

CHAIRMAN'S STATEMENT



Mr CHOW Chung-kong, GBM, GBS, JP

Building Reserves for Sustainable Urban Regeneration with Infinite Possibilities

In my last report, I stated that Hong Kong was facing challenges from the COVID-19 pandemic and economic downturn. This would require the URA to exercise more care and financial prudence to ensure a sound and secure footing for sustainable urban renewal. We have also committed, where our ability permits, to taking on more social responsibilities to support the public through this difficult time.

As we all know, Hong Kong has been hit by several waves of the pandemic causing serious disruptions to businesses. The URA was not an exception. However, these disruptions were mitigated by the perseverance and responsiveness of the URA team. They made use of various innovative technologies to resolve many of the obstacles. I am pleased to report that good progress has been made in various areas of our work, and the pace of urban renewal has not slowed down.

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Forging ahead on different fronts

Over the past year, we accelerated the redevelopment process of eight projects, striving to complete site formation as soon as possible. Tender invitations are expected to be launched within 2021/22. These projects are expected to yield a total of about 2,900 new residential flats.

Meanwhile, the redevelopment of buildings under the Civil Servants' Co-operative Building Society (CBS) Scheme, which the URA has undertaken as pilot projects, has made encouraging progress. Notably, authorisation has been obtained from the Secretary for Development for the Shing Tak Street/Ma Tau Chung Road Development Project. The URA offered free legal consultation services and other support to complete the dissolution process for this CBS in about one year. This is much shorter than the time that would be needed for CBS members to complete the process on their own, which usually takes two years or more. We will issue offer letters in August 2021 to all the owners, enabling them to consider selling their properties. This redevelopment project is of great significance. On the one hand, it can improve the built environment and residents' quality of living; on the other, it can optimise the development potential of the land to increase housing supply. Upon its completion, the project will provide about 640 new flats, more than three times the current number.

In addition, the URA and The Hong Kong Settlers Housing Corporation Limited (HKSHCL) are jointly working on the Tai Hang Sai Estate Redevelopment project. After signing a memorandum of understanding in March 2021, the two parties have commenced preparations in their respective areas of responsibility. We intend to submit this project to the Town Planning Board for approval as early as the third quarter of 2021. The URA is putting the final touches on the detailed planning work within the Master Layout Plan, including

the layout of buildings, the number of flats, additional community facilities and open spaces. The HKSHCL, for its part, is responsible for formulating the tenant relocation plan and making best efforts to cater for their needs. This includes providing subsidies and helping them find temporary accommodation during the redevelopment period, as well as devising a plan for the tenants to move back upon completion of the redevelopment.



Following the dissolution of the last Civil Servants' Co-operative Building Society, the URA will enter the next milestone of the Shing Tak Street/Ma Tau Chung Road Development Project with issuance of acquisition offers to all owners.

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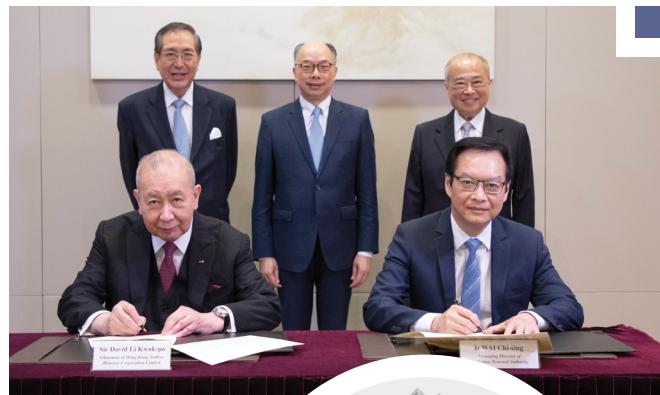
The plot ratio of this project will be used to optimise land use. After the redevelopment, 1,300 flats will be used for rehousing existing tenants and about 2,000 new 'Starter Homes' could be ready for pre-sale in 2026 at the earliest. In view of the scale of this project which involves extensive relocation work and substantial construction costs, the URA is setting aside about \$10 billion from its own resources over the next seven years for its implementation.

