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Urban Renewal in Hong Kong:

A Study of Governance and Policy Tools

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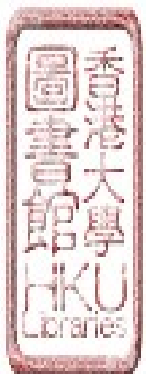Chow Tsuen Ming, Anita   (UID : 2006072421)

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Capstone Project Report submitted in partial fulfillment of the

requirements of the Master of Public Administration

Department of Politics and Public Administration

**The University of Hong Kong**

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DECLARATION

We declare that this Capstone Project Report, entitled Urban Renewal in Hong Kong: A study of Governance and Policy Tools, represents our own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

(Signed)

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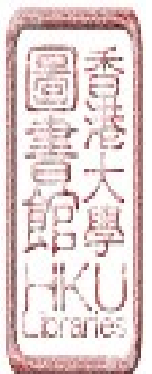
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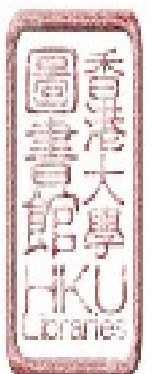
Abstract

The urban decay problem of Hong Kong has lasted for decades and it has become more serious day by day. The tragic collapse of a building in Ma Tau Wai Road on 29 January 2010, which had taken four lives and seriously injured two residents, revealed the severity of the problem. The alarming risk concerning life and death and sustainable development of the city requires appropriate actions to tackle the problem.

Noting the increasing severity of the problem, the Hong Kong government was observed to have changed its patterns of governance from private self-governance to enhanced hierarchical involvement by setting up statutory bodies in charge of urban renewal. The LDC was first set up as an organizational tool in 1988, and it was replaced by the URA established in 2001 with a view to expedite the urban renewal process. Nevertheless, even the URA has been granted more resources and guided by increased duties, the pace of urban renewal is still unsatisfactory.

In this context, this project looks into how the governance model and policy tools URA employs affect its capacity to delivery urban renewal. An analytical framework comprising Knill and Tosun's four ideal types of governance, Hood's NATO scheme and Vedung, et al's categorisation of policy tools has been established to structure and guide the analysis. While Knill and Tosun's governance model would be used to analyse the change of governance model adopted by the government, the NATO scheme and Vedung's "Carrots, Sticks and Sermons" policy tools categorisation would be used to analyse the policy tools adopted by the government and also the URA in the delivery of urban renewal. The analysis on governance model and policy tools enables the evaluation on the effectiveness on various tools employed to deliver urban renewal.
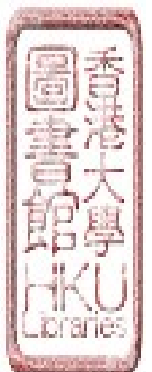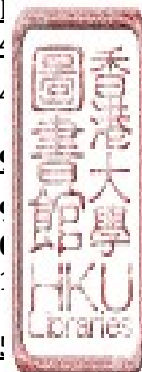
Table of Contents

List of tables and Figures

Abbreviations

4R	Redevelopment, Rehabilitation, Revitalisation and Preservation
BD	Buildings Department
DAC	District Advisory Committee
DURF	District Urban Renewal Forum
FFF	Flat-for-flat Scheme
GFA	Gross Floor Area
HKHA	Hong Kong Housing Authority
HKHS	Hong Kong Housing Society
HKHS	Hong Kong Housing Society
HKSAR government	Hong Kong Special Administrative Region Government
IBMAS	Integrated Building Maintenance Assistance Scheme
LDC	Land Development Corporation
LDCO	Land Development Corporation Ordinance
LegCo	Legislative Council
LRO	Lands Resumption Ordinance
MTNP	Medium Term Note Programme
NGO	Non-government organisation
PPP	Public Private Partnership
RRFS	Urban Redevelopment Facilitating Services Company Limited
SPEL	Secretary for Planning, Environment and Lands
TPB	Town Planning Board
URA	Urban Renewal Authority
URAO	Urban Renewal Authority Ordinance
URF	Urban Renewal Fund
URS	Urban Renewal Strategy
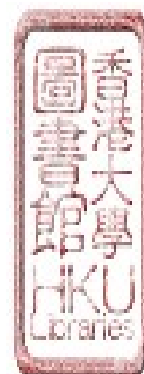
Chapter One - Introduction

Focus, Objectives and Background

This project focuses on the role of government in addressing the need for urban renewal in Hong Kong from the perspectives of governance model and use of policy tools. The objective of this project is to look into how the Hong Kong government has been developing policy tools to facilitate urban renewal to tackle urban decay being faced by the city, mainly by setting up statutory organization as the Urban Renewal Authority (URA) as the executive body. Through learning about the capacity and constraints of the URA, studying the effectiveness of policy tools as well as the governance model adopted in urban renewal, the project hopes to bring about the importance of repositioning the URA and persistent government commitment in order to deliver more effective urban renewal in Hong Kong.

Like many other postwar developed cities, the built environment in Hong Kong has been aging since approaching the end of last century. With scarce land resources, the city landscape of Hong Kong is not only featured with skyscrapers and luxurious housing, but also densely built several-storey tenements known as 'tong lau' with dilapidated building conditions. Today there are about 4000 buildings aged over 50 years, which were mostly erected in the 1950s and 1960s to meet the intense housing and development pressure arisen from huge increase of population after the Second World War. However, the general quality of buildings completed during that period was not high as it was not designed for long life span and some of them were substandard tha
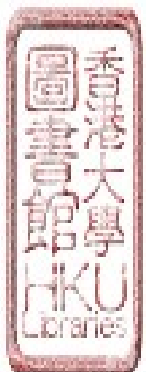
even sand and sea water was found to have been used for construction. This has paved the way for the sprawl of urban decay in Hong Kong as time goes by.

