Ir WAI Chi-sing, GBS, JP, FHKEng

MANAGING DIRECTOR'S STATEMENT

Formulating a Forward-looking Approach for Urban Renewal with Teamwork and Innovative Mechanisms

Last June, I started another three-year term as Managing Director of the URA. I find it most fulfilling to work with the URA Board and its devoted team to promote sustainable urban renewal in Hong Kong.

The URA was established in 2001, after the Government enacted the Urban Renewal Authority Ordinance with the aim of implementing urban renewal under a new statutory framework and vision. Through nearly two decades of hard work, we have redeveloped around 1,500 dilapidated buildings in old districts and thereby helped over 30,000 residents improve their living conditions. These achievements demonstrate that under the new framework and vision, the living environment of many older districts has been improved.

"The URA team is now much better geared towards realising the sustainable development of urban renewal in Hong Kong and advancing quality urban living for its residents."

Despite these successes, our redevelopment work is still being outpaced by urban decay. Moreover, the conventional project-led approach, being a building-by-building redevelopment method, makes it difficult to achieve the longer-term objective of urban renewal, which is to significantly enhance the look and ambience of the built environment of old districts by means of restructuring and replanning.

Since I took office as Managing Director, I have been committed to working with the URA team to address these issues and embrace future challenges. With the Board's support, we have formulated a new approach and direction for more forward-looking urban regeneration, thus enhancing its effectiveness and benefits. I am pleased to say that, through constant innovation and practice, we have made achievements in areas covering strategy formulation, project planning, execution mechanisms, technology applications and human resources training. This means the URA team is now much better geared towards realising the sustainable development of urban renewal in Hong Kong and advancing quality urban living for its residents.

Using new strategic studies to set new directions

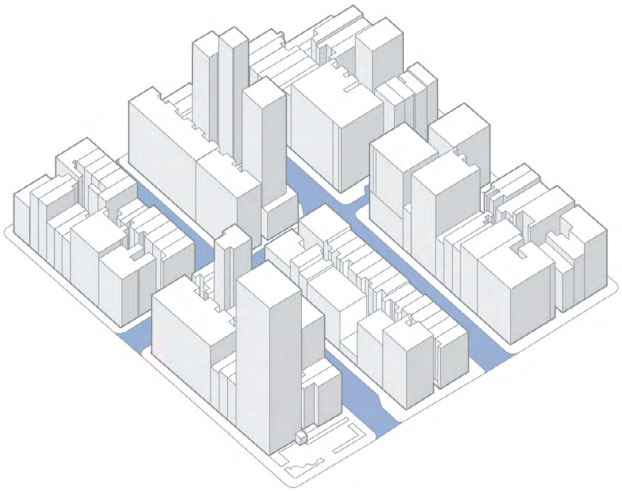
After several decades of Hong Kong's urban development, many of its infrastructural and community facilities, including pedestrian and road networks, amenity and green spaces, and residential facilities in the community, are outdated and ageing, and thus unable to meet social development needs. Currently more than 10,000 buildings across the city are aged 50 years or above, and the number is estimated to increase to about 28,000 by 2046.

To address effectively this aggravating problem of the "double-ageing" of urban districts and buildings, a more holistic and macroscopic approach is needed. We have embodied this in our '5R' set of strategies, which integrates the use of redevelopment, rehabilitation, preservation, revitalisation and retrofitting to achieve urban regeneration with greater impact.

With this in mind, we launched the Yau Mong District Study (YMDS) and New Strategy on Building Rehabilitation (NSBR) in 2017 to address the problems that hinder sustainable development in urban renewal, and explore a new direction and implementation mechanism to take forward the work of urban renewal. With cross-divisional co-operation and efforts, both studies have been largely completed, making valuable findings and recommendations.

Completion of the initial YMDS baseline study last year has given us a clearer understanding of the building conditions, built environment and rate of urban decay in Yau Ma Tei and Mong Kok. The URA has hence focused on identifying locations with urban renewal potential within these two districts and the formulation of a Master Renewal Concept Plan (MRCP). So far, we have completed the first version of the MRCP, which comprises three different development density options: a "positive" option which increases development density but maintains the size of population; a "negative" option with reduced density; and a "neutral" option retaining the current development density under existing planning frameworks.

