

## LCQ3: Expediting urban redevelopment

Following is a question by Dr the Hon Wendy Hong and a reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (November 27):

Question:

Regarding expediting urban redevelopment, will the Government inform this Council:

(1) given that at present, when acquiring an owner-occupied property in an old district, the Urban Renewal Authority (URA) will calculate the compensation on the basis of the price of a seven-year-old building in the same locality, and it is learnt that while some owners are willing to accept the compensation calculated based on the prices of buildings aged over seven years in exchange for early redevelopment, the URA does not have a mechanism to handle such requests, whether the Government will consider reviewing the relevant mechanism jointly with the URA to provide room for exploring suitable compensation proposals with interested owners, thereby expediting redevelopment;

(2) given that while the URA's Flat-for-Flat Scheme allows owners affected by redevelopment projects to opt to purchase the Flat-for-Flat units reserved by the authorities as an option other than cash compensation, it is learnt that some owners have been forced to switch from buying to renting as the amount of the compensation they receive is insufficient to purchase the reserved units or private residential units, whether the Government will consider, when the supply of Home Ownership Scheme (HOS) flats increases in the future, extending the flat options under the Scheme to cover HOS flats, so as to enable the affected owners to maintain their status as owners at affordable property prices; and

(3) given that this year's Policy Address has proposed to study the cross-district transfer of plot ratios, whether the Government will consider implementing the transfer between two districts on a pilot basis and gradually extending it to multiple exchanges for one district, i.e. allowing concurrent exchanges of plot ratios between one particular district and multiple districts across the territory, and study allowing developers to convert the unutilised plot ratios of development projects into plot ratio credit that can be traded and circulated in the market to be usable in any project where transfer of plot ratios is permissible, thereby increasing the potential profitability of redevelopment projects, and increasing the incentives for market participation in redevelopment?

Reply:

President,

My reply to various parts of the question raised by Dr the Hon Wendy

Hong is as follows:

(1) The Urban Renewal Authority (URA)'s acquisition policy of seven-year old flat in the same locality (Seven-year Rule), which has been in place since its passage by the Finance Committee of the Legislative Council (LegCo) in 2001, is in line with the current compensation criteria for owner-occupiers of residential properties affected by land resumption by the Government.

In fact, majority of the acquired buildings are relatively old, many of them reaching 50 years or above. In comparison, the compensation policy of Seven-year Rule is indeed relatively generous. Nevertheless, this would facilitate the URA to take forward its redevelopment projects and thereby take the lead in enlivening other private redevelopment projects in the area. The relevant acquisition arrangement would also encourage private developers to make similar acquisition offers when acquiring properties for redevelopment.

Furthermore, the Government has been actively implementing various measures to expedite the redevelopment of old districts, such as the passage of the proposed legislative amendments to the Land (Compulsory Sale for Redevelopment) Ordinance by the LegCo in July this year to lower the application thresholds for compulsory sale and facilitate the redevelopment of adjoining lots. Subject to negative vetting by the LegCo, the amended Ordinance will soon come into effect on December 6 this year. Any proposal to tighten the URA's compensation criteria for property acquisition during this critical period may likely backfire. We will closely monitor the situation of urban renewal after the commencement of the amended Ordinance and consider whether there is a need to adjust the compensation criteria adopted by the URA. If necessary, we will conduct extensive consultations and hold in-depth discussions with stakeholders during the process.

The question suggests that if there were property owners willing to accept compensation with an amount lower than that offered according to the Seven-year Rule, the URA might consider proceeding with the project. Nevertheless, apart from financial viability, the URA has to take into account a number of other factors, such as the current building conditions, technical assessments, community benefits, etc, in prioritising the implementation of redevelopment projects. The URA will not advance individual redevelopment projects based on one single factor.

(2) The URA's Flat-for-Flat (FFF) arrangement enables owner-occupiers, who have received cash compensation under the Seven-year Rule, to choose to purchase replacement flats in the market, or residential flats provided by the URA at the redevelopment sites or at its Kai Tak Development in Kai Tak. According to previous surveys conducted by the URA, over 80 per cent of owner-occupiers, after accepting the URA's compensation under the Seven-year Rule, have purchased replacement flats in the market which suit their needs. Separately, the URA's records show that thus far, owner-occupiers of over 50 units have joined the FFF Scheme.

The Housing Bureau (HB) indicates that the subsidised sale flats (SSFs)

put up for sale by the Hong Kong Housing Authority (HKHA) aim to assist the low-to middle-income families who cannot afford private residential flats to achieve home ownership. Applicants are required to meet the income and asset limit requirements as well as the restrictions on residential property ownership. The SSFs are also subject to alienation restrictions.

As property owners affected by the URA's redevelopment projects have already been provided with reasonable cash compensation and ex-gratia payments according to policy, after consulting the HB, we consider it inappropriate to offer SSFs as an option to owners of private properties affected by the URA's projects under the principle of optimising the use of public housing resources to cater for the most needy families. Nevertheless, if these property owners are eligible to apply for the HKHA's SSFs, they may make relevant applications on their own according to the existing mechanism.

(3) In view of the rapid ageing of buildings in Hong Kong, we fully recognise the need to expedite redevelopment. The Government will continue to support the redevelopment work of the URA and will further encourage private developers to take forward redevelopment projects. The amendments to the Ordinance which I have just mentioned and which will soon come into effect are some examples. The URA will also enhance its joint sale service at the same time, so as to assist owners of old buildings to consolidate property interests for joint sale and strive for early redevelopment.

Moreover, the Government has embarked on a policy study to explore the use of newly developed land to create more favourable conditions for future URA and private redevelopment projects of old buildings. Among other things, we will consider allocating land in the New Development Areas (NDAs) for the construction of Dedicated Rehousing Estates for tenants primarily and also offer owners with buildings under the FFF Scheme, to provide decanting space for redevelopment of old districts. We will also study the feasibility of cross-district transfer of plot ratios, with the objective of transferring the residual plot ratios of redevelopment projects in old districts for use in the NDAs.

We have taken note of Member's proposals of multiple exchanges for one district and the trading of plot ratio credit freely in the market. Nonetheless, in order to achieve the objective of relocating the urban population to the NDAs for the purpose of implementing large-scale urban renewal and improving the living conditions in the urban areas, our preliminary view is that there is a need to specify the location of NDAs for the purpose of receiving the plot ratios. In addition, the transfer mechanism should be simple and easy to implement, and should avoid giving rise to speculative activities which will affect normal market operation. We will formulate preliminary proposals for consultation with stakeholders in the first half of next year.

Thank you, President.