Poor living conditions in old buildings would put the lives of residents at risk. At the same time, Hong Kong always has pressing needs for provision of more housing for ever-increasing population. Given limited supply of land available for new residential development, vertical sprawl for living spaces are common in the city. To look for more housing units with improved facilities, those several-storey 'tong lau' without elevators become targets of redevelopment in order to release room for taller buildings that would better utilize the plot ratio. In short, Hong Kong needs urban renewal.

At first the Hong Kong Government in colonial days did not take the lead in promoting urban renewal. When the pace of redevelopment initiated by the private sector was found to be too slow in the 1980s, the government set up a statutory organization named the Land Development Corporation (LDC) in 1988 to take part in selection and execution of urban renewal projects in collaboration with private developers. Though the LDC successfully completed a number of redevelopment projects, it had experienced difficulties in pursuing redevelopment programme including financial viability of redevelopment projects, prolonged land assembly processes and shortage of rehousing resources. The slow progress of urban renewal and the continuing worsening built environment in the city drove the government to make a more efficacious legislation in 2000 that established another statutory organization a the Urban Renewal Authority (URA) in 2001 to replace the LDC as the main executiv agency to carry out urban renewal in Hong Kong.
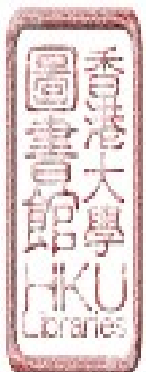
Urban Renewal is more than 'slash and burn' of old dilapidated buildings. As set out in the Urban Renewal Strategy (URS) promulgated by the government, urban renewal shall consist of the "4R" elements, i.e. Redevelopment, Rehabilitation, Revitalization and pReservation. The URA carries both official and public expectation to achieve the principal mission of bringing about effective urban renewal to improve living environment of Hong Kong people and prevent further urban decay, adopting a wide array of measures given the authorities and resources available to it.

The road to urban renewal is long and winding with obstacles. The H15 Project in Lee Tung Street announced in 2004 faced strong opposition from the community, and this saga has triggered socio-political tension in taking forward other redevelopment projects. The URA has been often criticized as destroying community fabrics and livelihood, ignoring the interests of affected tenants and colluding private developers to claim land for lucrative property development. On the other hand, the stagnant progress of various URA projects has dragged its financial position to operating deficit in the recent financial year and the status quo has alarmed the management of URA. Against this background and in the midst of searching for a sustainable way out to carry on urban renewal in Hong Kong, this project tries to discuss the effectiveness of URA as a major policy tool of the government as well as user of tools in advancing urban renewal under the current political, economic and social context.

Research Questions and Related Propositions: Theory and Practice

In studying the URA's expected and actual performance in promoting urban renewal in Hong Kong, the following research questions provide guidance to explore how

governance and policy tools affect the URA's ability to accomplish the complex task to tackle urban decay:

1. What governance approaches and policy tools are available to governments for addressing the needs of urban renewal?

2. Why was the URA chosen by the HKSAR government as a tool for delivering urban renewal in Hong Kong?

3. How has the governance and governance initiatives of the URA affected its capacity, obligations and competencies in delivering urban renewal in Hong Kong?

4. Has the URA been given and adopted appropriate tools to promote and facilitate urban renewal in Hong Kong?

Given a range of hierarchical and non-hierarchical governance approaches available to governments in carrying out urban renewal with different levels of involvement by private actors, the Hong Kong government did not actively respond to urban renewal until the 1980s when market forces failed to address the problem of urban decay which went beyond economic nature. The government increased its role and allocation of resources in urban renewal by forming a statutory organization as the LDC in 1988, which was transformed into the URA in 2001. The government considered that the LDC and the URA in the form of a quasi-governmental statutory body would be an appropriate tool for both facilitating and regulating the pace of urban renewal. This arrangement was seen to be favourable in entitling extra capacities and competencies to the organization to realise the public vision that traditional government departments may be less efficient or flexible in the delivery of goods and services.
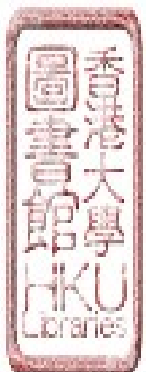
The URA has been utilising its resources to generate an array of administrative, financial and informative instruments to operate according to the government's official strategy in urban renewal. However, the capacities and competencies possessed by the URA are caught by limitations and do not promise effective use of its powers in delivering its goals. Despite the efforts, the rate of urban renewal has not increased significantly since the presence of the URA in 2001. The URA is also repeatedly being criticised for its concerns for profitability of its projects over improving quality of life of affected citizens and benefit the wider community that was set out in its mission. The incapability of the URA in adopting policy tools effectively could be attributed to the imbalanced assignment of resources and responsibilities by the government to authority. When the URA becomes overloaded and underperformed, it is time for the government to consider reviewing its role and reposition the URA in the arduous work of urban renewal.

