



Mr Victor SO Hing-woh, SBS, JP



CHAIRMAN'S STATEMENT

Gear up and Usher in a Bright Future of Urban Renewal

As I retired from the Chairmanship of the Urban Renewal Authority (URA) at the end of April 2019 and looked back, nothing was more gratifying than seeing the URA had achieved what I set out to do when I first joined — that is more urban renewal projects on a larger scale and magnitude with greater urgency. It is indeed a great honour to have taken on the leadership and steer the URA's urban renewal work in bringing a sustainable Hong Kong through improving the living environment for people living in older districts. Eighteen such redevelopment projects were launched during my six-year tenure as Chairman. Upholding the "people first" principle, the URA stepped up the communications with residents living in these project sites to better understand their aspirations, ultimately helping over 4,200 families enhance their living environments. I am also pleased to see that the URA has adopted a district-based approach in recent years to undertake urban renewal from a more holistic perspective, thereby maximising the benefits that can be brought to the community on a larger scale through enhanced open spaces, road networks and facilities. In this fiscal year, the URA made significant progress on the relocation arrangement of the unauthorised building structures on private land in Development Area 5 of the Kwun Tong Town Centre Project, breaking the decade-long impasse and enabling this single largest project ever undertaken to proceed.

The URA has also been actively promoting and facilitating building rehabilitation in the hope of slowing down the ageing of buildings, so as to alleviate the pressure on urban renewal. The past decade-and-a-half has seen a total of 4,200 building blocks, involving around 140,000 flats, undergo rehabilitation with the support of the URA. Focussing on just the past six years, by way of implementing an array of building rehabilitation subsidy schemes and the offer of technical assistance, such as "Smart Tender" Rehabilitation Facilitating Services, the URA has assisted owners of about 1,700 building blocks, comprising a total of around 58,000 flats, to organise maintenance works, thus facilitating improvement of the conditions of these buildings.

These flourishing accomplishments, together with the various preservation and revitalisation projects implemented over the past six years, would not have been achieved without the concerted efforts of my colleagues at the URA. As Chairman, I am grateful to all the work done in realising the objectives set forth in the Urban Renewal Strategy.

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However, the road to urban renewal has not been an easy ride during my tenure at the URA. Urban decay is always a pressing problem. The number of building blocks aged 50 years or more is increasing at a staggering rate of 600 annually and will get close to 30,000 by the end of 2046. Urban redevelopment has a long cycle that typically takes eight to 10 years to complete, from commencement, acquisition, construction to completion. With the introduction of a district-based approach to renew old urban district in larger scale projects, the URA will have to deal with more acquisition and relocation cases which are by no means less complex. This will eventually require even longer time to complete the redevelopment cycle. Adding to the challenge is the rising costs that would create an increasingly heavy financial burden for the URA.

Acquisition Cost Pushed up by Soaring Market, Impeding Redevelopment

The rocketing property price of the past six years has caused a knock-on effect on the cost of acquisition for urban renewal projects. In accordance with its acquisition policy, the URA has been offering a Home Purchase Allowance, which is a higher-than-market offer consisting of the market value of a property plus an ex-gratia allowance commonly known as "seven-year rule", to affected owner-occupiers of domestic properties. To illustrate, a redevelopment project in Mong Kok commenced in 2013 when I first took up the Chairmanship had an acquisition cost of HK\$11,832 per square foot based on the seven-year rule. Within just five years, for another redevelopment project also in the same district, the per square foot unit cost was HK\$18,023, representing a 50% increase in the acquisition cost.

Rising acquisition cost poses heavy burdens on the financial stability of the URA. In a soaring property market, in order to maintain the same project scale in redevelopment, the URA will need to incur a greater cash flow to match the increase in acquisition expenses. However, the URA's cash flow was reduced from HK\$21 billion in the 2017/18 financial year to HK\$18 billion in 2018/19. It is anticipated that the URA will need to deploy HK\$34 billion to complete the projects already commenced or planned in the five-year corporate plan which will put further financial burden on the URA given the cash flow for 2019/20 will be reduced by 30% to HK\$12 billion.

