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Urban renewal in Hong Kong: transition from development corporation to renewal authority

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Abstract

This paper assesses the record of Hong Kong's Land Development Corporation and considers the reasons for its recent transformation into an Urban Renewal Authority. After reviewing the Corporation's first two phases of projects launched in 1988 and 1992, the paper examines how the Hong Kong Government failed to equip it with adequate powers and resources. As a result, although the LDC certainly established itself as an important actor in urban redevelopment, its own flagship projects took much longer to deliver than originally anticipated and did not produce any major restructuring of land use patterns or transport networks. This recent experience of urban renewal in Hong Kong offers more general lessons for renewal policy elsewhere. These concern the nature of public–private relations, the importance of effective linkages between strategic planning and implementation and the dangers of uncritical policy transfer from one locale to another.

Keywords: Development corporations; Hong Kong; Multiple land ownership; Public–private development partnerships; Urban renewal

Introduction

In 1988, the British administration in Hong Kong established a Land Development Corporation (LDC), officially to undertake, encourage, promote and facilitate renewal within the older urban areas. At first, the LDC sought to promote the redevelopment of valuable commercial sites for years constrained by multiple land ownership but then began to concentrate on more modest housing projects. Following considerable public criticism of the LDC's lack of effectiveness, its long-mooted transformation into a more powerful Urban Renewal Authority was proposed by the outgoing colonial administration, some 12 months before the 1997 handover of Hong Kong to China. This transformation was subsequently implemented by the Government of the new Special Administrative Region of Hong Kong in legislation enacted in 2000.

This paper, which evaluates the record of the Land Development Corporation up to 1997 and explains its later transformation into an Urban Renewal Authority, seeks to draw out from the particular experience of Hong Kong, lessons of more general significance for renewal policy elsewhere. In the next section, we briefly explain the historical background to the creation of the LDC, before investigating in Section 3, its first two phases of projects launched in 1988 and 1992. This provides the basis for the evaluation in Section 4 of the overall impact of the LDC's renewal activities up to 1997. As Section 5 reveals, although the LDC's weaknesses were publicly acknowledged by the British administration in the mid-1990s, by then, it was too late for radical solutions, including the LDC's transformation to an Urban Renewal Authority, to be implemented before the 1997 handover of Hong Kong to China. We present our concluding comments on Hong Kong in Section 6, where we draw out the lessons of more general significance from its recent experience of urban renewal.

The case study research on which the paper is based involved extensive primary and secondary data collection in Hong Kong. Primary work comprised some 20 semi-structured interviews with key actors, of which six were held with representatives of the Land Development Corporation, three with those of the Government

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Planning Department, two with those of the Government Lands Department, six with private-sector property agents, two with private-sector architects or planning consultants and one with a development company. In some cases, the interviews were followed up by exchange of correspondence.

The 20 interviews supplemented earlier desk studies which had abstracted relevant information from Government publications, LDC reports, property market reports, newspaper extracts and other published material. Almost all of the LDC's Phase 1 development sites and some of those in Phase 2 were also visited to gain a understanding of both their scale and their relationship with the immediate neighbourhood. While the case study that follows draws on both the primary and secondary data collected, it is important to stress that the perceptions and judgements made are those of the authors and not necessarily of the interviewees.

It is, of course, impossible fully to cover the multi-dimensional nature of a policy initiative such as the Land Development Corporation within a single paper. As a framework for the evaluation of the Land Development Corporation, this paper therefore adopts the standard input–outcome method of analysis employed in many urban policy studies.[1] Although we concentrate here on the physical aspects of the redevelopment process, this is not intended to imply that other significant parts of the LDC's activities, such as its relationships with local communities and its place in the broader political structure of Hong Kong are irrelevant. Indeed, the inherent importance of such matters demands that they be covered in more depth than is possible here. Interested readers are referred to other publications that have discussed these broader impacts of the LDC's work in detail (for example, Yeh, 1990; Cuthbert and Dimitriou, 1992; Adams and Hastings, 2000, 2001; Ng, 2000).

In constructing such an analytical framework for policy evaluation, it is essential to ensure that the input–outcome measures chosen for consideration are relevant to the particular initiative under investigation. In the context of the Land Development Corporation, two input and two outcome measures that encapsulate the most important aspects of the LDC's physical renewal activities have been selected for particular analysis.

These measures can be articulated through the following questions:

- Input measure 1: To what extent was the LDC endowed with the necessary *financial resources* to enable it successfully to discharge the responsibilities with which it was entrusted?
- Input measure 2: To what extent was the LDC endowed with the necessary *legal powers* to enable it successfully to discharge the responsibilities with which it was entrusted?
- Outcome measure 1: How far did the activities of the LDC serve to *accelerate* urban redevelopment in Hong Kong?
- Outcome measure 2: How far did the activities of the LDC serve to *enhance the urban environment as a whole* in Hong Kong?

[1] For a detailed explanation of this approach, see, for example, Robson et al. (1994) along with Imrie and Thomas' (1999) criticisms of the narrow interpretation of input–outcome measures used in many such studies.

A historical perspective on urban renewal in Hong Kong

Away from the internationally renowned skyscrapers and distinctive central waterfront, urban redevelopment in Hong Kong has been mainly restricted to sporadic high-rise projects on small sites (commonly called "pencil development"). As the continued popularity of such projects throughout older Hong Kong demonstrates, the prime constraint on urban redevelopment is the multiple ownership of the land and buildings that comprise potential redevelopment sites.

Although most buildings in Hong Kong are held in undivided shares or by strata titles, few private developers have the necessary skill or patience gradually to assemble all titles in a redevelopment site of any significance. As Yeh (1990, p. 374) points out: "It is necessary to acquire all the units in a multi-storey building before the building can be demolished and redeveloped. This is complicated by the multiple ownership of properties in Hong Kong, in which each unit in a building is owned by a separate owner and lots are owned by groups of individuals or companies.... Considerable time and effort have to be spent on lengthy negotiations in order to secure a sufficient number of small lots for assembly into a larger site suitable for the implementation of a redevelopment scheme".

