

**Fourth Meeting of
the Economic and Employment Council**

Agenda Item 4 : Efforts to Arrest Urban Decay

Purpose

This paper informs Members of the on-going efforts to arrest the urban decay problem in Hong Kong, and the future direction for urban renewal.

Background

2. There are at present about 9 000 old buildings aged over 40 years in the metro areas, about 1 900 of which are in poor conditions requiring some form of redevelopment or rehabilitation actions. The number of aged buildings will increase with the passage of time. It is important to put in place timely and effective measures to tackle the urban decay problem.

3. The Government is committed to arresting urban decay and has adopted a three-pronged approach to tackle the problem –

- (a) to undertake urban renewal through the work of the Urban Renewal Authority (URA);
- (b) to facilitate the private sector's involvement in urban renewal; and
- (c) to foster a better building care culture.

4. Proper building management and maintenance is a responsibility of the owners. We however recognize that there are areas where market forces might fail to address the problem of aging of buildings, and certain sectors of the community which require financial help to assist them to discharge such responsibility.

Urban Renewal

The URA's Efforts

5. The Government's involvement in urban renewal began in the late 1980s with the establishment of the Land Development Corporation (LDC). To speed up urban renewal, the URA was established in May 2001 to replace the LDC under a new statutory mandate to undertake urban renewal. The URA is also guided by the Urban Renewal Strategy promulgated in November 2001 in taking forward its work.

6. The URA has moved away from the LDC model of a pure reliance on redevelopment actions, to a more comprehensive and holistic "4R" approach to address urban decay by integrating actions to redevelop dilapidated buildings, rehabilitate poorly maintained buildings, revitalize the socio-economic fabric of older districts and represerve buildings with architectural or historical significance within their project areas.

7. To bring in more resources and expertise to expedite urban renewal, the URA and the Hong Kong Housing Society (HKHS) signed a Memorandum of Understanding in December 2002 to enter into a long-term strategic partnership for the implementation of urban renewal projects. This cooperation has allowed a synergy of the two bodies and has provided a firm basis to fully engage each other's strengths to expedite urban renewal.

8. Over a comparatively short period of three years, the URA has commenced 17 redevelopment projects (including six projects by the HKHS) and seven revitalization projects, assisted the owners of about 50 buildings to rehabilitate their buildings and preserved selected historical buildings within their redevelopment projects. In its latest approved 5-year Corporate Plan, the URA plans to redevelop some 640 buildings, rehabilitate 540 buildings, preserve about 70 buildings and revitalize 6 areas. The pace and scope of URA's work have significantly improved compared to its predecessor, the LDC, which started 25 redevelopment projects over 13 years, with 10 of them left unfinished for follow-up by the URA.

9. The URA adopts a people-oriented approach in taking forward its urban renewal programme. Social service teams are engaged to assist occupants in URA's redevelopment projects, especially the elderly owners or tenants, who may have difficulties in adjusting to a new environment. The URA is also required to conduct a Social Impact Assessment on new projects.

Redevelopment vs Rehabilitation

10. In the pursuit of urban renewal objectives, we are aware of the need to be sensitive to how the society receives and perceives our policy. In recent years, there seems to be a gradual change in the community sentiment over public-sector-led urban redevelopment effort. Instead of perceiving redevelopment as an effective means to comprehensively revamp an old area by upgrading the street design and community amenities as well as to better utilise the scarce land resources, there are growing concerns that wholesale redevelopment will destroy the old Hong Kong relics, disrupt the social network of the occupants in redeveloped areas and affect the economic activities therein. The preliminary survey findings of the public consultation on urban living space by the Council for Sustainable Development have indicated that over 70% of the respondents prefer more revitalization/rehabilitation work for old urban neighbourhoods to redevelopment.

11. In view of the changing community sentiment against a slash and burn approach to urban renewal, the URA is placing increasing emphasis on its rehabilitation programme, which aims to improve the living environment and the building condition in older districts without disrupting the occupants' social network. Such rehabilitation programme has been well received by the community, the residents and the financial institutions. The URA will continue its holistic approach to urban renewal in order to strike a delicate balance between the need to revamp areas in dire need of redevelopment and to preserve the social network and harmony in areas where rehabilitation work would be more appropriate.

Private Sector's Involvement

12. Other than the URA's efforts in its target areas, the private sector's involvement in urban renewal has been and will remain an important locomotive for improvement of the older urban fabric. Over the last ten years, the private sector has initiated about 1 000 redevelopments. Without losing sight of the need to facilitate private redevelopment, the Land (Compulsory Sale for Redevelopment) Ordinance was enacted in 1999 to facilitate the private sector's redevelopment efforts. In a nutshell, the Ordinance provides for a person, who owns substantial shares (90%) in a lot, to apply to the Lands Tribunal for a compulsory sale of the whole lot for the purpose of redevelopment.

13. Given the scale of the urban decay problem, the Government is aware of the need to fully engage and facilitate the private sector in urban renewal. With the benefit of the actual experience gained in the operation of the Land (Compulsory Sale for Redevelopment) Ordinance, we will be consulting the industry to consider lowering the compulsory sale threshold for certain classes of lots in order to further facilitate the private sector's redevelopment work. There is however a need to balance the facilitation of private redevelopment on the one hand and the protection of private property rights on the other.

Better Building Care Culture

14. To tackle the urban decay problem at source, the Government recognizes the need to promote a better building care culture among property owners in order to effectively address the building neglect problem. Over the years, the Government has put in place a framework for this purpose through statutory requirements, law enforcement, support for owners, education and publicity.

