



Mr CHOW Chung-kong, GBM, GBS, JP

CHAIRMAN'S STATEMENT



We employed a multi-pronged and flexible approach in project planning, building rehabilitation, and financial planning to advance urban renewal in an orderly manner. We have achieved many key milestones, and we have prepared ourselves to face future risks.



ESS
ON
限
Y
ON
GE
SMART
CHANGE

Rising to Challenges with Flexibility and Creativity to Sustain Urban Renewal

The year 2023/24 was a challenging year for the URA. Against the background of successive interest rate hikes, the global economic and market environment remained volatile. Hong Kong's economy experienced a slower post-pandemic recovery than expected. Increased mortgage pressure reduced the public's purchasing power in the property sector, while rising interest costs on financing prompted developers to exercise greater caution in their land bidding and pricing strategies. All these factors have put URA's project tenders and financials under pressure.

Over the past year, the URA had only one project, Shing Tak Street/Ma Tau Chung Road Development Project in Kowloon City, put out for tender. Awarded at HK\$1.934 billion, the project incurred a loss of nearly HK\$1.5 billion due to the "buy high, sell low" situation arising from the project tender price being lower than the initial acquisition cost amidst the property market downturn. The URA's upfront payment received for the year was 60 percent less compared to the previous year. In property acquisition, the URA in April last year, issued acquisition offers to about 830 property interests of the Kim Shin Lane/Fuk Wa Street Development Project, involving an estimated total acquisition cost of approximately HK\$8 billion.

As of the end of 2023/24, the URA recorded an operating loss of about HK\$830 million. With a provision for impairment on properties and committed projects of around HK\$3.1 billion, the URA reported a net loss of HK\$3.9 billion. Its net asset value stood at HK\$46.4 billion.

To tackle urban decay, redevelopment alone is insufficient. Regular maintenance and rehabilitation of buildings are essential. However, owners of older buildings often lack the necessary capabilities, knowledge and finances for carrying out building rehabilitation, impeding maintenance works and exacerbating potential safety hazards. The URA is therefore committed to promoting building rehabilitation and assisting property owners in fulfilling their repair and maintenance obligations.

In the past year, the URA faced these challenges with determination. We employed a multi-pronged and flexible approach in project planning, building rehabilitation, and financial planning to advance urban renewal in an orderly manner. We have achieved many key milestones, and we have prepared ourselves to face future risks.

CHAIRMAN'S STATEMENT

Innovative Planning to Create Greater Benefits

The URA exercises due care and diligence in the handling of its finance. Under this principle, the URA adopts a strategic planning approach when launching redevelopment projects. Government lands and sites with outdated community facilities are incorporated into projects so as to maximise land resources and yield greater planning benefits. At the same time, we carefully plan the scale of development projects to manage the acquisition costs of property interests.



The strategic planning of Sai Yee Street/Flower Market Road Development Scheme enables the project to maximise land resources and yield greater planning and social benefits. Among them is the building of Waterway Park with an "Urban Waterway" as "blue-green feature" for public enjoyment.

The Sai Yee Street/Flower Market Road Development Scheme, commenced in March 2024, exemplified the application of the aforementioned principles. The project, which involved fewer property interests and was less capital-intensive, adopted the "Single Site, Multiple Use" model for diverse and mixed development to make the full use of lands and to generate substantial benefits. In addition, the development potential of small and scattered sites in the Flower Market area will be consolidated into a strategically located larger site through adopting the Transfer of Plot Ratio ("TPR"), hence optimising the overall development potential and incentivising private developer participation.

In Development Areas 4 and 5 of the Kwun Tong Town Centre Project, the URA introduced the "vertical city" planning concept to enhance development capacity and potential by incorporating residential use into the development. Meanwhile, we adopted the use of "floating planning parameters" to provide developers with increased flexibility in allocating floor space for residential, office, hotel, and other commercial functions, adapting to evolving market conditions. Resubmission of planning applications is unnecessary as long as they are within the development parameters and the total gross floor area of the project remains unchanged. These innovative and flexible planning proposals are devised to enhance the development potential and planning flexibility of the project, making it more attractive to private developers. In April 2024, the Town Planning Board agreed to the amendment of the zoning of Development Areas 4 and 5 and submitted it for approval of the Chief Executive in Council.

The Nga Tsin Wai Road/Carpenter Road Development Scheme in Kowloon City (Nga Tsin Wai Road Project) is another recent project launched under the "planning-led, district-based" approach. This project is distinguished by its sheer scale and complexity, involving over 1,000 property interests and engaging a diverse range of local stakeholders.

