



URA Chairman **Mr CHOW Chung-kong** (middle) visits the community farm at the Staunton Street/Wing Lee Street Project (H19) to express his appreciation to Mr Lau and his wife, dedicated volunteers of the farm. The URA closely collaborates with community members to build a green and vibrant neighbourhood.

## CHAIRMAN'S STATEMENT



*The URA has worked more closely than ever with the business sectors, NGOs and stakeholders in the districts to overcome difficulties, never ceasing to find ways of improving the living environment of residents in old districts.*



## Uniting Strengths through Co-ordination and Collaboration

Year 2021/22 marked a milestone for the URA as we celebrated our 20th Anniversary and took an important leap forward by laying out three key principles for future urban renewal work, namely (1) making the best use of all of our resources for old district renewal; (2) simplifying and streamlining planning procedures and workflow; and (3) applying technology to build a city for better living. Taking on board these three key principles, our team has continued to fulfil the URA's mission in the five established areas of 'urban redevelopment', 'building rehabilitation', 'preservation', 'revitalisation' and 'retrofitting'. We work hard to improve the overall environment and quality of life for residents in older districts.

The year of 2022/23 was a year of mixed fortunes for Hong Kong. On the one hand, with the pandemic gradually subsiding, we were encouraged to see life returning to normalcy. On the other hand, given adverse external factors such as volatilities in the global financial market, rising interest rates and soaring construction costs, property developers became more cautious in their bids for the URA's development projects. As a result, revenues generated from our three tendered residential projects in 2022/23 fell short of expectations. If this market situation persists, the projects, for which the property interests were acquired at higher prices by the URA in past years, may generate less-than-expected revenue for the URA, affecting its financial conditions in coming years.

In the next few years, the acquisition process of several large URA projects will commence. We foresee that the expenditures incurred will far exceed our revenue, resulting in negative cash flow that will inevitably affect the pace and development of urban renewal.

Over the past year, the URA has taken several proactive steps to tackle challenges brought by the changing market environment. In addition to exercise prudence in scheduling projects included in the Corporate Plan so to achieve the principle of self-financing, we have also utilised all planning tools available to optimise the use of land in our projects.

Importantly, we have further strengthened our co-operation with the Government and various sectors of the community in order to speed up and enhance the effectiveness of urban renewal. We have allocated more resources to promote building rehabilitation and preventive maintenance initiatives that can help slow down the ageing of buildings. Through co-ordination and collaboration with key stakeholders, we join hands to foster the sustainable development of our city.

## CHAIRMAN'S STATEMENT

### Enhancing effectiveness by making the best use of resources

In 2022/23, the URA launched four redevelopment projects under its 'planning-led, district-based' strategy to improve the living environment of more than 2,700 families. These four projects will provide about 6,700 new residential flats after redevelopment.

Owing to the downturn in the property market and land prices, revenue achieved from the three tendered residential projects launched last year was lower than expected. Coupled with the withdrawal of the commercial projects in Kwun Tong Town Centre Development Areas 4 & 5 on account of unsatisfactory tender prices, the URA received only HK\$4.8 billion of upfront payments for the year, 70% less compared with the previous year.

Taking into account other incomes, the URA recorded an operating loss of around HK\$500 million after expenses incurred in redevelopment projects, implementation of building rehabilitation, preservation and revitalisation. In addition, a provision for an impairment of HK\$3 billion was made against various commenced projects due to the mark-to-market valuation of land. As a result, the URA registered a net loss of HK\$3.5 billion last year while its net asset value stood at approximately HK\$50 billion.

In the next two years, URA's property acquisition will accelerate. Following the issuance of acquisition offers to owners of the Kim Shin Lane project in Sham Shui Po in April, another five large-scale redevelopment projects are at the various stages of the planning process, with property acquisitions ready to commence upon Government approval. It is estimated that these six projects, together with new projects to be launched in the next few years under our Corporate Plan and also the redevelopment cost for Tai Hang Sai Estate, will require a financial commitment of approximately HK\$96 billion. At present, the URA has a cash reserve of about HK\$23.6 billion, which is insufficient to cover the expenses incurred.

