

LCQ9: Urban renewal

Following is a question by Dr the Hon Starry Lee and a written reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (March 19):

Question:

It is learnt that recently, under the influence of various factors such as high interest rates, uncertainties in the global economy and adjustments in the local property market, private developers' wish to participate in urban renewal has significantly diminished, resulting in impediment to the progress of a number of redevelopment projects, including the "13 Streets" and "5 Streets" projects in To Kwa Wan. There are views that the Urban Renewal Authority (URA), as the primary organisation to drive urban renewal, must ensure that its redevelopment work will not be stalled by changes in the economic environment, so as to avoid any impact on the pressing demand of residents of dilapidated buildings for improvement in their living conditions. In this connection, will the Government inform this Council if it knows:

(1) whether the URA has assessed the specific impact of the current weak property market on urban renewal projects, including details of the delayed projects and the number of residents affected;

(2) whether the URA will actively consider fully unleashing the development potential of land in old districts by means of establishment of street consolidation areas, cross-district transfer of plot ratios, greater planning flexibility or introduction of other innovative approaches; if so, of the details; if not, the reasons for that;

(3) whether the URA will consider deploying various means, such as increasing the proportion of self-developed residential projects, leveraging the "single site, multiple use" model, and exploring introduction of more commercial, retail and other uses in its development projects, so as to enhance the feasibility and beneficial effects of its projects; if so, of the details; if not, the reasons for that; and

(4) whether, in the long run, the URA will review the existing redevelopment strategy to ensure continuous progress of urban renewal even in the face of fluctuations in the economic environment, so as to meet public expectation for improvement in their living conditions?

Reply:

President,

In consultation with the Urban Renewal Authority (URA), my reply to the various parts of the question is as follows:

(1) Under the Urban Renewal Authority Ordinance (Cap. 563), the URA is required to exercise due care and diligence in handling its finances, thereby maintaining a sound and healthy financial position in the long run. Given its business nature, the URA's annual financial position will be affected by the fluctuations in the property market and the progress of commenced projects. To cope with the challenges posed by the economic environment and property market situations on sustaining urban renewal, the URA will adopt a dynamic management approach to review, from time to time, the commenced and/or to be commenced redevelopment projects. It will also appropriately adjust the planning and the pace of implementation of different projects in the light of market situations and building conditions, so as to strike a balance between maintaining its financial stability, effectively promoting the regeneration of old districts and addressing the expectations of the local community in its mission to carry out urban renewal in a sustainable and orderly manner.

Meanwhile, the Development Bureau (DEVB) will continue to provide various forms of financial support to the URA, and will work with the URA and relevant departments for the wider application of innovative planning tools to enhance the commercial viability of redevelopment. The DEVB will also enable the URA to take forward redevelopment projects in a sustainable manner through policy measures, the details of which are set out below:

(2) and (3) In recent years, the URA has started to apply the new planning tools proposed in its District Study for Yau Ma Tei and Mong Kok (YMDS) (Note) in suitable redevelopment projects. For example, the URA has adopted a more flexible interchangeable domestic/non-domestic plot ratio for the Shantung Street/Thistle Street Development Scheme in Mong Kok to be tendered this month by relaxing the maximum residential plot ratio from 7.5 to 8.5 without exceeding the current permitted gross floor area, so as to increase the flexibility in planning and to attract the participation of private developers. Separately, the Sai Yee Street/Flower Market Road Development Scheme in Mong Kok announced by the URA in March 2024 will, through the transfer of plot ratio, consolidate and transfer the redevelopment potential of several small, scattered sites to a larger site for mixed development to enhance planning gains and commercial viability of the project. With the Government's support, the URA has introduced the "single site, multiple use" model to consolidate different government and community services in the same building to provide convenience to the public, release government land and enhance development potential of redevelopment projects. The URA has also utilised the above new planning tools in other suitable projects, including the Nga Tsin Wai Road/Carpenter Road Development Scheme. In the district planning studies for Tsuen Wan and Sham Shui Po underway, the Government will explore with the URA the feasibility of other tools to expedite the pace of urban renewal.

Self-developed residential projects are one of the development options. As the URA has to pay the construction costs for residential projects upfront, it has to take into account the resulting cash-flow pressure. Therefore, the URA's redevelopment strategy will continue to primarily focus on joint venture with developers, leveraging market forces to carry out redevelopment through land tendering. To this end, the URA has piloted the

Development Facilitation Services at the end of last year to gather developers' views on relevant projects before commencing the tender process. This serves as a basis for refining the project parameters and tender terms, thereby enhancing developers' interest and confidence in tendering.

(4) As the URA is the Government's important partner in urban renewal, the Government will ensure that the URA has adequate resources to fulfill its statutory mission as well as to carry out the tasks entrusted by the Government. Apart from the \$10 billion capital injection upon the URA's establishment, the Government has also provided additional funding in the form of land premium waivers for redevelopment projects of the URA, with the cumulative amount of land premium waived reaching \$25.3 billion as of March 31, 2024. The Government will also continue to support the URA in suitable redevelopment projects to consolidate the "Government, Institution or Community" sites in the vicinity to reprovision and upgrade relevant facilities. This will increase the overall development potential of the redevelopment projects through releasing and granting government land to the URA, which is also a form of financial support rendered to the URA by the Government. Moreover, the Government approved in mid-2023 to uplift the borrowing limit of the URA from \$6 billion to \$25 billion to enable the URA to cope with the financing need arising from a number of large-scale redevelopment projects in the coming few years. If necessary, the Government will also consider rendering other forms of support as appropriate.

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 in old districts, so as to facilitate sustainable urban renewal. Among other things, we will consider allocating land in new development areas (NDAs) for the construction of rehousing estates 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 NDAs, so as to incentivise market participation in redevelopment and transform densely-developed old districts at the same time, thereby thinning out the urban population and renewing old districts to make them more livable in the long run. Our target is to put forward preliminary proposals in the first half of 2025.

Redevelopment of old districts cannot be taken up solely by the URA. Private market forces are also needed. The Land (Compulsory Sale for Redevelopment) (Amendment) Ordinance 2024 just implemented in December 2024 is one of the Government's measures to encourage developers to participate in redevelopment by lowering the compulsory sale application thresholds and facilitating multiple adjoining-lot compulsory sale applications.

Lastly, our urban renewal strategy is a dual-track approach of building rehabilitation and redevelopment. Regarding building rehabilitation, the Government launched a public consultation on the proposed amendments to the Buildings Ordinance (BO) (Cap. 123) in December 2024, and listened to the views of various sectors, including their suggestions on expediting building inspection and repair, during the consultation period ended in late February

this year. The views collected so far generally support the Government's carrot and stick approach (i.e. with both support and a punitive system) to urge owners to comply with the statutory orders and notices under the B0. The Government will take into account the views collated when finalising the proposals and proceed with the law drafting work to amend the B0 with the target of introducing the amendment bill into the Legislative Council in the first half of 2026. Implementation of proposals on expediting building inspection and repair will help owners to better maintain their properties, thereby decelerating the building ageing process and slowing down the need for urban renewal.

Note: The URA completed the YMDS in 2021, proposing recommendations and new planning tools such as transfer of plot ratio, permitting interchangeability of domestic/non-domestic plot ratio in the Yau Mong districts, and removing the plot ratio restriction of the commercial zone along Nathan Road.