Given the lack of new land resources in urban areas for rehousing, we will try to start with the "positive" option by identifying a few renewal projects among the three options that appear worthy of further in-depth studies. If these projects then appear to be financially viable, they will be included in URA's Business Plan for commencement, in accordance with the prevailing project implementation and public consultation processes under the Urban Renewal Authority Ordinance.



Three development density options

Increase development density but maintain the size of population

Retain current development density under existing planning frameworks

Reduce density

If the "positive" option is adopted, it is initially estimated that about two million square metres of gross floor area can be added in Yau Ma Tei and Mong Kok for various development purposes of housing (including public housing), commercial and community facilities, to meet the long-term development needs of different sectors of the local community. Under this high-density development option, various planning approaches such as opening up underground spaces, optimising building layouts and reorganising the street network will be explored such that more above-ground spaces can be freed up for green amenities and community facilities, thus improving the overall living environment and building liveable high-density communities.

Promoting preventive building maintenance with new strategies

However, redevelopment alone can hardly keep up with the ageing of urban buildings. We also need to promote building rehabilitation to prolong the lifespan of buildings and alleviate the pressure for redevelopment. To this end, the URA has conducted the NSBR to formulate a comprehensive rehabilitation strategy that promotes building repair and maintenance for buildings of all ages.

The study included a questionnaire survey of 3,000 property owners, whose responses show that owners of old buildings tend to face three main challenges that hinder their willingness to instigate repair and maintenance work on their own. These include their lack of professional knowledge, lack of financial reserves, and lack of organisational capabilities.

To address these challenges, the NSBR adopts a "stakeholder-based" promotional strategy focusing on building owners, owners' corporations (OCs), Government departments, professional societies and others, to promote building rehabilitation. Efforts will be geared towards enhancing owners' awareness of the importance of both regular and preventive maintenance, strengthening their organisational capabilities and encouraging greater participation by providing professional knowledge and technical support.

Sharing the strategies on slowing down urban decay at the "Delivering an Elderly-friendly City" Symposium.

The electronic tendering platform enables a more systemic tendering process and strengthens the capabilities of owners and owners' corporations to organise rehabilitation works.

The URA will also intensify its role as a facilitator of building rehabilitation in two major respects. First, with the taking-up of responsibility to administer all Government building rehabilitation subsidy schemes since July 2020, the URA can now provide integrated and one-stop service to property owners on building rehabilitation. Second, the Building Rehabilitation Platform (BRP) set up last year will further complement the findings of the NSBR and its promotional strategy to better educate property owners on the professional and technical fronts. Accordingly, owners and OCs can be better equipped in the planning of rehabilitation projects, in terms of the professional knowledge required, the procedures and requirements for organising maintenance works at different stages, market reference rates for project costs, and even the know-how on quality supervision.

Property owners are often particularly perplexed by the variety of works contracts and standards adopted by different consultants and contractors in the trade. In view of this, the URA has consolidated a set of sample contract and tender documents, with a view to maximising the standardisation of tender and contract terms, the scope of works and the rights and responsibilities of contractual parties.

In addition, we have established an electronic tendering platform and a new central tender management facility to offer a more systematic tendering process, covering all stages from the issuance of tender documents by owners to the downloading and submission of tender documents by interested contractors/consultants, the storage of tender documents and the tender opening by owners, as well as the archival of records. These services can now greatly strengthen the capabilities of owners and OCs to organise maintenance works.

Adopting a planning-led approach for greater benefits

In addition to implementing these two strategic studies, the URA has moved from a project-led urban renewal approach to a planning-led model, in which holistic planning comes before project selection as a means of bringing the full planning gains into play and allowing more efficient urban renewal with greater community benefits.

This new "planning-led" model has been adopted in a number of recent projects, including the six redevelopment projects commenced in To Kwa Wan under a "district-based" approach since 2016, the Kai Tak Road/Sa Po Road Development Scheme in Kowloon City launched last year, and the pilot redevelopment of Civil Servants' Co-operative Building Society Scheme (CBS) buildings commenced in May this year.

The aerial view of Kau Pui Lung Road / Chi Kiang Street Development Scheme.

"The URA has moved to a planning-led model, in which holistic planning comes before project selection as a means of bringing the full planning gains into play and allowing more efficient urban renewal with greater community benefits."

