

Ir WAI Chi-sing, GBS, JP, FHKEng

MANAGING DIRECTOR'S STATEMENT



In the past year, the URA encountered both challenges and opportunities. Our team overcame each challenge with determination, adopting new mindsets that helped us achieve breakthroughs, hurdle obstacles and chart new directions in urban renewal.





Geared up with Thoughtful and Strategic Preparation to Embrace Challenges for a Sustainable Future

The year 2023/24 presented many challenges for the URA. Among these were the volatile socio-economic conditions, unstable property market and high interest rates that prompted developers to exercise greater caution in their bidding and pricing strategies. These factors also affected the revenue we received from the upfront payment of tendered projects such as the Shing Tak Street Development Project in To Kwa Wan, the only project tendered during the year. It was awarded at a price significantly lower than the cost of acquiring that property interests, which resulted in a “buy high, sell low” situation that put URA’s financials under pressure.

When I took on the role of Managing Director in 2016, the economy in Hong Kong was still thriving. At that time, I forewarned that any changes in the global economy, quantitative easing policies and interest rates could have a negative impact on the local property market. This would lead to the “buy high, sell low” situation mentioned above and, in turn, increase the URA’s financial risks.

In response, our team began exploring in advance, appropriate strategies to deal with potential market fluctuations that could hinder the progress of our urban renewal initiatives. The comprehensive strategies formulated by the team encompass overall planning, commencement schedules, implementation models and financial planning for our urban renewal projects. The team also adopted an innovative and pioneering mindset that has enabled us to tackle the challenges arising from the market changes of the past year. This forward-thinking approach will shape our urban renewal efforts and promote their long-term sustainability.

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Planning-led Approach to Maximise the Utilisation of Land Resources

One of the key highlights of the year was the commencement of the Sai Yee Street/Flower Market Road Development Scheme, the first project from the development nodes proposed in the Yau Mong District Study (YMDS).

In planning this project, we incorporated Government land and obsolete community facilities into the area for redevelopment in order to enhance the site's development potential and capacity. We also made good use of planning tools such as the Linked Site approach and Transfer of Plot Ratio ("TPR") proposed in the YMDS to restructure and replan the lands of small and scattered sites within the project area. Together with the "Single Site, Multiple Use" model for diverse and mixed-use developments, we plan to build a multi-purpose complex that accommodates existing facilities that will be upgraded to modern standards for both Government and public use. Such an approach aims to maximise the utilisation of land resources and generate significant planning benefits.



Through restructuring and replanning of land use, the Sai Yee Street/Flower Market Road Development Scheme will adopt the "Single Site, Multiple Use" model to construct a multi-purpose complex, and provide more than 200 public parking spaces and other loading/unloading bays to address current issues such as traffic congestion and the blocking of pedestrian walkways by loading/unloading activities (right).



In addition, our team exercised robust control over the scale and area of property acquisition, allowing us to minimise cash expenditures incurred in property acquisitions while enhancing the environment of the old district and maximise planning benefits.

In fact, the URA had earlier established a Planning Reserve for projects similar to the Sai Yee Street/Flower Market Road Development Scheme, where the extent of property acquisition is relatively modest. Planning Reserve refers to holistic urban renewal studies with feasibility and technical assessments in different selected districts. Once these studies are completed, a master concept plan and development parameters will be formulated for potential projects, thereby creating a Project Reserve. Currently, the Project Reserve comprises projects of different scales that can be promptly implemented in tandem with changes in the economy and property markets as well as the URA's cash flow.

Over the past year, the two Reserves have had a positive impact on the URA, allowing us to undertake projects that involve smaller-scale acquisitions yet offer significant development potential in a volatile economy and property market. These projects are expected to generate future cash flow and strengthen the URA's financial reserves, ensuring the sustainability of our urban renewal initiatives.

Planning Ahead for Complex Projects

The URA had anticipated the distinctive nature and intricate issues involved in the redevelopment of buildings under the Civil Servants' Co-operative Building Society (CBS) Scheme. For the Shing Tak Street/Ma Tau Chung Road Project and the Kau Pui Lung Road/Chi Kiang Street Project, the URA discussed practical solutions with different Government bureaux and departments for critical issues such as the dissolution of the CBSs, land premia, stamp duties and compensation packages in order to expedite their implementation. Free legal support was provided for these projects by a dedicated team and lawyers experienced in the dissolution of CBSs. They assisted with procedures such as applications for dissolutions, modification of land leases and approval of Deeds of Mutual Covenant, aiming to expedite the dissolution process and assist CBS members with the acquisition of property interests of their units.

