Master Plan, i.e. its 10-15 years statutory land use plan, has provided the basic framework and directions for redevelopment in the private sector.

35 Though conservation was written into the objectives of the Urban Redevelopment Authority in 1974, conservation was kick-started in 1984 due to concerns over the dwindling number of tourists.. However, the focus on thematic development and tourism-oriented



conservation has led to the criticisms related to the loss of authenticity and the organic vitality of the community.

36 We noted that the integration of conservation and overall urban planning in one single authority, the Urban Redevelopment Authority, has made it possible for extensive conservation to be achieved in Singapore.

### **Lessons learnt from Seoul**

37 Due to the social and political conflicts occurring in the earlier stages of the city's urban renewal efforts, the Seoul government had tried to pull out from redevelopment between 1980s till 2002, and left it primarily to the owners and the private market. Yet, the government has to take an active part again in the "New Town" projects, because purely privately-led redevelopment in the 1980s and 1990s had led to taller buildings, higher building density and larger building mass, lack of communal facilities, and deteriorating traffic conditions. Furthermore, the un-coordinated redevelopment of Seoul downtown in the 1980s had led to replacement of low-rise residential units by high-rise office buildings, leaving an empty business centre at night.

38 In the redevelopment of the old town of Seoul via the "New Town" projects, the initiation came from the Seoul Metropolitan Government, whereas the planning starts from the district level ("Gu"). Master planners appointed for the projects have to engage the community during the early stage of planning.

39 The various case studies relating to the new town project indicated that local concerns mostly focused on financial/economic return on redevelopment. Different approaches from total re-construction to a mixture of restoration and re-construction were used for different projects depending on the different circumstances of the projects.

40 Housing bonds can be issued by the city government to finance redevelopment projects.

41 The relatively successful voluntary conservation in the case of traditional Korean Houses ("Hanoks") in Bukchon is partly due to the relaxation of building codes, the availability of loan for renovation, active preservation groups serving as watchdog, and the strict height restriction in the area due to its closeness to the palaces. The same success was not observed in the hanoks situated in other parts of Seoul.

## **Lessons learnt from Tokyo**

42 The lessons learnt are primarily related to redevelopment.

43 Urban redevelopment in Tokyo can be characterized as top-down planning and redevelopment initiative with bottom-up detailed planning, and partnership between owners and the private business sector. Government provides facilitation and financial incentives.

44 Owners' participation in redevelopment is the key characteristics found in the case study of Tokyo. Majority of owners will become part of the redevelopment association and will be able to move back to the same area after completion of the project.

45 The observations in Tokyo have to be qualified with the understanding that

- the Japanese culture emphasizes on harmony and consensus,
- the time needed to arrive at a majority view usually takes a very long time,
- the owners have to share the financial risks in redevelopment, and
- there is ample room for extra plot ratios as an incentive.

## **Lessons learnt from Taipei**

46 The urban renewal model in Taipei is very similar to that of Tokyo and that of Seoul between 1980s-2002. Government serves primarily as planner, regulator and facilitator with top government leadership (mayor and vice-mayor). Initiative comes from citizens and developer. Similar to Tokyo, higher plot ratio and increased density are used as incentives. The Taiwan Government provides low interest loan to redevelopment associations and corporations and the Taipei Government also provides subsidies to cover up to part of the administration and planning costs of the redevelopment associations.

47 However, the past efforts appear only to be mostly applicable to small scale projects and higher-end residential areas, and improvement to public facilities has been quite limited. A new urban renewal corporation with 40% city government ownership was set up in 2008 to deal with urban renewal in areas which needed redevelopment most and yet could not be dealt with in the past years.

48 The observation in Taipei has to be qualified by the presence of strong community organizations and the past efforts of the Taipei and Taiwan government in strengthening Taiwan culture via the promotion of local culture and local identity.

49 We also noted that the redevelopment corporations formed by the redevelopment association and developers are companies limited by share and this is unique among the cities included in this study. Its implication for future land ownership and redevelopment in the long run is worthy of further study.

50 The Taiwan government provides subsidy to support the management, maintenance and renovation of preserved private sites which are opened to the public. By law, the government is also required to compensate for the loss in value of a listed private property. Provisions are also made to allow transfer of plot ratio out of the preserved site.

### **Lessons learnt from Guangzhou**

51 Redevelopment in Guangzhou, historically, has gone through several stages: from purely public to mainly privately-led, and at present a mixed approach. Current approach can be characterized as having high level city government leadership with the Mayor involved, while initiation comes from the district. Government intervention is very obvious in urban redevelopment particularly during the stages of planning, acquisition and compensation, and relocation of residents. Private developers would be involved in the project design and re-construction work.

