

Steering Committee on Review of the Urban Renewal Strategy

**Members' suggestions on the key issues to be raised for discussion
during the Public Engagement Stage**

Suggestions from Members (1)

1. Whether the role of the Government in urban renewal should be reduced?
2. Whether the Government should accord higher priority to facilitating the private sector in urban renewal?
3. Whether the original owners/residents should be given the option of “in-situ resettlement”?
4. Whether the urban renewal authority should also be the planning authority for the urban area?
5. As far as heritage preservation is concerned, what is the role of Urban Renewal Authority vis-a-vis Antiquities and Monuments Office?
6. What do we mean by revitalization, especially in areas where there are vibrant business activities and pedestrian flows? Should this “term” be use more selectively?
7. Whether the present social impact assessment is useful and/or effective? Should it be reviewed to make it more effective?
8. Should the option of “transfer of development rights” be studied in depth so that a conscious decision could be made on the issue?

Suggestions from Members (2)

I would like to raise some key issues for the public forums and topical discussions:

Governing Principles

- How urban renewal be fit into the overall urban development plans in HK?
How the mission of urban renewal and that of urban development should be aligned?
- Should urban renewal be development led, and, financially self sufficient on project basis?
- Should the Government play a leading role in urban renewal? Should the Government subsidize a project when it is not financially viable but bringing substantial value to the society?

Stakeholder and Community Involvement

- Should the affected flat / shop owners be offered an option for property right exchange in the redevelopment project?
- What are the ways that they can get involved throughout the project development?
- What are the other ways that can generate a stronger sense of ownership and pride in the renewal project among the affected stakeholders?

Suggestions from Members (3)

At the next stage of the Study, I believe we should focus on the way forward and how to come up with a practical strategy that will solve the problems which have been identified. In my previous email of 21 August 2008, I have highlighted certain issues of concern for further study by the Committee. After review, I have regrouped these items and added a few others as follow:

- a) the definition and scope of UR;
- b) the agencies taking part in UR and their respective roles;
- c) review of govt policies affecting UR and how to facilitate UR by the private sector;
- d) the business model for UR;
- e) the planning process;
- f) the attractiveness of UR projects to developers;
- g) shadow period;
- h) the land and building assembly process;
- i) transfer of plot ratio; and
- j) issue of bonds as a means of financing

I will append below further views on the issues mentioned above. These views are not comprehensive as it is the duty of the consultant to come up with an overall and comprehensive proposal. These are issues which I believe the Committee should pay special attention to, or may have a special interest in.

a) THE DEFINITION AND SCOPE OF UR

We should bring forward the scope of UR to include the use, management and maintenance throughout the life cycle of a building. It is just like medical care to human being. It should start from cradle to grave. I will expand further in para c) below.

b) THE AGENCIES TAKING PART IN UR AND THEIR RESPECTIVE ROLES

The agencies taking part in UR should not be confined to the URA, the government bureaus and departments.

HKHS

The HKHS is also playing a very vital role. I suggest serious thought be given to enhance the role of the HKHS in the area of renovation and rehabilitation. Consideration should also be given to give statutory support to the role of the HKHS in this respect so that both recognition of and commitment by the HKHS can be achieved.

DEVELOPERS

We must also not forget the developers as it is they who would be the implementation agencies at the end of the day. The lessons we learn from the other cities is that collaboration between government and developers is essential in the UR process.

INSTITUTIONS OWNING SPECIAL PURPOSE LAND

There are institutions who own land which were granted long time ago for special purposes (religious, charitable, special industrial, etc.). These institutions often hold onto land with unrealised development potential. The government policy should be so moulded to encourage rather than constrain redevelopment of such land. In many cases of UR, the plot ratio of the existing buildings to be pulled down is too high and therefore the financial viability is not attractive. Where there is land described above in the vicinity, the government could consider a “link site” approach to allow greater flexibility in design and also enhancement of the financial viability.

c) REVIEW OF GOVT POLICIES AFFECTING UR AND HOW TO FACILITATE UR BY THE PRIVATE SECTOR

Our current government policies, practices and legislation controlling development are biased heavily towards development or redevelopment. If one tries to change the use of or make alterations to an existing building, the planning, land and building approval process is so tedious and time consuming that it actually discourages building owners or tenants to carry out such changes. The current way of thinking is that more emphasis should be placed on rejuvenation, preservation and rehabilitation. Such policies cannot be effectively implemented if the government does not improve on the current practices, policies and legislation. In particular, the time required to carry out planning application, lease modification, and premium

negotiation will take more than 2 years. The market is changing very fast and the government should create a platform to facilitate building owners and tenants to carry out the changes and alterations in a lawful manner.