Small-scale pencil redevelopment, popular as it remains in Hong Kong, aggravates rather than relieves the intense congestion of the older urban areas since it tends to increase rather than reduce neighbourhood densities without making any improvement to the urban environment as a whole. Moreover, it offers little chance to provide much needed public open space or community facilities and renders comprehensive redevelopment of the surrounding block problematic in future.

For many decades, the Hong Kong Government showed no greater commitment to significant urban redevelopment than the private sector. Although the first slum clearance scheme in Hong Kong was initiated as early as 1884, little government intervention in urban renewal occurred until 1960.[2] As a result, environmental and housing conditions deteriorated and many dilapidated buildings remained in existence, despite their often unsanitary and dangerous state. Although a series of experimental urban renewal schemes[3] was initiated between 1960 and 1980 to improve environmental conditions, traffic circulation and the provision of community facilities in the older urban areas, Fong (1985) attributes the small-scale nature of what they actually achieved to four main institutional weaknesses:

- no effective mechanisms to assemble sites in multiple ownership;
- reluctance to rehouse existing occupiers;
- absence of a central redevelopment authority;
- government failure to commit enough staff and resources to urban renewal.

By the 1980s, social, economic and physical pressures for urban redevelopment had mounted. Many of the buildings constructed before the 1970s were considered liable to become dangerous as a result of sub-standard construction, with extensive corrosion to reinforced concrete expected as a result of the unauthorised use of sand in the original building work. Moreover, in most of the older urban areas, comprehensive redevelopment was seen as the best way to reduce overcrowding and provide much-needed social facilities. Since property values of low-density buildings were often below site redevelopment value, direct financial benefits were considered likely to accrue from comprehensive redevelopment, not to mention the wider economic benefits expected to arise from better organised and more efficient disposition of urban land uses. The search for a comprehensive and innovative approach to accelerate urban renewal thus commenced.

In the 1980s, public–private partnerships were emerging as a prominent component of urban policy in both Britain and the United States (Barnekov et al., 1989; O'Toole and Usher, 1992). In several western countries, new institutional modes of delivering urban regeneration, such as the Urban Development Corporations in the UK, had also been created to provide one means by which private-sector expertise and resources could be drawn into urban policy formulation and implementation. This international experience was thought relevant to tackling the growing urban problems in Hong Kong, where a series of special government committees and working parties early in the 1980s concluded that redevelopment could best be promoted by partnership between the private and public sectors through the establishment of land development corporations.

On 7 October 1987, Sir David Wilson, the Governor of Hong Kong, announced in his annual address to the Legislative Council that: "a key role in urban redevelopment will be played by the proposed Land Development Corporation… . The Government hope that, within the next five years the Corporation will make a real and positive impact on the urban environment" (Wilson, 1987, para 60). After its Ordinance was approved in December 1987, the Land Development Corporation formally commenced operations on 15 January 1988 as an independent statutory body with a Managing Board appointed by the Governor of Hong Kong and consisting of both public- and private-sector representatives.[4]

Renewal activities of the Land Development Corporation to 1997

As Fong (1985) argues, the LDC concept was quite consistent with Hong Kong's traditional philosophy of minimal government intervention. He suggests that the Government chose to establish an LDC since it believed that, even in urban renewal, "the private sector should be the main driving force and that its own intervention should be confined to promoting private sector development in areas where it wished to achieve social and economic goals" (Fong, 1985, p. 289). This reflected the prevalent belief within Government that the pace of urban renewal could be accelerated by contracting out the task of implementation to a specialist organisation dominated by private-sector development interests.

Although the Corporation was offered an initial low-interest loan of HK $100 million by the Hong Kong Government, it was thereafter expected to make urban renewal pay by generating enough revenue from profit-making schemes to cover subsequent loss-making ones. Indeed, the LDC was required by ordinance to "conduct its business according to prudent commercial principles,

[2] In Hong Kong, "The term "urban renewal" has traditionally been used by the Government to refer generally to urban renewal, urban redevelopment, urban regeneration and urban renaissance" (Hong Kong Government, 2000a). In this paper, however, urban redevelopment is used to refer to the demolition and reconstruction of buildings, while urban renewal, which may include building conservation and rehabilitation as well as redevelopment, is taken to involve the creation of more widespread urban benefits such as improvements to environmental conditions, traffic circulation and community facilities. In practical terms, however, it should be recognised that urban redevelopment has long been regarded as the prime mechanism by which to achieve urban renewal in Hong Kong.

[3] These included the Pilot Scheme Area, the Urban Improvement Scheme, Environmental Improvement Areas and Comprehensive Redevelopment Areas. A detailed review of each approach is provided by Yeh (1990).

[4] The LDC Ordinance required that the Chairman and at least five other members of the Managing Board should be chosen from outside the ranks of government officials, with a minority no more than three members holding public office.

but with the approval of the Financial Secretary (it) may engage in projects which are unlikely to be profitable". (Hong Kong Government, 1987, Section 10 (1)).

The Corporation thus aimed to build up a financial base of HK $5 billion by 1994 to enable it to meet recurrent expenditure, fund non-commercial redevelopment undertaken for social and environmental reasons, embark on land and property acquisition and construct or acquire rental property of its own for rehousing purposes. To achieve this, the Corporation set itself the ambitious target of initiating at least six substantial urban renewal projects in each of the first 5 years.

Phase 1: Partnership with leading private sector developers

In 1988, the LDC announced its first eight projects (listed as Phase 1A in Table 1), intended eventually to produce 300,000 m^2 of office space, 200,000 m^2 of retail and other new commercial space, 120,000 m^2 of residential space, 30,000 m^2 of G/IC space[5] and 1 ha of public open space, at a total development cost of approximately HK $12 billion (Arthur, 1990). Four of these projects (at Wing Lok Street, Jubilee Street, Argyle/Shanghai Street and Yunnan Lane/Waterloo Road) involved major commercial redevelopment, while the remaining four required only limited redevelopment of smaller plots (see Fig. 1).