Overview of the Analytical Framework

Urban renewal is not only steered by a public policy but is also a dynamic mix of political, economic and social interactions among the state, the market and the civil society. Governance as an essential concept in public administration is adopted in this project as the analytical lens to begin the study of the government's role in urban renewal in Hong Kong throughout the years. Knill and Tosun (2012) introduced four ideal types of governance, which varies in degree of legal obligation in organizing public actions and public-private cooperation in policy-making process, reflecting different approaches of a government in addressing different public issues, or a public issue over the time such as urban renewal.
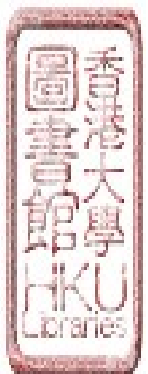
Different governance patterns influence the selection of policy tools used by the government in achieving desired policy goals. An organisation embodies the nature as "dualistic tools" in which its existence as a tool of government can develop its own policy tools in operation. In assessing the types of tools that an organization can utilise, Vedung et al (1998)'s "carrots, sticks and sermons" classifications are taken into account. These ideas are valuably viewed as embracing features of Hood's (2007) "toolkit" that comprises four categories of resources that governments can use for detecting and effecting functions, which are "nodality", "authority", "treasure" and "organization". A government can create an organization as a policy tool and give it necessary resources in terms of information, authority and finance to address a public problem. These typologies of tools are used for analysis of how an organization is given tools and at the same time develops its tools following its governance mode.

To put it in the context of urban renewal in Hong Kong, the analytical framework integrating types of governance and dualistic policy tools provides a clear and systematic approach to look into the change and continuity of the government's roles and policy decisions in delivering urban renewal, facilitating the analysis of the effectiveness of current work of the URA as expected by the government from the perspectives of policy tools and governance. The framework eventually guides the search of directions that both the government and the URA shall seriously conside review and reform for better urban renewal in Hong Kong. Chapter 2 will provide detail of the analytical framework.

Research Methodology

In this project, literature review on the public administration theories of governance and policy tools is essential for developing the analytical framework. Efforts have also been made to find a collection of academic journals, scholarly articles and research reports regarding urban renewal in Hong Kong, which have given valuable insights for developing analytical approach in the study of this big and complicated policy topic.

Throughout the project, desktop research has been conducted as the major research method. A thorough reading of published materials and media reports are required to gain a full picture of how has Hong Kong been going through its path in search of sustainable and improving living environment in the older urban areas. Nowadays as a large volume of primary and secondary sources could be accessed online, almost all of the needed useful information such as the ordinances, LegCo papers, media reports, annual reports and the website of the URA, the URS and its related reports during public consultation period for the new URS have been found and read.

The desktop research is considered suitable as it enables detailed empirical analysis without cost implications in collecting personal opinions through surveys or interviews. To ensure the analysis is done in an objective manner, case studies and empirical data obtained from stakeholders' response to the URA proposals, media reports and LegCo papers provide a fair platform to examine whether the URA has been given and/or adopted the most appropriate tools under its powers to deliver it obligations to improve the quality of living and fight urban decay in Hong Kong.
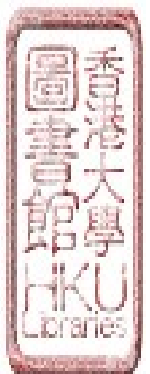
Chapter Outline

This project consists of six chapters including this first chapter. Chapter 2 sets out the analytical framework which addresses the first research question of what governance approaches and policy tools can governments consider to adopt in order to handle public problems such as urban decay and associated housing problems. Selected relevant concepts of governance and policy tools are linked up to form the analytical lens. Chapter 3 depicts the historical background for establishment of the URA in 2001 as the major non-government public agency which is responsible for promoting urban renewal in Hong Kong, including the rise and fall of its predecessor, the LDC (1988-2001). A change of governance pattern in urban renewal is reflected in the government's decision to establish such a statutory body as a policy tool to achieve its desired policy goals. Chapter 4 takes a closer look at the nature of dualistic tools in URA, learning about the resources and obligations that the government has assigned to the URA as a policy tool for delivery of urban renewal, followed by examining the collection of policy tools that the URA invented and adopted in actual implementation of policy goals. Chapter 5 is assessment on the effectiveness of use of tools by the URA in making desired impact in promoting and facilitating urban renewal, and to what extent the government has enabled the URA with appropriate resources to accomplish its expected blueprint of urban renewal by the government. Selected initiatives such as the demand-led redevelopment projects are discussed in depth in assessing the partial success with limitations of the URA. The final chapter – chapter 6 – provides a summary of the observations and understanding of the role of the URA and the government in urban renewal, putting forward our concluding comments and room for thought and change with the hope of better urban renewal in Hong Kong.
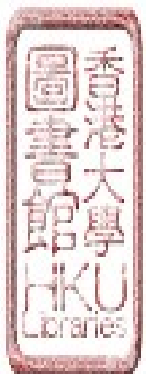
Chapter Two - Analytical Framework

Introduction

This chapter explains the analytical framework of this project, which incorporates the concepts of Governance and Policy tools in organizing public actions to achieve a policy goal. Reference is made to Knill and Tosun (2012)'s literature in four ideal types of governance, which affects the choice of policy tools adopted by the government. Recognising the transformation of basic forms of modern governments which make use of more tools of pubic actions, this wide array of tools. Organization, as a policy tool of government, is capable of developing its own tools, thus raising the significance of organisations as "dualistic tools" in the sense of being and using tools at one and the same time. Vedung, et al (1998)'s analysis of policy tools as "carrots, sticks and sermons" captures the different nature of tools available to an organization to deliver actions of public purpose. These ideas embody nodality, authority, treasure and organization known as NATO by Hood (2007).

Types and Modes of Governance

Governance is a big and complex concept in public administration. According to Knill and Tosun (2012), governance may generally refer to hierarchical and non hierarchical political steering to coordinate individual actions in order to achieve certain policy goals. Today, with the rising significance of non-government actors in addressing
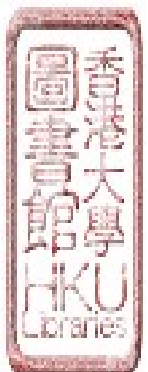
public problems, the role of government and its extent of intervention in organizing public actions vary under different types of governance.