52 While community engagement is still limited, the policy and demand for such is strengthening and the actual practice is increasing. New acquisition and compensation is in the process of evolving during the current research study.

53 City and district governments play an important role in the planning and approval processes, and are directly involved mostly in state- owned properties.

### **Lessons learnt from Shanghai**

54 Top level city leadership and coordination of various departments are seen as important elements in the urban renewal of Shanghai. Shanghai sees urban renewal as an important part of the strategic development of the city.

55 The Shanghai government has a practice of demolishing dilapidated and dangerous buildings and put them as reserves in land banks.

56 Shanghai has developed significant efforts in the overall planning of historical districts and at times engaged the private sector in preservation nested within comprehensive

development projects that are profitable.

### **Overall lessons**

57 Comprehensive planning – In many other Asian cities, comprehensive planning for conservation and redevelopment is evident. This is seen to be particularly important when urban renewal is privately-led.

58 City Competitiveness –Urban regeneration is seen in many cities as vital to its overall strategic development competitiveness. Top level government involvement appears to be pivotal.

59 Publicly-led or privately-led: Many cities have used different approaches at different stages of urban development. Seoul, Guangzhou and Shanghai at certain stages have changed from publicly-led to primarily privately-led urban renewal strategies. Yet, they have all switched back to more publicly-led urban renewal with private partnership. Taipei has seen the inadequacy of a primarily privately-led strategy to deal with areas which needed redevelopment most and has made recent attempts to rectify it. Tokyo and Singapore are still basically privately-led, but the private housing market in Singapore is relatively small as compared to the public housing market.

60 Existing development density: No city included in this study was facing the same magnitude of development density as that in Hong Kong. Increasing plot ratio as a major incentive is available to these cities for the private sector. However, this is probably not quite available in Hong Kong and it would be increasingly difficult for redevelopment of buildings in Hong Kong built in the late sixties and seventies with most development potential already used up.

### **Overall (Redevelopment)**

61 The cities, probably with the exception of Tokyo and Singapore, have seen the limitations in primarily privately-led redevelopment and have resorted to more public intervention.

62 The level of consent required for privately-led redevelopment, the 90% in Hong Kong is the highest. In Tokyo and Seoul, it is 2/3. In Taipei, it ranges from 50% to 2/3 depending on the priority in redevelopment. In Shanghai and Guangzhou, it is 2/3. For Singapore, it is 80% for buildings 10 years or older and 90% for building less than 10 years

old.

	Threshold required for % agreement amount land owners
Singapore	80% for 10 years or older building. 90% of buildings less than 10 years
Tokyo	2/3
Seoul	2/3
Taipei	<ul style="list-style-type: none"> <li>● Expedited urban renewal areas: 50% of the owners owning a total of 50% of the land and building floor area</li> <li>● Priority urban renewal areas: 60% of the owners owning a total of 2/3 (66.7%) of the land and building floor area</li> <li>● Other non-designated areas: 2/3 (66.7%) of the owners owning a total of 3/4 (75%) of the land and building floor area</li> </ul>
Shanghai	2/3 of the owners owning a total of 2/3 of the total building floor area.
Guangzhou	

63 We can only observe the land bank approach used in Shanghai but not elsewhere. However, we should also note that in the case of Shanghai, acquisition and demolition usually involve buildings with few housing units. This is probably not the same for Hong Kong, i.e. most buildings have multiple housing units. In terms of acquiring properties or assembling sites for the purpose of building up its own land bank, under its existing statutory set-up, the URA is not empowered to do so.

64 Bottom-up planning and redevelopment in many cities depends on a strong sense of neighbourhood and an empowered district government. In Hong Kong, this prerequisite does not seem to exist.

### **Overall (Conservation)**

65 Conservation in the other Asian cities is primarily government-led (in planning, designation/zoning, support, and acquisition) and with private participation in implementation.

66 We have seen examples of strict height restriction and down zoning but could not find evidence of strong objections from the public<sup>4</sup>. In many cities, in-situ transfer of plot ratio is common. Only Taipei uses transfer of plot ratio outside the conservation site. While there is provision in Shanghai to do so, we do not find any evidence of such practice in our study.

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<sup>4</sup> In the case of Singapore, we can only find objections expressed in blogs but not in newspapers.

67 The need to establish procedures and mechanism to obtain exemptions from modern building codes and requirements in maintaining the authenticity of conservation is seen in many Asian cities. The Singapore case provides clearer example of how the Urban Redevelopment Authority coordinates the requirements from various other government departments such as the building authority and the fire service department.