In some case, the TPB also requires the bulk of existing buildings to be reduced if there is a change of use. Such policies will effectively discourage adaptation of existing buildings to suit the market changes. I propose the government to adopt the policy of “grandfathering” existing building bulks,

- d) **THE BUSINESS MODEL FOR UR**
- e) **THE PLANNING PROCESS**
- f) **THE ATTRACTIVENESS OF UR PROJECTS TO DEVELOPERS**

I have been advocating that the outcome of the Review is to develop a Business Model for UR. It appears that a lot of emphasis is placed on the planning, social, political and financial aspects of UR. My view is that a UR project will typically take 7 years which coincides with the economic cycle. This means that a project starting at the peak of the economical cycle is likely to be completed at the economic trough. Therefore, any financial viability carried out at the beginning of the project would deviate drastically from the final results. If that is the case, it really means that the financial viability is of little use in the macro UR strategy, although they would obviously be required for individual projects.

By Business Model, I mean a mode of operation that will give enough flexibility and consideration to the concerns of the various parties undertaking the UR, to make it a viable proposition. For example, a developer’s primary concern is the *certainty* in the development proposal. Certainty here refers to both *use* and *time* required for the redevelopment. A developer would be reluctant to make any reasonable financial commitment before the formal planning approval has been obtained, as the financial viability of the project would depend on the plot ratio, use as well as design of the final product. Synchronization of the concerns of the various parties and stakeholders is an important balancing act in the Review process. I will be prepared to discuss this issue further with the relevant parties, should you see then need.

g) SHADOW PERIOD

The effect of shadow period on non-residential owners is very drastic. I was involved in the resumption of an industrial building which was seriously and adversely affected by the shadow period as the government announced the plan for resumption a few years before the actual resumption. The impact of the announcement is that the small operators suffered substantial financial and business difficulties without due compensation as their trading partners would refuse to grant them credits and also placed orders with other companies with a more certain future. I remember seeing owners of these companies weeping as their livelihoods were affected. What was worse is that the amount of compensation they got was based on the valuation at the date of the formal notice of resumption which was a few years later than the first announcement and after the businesses had suffered.

The same applies to shops.

One of the objectives of the Review must be to resolve such issues, particularly when the current policy of the government is to encourage and facilitate business of the SMEs.

h) THE LAND AND BUILDING ASSEMBLY PROCESS

The government is currently considering lowering the threshold to trigger application of the Land (Compulsory Sale for Redevelopment) Ordinance (the “Ordinance”). I propose the Committee to consider the following proposals:

- 1) allowing the Ordinance to apply to more than one lot collectively, instead of on a lot-by-lot basis. The proponent may propose a “Scheme” which should allow combining several lots and even government land. This will enable a more comprehensive development instead of pencil developments to take place. A special tribunal should be set up to assess the planning gain of such a Scheme and determine whether the Scheme should be allowed or not.

- 2) this Ordinance should also apply to assembly of land as there are a lot of land in the NT with title problems such as absentee owners.
- 3) Taking into consideration the practice in Singapore and the local conditions, I propose the threshold be set at 70% for land; 80% for buildings over 25 years; 85% for buildings under 25 years

i) TRANSFER OF PLOT RATIO

I do not think any explanation is required on the subject. We could consider a system similar to the old “Letter B” to allow owners of heritage buildings to assign their development potential to third parties. Rules will have to be set out as to how far the transfer can go.

j) ISSUE OF LONG TERM BONDS AS MEANS OF FINANCING UR

The government and/or the URA should consider issuing long term bonds to finance UR. This should be one of the issues that should be discussed in the business model described in para d) above.

The above are my views on some of the issues that may be more contentious. I would be happy to discuss them either at the forth coming meeting of the Review Committee or have small group discussions with the Bureau members.

Suggestion from Members (4)

- 1) Is 'gentrification' an inevitable and inseparable part of or as a result of urban 'redevelopment', or 'regeneration', or 'preservation, or 'revitalization'? Is URA a culprit?
- 2) We are living in a changing society with shifting social values--we recognize change is part of our survival--how is URA going to 'manage change" under the current stagnant UR strategy and inflexible UR ordinance?
- 3) The majority of the current URA legislation clauses are devoted to 'redevelopment' and almost none is written on the rest of the 3 Rs. How is URA going to deal with that in the long run?
- 4) URA is a mechanism to implement the law (UR ordinance); on each occasion when URA wishes to carry out any resumption, it has to announce its intention well ahead of time. Therefore, unlike developers, URA can't purchase without announcement; hence the property prices in compensation is high--always 3 to 4 times of the market value. URA is on the 'lose-lose' situation. What is the public view? Each time the URA loses money on a project, it is the tax payers' money; the question I ask is stated in (5) below.
- 5) All URA projects are carried out with good 4R intentions and without land cost. In other words, it is the tax payers who compensate another group of property owners. In the future, developers and owners of the low rise URA residential redevelopment projects (four or five storeys with nice gardens and situated in the middle of Central District) will reap hefty profits, especially in the secondary markets. What is the solution?