During this exercise, the URA set several precedents in areas such as arrangements for land premia and stamp duties, as well as suitable compensation packages tailored to the unique nature of the projects. These innovative practices have been instrumental in ensuring a smooth implementation of the two CBS projects.

The joint development contract for the Shing Tak Street/Ma Tau Chung Road Project was awarded in December last year, with demolition works completed in March 2024. The site has since been handed over to the joint venture developer to commence construction. As for the Kau Pui Lung Road/Chi Kiang Street Project, only one of the nine CBSs remained in the dissolution process as of June 2024. Upon the completion of the project, 950 units for the Starter Homes (SH) Scheme will be delivered in support of the Government's housing policy.

An Innovative Tendering Approach to Increase Project Attractiveness

In the past year, the URA adopted a flexible and innovative approach to enhance the development potential and attractiveness of Development Areas 4 and 5 of the Kwun Tong Town Centre Project, with the aim of better positioning the project for future re-tendering. We retained the "floating planning parameters" mechanism of the project to give successful tenderers greater flexibility in allocating development floor space for different uses in response to evolving market conditions, without the need to resubmit planning applications or modify the land leasing terms. We also added residential elements to the project and, for the first time, introduced the "vertical city" planning concept. A zoning amendment application was then submitted to the Town Planning Board (TPB) for the mixed-use development featuring residential, office, hotel, and other commercial functions within a landmark building, maximising the planning benefits under the "Single Site, Multiple Use" approach.

The zoning amendment application was agreed by the TPB in April 2024. Given the scale of the project, we are breaking boundaries by promoting the project to both local developers and potential overseas investors to increase their understanding of the project, in particular, the "floating planning parameters" and "vertical city" concepts. After collecting their feedback on the planning and development of the project, we will make appropriate adjustments to the tender terms to accommodate their needs.

Our innovative strategies extend beyond project planning and implementation. We have also been exploring the possibility of revising the payment arrangement for large-scale redevelopment projects such as Development Areas 4 and 5 of the Kwun Tong Town Centre Project. Provided that our cash flow remains stable, we will consider allowing developers to pay in instalments or through other flexible payment schedules or profit sharing, instead of making a one-off lump sum upfront payment. These payment options will help reduce cash flow pressures on developers bidding for larger projects and encourage participation from developers of varying scales.



Incorporating elements of residential, commercial, office and hotel under the planning concept of the "Vertical City", the mixed-use development will shape the Kwun Tong Town Centre Project as an iconic skyscraper in the Eastern Gateway of Hong Kong.

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Along with these and other innovative measures, the URA in recent years has been committed to sustaining stable financial and cash flow conditions. With advanced planning and preparation, we are well-positioned to mitigate the impacts and risks arising from the uncertain global economic environment on our urban renewal projects.

To ensure an urban renewal programme is self-financing, about two years ago we began preparations for external financing in anticipation of future cashflow shortages so that the URA has adequate funds to meet current and future business needs. Our efforts in this direction included requesting an increase in the URA's borrowing limit from the Financial Secretary and co-ordinating with the credit rating agency to strengthen the URA's credit rating.

At the end of June, URA's Medium Term Note Programme was successfully listed on the Hong Kong Stock Exchange, paving the way for future bond issuances. At the same time, we are maintaining close liaison with our relationship banks to explore an alternative financing channel via syndicated loans. Together, we will conduct regular reviews of the arrangements under a dynamic management approach to secure the funds required for projects outlined in our Corporate Plan.

Along with external financing, we have also improved our cashflow via internal mechanisms. Over the past year, our team periodically reviewed the scheduled timeline for project tenders, cash flow status and future acquisition needs. Our aim is to enhance the co-ordination of tender and acquisition schedules to ensure that the upfront payments received from tenders can replenish the cashflow needed for upcoming acquisitions of other projects in a timely manner.