68 A common trend of growing interest in authenticity and organic conservation was observed in the various cities.

69 Loans are made available in many cities for restoration of privately-owned preserved buildings.

### **Overall (Rehabilitation)**

70 Apart from the Seoul Metropolitan Government providing loans and the Taipei City Government providing subsidies with both focusing on priority areas designated for urban renewal, maintenance and repair of privately-owned buildings are seen as primarily private responsibilities in the various Asian cities included in this study.

71 Provisions in law and regulations are more extensive in Shanghai and Guangzhou owing to the need of renovation of dilapidated buildings. For instance, for major modifications and renovation, 2/3 of the owners' agreement is required by law.

### **Overall (Government Role)**

72 We noted that the role of the government changes over time in the various cities. While the current models of urban renewal differ among the cities, two common features that we have observed are the importance placed on legal framework and comprehensive planning including redevelopment and conservation, and the leadership provided at the top level of the city government which helps to coordinate efforts and jurisdictions across different government departments and bureaux.

73 The role of the governments varies among the various cities in terms of the extent to which they participate in the implementation of urban renewal projects. The Tokyo government appeared to be the least involved in implementation, while on the other hand, the Seoul Metropolitan Government's role in the development and implementation of New Town projects is very substantial. At the same time, we should also note that privately-led urban

redevelopment model, i.e. the formation of redevelopment association with participating owners and developers, is very similar in Tokyo, Seoul and Taipei.

### **Overall (Private Sector)**

74 In Tokyo, Seoul, and Taipei, the private developers/construction companies joined with the owners to form associations to implement redevelopment projects. These developers/construction companies provided the expertise and financing for the redevelopment projects. In Guangzhou and Shanghai, the government takes care of the clearance and land assembly and the developers take care of the redevelopment. In Singapore, the model is very similar to the compulsory sale model adopted in Hong Kong except for a less stringent requirement on the level of consent of owners for compulsory sale.

75 The private business sector plays an important part in the implementation of conservation in several cities (Singapore, Tokyo, Guangzhou, and Shanghai). In Tokyo, the stated policy is to make full use of the dynamic nature of the private market and the resources of the private companies. The transfer of plot ratio enables private sector participation in conservation in Taipei.

### **Overall (The community)**

76 In Seoul, Tokyo and Taipei, owners play an important part in redevelopment. Though the models are very similar, outcomes appear to be quite different. Seoul has experienced severe conflicts as exemplified in a recent conflict which occurred in a redevelopment project in Yongshan, Seoul.<sup>5</sup> The process in Taipei is quite successful due to strong community development but only limited to small scale projects and in relatively more affluent areas. The model seems to be more effective in Tokyo, where the model is originated from, and yet the time taken for negotiation and implementation appears to be very long. This variation in application results of the same model clearly alerts us to the importance of political, social and cultural contexts in the formulation of urban renewal strategies.

77 To enable owners to take part in conservation, lessons from Singapore, Seoul and Taipei are informative.

### **Limitations of learning from overseas examples**

78 To learn from the experience of other cities, we should always bear in mind the

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<sup>5</sup> A fire broke out on January 20, 2009 and killed five protesting tenants and one policeman.

political, social, economic and cultural differences among the various cities, and the different stages of urban development and the differences in development density. In particular,

- The differences in land policy (ownership, lease policy) – e.g. HK operates a leasehold system. In Tokyo, Taipei and Seoul, lands are primarily freehold.
- Government structure (National, provincial, municipal, district) – e.g. HK has basically only one level of government and district “administration” is primarily consultative. In Seoul, Tokyo, Shanghai, and Guangzhou, the district level government is more resourceful and has relatively more administrative and policy-making power.
- Political Structure (Election system) – The mandate for major projects and urban renewal strategies or approaches is obvious in the election of Mayors in Seoul and Taipei. The Singapore government is very stable and the ability to implement long-term strategies is very much assured.
- Local community strength of Hong Kong is relatively weak as compared to other cities
- Social and political culture – e.g. Emphasis on harmony and consensus in Japan versus celebration of diversity in Hong Kong, Social conflicts are observed in Seoul.
- Size and influence of the developers in related public policy and implementation of projects, e.g. HK has very powerful and large developers compared to those in other cities where estate development is like any other trade with many small and medium-sized players.
- Existing building density is already very high in Hong Kong and additional plot ratios can hardly be granted as an incentive to attract more privately-led redevelopment as the respective governments do in Tokyo, Seoul and Taipei.