Knill and Tosun (2012) put forward four ideal types of governance, which differences lay with the degree of cooperation between public and private actors in policy-making process, and the degree of legal obligation in collective problem-solving. Different types of governance are found in different governments and policy areas, which reflect the dominance of hierarchical mode of governance by state intervention in policy-making and market regulation, or non-hierarchical modes of governance by markets or policy networks consisting of public and private actors in varying cooperative relationship.

Interventionist governance

The first ideal type of governance refers to interventionist governance, where state actors play the most prominent role in decision making with little cooperation with private actors, and a high degree of legal obligation is observed. There is a hierarchical relationship between public and private actors, with top-down state intervention into society through command and control.

Interventionist governance corresponds to the mode of governance by hierarchy, where the state plays the most important role in policy-making and put great emphasis on formal rules and procedures binding for both public and private sectors. The state can exercise hierarchical intervention over private actors in complying with public policies and provision of common goods such as infrastructure, policing and national
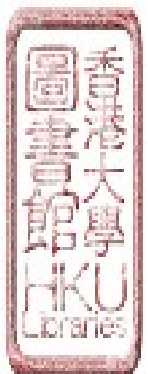
security. It can also refer to regulatory frameworks laid down by the government in governing market mechanisms.

Regulated self-governance

The second ideal type of governance is regulated self-governance, which still features strong hierarchical intervention and legal binding, but the public and private actors are in more cooperative relationships at policy making and implementation. For example, nowadays many public services could be jointly delivered by government and non-government agencies such as education and medical services. Private actors are bound by formalised and institutional procedures set by the government but to certain extent they are eligible to influence the formulation of related policies and the regulatory framework.

When the state is no longer the sole actor in decision-making and execution of public actions and private actors are getting involved in collaboration with the government in different forms to achieve shared policy goals, this reflects the mode of governance by policy networks. In this mode, governments and policy networks can share and coordinate resources throughout policy making and implementation. Varying degree in different cases, decisions about development and implementation of public policy is negotiated instead of top-down imposition.
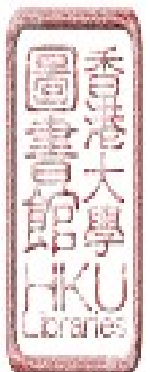
Cooperative governance

If cooperative governance is adopted, policy decisions and arrangement are not based on legally binding requirements but through negotiations and voluntary agreements between public and private actors. Both actors participate on an equal standing, focusing on cooperation between state and society. This model is featured by active form of public-private partnership such as joint venture and the nature of state involvement would be more facilitating than coercive. Governance by strong networks could be observed under cooperative governance.

Private self-governance

When private actors are major agents to coordinate individual actions and state involvement becomes voluntary, private self-governance could be found, with both little cooperation of public and private actors and low degree of legal obligation. Provision of public good here depends on private actors and the government can complement governance by facilitation and acknowledgment.

Even governance by markets is found where goods and services are allocated without government intervention, it would be assertive to conclude that private self governance means that hierarchy has been replaced by markets. Market governance would likely produce negative externalities to the society and state intervention is often needed as effective internalising and regulating agent. Under this type of non hierarchical mode of governance, the state still plays a role in the public domain and

governance is based on political steering by policy networks consisting of active private actors.

The four ideal types of governance and three general modes of governance are summarised in Table 2.1.

Table 2.1 Ideal Types of Governance and Modes of Governance

Ideal Type of Governance	degree of legal obligation/ state intervention	degree of public-private cooperation	Mode of Governance
Interventionst Governance	High	Low	By Hierarchy
Regulated Self-governance	High	High	By Networks (various of combination of public and private actors)
Corporative Governance	Low	High	
Private Self-governance	Low	Low	

Source: adapted from Knill & Tosun (2012:202-212)

Changing Patterns of Governance and Tools of Government

An overview

Governance types and modes can vary in different governments and policy areas. In the 1960s and 1970s, world governments began to be doubted about the ability to deal with emerging complex social-economic problems, and the rise of new publi management and privatisation in the 1980s led to the change of role of government from hierarchical provision to establishing regulatory frameworks. Then since the 1990 cooperative forms of public-private interactions in policy networks have become more significant.

Indeed, as Salamon (2002) observed, there has been transformation of the basic forms of government in many parts of the world over the past decades that besides traditional government agencies, a wide array of third parties have been participating in solving complex public problems collaboratively. More tools of public actions have been invented to address public problems, which are indirect in nature and are often used by those third parties assigned for public purposes. Some examples include loans, grants, contracts, regulation, insurance and vouchers. Third parties such as statutory bodies are given discretion over the use of public authority and the spending of public funds so that many of new public programmes are now carried out by them rather than government agencies (Salamon, 2002:5).

Different types of governance affects the choice of policy tools developed and adopted by the government to address public problems. Even in less hierarchical governance models, state involvement is still needed by means of top-down intervention or institutionalized forms of public-private cooperation. Since the choice of tools would affect policy results, governments have to make thorough considerations in deciding its policy tools.

An organisation as a dualistic tool

An organisation is a typical tool of the government on delivering its policy. I refers to the stock of "land, buildings and equipment, and a collection of individuals with whatever skills and contacts they may have, in government's direct possession" (Hood 2007). It provides government with the capacity and capability to obtain information

from and to make an impact to the society.

Vedung, et al (1998) considered that organisation "is a pre-requisite for the application of policy instruments, not a policy instrument in itself." (1998: 38). In that sense, organisation in Vedung, et al's view is an agent that can use different regulatory, economic and exhortatory policy instruments to perform its functions rather than an actual policy instrument in itself to shape and influence societal behaviours. Organisation is thus seen as a public governance strategy where it administrative body can be formed and reorganised as required to cover new and/ or arising issues and to suit the government's direction of travel to enhance its functional effectiveness and to ensure public confidence. This interpretation also highlights the importance of developing an appropriate public policy to set up a suitable organisation structure to implement the policy instruments to satisfy the policy goals.