Moreover, we have been exploring ways to simplify the terms and conditions of tenders and reduce the complexity involved in project tendering. For example, the provision of Government, Institution or Community (G/IC) facilities is now excluded from tender documents, allowing developers to focus mainly on the development of residential towers and their ancillary facilities. We believe this will enhance their incentive to tender bids and hence improve the competitiveness of the projects.

The above efforts demonstrate that the URA has made comprehensive preparations to take forward urban renewal projects in both favourable and challenging times. We have also sought to overcome constraints through new strategic approaches to address the challenges and potential risks encountered in these projects.

Encouraging Property Owners to Take Responsibility for Building Rehabilitation

As the problem of ageing buildings is worsening, redevelopment alone is no longer sufficient. Effective building rehabilitation is critical for extending the service life of buildings, as this allows time to concentrate resources on the redevelopment of dilapidated buildings and accumulate resources for urban renewal works.

During the past year, the URA continued to promote building rehabilitation in three major areas: providing one-stop services for the implementation of the Government's subsidy schemes, enhancing owners' knowledge of repair and maintenance and offering them technical support, and formulating innovative measures to step up the promotion of building rehabilitation.

The URA also administers five Government-funded building rehabilitation schemes, covering building inspections, repair works of common areas, fire safety improvements, lift modernisation, drainage system repairs, and maintenance of self-use residential properties involving public funding of HK\$19 billion. To date, the URA has approved over 20,000 applications.



As building owners generally lack the knowledge and capability to organise building rehabilitation works, the URA established the first Building Rehabilitation Resource Centre (BRRC) in Hong Kong. Located at the URA's eResidence, the BRRC was officially opened to the public in July 2023. It offers a wide array of information in multimedia formats on building rehabilitation as well as video consultation services to assist owners in their real-time applications for the subsidy schemes. The BRRC further provides meeting venues to Owners' Corporations (OCs) and building owners for discussions of matters relating to building maintenance.

Launched in 2019, the Building Rehabilitation Platform (BRP) website is another resource providing comprehensive guidelines on organising building maintenance works, educational videos and tender document templates for owners' reference. Since the launch of the website, the URA has been enriching its content with new features such as the Cost Reference Centre and the Service Providers Directory. Both of these features familiarise owners with market prices for building maintenance works and help them engage quality building professionals/registered contractors. We believe that the BRP website will alleviate the concerns of building owners arising from a lack of knowledge and understanding and will encourage them to take up the responsibility of organising repair works for their buildings.

To date, the BRP has recorded over 1.8 million page views, highlighting its user-friendliness and popularity. To further enhance the content of the BRP, the URA gathered feedback from around 6,000 users of the platform during an online survey conducted last year. Their feedback will be used to enhance the platform's services for equipping property owners with the confidence and capability to undertake building maintenance on their own.

In 2022, the URA first applied an Integrated Approach to implementing urban renewal projects in the Lung Shing area of Kowloon City. This strategy incorporates redevelopment, building rehabilitation, preservation and revitalisation methods of urban renewal to improve the overall living environment, local streetscape, road network and community facilities in the area, while ensuring the smooth integration of existing structures with new developments.

Against this background we launched the District-based Building Rehabilitation Pilot Scheme, which offers tailored rehabilitation initiatives to building owners in the pilot area, including assistance for the formation of OCs for "three-nil" buildings and a new joint property management (JPM) model for single-block old buildings with OCs. The Scheme also introduces a special subsidy for façade face-lifting and roof waterproofing works, encouraging owners to organise rehabilitation works. Additionally, it provides subsidies for owners to engage work consultants for the preparation of building maintenance manuals and cost estimates for a 10-year maintenance plan. The Scheme also offers incentive interest so that owners are motivated to establish maintenance funds. To assist elderly owner-occupiers who lack financial resources, the Scheme provides maintenance materials and arranges to have volunteers undertake repair works inside their flats.

The URA will utilise the experience gained from the District-based Building Rehabilitation Pilot Scheme to devise a holistic and sustainable urban planning strategy, covering redevelopment and rehabilitation in parallel.



URA staff members promote the new Joint Property Management model to owners of "three-nil" buildings during home visits.