During the planning process, the URA team explores the feasibility of potential redevelopment schemes from a macro perspective, with an overall objective of identifying those that could bring holistic improvement of the built environment in old districts through integration of the 5R strategies of redevelopment, rehabilitation, preservation, revitalisation and retrofitting. Concurrently, we conduct feasibility studies on restructuring land uses, redesigning road networks, opening up underground spaces and freeing up above-ground areas for green and community facilities for implementation when appropriate. In this way, we strive to ensure that future urban renewal works can be more extensive, more cost-effective, and more forward-looking.

In the past year, the URA has launched three Preliminary Project Feasibility Studies under the "planning-led" and "district-based" approaches in the old districts of Sham Shui Po and Kowloon City. Building conditions, land uses, road planning, walking environment, open spaces and community facilities of the selected areas are being reviewed to identify future projects of a larger scale with development potential. After conducting further detailed planning studies, we will include these projects in a "5R Planning Reserve", where a number of similar projects have already been formulated within just a year, potentially involving more than HK$100 billion in acquisition costs. Upon completion of the relevant preparatory work, we will then incorporate them into the URA's Corporate Plan for the next decade, aiming to implement them in an orderly manner befitting the social and economic environment.

Making good use of technology for greater efficiency

Urban renewal involves multiple professional areas and work levels. The aforementioned transformation and re-engineering of our urban renewal approach has never been due to the sole contribution of any single individual; rather, its success results from the collective effort, determination and hard work of the entire URA team. To achieve our goals, we actively apply intelligent technologies in various urban renewal tasks and data analysis, enhancing the effectiveness and efficiency of the team with innovative solutions. At the same time, we encourage colleagues to think out of the box and acquire new knowledge and skills, so that they can be more empowered and capable to do their jobs and achieve good results.

In line with the URA's new planning-led direction, our planning team has been proactive in developing an Urban Renewal Information System, which is intended to strengthen our ability to process and analyse vast amounts of planning information. By integrating information and data on land uses, development density, infrastructure, building conditions, population distribution, commercial operations and community facilities in old districts, this new information system will allow the planning team to review and analyse different development parameters more precisely, such that urban renewal plans can more holistically cater to future social needs and promote sustainable development. The new system can be further connected to the Common Spatial Data Infrastructure being constructed by the Government, thus enabling the extraction of real-time geographic and environmental data in urban areas and improving further our work efficiency.

In terms of project execution and management, the URA team has successfully applied Building Information Modelling (BIM) techniques throughout its project development cycle. This technology helps improve project efficiency and quality by integrating and visualising architectural information and data such as building structures, electrical and mechanical facilities, pipelines and spatial layout. We first applied BIM technology in the entire building lifecycle of 618 Shanghai Street conservation and revitalisation project, which was completed last November, deploying it for all three stages of project design, construction, then facilities management upon completion. It enabled us to meet the challenges of serious structural ageing on the one hand, and historic building revitalisation on the other by preserving the historical elements of the tenement building cluster and giving it a new purpose of use.

The innovativeness and hard work of the project team has brought extensive recognition to the 618 Shanghai Street project, both internationally and locally, including the world-renowned 2019 AEC Excellence Award last November, and more recently the Structural Excellence Award from the Structural Division of Hong Kong Institution of Engineers. Furthermore, under the BEAM Plus New Buildings Assessment Scheme run by the Hong Kong Green Building Council, this project has become the first preservation project in Hong Kong to receive a final rating of Platinum under the version 1.2 rating scheme for its achievements in sustainable architectural design.

In the coming few years, the work involved in our larger urban renewal projects will become more arduous. In order to manage the large workload of occupant registration involved in freezing surveys for the redevelopment projects, we are studying the feasibility of making the entire process electronic, so as to increase our operational efficiency. The resulting digitised data will also facilitate subsequent analysis and planning to meet the different needs of residents affected by our redevelopment.

Achieving greater capability through e-learning platform

Adopting these new strategies and implementation mechanisms successfully requires a more efficient training approach that can enhance the URA team's knowledge and skills. In the past year, we invested substantial resources in employee training, offering our staff more than 12,500 hours of training, with the focus on improving employees' capabilities in artificial intelligence, big data processing and analysis, geo-information systems and BIM.