By holding out the prospect of access to potentially some of the most valuable land in Hong Kong, the LDC was able to offer developers options on land which it had still to acquire itself. This device enabled the LDC to seek development partners through a process of competitive bidding. As a result, four of the most powerful developers signed Letters of Intent in November 1988 and Heads of Agreement in February 1989, putting down approximately HK $1.2 billion (or 38 times the loan drawn down from the Hong Kong Government) as deposits on the land.[6]

These partnerships appeared to offer the LDC long-term financial security while providing enough interest to cover short-term operating expenses. Indeed, they enabled the Corporation to record pre-tax profits of almost HK $2 million in 1988/89 and over HK $59 million in 1989/90, before completing even a single redevelopment!

Although the LDC was required by the partnership arrangements to deliver eight previously constrained sites to the private sector within a relatively short timetable, actual on-site commencement of redevelopment was significantly delayed in each case. This was mainly because the Corporation was itself granted no powers of resumption[7] but was expected to acquire as many interests as possible in the private market before asking the Government to exercise resumption on its behalf.

Moreover, under its Ordinance, the Corporation could not ask the Government to initiate resumption until after the Executive Council had approved the relevant comprehensive development scheme under the Town Planning Ordinance. This happened well into the urban renewal process. For the LDC's resumption request to succeed, it was required to show that it had taken all reasonable steps to acquire land by negotiation on terms that were fair and reasonable and that its arrangements for rehousing and implementation were adequate.

By 1991, after 3 years of negotiations, the LDC had only part acquired the four major sites originally identified for redevelopment in 1988. Two of the four smaller sites had been successfully purchased by agreement,[8] but the other two had still to be assembled. At Wing Lok Street, for example, one of the major redevelopment sites in Central Hong Kong, the LDC had been able to negotiate the purchase of only 30 of the existing 66 private interests by 1991. It contended that some of the remaining interests asked excessive prices, others had difficulty in proving title, while others still refused to enter into discussions.

The LDC therefore requested the Government to undertake resumption of the two largest sites at Wing Lok Street and Jubilee Street as well as the two remaining smaller sites. These requests were all approved by the Executive Council in early-1992.[9] Although redevelopment of the LDC's flagship sites at Wing Lok Street and Jubilee Street was eventually finished in 1997, even by that date, site acquisition for the other two comprehensive redevelopments at Argyle/Shanghai Street and Yunnan Lane/Waterloo Road had still to be completed. Despite the inevitable complexity

[5] The term G/IC in Hong Kong refers to Government, Institutional or Community uses, usually maintained out of public funds. Such facilities would be unlikely to have been provided on these sites but for the activities of the LDC.

[6] Of these companies, New World Development Co. Ltd. took four LDC sites, Sun Hung Kai Properties Ltd. two, and both Cheung Kong (Holdings) Ltd. and Great Eagle Co. Ltd. one each.

[7] Resumption in Hong Kong is broadly the equivalent of compulsory purchase in many other countries. Although the absence of freehold tenure in Hong Kong might, in principle, make resumption easier than compulsory purchase in the British context, the extensive rights of leaseholders ensured this is not necessarily so in practice.

[8] The two sites purchased by negotiation were at Third Street in Sai Ying Pun and Dundas Street/Nathan Road in Mongkok. The other two were at Li Chit Street in Wanchai and at Sai Yeung Choi Street South in Kowloon.

[9] Hong Kong's Executive Council fulfilled a similar role to the British Cabinet in the Westminster-style system. Apart from the Governor, it comprised the Chief Secretary, Financial Secretary, Attorney General, Commander of the British Forces and about a dozen further members appointed by the Governor on a fixed term basis, with the majority usually coming from the business and commercial communities.

Table 1
Phase 1 of LDC redevelopment projects[a]

LDC ref	Site	Development partner	Proposal	Progress by mid-1996
Phase 1A				
H3	Wing Lok Street, Queens Road, Central	New World	54 and 23 storey commercial development, with 97,500 m^2 offices 5800 m^2 other commercial 1800 m^2 open space 600 m^2 G/IC uses (Cost est: HK \$4 bn)	Construction started in 1993 after resumption, with completion due in 1997
H6	Jubilee Street, Queens Road, Central	Cheung Kong	73 storey commercial development, with 120,600 m^2 offices 6300 m^2 other commercial 3100 m^2 G/IC uses 1500 m^2 open space (Cost est: HK \$5 bn)	Construction started in 1993 after resumption, with completion due in 1997
H104	Ko Nga Court, Third Street, Sai Ying Pun	New World	26 storey residential development, with 226 flats and 1100 m^2 G/IC uses	Completed in 1994, intended for rehousing but flats later sold by LDC
H105	Li Chit Garden, Li Chit Street, Wanchai	New World	34 storey residential development, with 180 flats, 1400 m^2 G/IC uses 900 m^2 open space	Completed early in 1995 and flats then sold
K2	Argyle Street, Shanghai Street, Mongkok	Great Eagle	20 storey commercial development in three blocks, with 129,300 m^2 offices 31,700 m^2 hotel/commercial 7300 m^2 G/IC 1100 m^2 open space (Cost est: HK \$7–8 bn)	Resumption requested in mid-1994 after 84% of the 538 interests acquired through negotiation
K101	Yunnan Lane, Waterloo Road, Yau Ma Tei	Sun Hung Kai	20 storey commercial development with 31,900 m^2 offices 6000 m^2 other commercial 1700 m^2 open space 1500 m^2 G/IC	Revised plan approved by Executive Council in early-1996. Of 134 interests, 35% since acquired by negotiation.
K102A	Dundas Street, Nathan Road, Mongkok	New World	21 storey commercial development, with 8300 m^2 offices 3700 m^2 other commercial	Site acquired by negotiation and leases terminated Construction started in 1994, with completion due in 1997.
K103C	Sai Yeung Choi Street South, Mongkok	Sun Hung Kai	22 storey commercial development, with 7500 m^2 offices 3100 m^2 other commercial	After resumption, construction started in 1994 and completed in 1996
Phase 1B				
H106	Western Market	No partner	Speciality shopping centre of 1900 m^2 converted and refurbished by LDC (Cost: HK \$30–40m)	Completed and opened in 1991. Further repair and restoration undertaken in 1995/96