Enforcement of the Buildings Ordinance

15. The Buildings Department (BD) is tasked to ensure the compliance of building safety standards and requirements in accordance with the Buildings Ordinance. In recent years, BD stepped up its enforcement actions against unauthorized buildings works (UBWs). The number of removal orders issued on such works increased by almost six-fold, from 3 500 in 1998 to 24 000 in 2003. The number of UBWs removed in the period also increased substantially, from 6 500 in 1998 to 50 000 in 2003. For the first ten months of 2004, BD issued 22 000 removal orders and cleared 30 000 UBWs. Apart from taking enforcement actions against individual UBWs, BD has also in recent years been carrying out large-scale clearance of the UBWs on the external walls of buildings.

16. Other than enforcement action against UBWs, BD also serves orders on building repairs, drainage repairs, investigation of private building defects, repair of dangerous private hillsides and buried services and improvement to fire safety facilities of certain commercial and residential buildings. Since 2000, BD has been co-ordinating cross-departmental efforts to enhance building and fire safety under the Co-ordinated Maintenance of Building Scheme. Some 550 buildings have been covered by this programme so far.

Promoting Building Management and Maintenance

17. Apart from taking enforcement actions to ensure proper building safety and maintenance, we have earlier launched a public consultation exercise on building management and maintenance with a view to generating wide public discussion on the issue and obtaining a broad community consensus on the main principles for deciding on the way forward. We are now analyzing the public views received and will aim to release the public consultation report in early 2005. The preliminary analysis shows that the community shares a broad consensus on the urgency to tackle the building neglect problem. However, views are divided on how this could be achieved and who should bear the costs. There are also calls for imposing mandatory requirements on property owners to properly upkeep their buildings.

18. The preliminary results also reveal that the problem of neglected older building is not purely a “building” issue but intertwined with difficult social issues. For instance, how to help old owners with little means to meet the recurrent management and maintenance expenses should be examined if owners are asked to ensure their buildings are in good repair. To assist owners of old buildings, the Government is exploring the feasibility of soliciting the help of non-governmental organisations, such as the HKHS, to assist them in managing and maintaining their buildings. To maintain a “stick and carrot” approach, the BD will endeavour to step up its enforcement efforts as far as resources permit.

19. Meanwhile, the Government will continue its effort to promote proper building management and maintenance. The Home Affairs Department (HAD) will continue its efforts to assist owners to form Owners’ Corporations (OCs) for proper management of their buildings and will sustain its publicity effort to enhance the public awareness of good building management. HAD will also introduce legislative amendments to the Building Management Ordinance in April 2005 with a view to facilitating the operation of OCs for better management of their buildings.

Building Safety Loan Scheme

20. On financial support, BD has already put in place a Building Safety Loan Scheme (BSLS) with a provision of \$700 million to assist owners to carry out safety/improvement works for their buildings. Under the BSLS, building safety/improvement work, required either under statutory orders/directions or on a voluntary basis, are eligible for loan funding. Works eligible for loans include removal of UBWs such as illegal

roof top structures, repairing, maintaining and replacing lifts, fire service installations and equipment and electrical wiring etc. Since the implementation of the BSLS in July 2001 in replacement of the Building Safety Improvement Loan Scheme and the Fire Safety Improvement Loan Scheme, there has been a significant increase in the number of applications. Up to end October 2004, some 8 080 applications have been approved, with the grant of loan amounting to \$243 million.

21. As regards publicity about the BSLS, while the advertising placed at the two cross-harbour tunnel bus routes and bus shelters throughout the territory has been completed, briefing sessions to Owners' Committees, OCs and Mutual Aid Committees, will continue. Advertisements will be placed on green mini buses from December 2004. When BD issues advisory letters and/or orders/directions to building owners requiring them to carry out improvement works, it also encloses information pamphlets on the BSLS to advise members of the public who are in need of financial assistance to make applications under the Scheme. Moreover, private building professionals are aware of the Scheme and have been assisting owners in conducting repairs to buildings and applying for loans in case of need.

Way Forward

22. The Government is aware of the urgency to tackle the urban decay problem. We will continue to ensure that BD, URA and HKHS play their part. We believe that urban regeneration should best be driven by market forces and the private sector should take up a bigger role. With its resources, market sensitivity and flexibility, the private sector is surely a very powerful driving force in improving our cityscape and arresting urban decay. Another step we have taken to expedite urban renewal is therefore to examine possible options to facilitate private sector participation in urban renewal whilst not undermining the importance of protecting private property rights. We intend to discuss the possible options identified with the relevant parties in 2005.

23. Having regard to changing community aspirations in paras 10-11 above, we are now undertaking a comprehensive review of the urban regeneration policy, including a review of the Urban Renewal Strategy (URS). The URS Review will examine, among others, the relative emphasis of the URA's 4R work with a view to achieving quicker and more visible results. We are undertaking an internal review with URA and aim to consult the public on the URS review in 2005.

24. In fostering a better building care culture, in response to the public views received in the public consultation on building management and maintenance, we are working towards a second stage public consultation, focusing on the feasibility of introducing mandatory building inspection. As the introduction of any mandatory requirement needs to be fully justified and should have the support of the community, we will carefully consider its implications and fully engage the public in the discussion before finalising the implementation details.

Advice Sought

25. Members are invited to comment on the broad future direction for urban regeneration.

Housing, Planning and Lands Bureau
December 2004