



Mr Victor SO Hing-woh, SBS, JP

CHAIRMAN'S STATEMENT

Realising Long-Term Goals of Urban Renewal Strategy through Diversified Approach to Urban Regeneration

The 2017/18 financial year has seen the URA achieve good progress and results in various areas of work with unremitting efforts of our entire team. During the year, the URA recorded an operating surplus of \$12 billion, most of which came from the upfront payment from the tender of Peel Street/Graham Street Project (Site C), and other projects that we originally predicted to suffer a loss but turned out the amount of loss was lowered, or even finished up a surplus, when the account of those projects was settled. However, this optimistic financial condition is exceptional, as projects like the one at Peel Street/Graham Street, which is located in the core business district of Central for commercial development as office, hotel and retail uses, is uncommon. I believe we will not have similar projects in the future that possess high development potential and can bring in such operating surplus.

Notwithstanding its surplus, the URA has been facing with high development costs as the acquisition costs of redevelopment projects have been driven up by rising property prices. For instance, the acquisition offer made by the URA in accordance with the 7-year rule, which is the unit rate of a notional replacement flat of seven years old situated in a similar locality, for a project in Central and Western District in the year under review exceeded \$23,000 per sq. ft., a 130% increase in the acquisition offer made at around \$10,000 per sq. ft. in 2013 when I was appointed the Chairman of the URA. At the same time, in 2017/18, the total value of these types of immovable properties, which include the properties acquired and being acquired by the URA, preserved properties and the four rehousing blocks, has increased by 60% to nearly \$26 billion, representing more than half of the total net assets. As the URA commences more redevelopment projects in larger scale, the amount of immovable properties acquired from projects will increase accordingly and at the same time, the amount of money that needs to be allocated for acquisition will continue to increase, thereby reducing liquidity and bringing financial pressure on the URA. Furthermore, in the face of the uncertain global economic outlook, the URA needs to be more prudent in managing its finances, so as to maintain a good financial position in the long term for ensuring sufficient resources to support the sustainable development of urban renewal.

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As our redevelopment projects that were commenced under the "district-based" approach become bigger in size and involve more property titles, related acquisition work when projects are being implemented becomes increasingly complex, making the redevelopment process longer. Adding to the challenge for the URA is a strong demand for public housing units, not only from the general public but also from tenants affected by the URA's redevelopment projects as most of them opt for rehousing to public housing units instead of accepting the ex-gratia allowance provided by the URA. The increasingly long queue for public housing has made the URA's efforts in rehousing eligible tenants to public housing units more time-consuming, hence prolonging the acquisition and rehousing processes and subsequently the time to take a redevelopment project from commencement through acquisition to completion. If we look back in the early days when the URA was established, this whole process took only about six years, but now it is at least eight to ten years or even longer.

These challenges will undoubtedly put pressure on the operation and finances of the URA. Nonetheless, the URA will continue to take forward urban renewal under the planning-led strategy and approach, for we believe that the "district-based" approach will enable us to better achieve the objectives stipulated in the Urban Renewal Strategy and bring in greater planning and social benefits to the community.

Commencing Strategic Studies to Facilitate Sustainable Urban Renewal

Owing to the current implementation model and development constraints, coupled with the obstacles in pushing forward urban renewal, no matter how fast the URA and private developers undertake their redevelopment projects, the pace still lags behind the speed of urban decay and the ageing of buildings. Moreover, in view of the situation that many old buildings have used up its plot ratios or have even exceeded the limit under the current planning regime, redevelopment of these dilapidated buildings means the development potential of the remaining plot ratio, if any, is insignificant. Urban regeneration should be a continuous process to cope with urban decay in the long run. Thus, it requires efforts from all sectors to formulate more effective urban renewal models with new mindsets, based on insights generated by the strategic researches, to cope with the difficulties and challenges of urban renewal.