Table 1 (*continued*)

LDC ref	Site	Development partner	Proposal	Progress by mid-1996
H108A	152–156 Queens Road, Central	No partner	26 storey commercial development, with 3000 m^2 offices 400 m^2 other commercial (Cost: HK $26.8m)	Completed in 1992 and then leased
K104	12, Soy Street, Mongkok	No partner	26 storey residential development, with 168 flats 1200 m^2 commercial 70 m^2 G/IC uses.	Completed in late-1994, made available for rehousing

[a] *Source*: Own analysis drawing on information from the LDC and elsewhere. *Note*: All figured rounded to nearest 100 m^2.

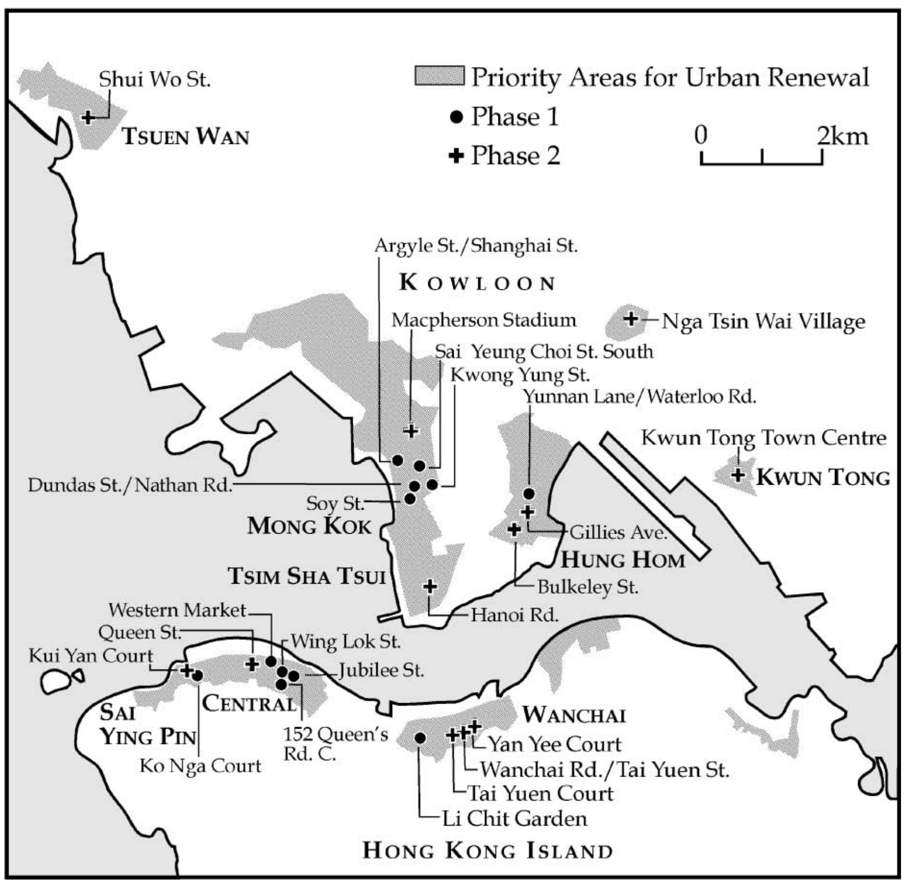

Fig. 1. Location of LDC phase 1 and phase 2 redevelopment projects.

of major urban redevelopment, especially where existing residents and businesses need to be rehoused, it is arguable that the Corporation's Phase 1 redevelopment programme would have been implemented faster and at lower cost, if the Government, when it first established the LDC, had adopted a more rational and robust approach to site assembly.

Phase 2: Direct development and owner participation

During the early-1990s, the LDC started to look beyond the first phase of its redevelopment programme and evaluate possible projects for inclusion in Phase 2. Aware of public criticism of its close working relationships with powerful property developers in Phase 1, the

Corporation sought to establish a different operational basis for its second phase. It thus resolved to select projects for Phase 2 that could be pursued on its own or in partnership with the existing owners. Only where proposed developments necessitated substantial external funding were joint venture arrangements with development companies to be considered.

In 1992/93, some 44 potential redevelopments were evaluated by the LDC for Phase 2, of which about half were ruled out because of prohibitive land acquisition costs. Of the remainder, the Corporation selected an initial 10 sites. Another four sites were added to Phase 2 in 1994/95. Since one of the first 10 sites[10] was subsequently redeveloped by its owner (a development company) without any intervention from the LDC, the list of Phase 2 projects presented in Table 2 contains only 13 sites (see also Fig. 1). These sites fall into three main categories: those intended for direct development by the LDC, those with potential for owner participation and those more suitable for joint ventures with private-sector developers.

To achieve more direct control over the development process, the Corporation deliberately selected smaller redevelopment sites in Phase 2 than in Phase 1A. Although both phases contained three projects on sites of 7000 m^2 or more, the mean size of site chosen for Phase 2 was 3030 m^2 compared with 4510 m^2 for Phase 1A. However, while no sites under 600 m^2 had been included in Phase 1A, four such sites were chosen for Phase 2. These small sites could be quickly developed by the LDC without the need for extensive land assembly or external funding.

Speedy redevelopment of three such sites followed their acquisition in the private market, while construction on a fourth site was underway in 1996.[11] However, as far as these sites are concerned, although the Land Development Corporation certainly produced much-needed new housing which could be made available to accommodate residents displaced by redevelopment nearby, in doing so, it merely replicated the kind of small-scale pencil redevelopment produced elsewhere by the private sector.