The URA plans to acquire resources by various means to meet the large acquisition expenses. These efforts include:

- 1 For projects that have already been launched, we have been expediting the process of property acquisition and site formation to enable earlier tendering. We have also adjusted the time frame for launching suitable projects in the project reserve so that upfront payments from the tendered projects can be used to replenish the cash flow for new acquisitions on a timely basis.
- 2 In anticipation of a potential cash flow shortage, we will proactively initiate the necessary steps for loan arrangements to secure adequate funding for urban renewal projects.

In addition to making good use of its financial resources, the URA will optimise the use of land by implementing the 'Single Site, Multiple Uses' planning model. This involves incorporating inefficient or under-utilised streets and land in the vicinity of old building clusters into the development plan, thereby increasing the total area of land available for development. This will improve the financial feasibility of the projects and, at the same time, enhance the overall environment of the district through the renewal of old community facilities.

The Nga Tsin Wai Road/Carpenter Road Development Scheme in Kowloon City launched in May last year was an example of 'Single Site, Multiple Uses'. A part of the Carpenter Road Park will be incorporated into the redevelopment area for building a new Government complex which will house Kowloon City Market, reprovisioned after its land is released for redevelopment, along with additional cultural, recreational, rehabilitation and welfare facilities. By integrating the original site of the market with the neighbouring streets and adjoining private building sites to form a larger-scale development area, we can make the best use of land resources and unleash the site's development potential to improve the viability of the project while bringing greater benefits to the community.

Furthermore, two adjoining development projects of Ming Lun Street/Ma Tau Kok Road (KC-018) and To Kwa Wan Road/Ma Tau Kok Road (KC-019) were commenced by the URA in October last year. The old building cluster of KC-018 had already fully utilised the development potential allowed under planning permission, and there is neither undeveloped Government land nor old facilities in the area that can be integrated for development, undermining the feasibility of the redevelopment of this building cluster. Taking into account that the Outline Zoning Plan (OZP) for Kai Tak has rezoned some industrial sites for residential and commercial purposes when



Artist Impression

The URA projects of KC-018 and KC-019 not only offer a viable solution for the redevelopment of the 'Five Streets' areas and industrial buildings in To Kwa Wan which have little development potential, but will also create a waterfront plaza to enhance the walkability between To Kwa Wan Road and the waterfront promenade.

they are redeveloped in future, the URA has proposed a feasible solution for the redevelopment of those old building clusters by replanning the residential and industrial sites under one master plan. We have also taken the opportunity to realise the Government's planning intention of expanding the carriageways of roads in the vicinity and their connection to the harbourfront, which will facilitate the integration of this old district with the Kai Tak Development Area.

After the tender for Kwun Tong Town Centre Development Areas 4 & 5 was withdrawn, we have proposed to change the land use from 'Commercial Use' to 'Other Specified Uses (Mixed Development)' and add 'Residential' use to the development, aiming to cope with the changing market and social environment. In doing so we have made reference to the concept of 'vertical city' development advocated by high-density metropolises overseas, whereby building heights are raised to create capacity. Meanwhile, we retain the application of the 'floating planning parameters' mechanism to provide developers with greater flexibility in allocating floor space for different uses such as residential, office, hotel and retail. This groundbreaking planning concept will extend the project's development range and potential, and consolidate its status as the landmark of the town centre.

Apart from optimising the planning of projects, our URA team has responded to the Government's initiatives to expedite the pace of urban renewal by implementing new measures to simplify and streamline planning procedures and workflow, thereby speeding up the redevelopment process. These measures include co-ordinating with the Government in adopting a new process by the Town Planning Board (TPB) to optimise the processing and shorten the time required to address public views. The URA has also piloted an 'Advanced Land Grant' mechanism, which will allow projects to be submitted for tender and construction at the earliest possible opportunity.