Under the conventional urban redevelopment process, the number of projects available for tender every year varies, depending on the progress of acquisition and rehousing, which is a factor of the project scale and the number of interests and tenants involved in the process. Other external factors beyond the control of the URA, such as the buoyant property market, construction costs and interest rates, also affect the revenue generated from these projects, resulting in a fluctuation of URA's annual income. In the face of a bullish property market, the income generated by project tenders from previous years would not be enough to fund the upcoming acquisition cost of redevelopment projects of a similar scale. As a result, the URA would be left with no choice but to commence smaller scale projects with higher acquisition cost, hence, undermining the planning benefits to the community. On the other hand, if the property market subsequently plunges, the URA will receive a major blow to its financial stability because projects that commenced with high acquisition costs will bring about financial loss in terms of a 'buy high, sell low' predicament.

While income remains unstable, the URA's expenditure on acquisition and rehousing of redevelopment projects, building rehabilitation, preservation and revitalisation has been on the rise, causing an unbalanced budget where income falls short of expenses, posing challenges to the financial stability of the URA. However, tasked with the social mission of urban renewal, slowing down the pace is not an option. Instead, the URA endeavours to seek new and innovative solutions in urban renewal to deal with the significant urban ageing issues.

Adopting the District-based Approach for a Liveable Neighbourhood

In accordance with the Urban Renewal Strategy, urban regeneration is not just about redeveloping dilapidated buildings, but more importantly, rationalising land use in old districts by adopting a district-based approach for maximisation of planning benefits. Since 2016, the URA has launched six redevelopment projects in To Kwa Wan that together have created an area totalling 22,000 square metres for a comprehensive and holistic redevelopment plan. This large-scale neighbourhood enables more efficient land use planning for residential,

commercial, road network and leisure purposes. It also opens up the opportunity to explore the feasibility of underground land use for car parking, thus reducing the need for roadside parking space, thereby, releasing more space for pedestrian pathways and the relocation of shops for street vibrancy.

Taking a step further from the district-based approach, the URA has embarked on a new direction of “planning-led” in redevelopment projects where holistic planning of the project site and its vicinity brings long-term benefit to the greater community. The two-year Yau Mong District Study will be completed next year. I look

forward to seeing new solutions being formulated to enhance the land use and to unleash development potential of the district, as well as new implementation mechanisms, and regulatory frameworks being developed to undertake urban renewal with greater efficiency and effectiveness. Recommendations will then be fully discussed with the government and the public for consensus on new ways to tackle urban decay.



Commencing six projects under the district-based approach in To Kwa Wan, bringing more planning and social benefit to the community.

Building Rehabilitation Paves the Way to Holistic Urban Renewal

In the face of the aggravating problem of ageing buildings, redevelopment of dilapidated buildings alone could hardly keep pace with the problem. Emphasis should also be put on building maintenance as a way to alleviate the pressure to call for redevelopment. For the past six years, the URA has implemented and enhanced an array of building rehabilitation subsidy schemes and services to offer resources and technical assistance to owners in their building rehabilitation works. Last year, in support of the Government policy, the URA launched the Operation Building Bright 2.0 and the Fire Safety Improvement Works Subsidy Scheme, aiming to help owners of around 7,000 old building blocks to complete their rehabilitation or facilities enhancement works in the next six years. This will roughly translate to one in every three old building blocks, out of the 23,000 aged 30 years or more that require regular maintenance works, to benefit through the schemes. In addition, another new initiative, the Lift Modernisation Subsidy Scheme, to be implemented in two phases over the next six years, will provide support to owners in enhancing the safety of the lifts of their buildings. All of these underpin the URA's commitment to expanding its building rehabilitation works in both intensity and diversity.



The URA signs the Memorandum of Understanding with the Development Bureau for the launch of Lift Modernisation Subsidy Scheme.

While these schemes are all one-off assistance, most owners remain uninterested in organising building maintenance works as they are deterred by a lack of knowledge in the relevant works and the fear of tender rigging. To address this need, the URA launched “Smart Tender” in 2016 to offer technical assistance to owners in procuring contractors and reducing the risks of tender rigging during their procurement of maintenance works. The service was well received among owners and owners' corporations during the three years after launch, with over 900 applications, involving around 124,000 flats.

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The URA has further taken up the role of a facilitator to promote collaboration among government departments, professional associations and practitioners in the building rehabilitation industry, with an aim to enhance the awareness of building rehabilitation among building owners; while at the same time, to introduce new mindset in the organisation of building rehabilitation works. One example of such URA initiatives is the establishment of the Building Rehabilitation Platform, launched in March this year, to bring together professionals from both public and private sectors to offer professional advice, comprehensive information and technical assistance on building rehabilitation to owners.