The concept of owner participation presumes that those who own obsolete property might be willing to combine their ownerships in order to share proportionately in any development profits (Adams, 1991). Owing to both the LDC's pressing need to raise capital and the perceived complexity of owner participation, no provision was made for such arrangements in Phase 1 of the Corporation's redevelopment programme. As a result of this exclusive reliance on the private development sector, substantial public criticism of the LDC was generated among owners and other interests.

Under pressure from the Government, the LDC identified three sites within Phase 2 for owner participation. These were at Queen Street, Central Hong Kong; Nga Tsin Wai Village; and Hanoi Road, Tsim Sha Tsui. Apart from at Queen Street, participation was invited on a cost-sharing or non-cost-sharing basis. The former was meant for larger owners such as development companies who have already started to acquire properties within the redevelopment area. Such owners were required to contribute to development costs (including land acquisition, land premium and construction) in return for a greater share of development profit. In contrast, the only contribution made by owners under the non-cost basis was the land itself, the value of which determined the owner's share of development profit.

Owner participation at Queen Street was offered only on a non-cost-sharing basis. This is believed to have accounted for the lack of interest shown by the owners, many of whom were development companies. As a result, owner participation was abandoned and a joint venture partner sought instead. At both Nga Tsin Wai Village and Hanoi Road, Tsim Sha Tsui, discussions with existing owners proved complex and protracted.

The only other joint venture development in Phase 2, apart from that at Queen Street, was at Wanchai Road/Tai Yuen Street, where the LDC entered into partnership with a consortium of four developers in 1995/96. By mid-1996, however, only four of the 13 intended Phase 2 developments had been completed or were on site. Acquisition or planning problems were responsible for delays in most of the rest. In the end, the practical impact of the LDC's Phase 2 projects was relatively insignificant, while implementation again proved harder to achieve than originally anticipated. The Corporation's attempt to tackle Phase 2 without the powerful development interests who partnered its Phase 1 projects thus produced only limited success.

Evaluation of the Land Development Corporation's renewal activities to 1997

In this section, we draw on the analytical framework outlined at the start of the paper to evaluate the Land Development Corporation's record up to the 1997 handover of Hong Kong to China according to the two previously defined input and two outcome measures.

Input measure 1: Financial resources

As a previous Chairman of the Land Development Corporation recognised: "…where urban renewal

[10] At Thomson Road/Hennessey Road.

[11] The first three sites mentioned were at High Street, Sai Ying Pun, Tai Yuen Court, Wanchai and Yan Yee Court, Wanchai, while the fourth was at Bulkeley Street, Hung Hom.

Table 2
Phase 2 of LDC redevelopment projects[a]

LDC ref	Site	Development partner	Proposal	Progress by mid-1996
H1	Queen Street, Central	Cheung Kong and New World	44 storey mixed development in three blocks, with 850 flats $30,800$ m^2 offices 5000 m^2 G/IC uses 1200 m^2 open space 200 m^2 other commercial (Cost est: HK $2.6 bn)	Resumption requested in 1994 after 85% of interests acquired through negotiation. Approved in 1996, after which demolition commenced
H104A	High Street, Sai Ying Pun	No partner	14 storey mainly residential development, with 26 flats and under 100 m^2 commercial	Site acquired by negotiation. Construction started in 1994 and completed in 1996
WC4	Tai Yuen Court, Tai Yuen Street, Wanchai	No partner	26 storey mainly residential development, with 100 flats 150 m^2 commercial 100 m^2 G/IC uses	Construction started in 1992 and completed in 1993
WC5	Yan Yee Court, Wanchai Road, Wanchai	No partner	23 storey mainly residential development, with 46 flats 200 m^2 commercial 900 m^2 open space	Site acquired by negotiation. Construction completed and flats marketed in 1994.
N/K	Wanchai Road, Tai Yuen Street, Wanchai	Consortium of Chinese Estates Holdings, Kwong Sang Hong, Chi Cheung and Peregine Investments	Mixed development, with 478 flats $36,500$ m^2 offices 7300 m^2 G/IC uses, including new market 2500 m^2 commercial	Approved by Town Planning Board and awaiting approval of Executive Council
K1	Nga Tsin Wai Village	Current owners invited to participate, although 40% of area owned by Cheung Kong	Mainly residential development, with 648 flats 7000 m^2 commercial 1700 m^2 open space	Preparatory work towards acquisition in progress
K106	Kwong Yung Street	No partner	Mainly residential development in two phases, totalling 210 flats 1800 m^2 commercial 200 m^2 G/IC uses	Resumption requested in 1994, after 90% of interests acquired through negotiation
K107	Macpherson Stadium	Hong Kong Playgrounds Association	Mainly residential development, with 308 flats 5600 G/IC uses 2400 m^2 commercial	At planning stage
K111	Hanoi Road, Tsim Sha Tsui	Current owners invited to participate in redevelopment	Commercial development with $54,500$ m^2 offices $36,700$ m^2 other commercial 2900^2 open space	Under consideration by Town Planning Board

Table 2 (*continued*)

LDC ref	Site	Development partner	Proposal	Progress by mid-1996
K114	Bulkeley Street, Hung Hom	No partner	Mainly residential development, with 60 flats 600 m^2 commercial	Resumption of one outstanding interest requested in 1994. Subsequently approved and construction commenced in 1996
K115	Shui Wo Street, Tsuen Wan	No partner	17 storey commercial development, with 15,200^2 offices 7100^2 other commercial	Negotiations underway to acquire
K302	Gillies Avenue, Hung Hom	No partner	Mainly residential development in two phases, totalling 142 flats 1300^2 commercial 200^2 G/IC uses	Mainly Government property acquired by negotiation
N/K	Kwun Tong Town Centre	To be determined	To be determined	At planning stage, awaiting response from SPEL

[a] *Source*: Own analysis drawing on information from the LDC and elsewhere. *Note*: All figured rounded to nearest 100 m^2.

is to be totally self-funded with practically no financial assistance from the Government, the Corporation's mission presents a unique challenge" (Land Development Corporation, 1993, p. 12). Since the LDC was expected to make urban renewal pay, it was forced to look to the private sector for its financial resources.