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Self-funded Subsidy Scheme for Preventive Maintenance – A New Building Maintenance Concept

At the start of my term as Managing Director, I recognised that the key to achieving sustainable urban renewal hinges on the effectiveness of building rehabilitation. I also believe that the guiding principle of “thinking ahead and taking precautions” is the cornerstone for building maintenance and repair, with the ultimate aim of slowing down the ageing of buildings from the source.

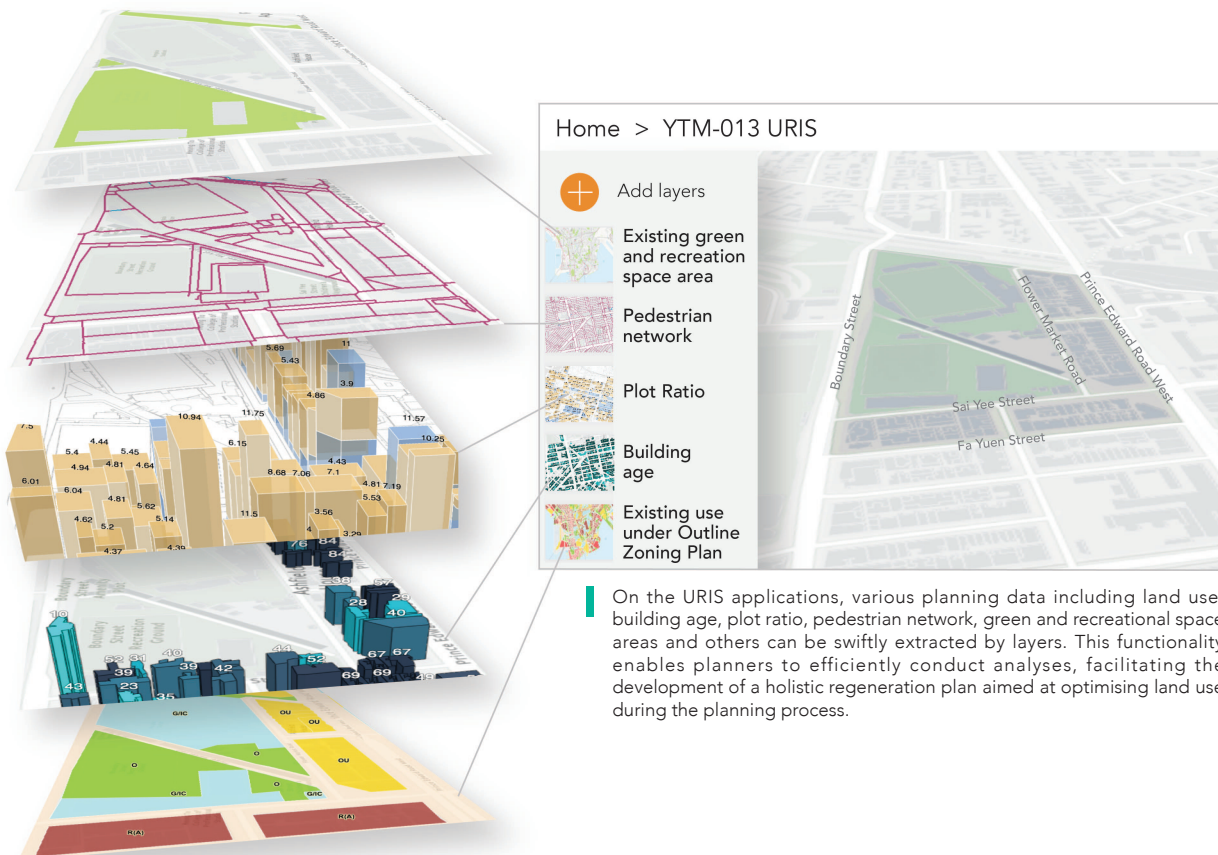
To this end, the URA launched a new Preventive Maintenance Subsidy Scheme in April 2024 that encourages owners to maintain the condition of their buildings by proactively conducting maintenance and repair works from a preventive standpoint. Owners of eligible buildings are also offered subsidies to cover the costs of compiling building maintenance manuals, with guidelines and templates to help them formulate a 10-year maintenance plan and estimate the associated costs. The Scheme also helps owners set up a dedicated fund for future maintenance needs, with interest incentives to motivate regular contributions to the fund.