## **Summary of Recommendations**

79 The purpose of this study is to identify lessons to be learnt from the policies and practices of urban renewal in the selected Asian Cities. The purpose is not to identify what kind of policies should be adopted in Hong Kong, which should be done through the public engagement and consensus building in the URS review process. The lessons learnt as identified in the preceding paragraphs are basically areas that the Research Team would like to recommend to the URS Review Steering Committee to examine. In the following paragraphs, some of the issues that we believe may merit further discussion or even further study during the URS review process are summarized.

### Owner-Participation and percentage of agreement required for redevelopment



80 Owner-participation has received considerable attention well before and during the URS review. There are apparently several common features of the models adopted in Seoul, Tokyo and Taipei that we may want to take note if we are considering their applicability to Hong Kong:

- The designation of areas for redevelopment – As part of their planning process, the governments designate areas of various degrees of priority for redevelopment. This is a transparent process and provides a clear market signal to the business sector and owners.
- Institutional set-up - Coupled with the designation of redevelopment priority areas, the governments have also put in place various provisions in law, policies, procedures, and institutional set-ups that would enable and facilitate redevelopment with the participation of owners to take place. With low level of community organization and community participation in Hong Kong, provisions have to be in place to facilitate and to empower the owners to get organized.

81 As mentioned earlier, the percentage of agreement among owners required for a private redevelopment project to proceed is highest in Hong Kong (i.e. 90%), and we have to consider whether the percentage required in Hong Kong needs to be adjusted, or, at least, to invoke the provision in the existing law allowing the Chief Executive in Council to specify a lower percentage between 80% and 90% in respect of a class of lots.

82 Theoretically, owners in Hong Kong can make use of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap 545) should they fail to gain the consensus of all owners to implement a redevelopment. However, under the Ordinance, they would need to demonstrate that the redevelopment of the lot is justified due to the age or state of repair and that they have taken reasonable steps to acquire all the undivided shares in the lot in fair and reasonable terms. Currently, it is invariably the case that developers or investors are involved before such a process can be made possible. Furthermore, they would require many technical and professional support (such as engineering reports on the conditions of the building, and valuation reports) before they would be able to complete the whole application process. The Taipei model of forming companies limited by share and the financial support available from the government to help the owners to initiate redevelopment projects is an example that we can refer to if we are considering how to facilitate owners initiation and participation in Hong Kong.

#### Privately-led redevelopment

83 The experience of leaving urban redevelopment entirely to the private sector in the

other Asian cities does not seem to be very positive. Though many city governments including Seoul, Shanghai and Guangzhou had tried to pull themselves out from redevelopment at one point of time in the past, they have all come back to play an important part in the redevelopment process. Singapore may perhaps continue to leave this to the private sector as private buildings are basically all at the upper-end of the market. Even though in the Japanese model, urban renewal is basically privately-led, the government has found it necessary for leadership from the highest level of the national government, i.e. urban regeneration task force chaired by the Prime Minister and deputized by the Land Minister. In Taipei, the new Taipei Urban Renewal Corporation formed in 2008 was an attempt to fill the gap where redevelopment in some areas is most needed but have not been adequately dealt with in the basically privately-led market. In the URS review process, while the debate on whether urban renewal should be privately-led or not will continue, we should take note of the negative experiences of other cities.

84 We also need to address the related issues of privately-led redevelopment projects such as the compensation to tenants, public consultation in the neighbourhood of the redevelopment site, and the planning issues such as the provision of public facilities including public open spaces, increasing density, avoidance of “pencil” buildings, etc.

#### Designation of priority redevelopment districts and areas

85 While many cities have a planning process of designating priority areas for redevelopment, this is not the current case in Hong Kong. While the designation of target areas in the URS is clear, the information related to the specific clusters of buildings or sub-districts within the target areas that the URA would plan to redevelop is considered to be sensitive and highly confidential. One major concern about the release of such information is the possible abuses associated with the substantial financial interest that would be brought about because of URA’s entering into these sites for redevelopment. One contributing factor to this concern is that the compensation offered by the URA can be, in many cases, much better than the market value of the housing units and thus create opportunities for speculators to take advantage of. This concern about the confidentiality of planned URA projects creates a barrier to the genuine participation of owners, at least at the early stage of the planning process. Thus, in considering the possibility of increasing owner participation, the issue of transparency coupled with the issue of compensation would have to be taken into consideration.

#### Community Engagement

86 The trend of increasing demand on community engagement in urban renewal appears to be common in all the cities. There is apparently no argument against the need to increase community engagement in Hong Kong, except for the issue of confidentiality discussed above and the question about how and the extent of community engagement. The Research Team would expect this issue to be addressed in the coming community engagement and consensus building process of the URS review.