With this strategic direction in mind, the URA Board

approved in mid-last year the commencement of "Yau Mong District Study (YMDS)", which will adopt a forward-looking and planning-led approach to explore more flexible and effective strategies for undertaking future urban renewal work. This will include, amongst others, the "Public-Private Partnership" model, adopted by the former Land Development Corporation, for urban renewal to be more diversified and efficient through encouraging participation of different stakeholders in urban renewal work.

Apart from regenerating old districts through redevelopments, the URA Board and Management team are also well aware that preventing the ageing of buildings and avoiding them from being dilapidated and called for demolition overearly, are crucial to the work of urban renewal. To this end, the URA commenced a study on New Strategy on Building Rehabilitation last year that aims to understand comprehensively the conditions of buildings in Hong Kong, such that specific strategies targeting buildings of different ages can be devised to strengthen owners' awareness and responsibility in carrying out building repair and maintenance, and to promote a preventive maintenance culture. The study will also review the implementation and limitations of the current regulations, which upon completion, the URA will look forward to proposing appropriate amendments to the Government.

Encouraging Application of New Technology to Keep Pace with the Times



Officiating at the Building Rehabilitation and Smart Tender Concession Scheme Info Truck Launching Ceremony.

As we embrace the new age of technology, digitalisation and artificial intelligence, the URA is actively utilising innovative information technology to enhance its efficiency. In terms of the application of Building Information Modelling (BIM), not only is the



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

URA adopting the technology in its redevelopment, preservation and revitalisation projects, but we are also looking into the possible application of BIM technology in building rehabilitation as well as on facility management. This will enable a better management and more accurate plan in all stages of the work progress of rehabilitation projects. By utilising the comprehensive building data in BIM and integrating them with Building Management System, the efficiency and effectiveness of property management and maintenance would be greatly enhanced.

At the same time, the URA has continued to invest resources to provide different kinds of training and development opportunities for URA colleagues, specifically to encourage them to thirst for innovative thinking and new application of technologies, so that they are able to think divergently, stay abreast of the times and become resourceful, thus enhancing the effectiveness of their work.

Responding to Social Needs While Maintaining Financial Sustainability

During the year under review, the Ma Tau Wai Road/Chun Tin Street Project was assigned as a "Starter Homes" (SH) Pilot Project in response to the Government's new initiatives on housing. Under the Pilot Project, 450 units will be sold at a discounted price that is below market value to help high-income earners and families who are not eligible for the Home Ownership Scheme and cannot afford private housing, on home purchase. In support of this housing initiative to provide an additional home purchase choice to meet public's home ownership aspirations, the URA Board agreed to assign its Ma Tau Wai Road/Chun Tin Street Project, commenced years ago with a lower development cost when acquisitions were conducted at much lower prices back then in the market, as "Starter Homes" to be sold below market

price. Notwithstanding this, should the URA is required to implement another subsidised housing projects of this kind in the future – which would mean selling projects that have been acquired at high costs according to the 7-year rule in recent years, for prices below market value – it would lower the revenue from these projects, thus creating pressure on URA's financial sustainability going forward. In this regard, the URA should prudently manage the risks and explore options that can provide a balance between responding to social needs and maintaining a sustainable development of urban renewal.

Moving Forward with Concerted Efforts

I would like to take this opportunity to express my sincere gratitude to the members of the URA Board for their commitment over the past year in providing support and guidance, through their active participation, among others, at the brainstorming sessions and workshops, to drive the URA team to ensure all works and formulation of strategies were carried out at their best. In particular, their approval for carrying out three strategic studies which will be conducive to our exploration of new directions and models for the sustainable development of urban renewal.

In addition, I would like to offer my sincere thanks to the Management and the entire URA team for their hard work towards urban renewal and for sharing many achievements of the Authority together, which I feel so privileged, not only over the past year but throughout my time as Chairman.

Victor SO Hing-woh, SBS, JP
Chairman
31 July 2018