In the past year, the URA has been progressing the Nga Tsin Wai Road Project through a comprehensive approach that includes redevelopment, building rehabilitation, preservation and revitalisation. The aim is to enhance the district's overall living environment and landscape by integrating existing aged buildings and community facilities with new developments, fostering a harmonious blend of the old and the new.

The Nga Tsin Wai Road Project also proposed a new Joint-user Government Complex (JUC) within the Carpenter Road Park area to house the relocated Kowloon City Wet Market and adjacent community facilities. Alongside the new JUC, the URA will also upgrade the park's leisure amenities, enhance its connectivity with the surrounding community, and improve accessibility for the public's benefit.

The URA has also introduced the District-based Building Rehabilitation Pilot Scheme, offering financial assistance and technical support to the owners of about 40 buildings located in the vicinity of the project to facilitate timely repair and maintain the buildings that do not require immediate redevelopment.

The Lung Shing area of Kowloon City has long been known for its vibrant market activities and the Chiu-chow and Thai dining culture. To preserve these local characteristics, the URA has consulted with the shop operators to incorporate their perspectives into the project plan and design, enabling the development of suitable relocation or transitional arrangements to accommodate their operational needs. Through these arrangements, we hope to encourage shop operators to sustain their businesses both during and after the completion of the project, thereby preserving the market's atmosphere and local characteristics.

At the end of April this year, the URA extended acquisition offers to over 1,000 owners of domestic and non-domestic properties within the project. By the end of July, more than 70 percent of the owners had accepted the offers. Additionally, we received favourable responses regarding our proposed relocation and transitional arrangements from the shop operators.

Supporting the Government to Implement Policies within our Ability

The URA strives to support the Government's policies and allocates resources to implement various initiatives.

Last year, the URA launched the sale of 260 Starter Homes (SH) units of eResidence Tower 3 in Hung Hom for eligible applicants. Sales of these SH units for first-time home buyers were completed at the end of March this year, with 173 units sold, accounting for 67 percent. Additionally, the demolition works for the redevelopment project of Tai Hang Sai Estate, a joint project with the Hong Kong Settlers Housing Corporation Limited, is expected to commence early next year. This project aims to provide approximately 2,000 SH units upon its completion in 2030/31.

We are also making good progress in the pilot redevelopment project under the Civil Servants' Co-operative Building Society (CBS) Scheme at Kau Pui Lung Road/Chi Kiang Street in Kowloon City, with only one co-operative society, out of a total of nine, remaining to finalise the dissolution procedures. Together with the planned 950 SH units from this project, the URA will deliver about 3,200 SH units in total over the next few years to meet the growing home ownership aspirations of prospective flat buyers.

Last year, the Development Bureau established the Dedicated Office of Support Services for Minority Owners under Compulsory Sale and assigned the URA to set up an independently operated support centre to provide one-stop support services to minority owners at various stages of the compulsory sale process. In view of the lowering of the compulsory sale application thresholds, the URA is exploring enhancing its own Joint Sale Service to provide further assistance to owners in assembling property interests for joint sale. These two measures are expected to expedite the redevelopment of older districts and improve the living environment for residents.



Located at Cheung Sha Wan, the Support Service Centre for Minority Owners under Compulsory Sale offers comprehensive one-stop support services to minority owners at various stages of the compulsory sale process.

CHAIRMAN'S STATEMENT

Multiple Initiatives to Strengthen the Promotion of Building Rehabilitation

As mentioned in the introduction of my statement, building owners often encounter difficulties when they try to organise repair and maintenance work on their own. To address the issue, the URA has, in the past year, enhanced various measures to help owners carry out building rehabilitation. We have also worked closely with various Government departments and professional bodies to promote building rehabilitation and provide support to owners, enabling them to fulfil their responsibilities.

The URA has been assisting the Government in implementing various subsidy schemes for building rehabilitation and facilities improvement. As of June this year, the URA has approved more than 21,000 applications. The URA and the five Government subsidy schemes have benefited over 700,000 flat units, with a total subsidy amount of over HK\$2.8 billion being disbursed.

In April this year, the URA funded a new Preventive Maintenance Subsidy Scheme designed to promote the concept of "preventive maintenance" among property owners of newer buildings. The scheme encourages building owners to develop periodic property maintenance plans and build financial reserves to upkeep their buildings.

The first Building Rehabilitation Resource Centre (BRRC) in Hong Kong was opened to the public in July last year. Serving as a facilitation and educational hub, the BRRC is dedicated to enhancing the awareness and capabilities of building owners in organising building maintenance projects. Additionally, it provides meeting spaces for owners to discuss topics related to building maintenance concerns.