The Scheme has been well received by owners and property management professionals. In the first quarter after its launch, the URA received a good number of applications, indicating owners’ acceptance of the preventive maintenance concept — an important milestone in promoting building rehabilitation.

Embracing Technology to Meet Future Requirements

The URA has always emphasised the application of innovative technologies to enhance operational and project management efficiency in urban renewal, examine future urban renewal needs and formulate viable strategies.

One example is our self-developed Urban Renewal Information System (URIS), which we have continuously optimised since its launch. This system comes with a series of applications that help strengthen the internal processing and analysis of spatial data and, in turn, improve efficiency in project planning, acquisition and clearance, financial assessment and technical studies.



Since 2021, we have also been utilising Three-Dimensional Intelligent Map (3D iMap) technology for the freezing survey conducted at the onset of our redevelopment projects. This technology provides real-time, on-site monitoring of survey progress and helps us deploy manpower more efficiently. We also analyse the living status and demographic data of households via the 3D iMap to expedite future acquisition and rehousing efforts.

To address the issue of ageing buildings, our Building Rehabilitation Division conducted a series of visual inspections of the interior and exterior common areas in approximately 10,000 buildings that are over 30 years old across Hong Kong. Staircases, corridors, rooftops and external walls were all examined and checked for concrete spalling, cracks and unauthorised building structures, among other potential problems. The data collected was subsequently inputted into the URIS for in-depth analysis of rehabilitation needs.

New applications under URIS are developed to collect data for projecting the condition and degree of deterioration of buildings in different districts. Combined with the URA's database, the system categorises all buildings in Hong Kong into different groups according to their management models, receipt of building inspection or repair orders, and history of building rehabilitation works. This allows us to assess each building's Rehabilitation Tendency and Rehabilitation Need. Through big data analytics, we are able to formulate more comprehensive programmes to promote building maintenance and repairs of targeted categories of buildings, and long-term strategies to prompt building owners to take up building rehabilitation and preventive maintenance, ultimately slowing down the ageing of buildings. I am delighted to note here that the URIS received the Winner of Research and Innovation award in the Building Surveyor Awards 2023 by the Hong Kong Institute of Surveyors, a firm endorsement of our innovative approach to urban renewal.

Artificial Intelligence (AI) has also been leveraged to improve work efficiency and service quality. Applying AI in urban renewal work, such as data and image analysis and speech-to-text conversion, allows us to expedite the processing of acquisition and compensation, building rehabilitation subsidy applications and general enquiries. As the scale and complexity of urban renewal works are expected to grow substantially in future, we are studying and piloting AI applications that automate business flow, accelerate work progress, improve accuracy and analytical power, and enhance data computation to support our decision-making and formulation of optimal solutions. With the application of AI, the URA can better cope with future challenges brought about by changes in the economic environment.



Paying a visit to an Artificial Intelligence (AI) technology company in Science Park with URA management and colleagues, and discussing the potential applications of AI in urban renewal work to address aggravating urban degeneration with more effective solutions.

Change for Good, Prepared for the Future, United in Building a More Colourful City

In the past year, the URA encountered both challenges and opportunities. Our team overcame each challenge with determination, adopting new mindsets that helped us achieve breakthroughs, hurdle obstacles and chart new directions in urban renewal. I extend my heartfelt gratitude to our team for their hard work and to the Chairman and Board members for their guidance and support of our innovative spirit.

Urban renewal is an evolving process. Despite fluctuations in the economic landscape, the URA team is well-prepared to tackle challenges and capitalise on opportunities. Looking ahead, we will continue to adopt innovative ideas to enhance the effectiveness of our urban renewal work and the benefits it brings to the community.

Nevertheless, for long-term sustainability in urban renewal, the involvement of the Government, business sector and the public is indispensable. To accelerate the pace of urban renewal, the Government should consider loosening the regulatory framework and offering incentives to encourage market participation. In the meantime, it is also necessary to strengthen statutory requirements so that property owners are prompted to proactively fulfil their responsibilities in maintaining their buildings in good condition, thus slowing down the ageing process. Only when we have more proactive participation from the private sector and property owners to combat urban decay, can we make steady progress towards the sustainable urban renewal of Hong Kong.

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Managing Director
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