Enhancing the development potential of land in old districts is key to achieving optimal use of land for speeding up the pace of urban renewal. Over the past year, the URA has been collaborating with the Government to implement the recommendations of the URA's District Study for Yau Ma Tei and Mong Kok. Currently, the TPB has completed its revision of the Mong Kok OZP, which includes raising the maximum plot ratio for commercial areas, allowing the exchange of domestic and non-domestic plot ratios in selected areas, and announcing its guidelines for the Pilot Scheme for the Transfer of Plot Ratio. Work on revising the OZP for Yau Ma Tei has also been commenced, and public opinions are being consolidated. These measures will provide more planning tools and flexibility, thereby enhancing land use efficiency and redevelopment potential that will encourage more participation by private developers in urban renewal.

## CHAIRMAN'S STATEMENT

### Supporting Government initiatives within our ability

Addressing the city's housing problem is one of the Government's top priorities. When resources allowed, we strive to support the Government's housing policies. Among them is the provision of Starter Homes (SH), in which we have designated our eResidence Tower Three project in Hung Hom as an SH project, providing 260 units to first-time home buyers. The URA has already applied to the Government for the pre-sale of the SH flats. It is expected that eResidence Tower Three will be ready to receive applications from eligible members of the public in September this year.

The URA has also launched the Tai Hang Sai Estate Redevelopment Project in co-operation with the Hong Kong Settlers Housing Corporation Limited. Since the TPB approved our redevelopment plan for this project, we have explored various plans to compress the construction process, submitted the project and building plans to Government departments for their advance approval and held discussions with the Development Bureau and Lands Department on advancing the land grant application. All these efforts are aimed at advancing the construction of the project to complete the 2,000 SH units as early as in 2030/31.



Through the redevelopment of Tai Hang Sai Estate (above), the URA will take the opportunity to provide more community facilities and larger public open space (right), bringing greater planning benefits to the community.



We are also making good progress on the two pilot redevelopment projects under the Civil Servants' Co-operative Building Society (CBS) Scheme. With the support and co-operation of all the 154 ex-CBS members, the URA was able to start site formation work of the Shing Tak Street/Ma Tau Chung Road Development Project once all the residents had moved out from their premises by March 2023, six months earlier than originally scheduled. Tendering for the project will be launched in the second half of 2023, providing 640 residential units.

As regards the nearby Kau Pui Lung Road project, there were still nine out of 28 co-operative societies that remained undissolved at the time we commenced the project, which presented a challenge to the URA taking it forward. In the past year, however, the dissolution of the co-operative societies has made good progress. Two of the societies have now completed their dissolution, while members of the other five have started the dissolution process. We are working with the remaining co-operative building societies to facilitate their dissolution. Meanwhile, we are moving to the next stage of the planning process, with part of the site will be designated for the construction of Starter Homes, providing about 950 SH units.

Together with the eResidence Tower Three and Tai Hang Sai Estate projects mentioned above, the URA will provide more than 3,200 SH units in the next few years to meet the home ownership needs of first-time flat buyers.

As regards the Government initiative of providing transitional housing units to improve the living conditions of those families waiting for public housing, the URA has assisted Yan Oi Tong, a non-governmental organisation (NGO), in the planning, design and construction of the Yan Oi House project at Hung Shui Kiu in Yuen Long. The URA completed and delivered all the 410 transitional units for the needy residents to move in from July this year.

## Intensifying efforts to address the root causes of aged buildings

It is the responsibility of property owners to maintain and repair their properties. However, they are often slack in their concerns for conducting building maintenance, given their lack of general awareness and capabilities to organise repair and maintenance work on their own. To help overcome this challenge, the URA has strengthened collaboration with owners' corporations, professional sectors and local organisations in recent years to promote and facilitate building rehabilitation, as well as preventive maintenance.

This July we opened Hong Kong's first-ever Building Rehabilitation Resource Centre (BRRC) in a 7,500-square-foot commercial space at our eResidence project in Hung Hom. Building owners and other interested parties can find useful information on organising building rehabilitation works, standard sample documents for organising such works, and data on market reference rates displayed in an interactive way. Coupled with video linked consultations, online support services, instant processing of subsidy scheme applications, the BRRC provides owners with professional support and information on all aspects of building rehabilitation.