To align with the directive in the Policy Address to review the workflow of Operation Building Bright 2.0 (OBB 2.0), the URA, the Buildings Department and the Home Affairs Department jointly established a regular communication platform. This initiative aimed to help Owners' Corporations (OCs) involved in OBB 2.0 in effectively organising the necessary maintenance works and to facilitate the prompt appointment of registered inspectors and contractors for owners who have not yet complied with Government's mandatory inspection orders.

Additionally, the URA partnered with the Hong Kong Institute of Housing to promote the "Joint Property Management" (JPM) as part of the District-based Building Rehabilitation Pilot Scheme in Kowloon City. By assisting OCs of older single blocks in collectively engaging a service provider in property management, this initiative enables building owners to access property management services at more affordable rates, ultimately contributing to improved building conditions and living environment.

Overcoming Obstacles with Strategic Approaches

As urban renewal requires substantial resources, it is crucial for the URA to devise effective strategies and secure stable financial resources to progress urban renewal in a sustainable manner.

In the financial year 2024/25 and the subsequent year, the URA will initiate acquisition offers for five projects, with an estimated total acquisition cost of about HK\$30 billion. Together with other ongoing projects that commenced in previous years, and the redevelopment of the Tai Hang Sai Estate, the total expenditure on property acquisition and construction is projected to reach around HK\$64.3 billion. Given that the existing cash reserves of approximately HK\$18 billion fall short of covering these expenses, the URA has developed strategies to tackle this challenge.

In terms of securing a steady stream of revenue, the URA plans to put on tender three projects namely Kai Tak Road/Sa Po Road Project, Shantung Street/Thistle Street Project and Development Areas 4 and 5 of the Kwun Tong Town Centre Project in 2024/25. The upfront payments received from these tenders will replenish the required cash flow and support property acquisitions for upcoming redevelopment projects.

The URA is considering some innovative approaches in its project tender terms, aiming to enhance flexibility and appeal to prospective developers. This includes enhancing the criteria for shortlisting qualified developers and changing the payment terms for larger-scale projects like Development Areas 4 and 5 of the Kwun Tong Town Centre Project. We are exploring different options, including enabling developers to pay by instalments with a flexible payment schedule or through profit sharing. By easing the financial burden for potential developers, the URA seeks to attract a broader spectrum of developers to participate in our projects.

The URA has started preparing mitigating measures to address the potential cashflow shortage since it was first anticipated two years ago. Last year, the Financial Secretary increased the URA's borrowing limit from HK\$6 billion to HK\$25 billion. In April this year, Standard & Poor's affirmed URA's rating as "AA+" with a "stable" outlook, enhancing our creditworthiness in the market. The URA has completed update on Medium Term Note Programme which was subsequently listed on the Hong Kong Stock Exchange at the end of June 2024. This facilitates the upcoming multi-currency bond issuances for the fiscal year 2024/25. Concurrently, banking facilities via syndicated loans will also be considered to support the accelerated pace of urban renewal.

The long-term sustainability of our urban renewal efforts hinges on both financial and land resources. Embracing the principle of "making the best use of land resources and maximising development potential", Government lands and sites of community facilities will be incorporated into our development schemes and projects to unlock their development potential and achieve greater planning gains. Moreover, the URA will continue to deploy new planning tools and adopt the "Single Site, Multiple Use" model across additional projects in the old districts. This includes the Master Urban Renewal Concept Plans developed for the Sham Shui Po District Study and the Tsuen Wan District Study to bolster the technical and financial viability of urban renewal initiatives.

The Planning and Project Reserves established several years ago are measures we devised to help the URA navigate the changing market environment. These reserves cover redevelopment projects of different scales, enabling the URA to strategically launch the most suitable initiatives based on its cash flow status.

Unwavering Dedication to Sustain Urban Renewal

Throughout the past year, the URA team has surmounted numerous challenges to take forward urban renewal efforts in an orderly manner. I would like to extend my gratitude to the Government for its steadfast support and recognition of the URA's work, the invaluable professional guidance provided by Members of the Board, and the tireless efforts of every member of the team.



Presenting the Chairman's Award to one of the URA staff teams for their tireless effort and outstanding performance in the project of eResidence Tower 3.

The external environment is anticipated to continue to be uncertain and volatile in the upcoming year. The URA will adjust its strategies on a timely basis to tackle the challenges arising from the evolving market conditions. Upholding the principle of "making the best and full use of resources", the URA is dedicated to sustaining the momentum of urban renewal with the goal of enhancing the overall built environment and fostering quality living in the older districts for the benefit of the community.

CHOW Chung-kong, GBM, GBS, JP
Chairman
 31 July 2024