In June 2020, we complemented these initiatives with our first one-stop online learning platform, allowing URA staff to choose courses, study times and targets appropriate to their own interests and learning needs. This breaks through the limits of conventional classroom teaching in terms of the time, venue and even the number of participants, heralding a new approach of "self-initiated learning". It is my hope that this learning platform will help our colleagues accumulate experience through continuous learning and application which, coupled with our new development orientation of innovative technology applications and data-driven decision making, will enable them to fully demonstrate their strengths and excellence in different areas of urban renewal.

The URA promotes self-learning among its staff by introducing a one-stop "e-learning platform".

Breaking the resource deadlock by means of planning

Looking ahead, the URA will invest greater efforts in taking forward urban renewal work to maximise planning benefits for the community at large. To achieve these targets and ensure that our urban renewal mission can be fulfilled in a sustainable way, we must also take steps to secure financial viability, especially in terms of maintaining sufficient liquidity to support the development of ongoing projects while launching further renewal initiatives in old districts.

We estimate that total acquisition costs of up to HK$60 billion will be required for the nine redevelopment projects included in the URA's approved 19th Corporate Plan (2020/21 to 2024/25). At present, however, we have total liquidity of only about HK$11 billion to pay for ongoing or upcoming acquisitions. In the next year or two, even if we can obtain upfront payments from some tendered projects upon property interest acquisition and site formation, the resulting incomes are still estimated to be inadequate to cover the shortage in cash. It is foreseeable that without external borrowings, it will be basically impossible to complete all the urban renewal projects in our 19th Corporate Plan. As an alternative, we may have to give up some of the larger projects involving higher acquisition costs, and instead develop single redevelopment projects of a smaller scale. This would inevitably contradict the urban renewal objective of rejuvenating the older urban areas, as stipulated in the Urban Renewal Strategy.

Although the URA could raise funds by means of external borrowings, as a public organisation, it must uphold the principle of prudent financial management to avoid exposing itself to high interest costs and severe financial risks due to over-borrowing. With a current net asset value of about HK$50 billion, and as per the prevailing acquisition policies and offers, it is estimated that the URA could borrow external funds sufficient for acquiring and launching three larger redevelopment projects with a site area of more than 10,000 square metres each, as well as a few smaller redevelopment projects. With this approach, however, the URA would in five years or so no longer have adequate funds to launch more urban renewal projects. In this situation, urban redevelopment work could only be resumed once upfront payments were received from joint venture partners in tendered projects, after the completion of acquisition and clearance work. The pace of urban renewal would thereby be seriously slowed down.

To ensure that the URA can fulfil its urban renewal mission with continuity, in addition to pursuing sustainable financial capabilities, we seek breakthroughs to current regime in local planning mechanisms and building regulations, by exploring room for appropriate adjustments and amendments. Examples include integrating and transferring residual plot ratios, partially and suitably increasing the development density for greater development space, and opening up underground spaces by adopting the "single site, multiple use" model. In this way, we can further release the development potential of existing sites in old districts, thus providing sufficient resources and a favourable environment for urban renewal in the long term.

The URA team will select an appropriate project in the YMDS for a "district-based" feasibility study, in order to explore ways to remove existing statutory barriers and facilitate the redevelopment. Under the current constraints of limited financial and land resources, this process of exploring practical and effective solutions for sustainable development in urban renewal, and improving the living environment of residents in old districts will require the support of relevant policy bureaux and departments, as well as recognition by the public.

I would like to express my heartfelt gratitude to the Chairman and Members of the Board, who have provided much valuable advice on our business strategies and implementation mechanism, as well as leadership in steering the URA during some very challenging times, enabling us to complete our tasks over the past year. Most importantly, my appreciation goes out to all URA colleagues for their hard work, especially in standing fast at their posts amid the severe difficulties posed by the COVID-19 pandemic. I have every confidence that our innovative, resolute and courageous team can lead URA to greater achievements in urban renewal despite the various challenges ahead, thereby meeting public aspirations and making Hong Kong a better home for all.

"This process of exploring practical and effective solutions for sustainable development in urban renewal, and improving the living environment of residents in old districts will require the support of relevant policy bureaux and departments, as well as recognition by the public."

WAI Chi-sing, GBS, JP, FHKEng
Managing Director
31 July 2020