In the meantime, the URA is forging ahead with the second phase of 'eResidence' – the Chun Tin Street/Sung Chi Street Project in Hung Hom, aiming to provide about 260 Starter Homes in 2023 to be sold at a discount to market value, to meet the needs of 'First-time' Hong Kong property buyers at affordable prices.

With the target of prolonging buildings serviceability and to slow down urban decay, the URA has invested substantial resources in administering a number of building rehabilitation subsidy schemes across the city, including Operation Building Bright 2.0, the Fire Safety Improvement Works Subsidy Scheme, the Lift Modernisation Subsidy Scheme and the Building Maintenance Grant Scheme for Needy Owners. So far, we have approved more than 4,000 applications involving approximately 150,000 residential units. In addition, since May this year, we are also assisting the Government to implement the Building Drainage System Repair Subsidy Scheme. Besides helping property owners improve their living conditions, this scheme will also contribute to Hong Kong's anti-pandemic efforts.



URA explains to the public about applying for various building rehabilitation subsidy schemes and provides technical support to owners for organising maintenance work.



The URA and Hong Kong Settlers Housing Corporation Limited sign the memorandum of understanding for redeveloping Tai Hang Sai Estate.



These building rehabilitation assistance schemes involve the management of over \$19 billion of public funds. In order that the entirety of these money are used by eligible and needy property owners, the URA bears all the administrative costs and staff expenses of these schemes, which reached \$120 million last year alone. In the next few years, we anticipate a sum of about \$2.1 billion would be required to complete these schemes.

In other areas of urban renewal work, the URA has invested \$500 million in the preservation and revitalisation of the Central Market Building, an important historic landmark in the heart of our city. Upon completion of the restoration and revitalisation works in the fourth quarter of 2020, we entered into a ten-year contract with Chinachem Group in March 2021 for joint operation and management of the Central Market. Indoor fittings and preparation for an operating plan are well underway, and the heritage site is expected to be open for public enjoyment in the third quarter of 2021.

“The URA strives to promote urban renewal in a sustainable way. To this end, sound financial planning and flexible resources deployment in line with market conditions are critical.”



Chief Executive, Mrs Carrie Lam, visits and learns about the preservation and revitalisation of the Central Market.

Striving to fulfil social responsibilities

URA is very much part of Hong Kong. In addition to our main responsibilities of urban renewal, we give back to the community in many various ways. Given the severe impacts of the COVID-19 pandemic on people's livelihoods, we have provided rent relief to our domestic and commercial tenants, so as to help them through this difficult time and to preserve jobs. So far, the amount of rent relief has exceeded \$120 million. As a further initiative to help fight the virus, we have also worked with district organisations to support residents living in cramped environments and poor sanitary conditions in old districts, including efforts to improve the environmental hygiene of common areas and inside the residents' homes.

Planning for the future

The URA strives to promote urban renewal in a sustainable way. To this end, sound financial planning and flexible resources deployment in line with market conditions are critical.

URA relies on payments from tendered projects to replenish its cash flow for further acquisition of property titles of old buildings of other projects and related construction costs. Only then, future redevelopment projects can be launched in a sustainable manner. In 2020/21, the URA had a fiscal surplus of over \$140 million, with about \$9 billion of cash in hand. As a number of projects will be put up for tender in the coming year, we estimate that our cash position will increase to about \$20 billion by the end of March 2022, which will support our efforts to progress several redevelopment projects and accelerate the pace of urban renewal.

In light of this relatively strong financial position, the URA has formulated its largest ever Corporate Plan for the next five years, which has been approved by the Financial Secretary. This Corporate Plan covers a number of new redevelopment projects under planning which, together with on-going projects carried forward from previous years, will incur a total development cost of more than \$100 billion.

