

Managing Director's Statement



Mr Quinn LAW Yee-kwan, JP

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Preparing for and Entering a New Era under a New Mandate

2010/11 was a year of planning and preparation for our transition to a new era of urban regeneration under the new Urban Renewal Strategy (URS) ultimately promulgated by the Government in February 2011, following a two-year review and public consultation process led by the Government's Development Bureau.

Having just completed our first decade, from the year of our establishment in 2001 to 2011, under the previous URS, we in URA are embracing our new mandate, as set out in the new URS, which is the catalyst for change governing our second decade of urban renewal for the benefit of the local community and designates redevelopment and rehabilitation as URA's two core businesses.

During the year, while continuing implementation of our extensive portfolio of ongoing redevelopment projects and rehabilitation, preservation and revitalisation work, we actively supported the URS Review. A detailed account of our activities in 2010/11 is provided in the sections on pages 12 to 49.

Our key mission is to improve the living conditions of residents in dilapidated old urban areas and the standard of housing and the built environment of Hong Kong. We are endeavoring to expedite our programme in a balanced, pragmatic and people-oriented manner within the resources and mandate available to us.

Building Redevelopment

Since February 2011, we have been focusing on putting in place detailed arrangements for implementation of the new policy initiatives contained in the new URS. Among others, it introduces a demand-led redevelopment mode and facilitation service, which are to be initiated by building owners to complement the redevelopment projects initiated by ourselves, in order to give people more choice, under the people first approach envisaged in the new URS.

In April and May 2011 respectively, we announced details of how the new mode of redevelopment and a facilitation service are expected to work. Shortly thereafter, in July 2011, we invited the owners of buildings falling into the relevant redevelopment eligibility criteria to apply to be considered by URA for either redevelopment by URA or facilitation of collective sale by the owners themselves. The challenge ahead will be for us to implement these new initiatives successfully. This will require careful selection, control and review as well as fine tuning and adjustments to our initial arrangements as or when good opportunities arise and based on the experience we gain as we proceed.

In line with the same people first approach, we have put in place a number of enhancements to our compensation and rehousing policies to help evicted domestic tenants and domestic owners in hardship. We are also

providing an additional choice, in the form of the new “Flat for Flat” Scheme, as an alternative for domestic owner-occupiers to the current cash compensation that is offered to them. Whilst these enhancements do not increase the levels of compensation paid out by URA, they do increase the costs and risks to, as well as the amount of administrative and legal work required of the URA. We are also looking at ways in which we might be able to assist shop operators affected by our projects to find new premises in which to continue their businesses.



Media briefing on the URA's five-year Corporate Plan of 2011-2016.

Building Sustainability

When implementing our projects, URA always aims to adopt the highest standards of environmental building sustainability. Attesting our success in doing so to date, are the Platinum BEAM awards made for six URA projects. In this spirit of pursuing continuing improvements to the sustainability of our projects, the URA is reviewing the already approved Master Layout Plans of several of our major projects to ascertain whether and if so how they need to be improved in order to comply fully with Building Department's new practice notes effective in April 2011.

Building Rehabilitation

We also strive to improve sustainability by increasing the useful lives of existing buildings. We believe that this is a very important means of urban renewal and this approach underpins our successful and expanding building rehabilitation programmes. Up until 31 March 2011, URA had already rehabilitated more than 520 buildings. During 2010/11, we made a quantum leap forward by rehabilitating almost 320 buildings, under both Operation Building Bright and our own rehabilitation schemes, representing a year on year growth of no less than 250%. In addition, we worked with Buildings Department and Hong Kong Housing Society (HKHS) to introduce a one-stop building rehabilitation hotline. We subsequently introduced the Integrated Building Maintenance Assistance Scheme (IBMAS) with HKHS with effect from 1 April 2011. We are preparing to help building owners to comply with the statutory requirements of the Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme, when they come into force in 2012. In addition, we are now working to further expand our rehabilitation work to cover more aging and dilapidated buildings over wider geographic areas of urban Hong Kong. We will progressively deploy additional staff and allocate additional funding to cover this expansion.

Financial Results

For the year ended 31 March 2011, the URA recorded a net operating surplus of \$2.2 billion. Compared to the \$7.0 billion net operating surplus for the year ended of 31 March 2010, this represents a decrease of \$4.8 billion. The operating surplus for 2010/11 of \$2.2 billion was largely attributable to the upfront payments received for the Fuk Tsun Street/Pine Street and Third Street/Yu Lok Lane/Centre Street projects, with a total combined developable area of some 238,000 square feet. These projects were tendered out for redevelopment during the year in favourable property market conditions.

The accumulated surplus since URA's establishment amounted to \$9.2 billion as at 31 March 2011. However, this would have been reduced to \$3.8 billion but for the waiver of \$5.4 billion in land premium forgone by the Government in making land grants to URA at nominal premium for the 16 projects sites granted to date. We are indeed indebted to the Government for having rendered such continuous and essential financial and other supports to URA to facilitate implementation of its urban renewal programme.

While URA makes surpluses in some years, it makes deficits in others and, in any case, ploughs back all revenues into further urban renewal work, including rehabilitation, preservation and revitalisation, none of which are income generating. Moreover, our policies have been designed to pay amounts higher than the statutory levels of compensation to the occupiers of properties directly affected by our projects in order to enable them to improve their living conditions. We also commence financially non-viable but worthwhile urban renewal projects.

Property Risk Exposure and Management

The URA has an extensive redevelopment programme and is holding a substantial property portfolio at various stages of development costing \$15.9 billion as at 31 March 2011, which is almost 83% of URA's net asset value of \$19.2 billion on that date. Our modus operandi means that we are always exposed to the Hong Kong property market as both a purchaser and a seller. In recent years, we have been buying more than selling. This is both because of the growth in our urban renewal work programme and because the time taken for planning, acquisition, resumption, site clearing, demolition and tendering can be affected by a number of factors that are neither totally predictable nor under URA's control. When combined with the still rising property market, this has increased our property risk exposure significantly.

Organisation and Staffing

To cope with the increasing volumes and intricacies of our work, URA has increased its headcount by about 7% to 423 as at 31 March 2011. Since our aim is to maintain a lean and fit structure, we have continued to rely on out-sourcing and deployment of contract staff and external consultants to meet certain workloads, especially those of non-recurrent or time-limited nature.

At less than 9%, staff turnover during the year was relatively low. This is testimony in part to our efforts to make everyone feel part of our team and proud of their work and to provide a pleasant working environment. It also demonstrates the dedication of our multi-skilled and talented staff to helping to improve the living conditions of the underprivileged, while endeavouring to meet the demands and challenges of the wide range of increasingly vocal stakeholders, who are concerned about urban renewal in general as well as individual projects and issues.

Vote of Thanks to Board, Committees and Staff Members

My colleagues and I are, most grateful for the wise counsel and support provided by our Chairman and the Members of our Board, Committees and District Advisory Committees, which we have received from them throughout the year.

In closing, I would like to thank most sincerely all of the staff members, who have worked so hard positively and well during the past year, for their professionalism and efforts in implementing our multi-faceted and holistic urban renewal programme, which is always not only rewarding but also challenging to deliver. They make me proud to be their colleague.

Quinn LAW Yee-kwan
Managing Director

31 July 2011