Recognising the importance of building rehabilitation in tackling urban decay, the URA continues to step up its efforts in this area. On one hand, we undertake to review policies and measures to encourage building owners to shoulder the responsibilities of building management and maintenance. On the other, we will continue to enhance the Smart Tender services to raise the competitiveness and transparency of the tendering exercises for consultant and construction works, thus reducing the risk of tender rigging and ensuring fair and accurate pricing. Meanwhile, the URA is also studying the possibility of introducing innovative technologies in building rehabilitation to equip owners with better understanding and knowledge of the conditions of their buildings, such that maintenance works can be arranged in a timely and effective way, strengthening their confidence and ability in organising rehabilitation works in the long run.

Putting People First in Our Urban Renewal Work

The URA upholds the principle of putting people first and practises it in our work. The setup of a team of 60 staff in 2016 for a new initiative, named "Project Engagement" programme was a notable example where we proactively visited the many residents affected by our redevelopment projects in To Kwa Wan. A total of over 3,000 residents were visited whom we helped alleviate their reservations about the project by explaining in detail the different phases of the redevelopment process. We did that with care and patience, understanding their needs and difficulties with compassion and, where necessary, referred families with special needs to social workers for timely and appropriate assistance.



Visiting a stall owner in Graham Market in Central whose stall was damaged by the fire. The URA provided emergency financial assistance to affected owners for rebuilding or repairing their stalls.

This people-first principle is also practised in our building rehabilitation business where URA staff join owners' meetings, usually held in the evening, to help resolve disputes among owners and to clear their doubts in organising maintenance works. The great dedication of the URA team is much appreciated by owners, confirming our concerted efforts in putting people first at heart in our work.

Collaborating with Government for New Measures Helping People through Tough Times

Raising living standards is one of the major concerns of the people of Hong Kong. Over the past six years, the URA, as one of the public organisations shouldering this responsibility, not only implemented urban renewal projects to improve living environments, but also responded to government's various policies and initiatives developed to meet the diversified housing needs and improve the living environment for local people through devoting additional resources and manpower.



Proposing a toast together with URA Board members at the annual Spring Dinner.

Following the allocation of its flats at the Kai Tak Development as Subsidised Sale Flats in 2015, the URA further assigned 450 units of its redevelopment project at Ma Tau Wai Road as a “Starter Homes” Pilot Project in 2018 to support the Government’s new initiative on housing. The flats were sold at 62% of market value to first-time home buyers as a measure to satisfy public demand for affordable housing. Meanwhile, the study on the redevelopment of Civil Servants’ Co-operative Building Society Scheme has already identified two candidate sites where the scale of projects should offer the possibility of high-density development for the provision of more housing supply, including the possible appropriation of part of the redevelopment as subsidised sale flats.

Another URA initiative in response to the government’s policy of increasing transitional housing is our support for the Community Housing Movement, led by the Hong Kong Council of Social Service. Some of the rehousing flats and renovated units acquired by the URA have been appropriated to the Community Housing Movement as transitional accommodation to meet the short-term housing needs of people and underprivileged families to alleviate their pressing problems of poor and over-crowded living conditions.

Drawing on the experience from the implementation of Operation Building Bright 2.0 and the Fire Safety Improvement Works Subsidy Scheme, the URA is again partnering with the government to launch the Lift Modernisation Subsidy Scheme in which subsidies and professional assistance will be provided to property owners of old buildings. The URA will facilitate them to expedite the organisation and implementation of improvement works to the lifts, thus raising the safety level of buildings and enhancing the living environment.

The work of the URA has yielded fruitful results and successes in the past six years. I am sincerely grateful for the unwavering support from members of the URA Board, offering invaluable advice and recognition to the work of URA. Through active participation in brainstorming sessions and meetings, they brought profound insights on the development of the URA. Their participation in our community education activities has contributed much in fostering strong connection with the public and its goodwill.

I would like to express my appreciation for everyone at the URA for their dedication to helping our organisation go from strength to strength and to outdo their best in scaling new heights. Urban renewal resembles a marathon in that it is a long-term commitment that requires patience and perseverance to race against time in tackling the staggering rate of building ageing. I wish the new Chairman, Mr Chow Chung-kong, and the new URA Board every success in leading the URA team to conquer this daunting task. I trust that, building on the past, the new leadership will take URA to go further and to continue to achieve even better results in urban renewal.

Victor SO Hing-woh, SBS, JP

Chairman

31 July 2019