There are different types of policy tools available for public policy managers to choose from in designing and developing their organisation's policy toolkit to fulfil their mission and to implement the governemnt's policies. Vedung, et al (1998) regards these tools as 'a set of techniques by which governmental authorities wield their power in attempting to ensure support and effect or prevent social change.' Vedung, et al sees that there are three main types of policy instruments authorities can capitalise on to bring about changes in behavior, namely carrots, sticks and sermons.
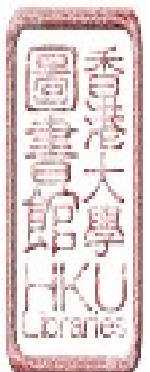
Carrots

Carrots are economic/ financial instruments that involve either handing out or taking away of human and financial resources for specific purposes. They can be cash or in-kind and is usually used to provide incentives/ disincentives to support specific social and economic activities in society. Carrots correspond to Hood's (2007) definition of 'Treasure', where governments provide positive incentives or inducements to obtain information or to change behavior of individuals in society. The government could simply obtain information from the soceity through offering positive incentive for people to provide information to the government. It could also obtain information using its treasure, such as through organising focus group, surveys, etc. To effect with treasure, the government could simply exchange its treasure for goods or services it requires (Hood, 2007).

When used as incentives, carrots could encourage or promote certain activities that the government wants to encourage, particularly if they are in the form of grants, subsidy, earmarked funds, loans, seed money and seconded staff to encourage more of these activities to generate positive externalities. On the contrary, when the government wants to discourage or restrain certain activities carrots could be a good instrument to reduce the production of negative externalities in society, for instance by using penalties, tax, imposing tariffs and terminating certain programmes.

Notwithstanding that, when the government employs carrots to resolve the public problem at hand, they are essentially giving the subjects of governance some leeway, or freedom, to choose whether they would take an action or not (Vedung, 1998)
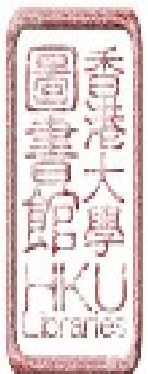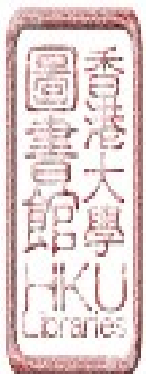
These instruments could, however, have varying degrees of success on different actors in society, depending on whether the financial (dis)incentive is strong enough to promote/ deter the production of that particular externality the government wants to see behavior changes. With this in mind, "Carrots" may be most effective in enhancing cooperative governance and private-self governance as per Knill and Tosun's governance types model, especially in situations where the government would like to use financial incentives to encourage collaboration between government-stakeholders and/ or stakeholders-stakeholders in the system to achieve its policy goals. Carrots will also be particularly effective where the government provides and manages incentives to stimulate bottom-up initiatves, or when the government would like to trial effects of different schemes before full implementation to explore whether the scheme will be efficient in the long run to promote behavioural changes in society.

Sticks

Sticks, as Vedung, et al (1998) explains, are regulatory instruments that are used by the government as legal tools to regulate social and market interactions. Sticks could be in the form of legal injunctions or legal measures that demand or prohibit certain actions in society and could exist in the form of directives, statues, laws, orders, ordinance, programme guidelines or endorsed board/committee documents.

Vedung, et al's definition of "Sticks" resembles well to "Authority" of Hood' NATO scheme in which both policy instruments give authorities power to command and control. According to Hood, "Authority" refers to the "ability to command and prohbit commend and permit, through recognized procedures and identifying symbols" (Hood
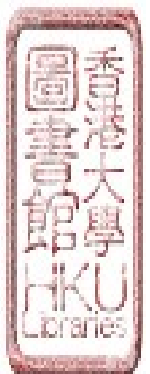
2007). It is very common that the government uses its authority as an instrument to obtain information from the society and to make an impact to it.

There are many ways which the government could make use of its authority to ask citizens to provide information and to notify government in certain circumstances, such as registration of births, death and marriages, tax returns, etc. The most common instrument that a government uses to effect with authority is through the use of a token of authority.   Certificate as authoritative declaration about the properties of an individual, is perhaps the most common form of token of authority.

The sanctioning and its power to impose are the most crucial properties of regulatory instrument and it can have major impact in shaping and influencing behavior and lead to changes in society. Nonetheless, as Sticks often appear in the form of legal documents, they are powerful agents in ensuring compliance as they are usually backed by threats or sanctions in non-compliance cases, such as economic sanctions, fine and even withdrawal of rights. Depending on the degree of non-compliance and the level of sanction that is granted by law, sticks can also bring about almost immediate effect on regulating social and market interactions and individual behavior and have an effect on production, allocation and use of resources (Frieberg 2010; Webb 2004; Doelen, 1998).

Sticks are usually not the government's preferred option in influencing behavio and choices of individuals and societies (Freiberg, 2010). Designing new "Sticks" coul be costly and time inefficient, especially if it is controversial and would take a long tim to consult, discuss, debate and resolve amongst the political actors. More importantly governments will often avoid using "Sticks to encourage behavior change when sh anticipate powerful stakeholder oppositions or when the power of non-governmenta
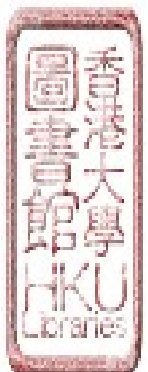
actors are on the rise to drive opposition to the government's policy or strategy. This nature makes Sticks an ideal tool to be used in situations where the government deems essential to intervene in the market, especially in regularising and formalising systems or frameworks in an attempt to change behaviours in society. When considering Knill and Tosun's ideal types of governance, "Sticks" appears to be effective when the government is keen promote/ enhance regulated self-governance in the system through hierarachical intervention and cooperation between actors. Nonetheless, "Sticks" will be most useful in extreme cases when the government wants to strengthen its intervention into the society through interventionist governance to reinfornce its command and control power in society.

