

Chairman's Statement

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Mr Wong and his family are happily settled down in a public housing unit at Hoi Fu Court in Tai Kok Tsui as a result of URA's special measures for this unique project at Ma Tau Wai.



Mr Barry CHEUNG Chun-yuen, GBS, JP

Realising our Mission and Embracing New Challenges

The year brought a harsh reminder of the grim legacy of past neglect with which the URA must contend. The collapse of a five-storey building in To Kwa Wan left four people dead. This disaster highlighted the daily threats posed by many of the 4,000 privately-owned buildings in Hong Kong, which were built 50 or more years ago and are now worn out by years of over-utilisation and inadequate maintenance. The unpleasant reality for Hong Kong is that urban renewal remains a matter of life and death. This is evident from the tragic loss of lives and homes on Ma Tau Wai Road, as well as the dreadful living conditions under which some 110,000 residents continue to endure in buildings where their health and safety may be at risk. It is a matter of pride that the URA and its staff were able to assist rapidly and so effectively with this incident. It has left us more determined than ever to continue our mission to rid Hong Kong of housing that is not fit for its people.

This year also brought more constructive challenges about how to protect the environment and to preserve

the best of Hong Kong's legacy. These two goals are key priorities for the Government, and the URA has been given an increased role in meeting these commitments. We want to update our mandate and match it with the changing needs and aspirations of Hong Kong people, as well as with the rise in prosperity and sophistication. This new dimension to the URA's programme has been demonstrated by our Wing Lee Street project in Central. Thanks to the Chief Executive's "Conserving Central" plan, we were able to respond to widespread public support to protect the historical character of this area by preserving all the tenement buildings on this street.

The Government's decision to launch a review of the Urban Renewal Strategy (URS) was especially welcome because it raised public awareness of the importance of urban renewal in so many aspects of daily life, from basic living standards for so many families to the amenities and heritage enjoyed by the entire community. Within the organisation, management has already started to search for new initiatives to upgrade existing policies

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and procedures in the light of public response to the URS consultations. We are confident that the URS will improve the capacity of the Government, the URA and stakeholders to work together to eradicate the pressing problem of urban blight and to improve the lives of some of the most unfortunate members of our society.

Return to Surplus

The community rightly expects value for money from the URA, and funding our projects is an important factor in ensuring their success. The Government has waived a total of HK\$4.5 billion land premium in support of urban renewal in the past nine years. In 2009, the URA was fortunate as it faced a substantial rise in demand for new and more costly projects. As a result, it achieved a very large swing to surplus in its accounts and marked a major change in our ability to finance our programme. For the first time in our history, we were able to invite tenders for three major redevelopment projects during a single year, and the successful bidders made substantial up-front payments that will be used to cover the costs of our redevelopment programmes. Thus, for the year 2009, we recorded a net operating surplus of HK\$6.9 billion, reversing the net operating deficit of HK\$4.5 billion in the previous year.

The dramatic reversal also illustrates how the work of the URA is affected not only by changing social conditions and public attitudes but also by economic conditions. Changes in the business environment are particularly hard to manage because URA projects take at least six to eight years to complete. Over such long lead times, allowance has to be made for changing construction costs and potential inflationary pressures. Even more significant is the way that values, both of the buildings constructed and the sites on which they are erected, can rise and fall substantially, in line with property market prices.



URA Chairman Mr Barry Cheung (centre) announces the URA's additional measures to control sales of flat in its redevelopment projects. Next to him are URA Managing Director Mr Quinn Law and Director (Property & Lands) Mr William Wan.

The URA, however, is not profit driven. We start with a commitment to pay fair compensation to owners. Our commitment to social wellbeing means that, increasingly, we undertake urban renewal schemes which preserve and rehabilitate older buildings. These schemes do not generate financial surpluses. Thus, the funding of reconstruction projects to replace dangerous and dilapidated buildings depends very heavily on the tender results of URA's redevelopment projects and on the buoyancy of the property market.

Our estimate is that we will need to spend over HK\$16 billion during the next five years to meet the costs of the projects in our current plan. For the present, we have the buffer of an accumulated surplus, which will enable us to fulfill our mission more effectively. But inevitably, the property cycle will turn downwards at some point, and we will again be exposed to market risks. It was to counter such volatility that we were well capitalised by the Government at our inception. Even so, last year we began to diversify our funding through our first ever bond issue, in order to ensure we have ready access to funds from the capital markets when required.

The Year's Highlights

What happened at Ma Tau Wai demanded a personal as well as a professional response from the URA and its staff. It was vital that we went to the scene of the disaster to find out the local community's most urgent needs. The importance of our social mission was reinforced as tenants told us of their fears of being unable to find anywhere comparable to move to, while owners worried that they could not hope to get a fair price for their property. It was important, for example, to talk to the residents in neighbouring buildings. Their fears of suffering similar tragedies reinforced the case for urgent inspections of buildings of similar age and maintenance conditions.

Within weeks, we were able to rehouse 42 tenants in public housing that was in most cases, far superior to the conditions they had been living in. We also compensated with cash, another 81 tenants who were not qualified for public housing. Owners, meanwhile, were greatly relieved, as well as pleasantly surprised, by the initial compensation they received.

Listening to the community has been at the core of our work for many years, and it inspires the constant drive to review and refine our approach to urban renewal. During 2009, the URA introduced initiatives in seven areas to improve its performance in serving Hong Kong.