Another new URA initiative is a District-based Rehabilitation Pilot Scheme which we launched in Kowloon City upon the commencement of our redevelopment projects in that area. This scheme targets owners of buildings that are located in the vicinity of the redevelopment project but do not have an imminent need for redevelopment. We are making efforts to provide these owners with financial subsidies and technical support to encourage and assist them to repair and maintain their buildings in a timely manner.

The URA has also introduced various preventive maintenance initiatives to the design and construction phase of eResidence Tower Three in Hung Hom. These initiatives aim to prolong the service life of the building and more importantly, instil in first-time home buyers the awareness of building maintenance. Relevant clauses have also been added to the Deed of Mutual Covenant of the building to help owners draw up a regular maintenance plan for the building and set aside financial reserves for future maintenance works.

In addition, the URA has been assisting in the implementation of five building rehabilitation subsidy schemes initiated by the Government since June 2020. These schemes cover areas ranging from building inspection and maintenance to fire safety improvements, lift modernisation, drainage system repairs and property maintenance by individual owners. Together, the five schemes involve management of over HK\$19 billion in subsidies. All the administrative and operational costs of implementing them, which are estimated to be over HK\$2 billion, are borne by the URA.

Taking into account the third round of applications under two of these schemes, Operation Building Bright 2.0 and the Fire Safety Improvement Works Subsidy Scheme launched in April this year, the URA has reviewed and approved more than 16,000 applications as of June 2023, covering about 500,000 flats.

In view of the difficulties faced by the participating owners' corporations in organising rehabilitation projects during the pandemic, the URA strengthened support by arranging for the opening of tenders through virtual meetings and providing venues for use by owners' corporations, facilitating the relevant procurement procedures required to conduct maintenance works. After the pandemic, more than 80% of the affected cases have already restarted the necessary tender process.

An aerial view of the District-based Rehabilitation Scheme area in Kowloon City. By providing appropriate financial assistance and technical support, building owners are encouraged to carry out building rehabilitation so as to extend the serviceability of the buildings.



## CHAIRMAN'S STATEMENT

### Preserving and revitalising old buildings in the community

During the year, the URA completed the conservation and revitalisation works of the Staunton Street project in Sheung Wan. Nine acquired tenement buildings were renovated with their architectural features enhanced and facilities upgraded. A new concept of 'co-living' was introduced to the operation of these revitalised buildings to create livelihoods and share community resources in partnership with the residents. We are now inviting experienced and capable partners through tender to join the URA in managing and operating this project.



Members of the URA Board pay a visit to the preservation and revitalisation project at Staunton Street.

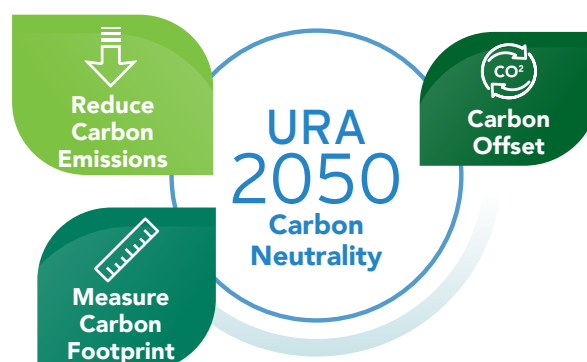
As regards the redevelopment project in Nga Tsin Wai Village, Wong Tai Sin, the URA took over from the former Land Development Corporation and has been ongoing for over 20 years. Last year, we submitted an archaeological report to the Antiquities Advisory Board in December, along with a preservation plan for the historic buildings and relics in the village as recommended by independent archaeological experts. The URA will give full and comprehensive consideration to preserving the village's history at the project planning level to incorporate the preservation elements into the development. Various preservation design requirements will be included in the land grant and joint development agreement as conditions, to ensure that construction carried out by the developer will fully accord with the required standards and quality.

This project was approved by the Government with the land grant executed in mid-year. Relevant preservation and construction works have been commenced, and the project is expected to be completed by 2030/31. The preservation park contemplated under the project will be open to the public, hence what used to be dilapidated village houses and buried relics will become a community facility to be enjoyed by all.