In fact, the Corporation never drew on more than HK $31.15 million of the HK $100 million low-interest government loan to which it was entitled. Between 1988/89 and 1995/96, it paid the Government HK $11.58 million in interest for the privilege of this loan facility. Over the same period, the Corporation also paid $55.83 million in tax to the Government on revenues of over HK $2 billion. However, this combined total of over HK $67 million in tax and interest charges falls into insignificance in comparison with the total land premiums[12] of HK $2.9 billion paid to the Government for its flagship sites at Wing Lok Street and Jubilee Street (Adams and Hastings, 2000). Even at this simple level of analysis, the Corporation contributed to the public finances, rather than drawing from them.

This one-way financial flow certainly constrained what the LDC might otherwise have been able to achieve in urban renewal. Since the Corporation was forced into dependence upon Hong Kong's major private developers as a direct result of the Government's failure to provide it with any substantial resources of its own, its initial redevelopment strategy concentrated on sites thought likely to generate the greatest commercial returns for, and thus the most lucrative offers from the private sector. If the LDC had been able to select its initial sites on social or environmental grounds, areas in far greater decay may well have been chosen. Instead, locations that did not offer profitable business opportunities continued to deteriorate. As Cuthbert (1998, p. 51) argues: "This is truly a recipe for disaster… There remains, therefore a quantum leap between what the LDC is enacted to do, and the redevelopment needs of the city and its citizens".

Even the Hong Kong Government (1995, p. 5) had eventually to acknowledge that: "There are large areas where urban renewal is needed now but where the development potential is insufficient to cover the cost (much less to generate a profit) because of the need to reduce development densities". Widespread urban renewal in Hong Kong might indeed require not merely some direct public contribution towards reducing redevelopment costs (especially those of initial site assembly) but also a willingness by government to accept lower income from land premia. This may well have a consequent impact on other forms of taxation.[13]

[12] Since all land in Hong Kong, apart from the site of St John's Cathedral, was held under Crown lease, where a developer held other than an unrestricted lease, a new and modified land grant from the Government would be necessary. A redevelopment site could be covered by a great number of existing leases. It was normal policy for these to be surrendered by the LDC, with the land combined with any that has been resumed. A single lease was then granted for the whole site, in accordance with the approved redevelopment scheme. The premium took account of the value of any leases surrendered.

[13] In 1993/94, the Government received HK $43.5 billion from land sales out of total revenues of HK $140 billion. The following year, land sales accounted for HK $33 billion out of total revenues of HK $148 billion.

In the narrow sense of making urban renewal pay, the Land Development Corporation certainly discharged its financial responsibilities with such effectiveness that, in the increasingly charged political atmosphere of the 1990s, it was accused by one member of the newly formed United Democrats Party as being merely "a profit-making land collector for private developers". However, in doing so, it made little contribution to Metroplan, the new development strategy for the older urban areas around Victoria Harbour (Hong Kong Government, 1991) which sought to reduce population densities by thinning out congested urban areas in coordination with the development of newly reclaimed areas. Although the Land Development Corporation's financial obligations prevented it from contributing effectively to the implementation of Metroplan, responsibility for this must be attributed to the policy contradiction within the Hong Kong Government between financial viability and social desirability in urban renewal, rather than to any personal reluctance by those running the Land Development Corporation to take a wider role.

Input measure 2: Legal powers

As multiple ownership of the land and buildings that comprise potential redevelopment sites is so prevalent in Hong Kong, it is surprising that the LDC was accorded neither resumption powers itself nor ready access to Government resumption powers. Although created as a statutory body, the Corporation was expected to behave like a private developer in acquiring the vast majority of interests in redevelopment sites through negotiation. Only when negotiations finally broke down, was the Government prepared itself to consider invoking the protracted Crown Lands Resumption Ordinance on the LDC's behalf.

In practice, the Corporation's profile and status meant that it enjoyed neither the advantage of full government backing which a public body might expect to receive nor the benefit of privacy, behind which a private developer could normally operate. Indeed, it is ironic that the Government made urban renewal less rather than more viable by insisting on private negotiation as the basis for site acquisition. On the one hand, this forced the LDC to pay above market value to secure obsolete property in need of redevelopment, while on the other hand, owners benefited from any inflation in land values over the long drawn-out period of land acquisition.[14] Since the LDC was established without effective legal powers rapidly to assemble land in multiple ownership, it was not much better placed to tackle ownership constraints to urban redevelopment than the private commercial developers with whom it initially collaborated.

[14] For full details of the LDC's property acquisition and rehousing package introduced in 1991 and the associated controversy, see Adams and Hastings (2000).

Outcome measure 1: Acceleration of urban redevelopment

As Tony Eason, a later Secretary for Planning, Environment and Lands in the Hong Kong Government acknowledged, the LDC was created primarily in reaction to the realisation of "how slow and cumbersome the process (of urban renewal) becomes when conducted through a formal government programme competing with other priorities for public funds" and with the aim of "providing an agency able to fund and implement redevelopment schemes on a larger scale than previously possible" (Eason, 1992).

By mid-1996, the LDC had established itself as an important actor in urban redevelopment in Hong Kong to the extent it had already completed 10 projects with another 15 under development or active consideration. Altogether, these projects were expected to cover about 8 ha of dense urban fabric and produce some $640,000\ m^2$ of commercial floorspace, $180,000\ m^2$ of residential floorspace in 3740 flats, $37,000\ m^2$ of floorspace for community use and nearly $15,000\ m^2$ of open space.

