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Consultation Paper

INTRODUCTION

In his 1999 Policy Address, the Chief Executive announced that statutory body, to be known as the Urban Renewal Authority (the Authority), will be established in 2000 to implement the Government's urban renewal strategy for the 21st century. The new Authority will replace the existing Land Development Corporation (the Corporation) and take over all its assets and liabilities, including redevelopment projects in progress. The Government's proposals for the establishment of the new Authority are set out in the Urban Renewal Authority Bill (a copy attached) which has been published in the Government Gazette in the form of a White Bill for public consultation.

BACKGROUND

2. In July 1995, the Government issued a public consultation document on urban renewal which put forward a package of proposals to expedite the process of urban redevelopment and rehabilitation. As a result of the consultation exercise, the Government published a policy statement entitled "Urban Renewal in Hong Kong" in June 1996. Most of the initiatives in the policy statement have now been implemented. The policy statement also proposed the establishment of a new statutory authority to take forward a new urban renewal strategy. The purpose of the Urban Renewal Authority Bill is to provide a legislative framework for the establishment and operation of the new Authority.

3. The Corporation was set up in 1988 and has been shouldering the arduous task of urban renewal. It has completed a number of redevelopment projects, although not without difficulties. The obstacles include:

- (a) the original assumption that urban renewal could be wholly self-financing in the long run may not be valid in future as a result of the scarcity of sites for profitable redevelopment and a less exuberant property market;
- (b) the need to undertake protracted negotiations with property owners has prolonged the land assembly process and increased the financial burden of the Corporation's projects; and
- (c) as a result of a commitment not to make anyone affected by redevelopment projects homeless, the pace of urban renewal has been limited by the Corporation's shortage of rehousing resources.

4. In the past, private developers had played a significant role in redeveloping low-rise properties, where it was relatively easy to acquire the properties involved and where the development gains made the projects profitable. However, private developers' interest in urban renewal has declined in recent years because of the scarcity of low-rise buildings with redevelopment potential and the lengthy and uncertain process of land assembly. A new approach to urban renewal is needed.

5. The objective of urban renewal is not just to demolish dilapidated buildings and replace them with new ones. The goal is to plan more comprehensively and to improve the overall environment of the older built-up areas.

6. The Government's strategy is to continuously regenerate the fabric of Hong Kong's built-up areas through timely urban renewal. The main objectives of the urban renewal programme are to:

- (a) improve the built environment of Hong Kong and the layout of built-up areas by replacing old and run-down areas with new developments which are properly planned and provided with adequate transport and other infrastructure and community facilities;
- (b) achieve better use of land in the dilapidated built-up areas and under-utilized industrial areas and to make land available to meet various development needs;
- (c) prevent the decay of built-up areas by promoting the maintenance and improvement of individual buildings as regards their structural stability, integrity of external finishes and fire safety as well as the improvement of the physical appearance and conditions of the environs of these buildings;
- (d) preserve buildings of historical, cultural or architectural interest in urban renewal action areas; and
- (e) engage in such other activities so as to promote and facilitate urban renewal.

7. The Authority will implement an urban renewal programme which is based on the urban renewal strategy.

URBAN RENEWAL AUTHORITY BILL

8. The Urban Renewal Authority Bill has been drafted with the above objectives in mind. It comprises 32 clauses (in eight parts) and one schedule. The main features of the Bill are highlighted in the following paragraphs.

Preliminary (part I)

9. This Part includes a short title for the Ordinance and a provision for the Secretary for Planning, Environment and Lands (the Secretary) to determine the date for the Ordinance to come into operation (Clause 1), Clause 2 defines certain terms used in the Bill.

Urban Renewal Authority (Part II)

10. The Authority will comprise a Board which will be its governing body and managing board. The Chief Executive will appoint a Chairman, two other executive directors, seven non-executive directors who are non-officials and four non-executive directors who are public officers to the Board (Clause 4). In order to enhance the public accountability of the Chairman of the Authority, he will be an executive Chairman, i.e. he is both the Chairman and an executive director. Since the Chairman will take on executive functions, there is no need to appoint a Chief Executive Officer to run the daily activities of the Authority as the Corporation currently does.

11. The purposes and powers of the Authority are set out in Clauses 5 and 6. Clause 5 sets out the purposes of the Authority which reflects the Government's overall objectives on urban renewal. Compared with those for the Corporation, the purposes of the Authority are more comprehensive and balanced covering both redevelopment of dilapidated buildings and rehabilitation of buildings not in good repair.

Public Accountability (Part III)

12. The Bill contains provisions aimed at enhancing the public accountability of the Authority as a statutory public body. The directors of the Board of the Authority will be required to declare interests in writing and all such declarations of interest will be recorded. Moreover, a register of declared interests will be set up and made available for public inspection (Clause 7).

13. In order to ensure that the public interest is taken into account when the Authority deliberates on matters which may affect the public interest, Clause 8 has been included to the effect that public officers sitting on the Board of the Authority are duty-bound to point out what the public interest is and how that interest could be affected by the action or activities of the Authority.