### Formulating a 'carbon reduction' approach to sustainable development

Promoting sustainable development lies at the core of successful urban renewal. In all of its projects, the URA has been working with its business partners to promote the concept of green buildings in areas covering design, construction, operation and reuse of building materials. A particular focus has been put on project planning to build a green community and improve the quality of the living environment. In recent years, we have proactively explored the applicability of different construction materials, such as the use of high-strength concrete and galvanised steel to enhance the corrosion resistance of buildings. Meanwhile, we are making efforts to optimise building design standards, which include optimising the structural layout covering pillars, beams and structural walls, and improving the buildings' overall stability and wind resistance, thereby extending their design life to 75 years. This will reduce their decay rate in the long run, minimising the carbon emissions associated with their demolition.

With sustainable development firmly embedded in our core business strategies, we are working in tandem with the Government to achieve carbon neutrality by 2050. Over the past year, we have reviewed business processes, policies and operation details to integrate carbon reduction targets into all aspects of our business and operations, thus working towards our long-term goal of 'zero carbon' emissions.



## Forging ahead to promote sustainable urban renewal on three fronts

Urban renewal requires sustainable efforts to create impact. The URA must become more agile to changes and challenges, in order to continue fulfilling its urban renewal role and facilitating long-term sustainable development. I see three aspects as being especially important:

- 1 Besides making proper project and financial planning by adhering to its prudent financial management and 'self-funding' targets, the URA will need to borrow from external sources in the next two to three years for additional cash flow to meet shortfalls in cash as the volume of property acquisitions for redevelopment projects increases. As such, we submitted our draft five-year Corporate Plan for the period 2023/24 to 2027/28 to the Financial Secretary at the end of last year, and proposed to raise our borrowing limit to HK\$25 billion from the current cap of HK\$6 billion. The proposal was approved by the Financial Secretary and the URA plans to borrow in phases, determining the appropriate mode, timing and amount of borrowing by taking into account market sentiment, the prevailing level of its financial reserves and the cash expenditure required for the relevant business plans.
- 2 We will need to improve the technical and financial viability of urban renewal projects by conducting large-scale area planning studies for different old districts, in order to formulate a macro and forward looking blueprint for urban renewal. Initial planning and design of projects in the reserve must be accelerated, so as to enable us to respond swiftly to market conditions with agile deployment of projects. The application of new planning tools and concepts such as 'Single Site, Multiple Uses' will continue, in order to enhance the feasibility and financial viability of our urban renewal projects.
- 3 We must continue to strengthen co-operation with the industry and allocate resources to implement URA's recommendations set out in the Study on New Strategy on Building Rehabilitation and assist owners in carrying out regular repair and maintenance work on both the exterior and interior of their buildings. Hopefully, this will slow down the pace of building decay and secure wider public acceptance of the 'preventive maintenance' concept.

## Working together for a better Hong Kong

Addressing urban decay is a collective responsibility that requires society as a whole to become involved and make sustainable efforts to take forward urban renewal.

I am grateful for the Government's continuous support through various means, providing financial and land resources to the URA to improve the feasibility of our redevelopment projects. During the three years of the pandemic, the URA has worked more closely than ever with the business sectors, NGOs and stakeholders in the districts to overcome difficulties, never ceasing to find ways of improving the living environment of residents in old districts. I would like to express my gratitude to all URA staff for their hard work, to the past and present members of the Board for their advice and guidance over the years, and to all parties in the community involved for their understanding and support.

Looking ahead, we need stronger efforts and increased resources to support our work against urban decay. I will work with members of the Board and our URA team to formulate suitable policies and initiatives, and continue to facilitate communication and co-operation between the URA and the Government, the business community and civil society to bring urban renewal to a new level in the coming years. Let us work together to make Hong Kong a more vibrant, liveable and low-carbon home for everyone.

**CHOW Chung-kong**, GBM, GBS, JP  
**Chairman**  
31 July 2023