Sermons

Sermons are another policy instrument, involving communication or information passing which are mainly used as "moral suasion" (Vedung, et al, 1998). As Vedung and Doelen highlighted (1998:193), sermons is restricted to "no more than pure transfer of knowledge, persuasive or reasoning, or exhortations... offered to influence the public or some segment of the public to do what government deems desirable".

This, again, is reminiscent to Nodality of the NATO scheme where authorities can use this power to enhance information collection and dissemination between the publi and the organisations using the nodality position of the government. For example information such as criticisms from the public would be given to the government b maintaining its central presence or through interactions with citizens. On the othe hand, the government could change behaviour of individuals through suppression o information, "disinformation" or unofficial "leakage" of information.

Sermons are more associated with different modes of communication between the government and its stakeholders rather than focusing on a more top-down approach to "effecting" the public, which includes authority-public and public-public level attempts to persuasion, negotiation, propaganda, advocacy, motivation and exhortation. Sermons are thus often considered the most lenient tool of the government as they do not contain mandatory rules of conduct but provides recommendation and judgments about how targets should behave (Vedung et al, 1998). From that perspective, "Sermons" can be an effective tool in promoting private self-governance between the stakeholders where "peer pressure" to conform to societal standards encourages them to change their behaviour for the better and gradually help to achieve the government's policy goals.

Nonetheless, sermons could be employed by the government as 'soft instruments' to foster communication and mutual exchange of information amongst actors, particularly to provide recommendations, appeals for acceptance or offer voluntary or contractual arrangements, such as code of conducts, voluntary agreements and contractual relations and public-private partnerships. The information conveyed through soft instruments may include arguments that may benefit targets materially from employing the measures recommended through the soft instruments, yet the government will not materially reward or deprive people who disregard the information. This makes "Sermons" the perfect tool for negotiation and to facilitate collaboration between differnet parties, especially when the government would like to foster cooperative governance as suggested by Knill and Tosun (2012) in the market to utilise the power of network governance in achieving its policy goals.
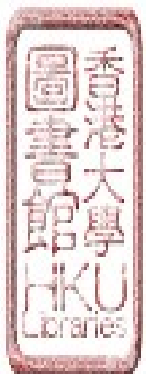
Regardless of the type of governance they are most efficient in supporting, "Sermons" are increasingly popular as a policy tool of the government. It is more politically feasible than "Sticks" when the government prefers to promote changes that the government deems desirable but is not prepared to invest a significant amount of resources in its "Carrots" to advocate the changes in society. This makes Sermons a valuable tool when the government is keen to address more contentious issues but is concerned that the issue being dealt with has no viable choice for the government to act on without causing any controversy. In that context, "Sermons" can be a useful tool to be used alongside "Carrots" and/ or "Sticks" to complement its function to achieve the government's intended policy goals.

Criteria of Effective Policy Tools and Good Governance

Given abundance of policy tools available to the government as put forward by scholars such as Hood and Vedung, at al not all the policy tools are appropriate in use and achieve the desirable policy results as expected. In assessment of tools of public interventions, Salamon (2000) identified the five criteria of effectiveness, efficiency, equity, manageability, and legitimacy and political feasibility.

Effectiveness reflects the extent that a tool can achieve its intended objectives while efficiency means achieving balance between benefits and costs. To evaluate the consequences of a tool, the level of fairness and redistribution determines its equity quality. In addition, a well-designed tool loses its significance when it lacks manageability, i.e. the level of ease of difficulty in implementation. Finally, when a tool o
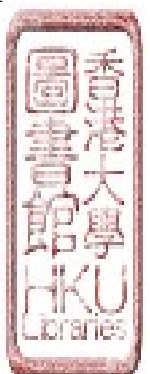
a program lacks political support and legitimacy, its delivery would unlikely to be successful.

In search of good governance, Knill and Tosun (2012) remarked that a necessary benchmark would be decision-making capacity of governments in public policies. In case a policy decision monopolized by the government would likely receive political resistance, delegation of competencies and authority to private actors in specific policies may reduce the difficulty in central governance. After introduction of a policy decision, whether it can be effectively implemented is equally important. Hierarchical intervention features strong 'push factors' from above, while private self-governance relies on 'pull factors' from societal actors. A balanced mix of both hierarchical 'push' and societal 'pull' could be found in regulated self-governance, bringing about more effective policy implementation. Finally, democratic legitimacy including elements such as due process, accountability and participatory rights also affects the quality of governance. While the participation of policy networks in non-hierarchical types of governance seems to have raised societal representativeness, the access opportunities of different groups may be unequal in which certain stakeholders may be left out as outsiders.

Concluding comments

This chapter sets out the analytical framework for the studying how governance and policy tools impacts on the URA's performance in delivering urban renewal. Knill and Tosun's (2012) governance model and Vedung's et al (1998) and Hood's (2007)
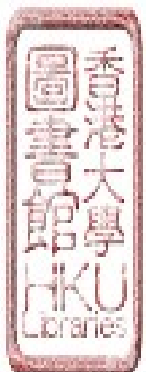
policy tools theories sets a good foundation to guide and inform the empirical analysis in the subsequent chapters.