Suggestions from Members (5)

Topics and Issues to be further discussed at Public Engagement Stage

<i>Topics</i>	<i>Issues</i>	<i>Comments</i>
Preservation of Social Networks	<p>Should affected owners be provided choices of:</p> <ul style="list-style-type: none"> • Flat-for-flat; • Shop-for-shop; • Flat-for-shop; • Participation in development, other than financial compensation? <p>What is regarded as a reasonable compensation?</p>	<p>From experience gained in Tokyo, affected owners should be given these choices as an option to minimize unnecessary disputes.</p>
Urban Design and Development Density for a Liveable City	<p>Should urban regeneration area be targeted as a role model for good urban design and architectural design?</p> <p>Should development density be the prime consideration in urban regeneration, noting that the higher the density, the more financial viability for regeneration project?</p>	<p>The product of urban regeneration should respect the district characters and guided by good urban design principles. It should become a role model for good urban design and architectural design. This could hardly be done if the regeneration project is entirely financially driven when profitability is the prime concern.</p>
Scope of Urban Regeneration	<p>Should scope of the Urban Regeneration be expanded from residential area to the</p>	<p>Urban regeneration should not be limited to residential area only. There are areas such as</p>

	<p>following:</p> <ul style="list-style-type: none"> • Industrial area; • Streetscape and Urban Space; • Harbourfront and piers; • Preservation of historic buildings and places? 	<p>old industrial area, old streets and harbourfront area that can be regenerated to become attractive destination for citizens and tourists alike. Meanwhile there is no institutional measure for this kind of initiatives.</p>
<p>Criteria for decision for redevelopment, rehabilitation, preservation and revitalisation</p>	<p>What are the criteria in determining whether a selected regeneration area should be redeveloped, rehabilitated, preserved or revitalised?</p>	<p>Criteria should include but not limited to:</p> <ul style="list-style-type: none"> • Impact on social network; • Presence of historic building or place; • Existing development density; • Building conditions; <p>Etc.</p>

<p>Financial Sustainability</p>	<p>How to strike a balance between financial viability and other considerations including maintaining community networks, optimum development density and preservation of local characters?</p> <p>Can URA be assigned government land for development to balance out non-profitable projects?</p>	<p>Financial profit should not be the sole consideration for urban regeneration. Considerations should also be given to maintaining social networks and preservation of special district characters to minimize gentrifications.</p> <p>URA does not have to take on projects that private developers can readily handled.</p> <p>Maintaining building in proper conditions should be the responsibility of building owners to minimize public funding.</p>
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Suggestions from Members (6)

The current Urban Renewal Strategic Review is very timely and necessary to formulate a policy with the support of public consensus bearing in mind the changing aspiration of the community relating to town-planning, heritage preservation and social fabric enhancement. Furthermore the political influence of pressure groups and ad hoc bodies of local community trying to protect their vested interest has to be taken into account. The role of the Government and private developers are also under review. The commitments of URA (some of them inherited from LDC) have to be scrutinized from a practical point of view. A balance among the interests of various stake-holders has to be achieved (or approximated) with the Government laying down an explicit policy balancing out the objectives of the 4R's (rehabilitation, redevelopment, reservation and revitalization) and public finance. The process of achieving and formulation of the policy is critically important to establish its authority and credibility.

The key issues to be raised in the public forums for consultation can be categorized as follows:-

(A) Balance between Redevelopment and Revitalization

1. Shall Government continue to empower URA (or URA in partnership with other Government bodies such as Housing Society or Housing Authority) to continue with necessary redevelopment of dilapidated pocket areas?
2. Shall URA (or its extension) continue to proceed with prior objective speed of redevelopment as outlined before?
3. Shall URA pay more attention to revitalization by acting as agent of Government to grant loans to Property Owners Association in building maintenance on a cost recovery basis?
4. How can local property owners be encouraged to either enhance their existing buildings or participate in the building redevelopment?
5. Can Government consider granting incentives to existing property owners in preserving a graded heritage building?

(B) Balance among different stake-holders

1. Has the Government taken sufficient measures to identify areas of rehabilitation and prioritize the time frame for improvement while respecting but not being dictated by market force?
2. How can urban renewal projects be financed on a recurrent and sustainable basis?
3. How to balance the opposing interests of owners of commercial shops and residential units as well as property owners versus tenants in terms of compensation?
4. Are the current criteria of compulsory acquisition reasonable and acceptable to the community in balancing private property rights and society' s interest as a whole?
5. Are there means and ways of incentives other than direct monetary compensation to embrace more local support to redevelopment projects?
6. What are the possible ways of inviting local property owners to participate in the redevelopment projects?

(C) Balance between Reservation and Redevelopment

1. Is the current practice of identifying heritage of historical sites for conservation adequate and practicable?
2. Due to rising aspiration of the community to conserve the Social Fabric of a potential rehabilitation area, can a policy be established to objectively balance between the dilapidated physical conditions of an area with the requirement to preserve the social fabric of its vicinity?
3. What are the lessons we can learn from our study on practices in foreign cities relating to issues on preservation of social fabric?
4. Shall more consultation sessions be conducted to improve communication with affected owners/occupants of a potential rehabilitation site?