1. Fair Markets

Of particular public concern during 2009 was the danger of restrictive practices in the property market. The URA took the lead in responding to the community's aspirations by announcing eight measures to improve "consumer protection" for buyers of flats in URA projects. These measures are designed to enhance fair play in our property sales; to give priority to genuine

end-users who wish to buy these units; to tighten control over the accuracy of information about sales published by our joint venture partners; and generally to impose better standards of disclosure and transparency about sales transactions.

2. Social Responsibilities

We increased our efforts to integrate environmental and social goals into our projects. Lee Tung Street in Wan Chai, for example, incorporates comprehensive measures to improve environmental protection. We estimate that these will cut carbon dioxide emissions by nearly a quarter. We are also incorporating elderly-friendly design features in our developments, such as our project on Lai Chi Kok Road / Kweilin Street.

3. Revitalising History

Preserving the essential character of neighbourhoods while upgrading them is another aspect of our work that has seen further progress. Lee Tung Street itself, together with nearby McGregor Street, will incorporate a "Wedding City" theme. Our solution for the old Central Market will create a "Central Oasis", offering the public new relaxation and leisure facilities in the busy Central district. We similarly plan to turn the run-down Pak Tze Lane in Central into a high-quality public open space. It was here that many of the political meetings took place at the start of the era of modern China. Because of its historical importance, the lane will be thematically redesigned to reflect its significance in the 1911 Revolution. In Mong Kok, we are in the process of revitalising five streets, where we will maintain their original character but upgrade their appearance. The outcome should appeal not just to residents but to the community as a whole.

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4. Preserving the Past

Conserving buildings themselves is another area where we have increased our activities. The URA is currently engaged in preserving 60 historical buildings. This programme began with a shophouse conservation scheme that we announced in 2008 and started in 2009 in Mong Kok, at Prince Edward Road West and Shanghai

Street. Here, we are preserving, restoring and adapting for re-use two clusters of Cantonese verandah-style shophouses in a scheme that is supported by public. Work has also begun on other shophouses of lower heritage value that we have identified for preservation through our Voluntary Acquisition and Restoration Schemes.

5. Affordable Homes

We have been making every effort to ensure that when we have to redevelop sites, we contribute to the stock of housing targeted at the mass market, another important social goal. Since 2001, residential property prices have risen by around 80%, according to the Rating and Valuation Department and real estate agency Centaline. This has made affordability more important than ever

to our community. Currently, some 70% of all units in URA projects due to be sold in the next 18 months are the popular size units of less than 500 square feet in saleable area. The 420 units we plan to build in Ma Tau Wai will all fall into this category, and we intend to maintain an appropriate balance in future projects.

6. The Statistics of Squalour

There are still more than 110,000 people living in squalid conditions across Hong Kong. Over 3,000 of the 18,000 buildings which are over 30 years old are in either poor or deteriorating condition, with more falling into disrepair every year. Our current projects will help some 33,000 residents to improve the conditions under which they live.

The disaster at Ma Tau Wai has raised public awareness of the urgency of the URA's rehabilitation drive. By the



Secretary for Development Mrs Carrie Lam and URA Chairman Mr Barry Cheung visit a roof top resident on the day of the commencement of the Ma Tau Wai Road/Chun Tin Street project.

time our current programme is completed, it will have benefited some 40,000 owners of apartments in over 500 buildings. But this is only the first phase. We aim to expand our role in the rehabilitation of buildings and, to this end, we plan to establish urban renewal service centres that focus on this aspect.

We are also contributing HK\$150 million to the start-up capital of "Operation Building Bright", which the Government announced in February 2009. This initiative combines building rehabilitation with job creation. We anticipate that 1,300 buildings in URA areas will be rehabilitated under this scheme.

7. Community Involvement

Our goal is to achieve even greater transparency and community involvement. Future plans for urban regeneration will start at the district level, and the public engagement process will become even more "people-centred" and "bottom-up". In the older districts, "District Urban Renewal Forums" should be set up, with a mix of government, URA, NGO, and business and professional representatives, so that they can provide input for the planning process. We are pleased to learn that a consensus on this has emerged from the URS Review.

We are also promoting a policy of giving greater choice to those living in buildings or districts that are in urgent need of renewal. We are working on schemes that will enable owners to devise their own redevelopment or rehabilitation programmes, with the URA acting as a facilitator.

Compensation arrangements have also been reviewed. Although our existing scheme is properly generous, we have identified areas for improvement. We are considering whether there are elderly non owner-occupiers who deserve to be offered even further help. We will also consider giving some residential owner-

occupiers the option of purchasing a new flat in-situ and at market prices that will be fixed when URA makes its acquisition offers. This move would allow them to continue to live in the same neighbourhood after redevelopment and enjoy their long-established social networks. For shop owners, although "shop-for-shop" compensation is not a realistic option, we are examining how it might be possible to assist small shop operators to resume business as tenants in their neighbourhoods, once a redevelopment project has been completed.

Conclusion

An important finding from the URS Review is that urban renewal projects have a "positive economic impact on the district concerned" and that "this impact is often more profound than the financial impact of the project itself". This demonstrates that urban renewal is of real and lasting benefit to the community, and is money well spent. But more important still is the difference that the URA can make to the quality of life of the entire community.

We remain determined to do all that we can to meet the goals set for us by the Government and by the community: to provide decent homes for those still living in poorly maintained and unhealthy slum tenements; to revive blighted neighbourhoods; to create jobs and promote economic growth; to enlarge the supply of affordable housing; to protect the environment; to preserve our architectural heritage; to expand the community's opportunities to shape the renewal of their neighbourhoods; and to ensure full value for money from the resources which the Government entrusts to the URA.

Barry CHEUNG Chun-yuen

Chairman

31 July 2010