Building reserves for long-term development

In the long run, facing the challenges of lengthy development cycle, high acquisition costs and slow cash flow return, the URA must, in order to effectively implement its long-term '5Rs' strategies for urban renewal, forge ahead with four other initiatives to prepare itself for the future, namely:



(1) Planning Reserve

Over the past two years, the URA has conducted extensive planning studies in old districts including Yau Ma Tei, Mong Kok, Sham Shui Po, Kowloon City, Wong Tai Sin and Hong Kong Island East, covering reviews on the building conditions, land use, road planning and pedestrian environments in these areas. We have identified over 250 hectares of urban land with restructuring and replanning potential. Preliminary feasibility studies have been completed for some sites, which will be upgraded into the 'Project Reserve' for detailed design and technical study.

Besides redevelopment opportunities, the Planning Reserve also provides an overall planning basis for comprehensive urban renewal strategies integrating redevelopment, rehabilitation, preservation, revitalisation, and retrofitting, with a view to substantially improve the environment of old districts and the living standards of local residents.

(2) Project Reserve

So far, URA has ten projects in its Project Reserve, covering areas of more than 100,000 square metres for about 15,000 flats. Preliminary technical studies have been largely completed for these projects. They can be included into the Corporate Plan and submitted to the Government for approval in due course.

The establishment of a comprehensive Project Reserve allows URA the flexibility in project implementation in response to possible changes in the property market and economic environment, so as to reduce the impact of market fluctuations.

(3) Financial Reserve

To implement the projects in the reserve systems and enable sustainable urban renewal, the URA must establish a robust and flexible financial system which can be used to assess the URA's liquidity needs by taking into account factors such as cash flows, volatilities in the property market and changes in the external economic environment. In this way, we can formulate appropriate financial plans and choose the best time to start projects.

We will make good and full use of resources to take forward various urban renewal plans and projects, including exploring alternative funding opportunities. When necessary, we will raise funds in the financial market to pursue our objective.

(4) Regulatory Review

At a meeting of the Legislative Council in July 2021, the Chief Executive mentioned that the Government would examine ways to enhance urban renewal so as to tackle the ageing of buildings in Hong Kong and the associated safety and hygiene problems. Faced with the various restrictions on the development of old districts, the URA is also studying the introduction of new planning tools to optimise the potential of land use in old districts for urban renewal purpose.

In parallel, the URA will conduct comprehensive review of each stage of its project development and strive to improve its work processes, shorten the redevelopment cycle and accelerate cash flow returns, so as to speed up the pace of urban renewal.

Celebrating our 20th anniversary with renewed commitment

At the time of writing, the pandemic is levelling off in Hong Kong. While it has dealt a severe blow to the city's social and economic environment, the pandemic has also reminded the public that the living environment and hygiene of old districts cannot be ignored.

Over the past year, colleagues in the URA have worked diligently and proactively to mitigate the challenges posed by the pandemic. They use technology to ensure timely completion of freezing surveys and all relevant household follow-up work that are essential for the implementation of our redevelopment projects. I thank them for their outstanding achievements.

I would also like to extend my gratitude to all members of the Board for their support to the work of the URA and for their enthusiastic participation. Their insightful advice and guidance are most valuable and much appreciated.

This year marks the 20th anniversary of the URA, a period that has seen some significant changes to our role. Today, the URA takes on increasingly greater urban renewal and social responsibilities. Residents of old districts have shown increasingly stronger aspirations for a better living environment.

Looking forward, the URA will remain committed to its mandate of continuous urban renewal to improve our urban fabric and overall living environment of the residents. This could only be achieved by a holistic and forward-looking planning approach. The URA will play its part to make Hong Kong a better city for our and future generations.



Visiting with Board members to Hong Kong's first indoor bus waiting area at the Kwun Tong Town Centre Project, which incorporates various smart elements and air conditioning, providing the public with enhanced communal facilities.

CHOW Chung-kong, GBM, GBS, JP
Chairman
31 July 2021