Nevertheless, although the Corporation promoted some significant and innovative redevelopments in Central Hong Kong that might not otherwise have gone ahead for many years, the overall speed and scale of its redevelopment programme fell well below original expectations. For example, the LDC did not take final possession of its flagship sites at Wing Lok Street and Jubilee Street until late-1993, almost 6 years after it had first identified their redevelopment potential. Even by 1998, no start had been made on the two other major comprehensive redevelopments, at Argyle/Shanghai Street and Yunnan Lane/Waterloo Road first announced by the LDC in 1988 and originally intended for completion by 1994.

Acknowledging that the ambitious hopes articulated at its foundation by the LDC and many others had still to be realised, the Hong Kong Government (1996, p. 15) eventually conceded that "…the LDC will not be able to deliver urban renewal on a sufficient scale and quickly enough to avoid long-term urban decay without new operating mechanisms and increased support from Government".

Outcome measure 2: Enhancement of the urban environment as a whole

When complete, the main benefits of the LDC's original flagship projects will be seen in better quality building design, improved internal servicing arrangements with off-street parking and the provision of some community facilities rather than as any major restructuring of land use patterns or transport networks. Indeed, since the initial redevelopments were selected by the LDC primarily to secure its own financial future rather than maximise community benefits, no significant urban restructuring was proposed, especially in less commercially attractive locations.

By the mid-1990s, therefore, the central dilemma for urban renewal in Hong Kong, posed by one of the LDC's early consultancy reports had still to be resolved. According to the consultants, Urbis Travers Morgan (1989, p. 7): "The extent to which the LDC could achieve any significant improvements in the urban environment would depend on the nature and scale of redevelopment. At the lower end is piecemeal development with comprehensive redevelopment of large areas being at the other end of the spectrum". It is arguable that, between 1988 and 1997, too little of what the LDC delivered was comprehensive redevelopment and too much piecemeal redevelopment.

Policy review and transition to Urban Renewal Authority

Between 1992 and 1995, as the Land Development Corporation's various limitations gradually became evident, the Hong Kong Government engaged in a lengthy process of policy review, the first fruits of which did not appear until the publication of an urban renewal consultation paper in 1995. This document acknowledged the "need to establish fresh policies, programmes and institutional arrangements which will facilitate urban renewal and redevelopment and deal with the problems of imminent urban decay in the remainder of the decade and beyond" (Hong Kong Government, 1995, p. 1). At the very least, this represented a realistic appreciation of the limited potential of the LDC to achieve comprehensive renewal. A year later, the Government responded to extensive comments received on its consultation document with the publication of a Green Paper on urban renewal (Hong Kong Government, 1996).

Much of the 1995 consultation document consisted of a detailed description of the problems and processes of redevelopment and renewal. Rather than offer radically new approaches to the inherent complexity of urban renewal, it primarily confirmed existing policy directions. Indeed, it never considered such fundamental issues as the proper role for Government within the renewal process but instead concentrated on minor policy modifications to solve immediate problems in existing approaches (Hastings, 1996). Although resumption was acknowledged as an inevitable but disagreeable component of urban renewal, no specific proposals were made to speed up the resumption process.

The public consultation process lasted from July to November 1995 and generated almost 200 written submissions, many of which were highly critical of the Government's proposals. Such criticism provoked a more substantial policy review that culminated in the subsequent publication of the Green Paper (Hong Kong Government, 1996). This proposed a series of immediate measures to speed up urban renewal and several longer term proposals intended to result in a more fundamental change of direction.

The immediate measures were based primarily on the consultation draft and included further proposals to enhance the LDC's compensation package, especially for residential property. The most significant measure for longer term debate or action involved the transformation of the Land Development Corporation into an Urban Renewal Authority, equipped with greater powers and resources. It was also suggested that legislation might be introduced to enable the majority of owners of a redevelopment site to sell, despite objections from the minority. Even the comment within the Green Paper that "the proposal merits further consideration" represented a radical departure from the pre-eminence traditionally accorded to private property rights in Hong Kong.[15]

Following the 1997 handover, Tung Chee Hwa, the new Chief Executive of the Special Administrative Region of Hong Kong announced his Government's intention to implement the most important conclusion of the previous British administration's urban policy review by replacing the Land Development Corporation with a more powerful Urban Renewal Authority (URA). This announcement, in the Chief Executive's 1998 Policy Address, reflected official recognition of the need for "a more comprehensive district-wide approach to urban restructuring including both redevelopment and rehabilitation; a quickened land assembly process, provision of more rehousing resources; as well as a package of financial and non-financial incentives to improve the viability of urban renewal projects" (Bosco, 1999). The Urban Renewal Authority Bill was introduced into the Legislative Council in 1999 and enacted on 27 June 2000. The URA is intended to replace the LDC at the end of 2000.

The Urban Renewal Authority will operate in a fundamentally different manner from the Land Development Corporation. Three important changes of direction, associated with the creation of the URA, explain why the new Government of the Special

[15] This proposal was eventually enacted in the Land (Compulsory Sale for Redevelopment) Ordinance 1998 which enabled any developer who had acquired 90% of a potential redevelopment site to apply to the Lands Tribunal for power to acquire the remainder by compulsion.

Administrative Region of Hong Kong decided it was time to replace the LDC with a more powerful organisation capable of better integration into the overall machinery of Government and more effective delivery of a comprehensive renewal approach.

First, in future, the Government itself intends to prepare and roll forward an urban renewal strategy which will set a 20-year renewal framework and identify about 200 priority projects in nine target areas. Instead of the LDC's piecemeal project-based approach to redevelopment, it is proposed that "Urban renewal should be planned on a area-wide basis in a comprehensive manner and sensitive to our community aspirations and heritage assets" (Hong Kong Government, 2000b, para 4.2). The Government's urban renewal strategy will thus set the scene for the URA to prepare and submit for Government approval a Corporate Plan with a 5-year programme of renewal work alongside an Annual Business Plan indicating the projects to be implemented in the next financial year. By exercising more strategic control of the activities of the URA in comparison with those of the LDC, it is intended to streamline statutory planning procedures to 16 months, by reducing bureaucratic interference in the detailed development process.