87 Examples of district level government initiating redevelopment projects were observed in many cities including Guangzhou, Seoul, and Taipei. One relevant issue that can be discussed in the context of Hong Kong is whether we should wait for the empowerment of the District Councils before they would be given more roles in urban redevelopment or we should entrust more power to the District Councils in urban renewal as a way of empowering district administration.

#### Compensation to Tenants

88 There are variations among the selected Asian Cities related to the statutory or policy provisions for the compensation paid to tenants, i.e. from practically no provision in the case of Singapore to specific statutory provision on the level of compensation in the case of Taipei. We noted that conflicts arising from the grievances of tenants were frequently seen in Seoul where although statutory and policy provisions have been made, these seem to be subject to negotiation. In the case of Hong Kong, compensation for tenants in privately-led redevelopment projects is the same as that in Singapore, that is, no statutory or policy provisions, while compensation for tenants in URA projects is spelt out clearly in policy. If we are expecting the private sector or the owners to take a more active part in redevelopment in the future URS, we would have to address the issue of whether we should also have clear provision for compensation to tenants either by statute or by policy.

#### Financing of redevelopment

89 There are two issues related to financing of redevelopment. One is the financial incentives for redevelopment. Another financing issue is the working capital required for compensation and/or acquisition, planning, and reconstruction.

90 For financial incentives, a major means of financing redevelopment in the various cities is the granting of extra plot ratios. This option does not seem to be available to Hong Kong.. Other incentives that can be considered in Hong Kong would be tax incentives as they have in Tokyo, Seoul, and Taipei. Furthermore, if owner-initiated projects are to be

encouraged in Hong Kong, the technical and financial support offered by the Taipei government to the owners for planning and organizing can also be considered.

91 The Seoul, Tokyo, and Taipei governments make loans available for financing redevelopment projects. In the case of Taipei, redevelopment corporations can raise funds via the issue of shares or the issue of redevelopment bonds. If Hong Kong is to consider encouraging more owner-initiated projects, these modes of financing should also be considered at the same time.

### Social Impact Assessment

92 While the Research Team has looked for the experience in the use of social impact assessment (SIA) in the selected Asian Cities, there is hardly any evidence found on its application in the selected cities. In Hong Kong, SIA is already a statutory requirement and there is practically no objection to the use of SIA. The issue is how and to what extent it is used to inform policy decision, redevelopment project identification, and project implementation. This subject requires further discussion and study in the context of Hong Kong.

## Conservation and planning

93 Large scale conservation including landscape and cultural districts is observed in most of the cities included in this study. These efforts are very much integrated into the planning process of the cities. During the URS review, the applicability and desirability of this approach can be discussed.

94 Examples of voluntary conservation can be found in Singapore, Seoul, Taipei, and Tokyo. While voluntary conservation in the cities are not very extensive, the governments have tried and made provisions to facilitate such process including provision of loans in Seoul, subsidy in Taipei, in-situ plot ratio transfer as in the case of Singapore, Taipei, and Tokyo, and plot ratio transfer outside the site as in the case of Taipei and possibly Shanghai. These practices serve as references for Hong Kong.

95 Conservation, particularly authentic conservation, requires some flexibility in maintaining modern standards of buildings and substantial coordination among different authorities overseeing building and fire services. The Singapore experience having the Urban Redevelopment Authority as the policy making and coordination body appears to be a good example that Hong Kong may consider.

## **Rehabilitation**

96 While rehabilitation of buildings is seen primarily as the responsibility of the owners, many cities including Seoul and Taipei have made efforts to encourage owners to maintain their housing units. Hong Kong in comparison is moving in a similar direction. Issues of debate such as compulsory inspection and maintenance are not found in other cities. Perhaps, in the URS review, we can discuss taking a few steps ahead of other cities.

## **Concluding Remarks**

97 Within the limitations of this study, the Research Team has found many useful lessons that can be learnt from the other cities while fully aware of the cautions needed when we are interpreting the experiences of these cities. As mentioned earlier, this study involves substantial breadth and depth of knowledge in many different fields of study. While the Research Team has tried its very best to consult related experts in other countries and in Hong Kong, we cannot claim to be experts in all the related fields of knowledge. Given the time frame and resources available, there are areas as discussed in parts of this report which would require further or more in-depth study. Moreover, the policy and practices of urban renewal

in the various cities are still and will always be in the process of evolution, continuous learning of what is happening elsewhere is necessary when we are addressing the current issues back home in Hong Kong.