Financial Provisions (Part IV)

14. The Government is exploring various financing options for the Authority to implement urban renewal projects. A package of both financial and non-financial tools to enhance the financial viability of urban renewal projects is being considered. We are studying the extent to which the financial viability of projects would be enhanced if plot ratio controls could be relaxed for the project areas and if the Government/ Institution /Community facilities within the project areas could be exempted from the calculation of the gross floor area. We are also exploring the logistics and implications of making loans to finance the Authority's projects, in addition to forgoing land premia for urban renewal sites and packaging redevelopment projects so that financially viable projects can cross-subsidize non-viable projects, with the result that the overall return would be commercially attractive to encourage private sector participation. Our ultimate aim is to develop an arrangement that would be self-financing in the long run.

15. Without prejudice to the eventual financial arrangements, Clauses 11 and 12, which empower the Authority to borrow and lend money for purposes related to the implementation of urban renewal projects, have been included in the Bill. The Authority is required to exercise due care and diligence in handling its finances and to be accountable (Clause 10).

Planning Procedures (Part V)

16. In order to expedite the urban renewal programme, new planning procedures will be introduced for processing the development proposals of the Authority. The Government will formulate an urban renewal strategy which identifies projects for priority implementation by the Authority. The Authority may also implement uncompleted projects of the Corporation. On the basis of the Government's urban renewal strategy, the Authority will prepare a draft corporate plan setting out its proposed programme of projects for the next five years (Clause 18) and a draft annual business plan setting out the projects to be implemented in the next financial year (Clause 19). The Authority is required to submit its draft corporate plan and draft business plan to the Financial Secretary for approval each year.

17. This procedure provides a high degree of flexibility to the Authority in scheduling its programme of projects. The Authority will no longer have to seek the Government's approval on a proposal-by-proposal basis as long as the Authority operates within the parameters and guidelines set out in the Government's urban renewal strategy. The Planning procedures also ensure an appropriate level of Government supervision of the Authority. To provide flexibility in planning individual proposals, the Authority will be allowed to make proposals in areas which are not identified in the Government's urban renewal strategy when there are justifications for doing so.

Publication of Project

18. Before implementing a project, the Authority is required to publish in the Government Gazette the commencement date of the project and to exhibit general information about the project for public inspection (Clause 20). The project may be implemented either by way of a "development scheme" (Clause 22) or a "development project" (Clause 23). A development scheme requires amendment to the zoning of the project site on the outline zoning plan, whereas a development project requires no such amendment. The date on which the project is first published will be regarded as the commencement date of the project.

19. The purpose of announcing a commencement date for a project is to provide a cut-off date for determining ex-gratia payments to affected property owners and tenants and also for determining rehousing eligibility for affected tenants. Immediately after the announcement of the commencement date the Authority will conduct a freezing survey to determine rehousing eligibility and ex-gratia payments.

20. After the publication of a development project any person affected by the project may raise objections. Details of the procedure for dealing with objections are set out in Clause 21 of the Bill.

21. Objections to a development scheme are dealt with by the Town Planning Board under the Town Planning Ordinance.

Resumption and Disposal of Land (Part VI)

22. The time-consuming land assembly process is the main reason why it takes the Corporation such a long time to implement urban renewal projects. Under the existing mechanism, the Corporation is first required to take all reasonable steps to acquire affected properties within the project area. This usually involves protracted negotiations with property owners. If there are any properties which the Corporation is unable to acquire, the Corporation may then request the Secretary to recommend to the Chief Executive in Council the resumption of those properties.

23. In order to expedite the process, instead of requiring the Authority to first negotiate and acquire the land needed for an urban renewal project, the Authority is empowered under the Bill to apply for direct resumption of the land required. The Chief Executive in Council is the authority to approve such resumption applications (Clause 24). Affected property owners will be compensated fairly under the Lands Resumption Ordinance.

24. In the case of a development project, the Authority has to make an application for resumption within 12 months after the project has been authorized by the Secretary. In the case of a development scheme, the Authority has to make an application for resumption within 12 months after the plan for the scheme prepared under the Town Planning Ordinance has been approved by the Chief Executive in Council in accordance with section 9 of that Ordinance (Clause 24).

Miscellaneous (Part VII)

25. This Part includes miscellaneous provisions such as those empowering the Secretary to obtain information required from the Authority (Clause 27), providing the Chief Executive with the power to give directions to the Authority (Clause 28) and setting out the procedures and conditions for the Authority to make any necessary bylaws (Clause 29).

Transitional Provisions (Part VIII)

26. This Part includes provisions covering transitional matters. The Corporation will be dissolved immediately upon the establishment of the Authority (Clause 30). All the assets and liabilities of the Corporation will be transferred to the Authority, including its properties, documents, accounts and contractual agreements, etc (Clause 31). To speed up the implementation of the uncompleted projects of the Corporation, the Authority may apply for direct resumption of properties not yet acquired by the Corporation or the Authority for such projects with proper justifications provided to the Secretary (Clause 30).

COMMENTS SOUGHT

27. The Urban Renewal Authority Bill, if enacted, will replace and repeal the Land Development Corporation Ordinance to provide a legislative framework for the establishment of the new Urban Renewal Authority. It will affect not only the interests of land owners, tenants and developers, but also people from all walks of life.

28. Your comments are invited on the White Bill. The Bill will be finalized in the light of public comments before it is introduced into the Legislative Council.

Planning and Lands Bureau
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