Secondly, the burden previously placed on the LDC to seek first to acquire its redevelopment sites by negotiation has been abandoned. Although the URA will not be granted resumption powers of its own, it will be able to request the Government to undertake early resumption without first having to do its best to assemble sites in the private market. Again this represents overdue official recognition that "The time consuming land assembly process is the main reason why it takes the Corporation so long to implement urban renewal projects" (Hong Kong Government, 1999, para. 22).

Thirdly, financial measures are to be put into place to recognise that, owing to high acquisition and land costs, "The overwhelming majority of the proposed URA priority project areas would be unprofitable under the current arrangements" (Hong Kong Government, 2000b, para. 7.1). These could include the Government's waiver of normal land premia for URA redevelopment sites, provision of loan finance, beneficial adjustments to normal plot ratios and the linkage of non-viable redevelopment projects to viable ones, with profits generated by the latter used to subsidise the former. Although the Government still believes that urban renewal should be self-financing in the long-term, it intends to ensure the necessary financial resources to enable the URA to take the lead in implementing its urban renewal strategy.

As a powerful champion for comprehensive redevelopment, the URA will be more closely styled on the British Urban Development Corporations that was the LDC. This is because, like the UDC's, it is intended to take an area rather than a site-based approach to urban renewal and reflects recognition that, at least in the short term, such activity may well require deficit financing. Although the URA will not enjoy the same direct planning and land acquisition powers as those entrusted to the British Urban Development Corporation, the need for faster planning and resumption processes within Government now appears to have been acknowledged, so far as urban renewal is concerned.

Conclusions

The Urban Renewal Authority will at least be able to operate within the context of a clear Government renewal strategy. Moreover, it will enjoy the benefit of simpler planning and resumption procedures, while employing more effective methods to fund socially desirable but commercially unattractive development. Nevertheless, it will face similarly ambitious hopes and expectations to those which greeted the creation of the Land Development Corporation in the late 1980s. As the URA starts its work, three main lessons of wider significance can be learnt from the experience of the Land Development Corporation, especially as it encountered such a steep and, in many ways, unnecessary learning curve during its 12-year existence.

First, since the renewal of cities is an inherently more complex activity than their initial construction, it demands a clear understanding of the proper roles and responsibilities of the public and private sectors so that each can concentrate on what it can best contribute. In the renewal process, while what remains of earlier phases of construction must be demolished and cleared away, the ownership of redevelopment sites must also normally be pieced together from a patchwork of existing interests. If, as in Hong Kong, urban renewal is primarily inhibited by supply-side constraints, and in particular, multiple land ownership, redevelopment becomes highly problematic without at least a clear threat of state intervention in land assembly. To contract out such action to market processes where there is clear evidence of market failure becomes an abdication of public responsibility.

Yet, in creating the Land Development Corporation, the Government mistakenly believed that the pace of urban renewal in Hong Kong could be accelerated merely by entering into formal development partnerships with the major real estate sector. As a result, it paid too much attention to the formal structure of the Land Development Corporation and not enough to the precise means by which the LDC would try to shape the processes of urban renewal and redevelopment within Hong Kong, especially through site assembly. As this experience suggests, unless partners are equipped with effective powers and resources, and are prepared to exercise them when necessary, partnerships by themselves can be empty and unproductive vessels.

Secondly, it should not be assumed that strategic planning studies are readily linked to site-specific development proposals, unless explicit mechanisms are put in place to achieve this. The Land Development Corporation was identified as one of several principal executive agents of Metroplan, specifically through its alleged capacity to promote the redevelopment of obsolete private property. However, the lack of an explicit Government urban renewal strategy to link the LDC's operations at the site-specific level to Metroplan together with the Corporation's own meagre capabilities, ensured that the interests of the private real estate sector dominated its early activities (Dimitriou and Cook, 1998). Here again, integration is required in urban land policy, in this case, between grandiose visions of the future and the capacity of designated implementation mechanisms.

Finally, the recent Hong Kong experience must call into question how far institutional mechanisms designed for one locale can be uncritically transferred to another. A fascinating aspect of policy transfers is the way concepts are borrowed from one country and applied, often in a different form, to another. It is ironic, in the context of this paper, to consider how Enterprise Zones were originally intended in the UK to replicate, in miniature, forms of economic organisation prevalent in Hong Kong. Once this concept was introduced into the UK, it soon became apparent that, far from representing a retreat by the public sector, its success depended on substantial direct public sector involvement. In due course, the concept was re-exported to the United States, while the UK later imported the American idea of Urban Development Action Grants, of course renaming them, Urban Development Grants.

In many ways, policy transfers between Britain and the United States are to be expected since particular localities on both sides of the Atlantic have experienced similar social and economic impacts of deindustrialisation. More questionable, however, was the ready acceptance in Hong Kong of an institutional model for urban renewal originating in deindustrialised western economies where supply and demand conditions are very different.

In the UK, the creation of Urban Development Corporations was intended primarily to address the extensive redundancy of land and property (and, indirectly, of labour) as a result of the retreat of capital from the industrial heartlands of major conurbations. Such large areas of vacant urban land from which people and activity had withdrawn simply do not exist in Hong Kong. Indeed, urban redevelopment in Hong Kong is such a challenging exercise precisely because it requires the extensive relocation of numerous prosperous activities from low value and decaying property.

Although it is always tempting to lift particular initiatives that appear to be making working abroad and adapt them at home, such an approach fails sufficiently to consider the conditions why certain initiatives succeed and others fail. When such institutional transfers take place not merely from one country to another, but from one continent to another, the risks involved are much greater. As the Hong Kong experience shows, the creation of new institutional mechanisms alone are not critical to successive urban renewal. In the end, the powers and resources entrusted to particular institutions and their own modes of operation remain much more significant then the institutions themselves.

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