Organisation, as a dualistic tool of the government, could develop or employ a range of tools to deliver policy measures. These ranges of tools would be studied and analysed using Vedung, et al's (1998) theory on Carrots, Sticks and Sermons so as to understand how policy tools are classified, package and chosen by public managers to deliver the policy goals. In an attempt to build an analytical lens to frame this research project, Vedung, at al (1998) and Hood's (2007) policy tools theory is fitted into Knill and Tosun's (2012) ideal types of governance for a preliminary assessment of the most effective tools to support the four governance mode. Salamon (2000) and Knill and Tosun's (2012) criteria for good policy tools and good governance also provide an effective framework for analysing whether the URA has been effective as a dualistic tool in adopting and using effective policy tools to deliver urban renewal in Hong Kong.
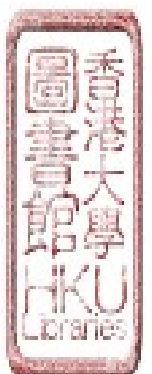
Chapter Three - Historical Development of Urban Renewal Authority

Introduction

Desirable living environment is essential to public citizens' well-being and a city's development. Like other developed areas in the world, Hong Kong has been facing growing needs for urban renewal over the past several decades. This chapter discusses the changing types of governance adopted by the government in urban renewal over the decades from reliance on self-governance by private actors towards increasing government involvement. In order to influence the pace and scope of redevelopment of older town areas, the government in the late 1980s decided to form a statutory body as organizational tool to take forward urban renewal projects, leading to the establishment of the LDC in 1988.

When the LDC became burdened by operational difficulties and did not achieve targeted results, the government recognised the importance of developing a stronger policy tool in delivering urban renewal. Eventually the URA was set up in 2001 in replacement of the LDC as the government's major tool in addressing urban decay problem, reflecting greater extent of hierarchical intervention in an indirect manner.

Before the 1980s: Private Self-governance in Urban Redevelopment

Urban renewal had not been on the government's agenda until the 1980s. Before the 1980s, the colonial government showed no greater commitment to urban
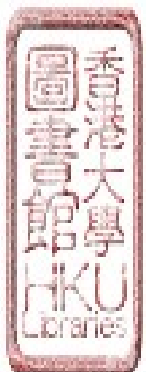
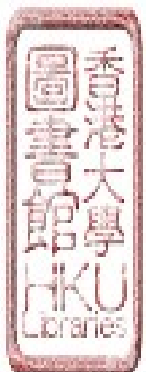redevelopment than the private sector (Adams & Hastings, 2001). Its major role in housing was the provision and management of public housing. It was observed that the government was playing "marginal role" (Ng, 2002) with "ad-hoc, half-hearted" (Ng, 1998) intervention in redevelopment of private residential buildings. The minimum government commitment at early days was attributed to its adherence of positive non-intervention principles in the market economy, and the considerably high cost in land acquisition of private buildings using public money was not preferred. Hence the government had been looking to the private developers to deal with owners for individual redevelopment projects.

During this period, the government did not formulate official policy in urban renewal or show interest in seeking partnership with the private sector in redevelopment. This resembled the type of private self-governance by Knill and Tosun (2012) where the state adopted a hands-off approach and left to the private actors to be major agents to coordinate individual actions in redevelopment of non-public housing. There were few policy tools in controlling private redevelopment.

Hastings and Adams (2001) and Ng (1998) identified key difficulties in previous redevelopment attempts prior to the establishment of the LDC in the late 1980s. They included multiple ownership in private buildings, rehousing of affected occupiers and the absence of central coordinating authority. As acquisition of ownership interest could be protracted by shared ownership of one unit or even failure to identify or reach the owners, without the power of land resumption, private developers only aimed at redeveloping small-scale sites for highest possible buildings to maximize efficiency and profit, resulting in fragmented "pencil" or "toothpick" development in the old urban districts.

Since the 1980s, more and more buildings erected in the 1950s became aged and with deteriorating conditions. Many of these buildings situated at major town areas were several-storey tenements (known as "tong lau") with no facilities. At the same time, the ever-growing population in the city brought about rising demands for housing and this added pressure for urban redevelopment to better utilize plot ratio for building taller residential buildings with better quality. When the pace of redevelopment could not be estimated or accelerated by the government under the market-oriented mode of private self-governance, the colonial government recognised the need for planning urban redevelopment in the long run in order to provide sufficient living space for the citizens. In other words, the government sought necessary instruments to take part in urban renewal.

The MacLehose government launched the 10-year housing program in 1972 to boost supply of public housing and its growing commitment was reflected in significant expansion of civil service and public expenditure. Considering that popular demands for public rental housing was accompanied by rising public interest for home ownership in the 1980s, the government reviewed the direction of its housing policy and introduced its Long Term Housing Strategy in April 1987, stating that the government shall improve the residential living conditions by both redeveloping sub-standard older public housing estates and by encouraging redevelopment of older private housing through an agency named the Land Development Corporation (LDC) (Hong Kong Housing Authority, 1987). It revealed that the government decided to form an organization as its policy tool to expedite urban renewal.
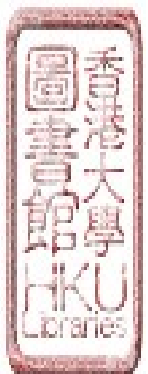
The LDC (1988) as Organizational Tool: Enabling Cooperative Governance

With the enactment of the Land Development Corporation Ordinance (LDCO) in December 1987, the LDC was established in January 1988. Clause 4 of LDCO states that its purpose was to "improve the standard of housing and the environment in Hong Kong by undertaking, encouraging, promoting and facilitating urban renewal."

