



Ms Iris TAM Siu-ying, JP

Managing Director's Statement

“While economy and efficiency can be evaluated through quantitative means, qualitative assessment of effectiveness is essential in the work of URA which involves a great deal of community and individuals’ concerns.”

Year 2014/15 has been most eventful for the URA in which we have achieved good progress in site clearance and tendering of sites; adopted measures in upholding financial prudence; and tried hard in search of breakthroughs to address the long-term financial sustainability.

Site clearance & tender award

With an operating deficit of \$2.3 billion in 2013/14, and against a background of an increasing land supply from government land sale, we focused our effort on site clearance and tendering of cleared sites to increase revenue and reduce market risk.

Seamless collaboration across Divisions has overcome countless challenges. A record clearance of seven sites during the year has been achieved, including one of the largest projects in URA's portfolio at Hai Tan Street/Kweilin Street & Pei Ho Street; the first Demand-led redevelopment project at 229A-G Hai Tan Street; self-initiated redevelopment projects at Fuk Wing Street, Ma Tau Wai Road/Chun Tin Street, Anchor Street/Fuk Tsun Street and Pak Tai Street/San Shan Road; and the preservation project at Shanghai Street/Argyle Street. Except one case that required actual physical eviction, all the other remaining occupiers were cleared through settlement.

We have awarded the joint venture development tenders for five projects including two of the largest in our portfolio, namely Kwun Tong Town Centre Project Areas 2 and 3, and the Hai Tan Street/Kweilin Street & Pei Ho Street project. The other three projects were the Fuk Wing Street, San Shan Street/Pau Chung Street and the first Demand-led redevelopment project at 229A-G Hai Tan Street. The first tender of the Kwun Tong Town Centre Project Area 2 and 3 resulted in all non-conforming bids in July 2014. After considering two options of either an immediate re-tendering based on revised principal tender terms, or starting early stage site works by URA for re-tendering at an appropriate time later, the Board chose the former. The tender was awarded in September 2014.

With the upfront payments from the five tenders and the sharing of surplus sales proceeds from a few joint venture projects, the financial situation has improved significantly in 2014/15 at a net operating surplus of \$1.1 billion.

Work Portfolio in 4Rs

Due to the consolidation approach, we have commenced only three projects in 2014/15. They were two Demand-led redevelopment projects at To Kwa Wan Road (which was aborted for not meeting the second 80% threshold)

and Hang On Street (which on the contrary received overwhelming support), and a self-initiated project at Chun Tin Street/Sung Chi Street.

Building rehabilitation being one of URA's two core businesses has been on the expansion mode, not only in terms of geographical areas but also in the form of assistance to owners. The new tendering arrangement for Operation Building Bright which tackles tendering malpractices has created a more competitive bidding platform. More contractors are willing to participate in the tenders and more bids propose contract fees close to or even lower than the costs estimated by URA's independent building surveyors. The "Building Rehab Info Net" is a virtual platform providing useful technical information for all interested owners who may or may not be eligible for URA's direct assistance.

We continued with great effort in preservation and revitalisation work. Particularly worth mentioning are the great variety of art and cultural activities staged at the Comix Home Base; and the leasing of some conserved premises at Wing Lee Street and Prince Edward Road West to non-government organisations and social enterprises to enrich the social value of heritage preservation.

Meeting challenges: long-term financial sustainability

The long-term financial sustainability of URA's operations has been the focus throughout the year. It was addressed concurrently through a number of means:



■ Ms Iris Tam joins the opening ceremony of the Social Enterprise hub operated by the Hong Kong Council of Social Service at the Prince Edward Road West preservation project.



■ Ms Iris Tam visits an affected resident of the Demand-led project at Hang On Street in Kwun Tong during the freezing survey.

- (1) Freezing of headcount despite a heavy workload in handling a total of 42 on-going projects at different stages of development, commencing three more new redevelopment projects as well as making intensive effort in various studies;
- (2) Streamlining the rehabilitation strategy to handle the expansion of service area of the Integrated Building Maintenance Assistance Scheme (IBMAS) to the whole territory of Hong Kong in July 2015;
- (3) Revising the Demand-led Redevelopment Pilot Scheme to take financial consideration into account while giving greater weighting to building conditions in project selection (among other changes);
- (4) Expanding the capital-light Facilitating Services to cover industrial and commercial buildings on top of residential buildings;
- (5) Conducting value-for-money study and organisation structure review; and
- (6) Exploring new strategies and business models.

Mission driven

Long-term financial sustainability is an important financial discipline for a public organisation. But it is fundamental to sustain URA as a mission driven organisation. While economy and efficiency can be evaluated through quantitative means, qualitative assessment of effectiveness is essential in the work of URA which involves a great deal of community and individuals' concerns.

URA was set up as a statutory body to address urban

decay problems. According to our building conditions survey and projections, among the 20,000 building blocks 30 years or older in 2014, there were about 5,700 blocks (28%) in 'poor' or 'varied' building conditions. With URA implementing IBMAS, even with the projected growth of building population of this age group to 34,000 in 2034, the projected number of buildings in 'poor' or 'varied' conditions will drop to 3,100. Without URA's rehabilitation assistance, the number is projected to double to 6,500.

Zooming in on building blocks 50 years or older, there were about 6,200 in 2014, of which around 2,600 (42%) were 'poor' or 'varied'. Many of these are so poor in conditions that rehabilitation would unlikely be economically viable. For those with limited or no redevelopment potential, where else can the community look for help?

We must not forget that through redevelopment, URA is not just helping the owners and tenants to improve their living conditions – we are also renewing the building stock, and enhancing public safety and the general living environment. There are wider social and economic benefits for the district as a whole.

In the reply to the Legislative Council Panel on Development in May 2015, Development Bureau has re-iterated that the URA when determining the priority of URA-implemented projects should consider such factors as the age and building conditions of the buildings within the project area; whether the buildings

are in lack of basic sanitation facilities or exposed to potential fire risks; the living conditions of the residents; whether implementation of the project will improve the area through replanning and restructuring; whether the project will achieve a better utilisation of land; and whether rehabilitation of the buildings within the project area is a practicable and viable option. It states that "as a statutory organisation supported by public funds, URA has to exercise financial prudence in line with the Urban Renewal Authority Ordinance and the 2011 Urban Renewal Strategy. Profit maximisation has never been, and should not be, the policy objective of URA". The Government's commitment to the financial arrangements of the URA is reaffirmed.

"People First" has always been our motto, guiding all aspects of our work. I am grateful for the Chairman and Members of the Board who have spent enormous time and effort in the challenging work of URA. Without the support of the Government, Housing Authority and Housing Society, as well as the Legislative Council and District Council members, URA's mission would not be a possible one. Last but not the least, I must salute my colleagues, whose professionalism, integrity and dedication have made remarkable contributions to urban renewal in Hong Kong. You can count on them that they are always willing to walk an extra mile for the affected stakeholders.

Iris TAM Siu-ying
Managing Director
31 May 2015



■ Ms Iris Tam shows her great appreciation to the university students for their participation in the URA Community Service Partnership Scheme.