The government decided to set up the LDC as an independent statutory body, because this enabled the government to minimise intervention in implementation as well as further financial burden. Established by a statute, it had rather stable existence with specific legal duties and authorities, and its operation would not be much restricted by bureaucracy. The incorporated LDC could exercise autonomy in staffing and contracting with private developers to jointly develop housing projects in a more efficient manner. In this way, the government created a formal organization as a policy tool to deal with the rising public problems of unsatisfactory housing supply and urban decay.

The government formed the LDC with the objective of speeding up redevelopment of dilapidated urban districts. The LDC was tasked to select target sites for redevelopment and submit development schemes to seek approval of the then Secretary for Planning, Environment and Lands (SPEL). SPEL would then submit the plans for the Town Planning Board (TPB)'s consideration. Upon approval by the TPB, the LDC could execute the projects by resuming property rights and partnering with private developers in the form of joint venture for construction and sale of new flats. In case the LDC encountered difficulties in resuming ownership of the subject site, it could apply to SPEL requesting him to recommend to the Governor/Chief Executive in Council

for land resumption under the (Crowns) Lands Resumption Ordinance (Clause 15 of LDCO). Approval of invoking land resumption would be based on the condition that the government was satisfied that the LDC has taken all reasonable steps to acquire the land including negotiation on fair and reasonable terms. Government loan of $100 million was offered, while the LDC was required to conduct its business according to prudent commercial principles, unless approval was given by the Financial Secretary to engage in projects which were unlikely to be profitable (Clause 10(1) of LDCO).

Since the formation of the LDC in 1988, the role of government in urban renewal changed from a passive third party to an active facilitator. The shift of governance model away from private self-governance towards cooperative governance in this policy arena was seen, since the enactment of the LDCO increased the level of legal obligation and the mode of redevelopment by joint venture between the LDC and private developers strengthened the level of public-private cooperation.

Indeed, the redevelopment approach of the LDC relied heavily on entering contractual relationship with private developers in construction and provision of redeveloped housing. The LDC announced the first batch of eight redevelopment projects in 1988, which were all implemented in the form of joint venture with major private developers. Due to the financial pressure under prudent commercial principles and orientation towards profit maximization driven by its private partners, a number of projects kickstarted at early stage were in commercial rather than residential nature and they were picked not because they had the worst conditions with the greatest need for redevelopment, but because their financial returns were most lucrative. In fact, six out of its first eight projects were commercial development.
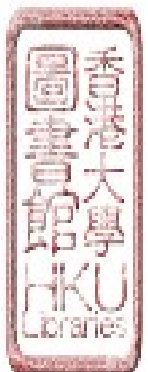
Declining Competencies of the LDC: In Need of a Stronger Tool

Even a central redevelopment authority backed by a statute was created to expedite urban renewal in Hong Kong, the LDC had been faced with difficulties and obstacles. Multiple and scattered ownership spread among high-density buildings proved land acquisition a top challenge for the Corporation. The time and cost needed for reaching agreement for compensation and sale of ownership were often more than expected which caused the projects running behind schedule. Although it could apply to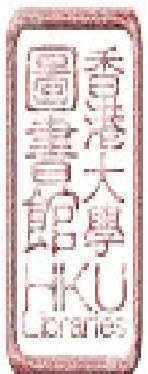 the Governor/Chief Executive in Council for land resumption, the prerequisite was to convince the government that the LDC had made all possible efforts, albeit unsuccessfully, to claim ownership at the project sites. Besides, the LDC shall prove that such land resumption was for a public purpose, and it had to prepare assessment that arrangements could be made to provide residential accommodation of persons to be displaced by the redevelopment proposal. Even upon approval by the Chief Executive in Council, land resumption was carried out by the then Planning, Environment and Lands Bureau or any authorized person instead of the LDC. The Corporation's limited authority in land resumption had constrained its flexibility in controlling its project progress, and the prolonged land assembly process increased its financial burden.

What is more, the government only offered a $100 million loan to the LDC instead of injecting funds to support its operation. The assumption that the LDC could run its project in a self-financed way was discouraged by diminishing number of available sites for profitable redevelopment and fluctuating property market. When there were increasing project delays and the Asian Financial Crisis blew the economy in 1998, the LDC suffered from enduring financial difficulties in its later years.

The problem of urban decay only became more widespread as years went by. By the end of 20th century, 8500 urban buildings were over 30 years old, with more than 2200 of them requiring redevelopment or maintenance. The number of buildings over 30 years old would be increased by 50% within the next decade. (Tung, 1999). Despite a decade's efforts by the LDC to take up batches of redevelopment projects, the overall speed and scale of its redevelopment programme fell well below original expectations. During the LDC era from 1988 to 2000, only 16 projects were completed, leaving 10 commenced projects and 25 announced projects. When the LDC model was found unsustainable and ineffective, a change of governance model in urban renewal was considered necessary.

In July 1995 the government conducted public consultation on urban renewal in Hong Kong, and a policy statement was published in June 1996 which proposed establishing a new statutory authority for taking forward a new urban renewal strategy (Planning, Environment and Lands Bureau, 1999). Although the LDC failed to take forward effective urban renewal as expected, the government continued to make use of a statutory organization to work towards its policy goals in delivering timely urban renewal. The tasks of land resumption for redevelopment projects had been proven highly complex and sometimes controversial, and the compensation negotiations and financial arrangements with different groups of stakeholders in different projects from time to time would be more efficiently managed by an independent authority than the government with the treasury. A strong statutory body could therefore act as a buffer for the government on one hand and help the government deliver public goods and services without increasing recurrent public expenditure on the other hand.

Instead of abolishing the organizational tool of statutory body, the government tried to create an improved organization backed by a stronger statute which could address the vulnerabilities found in the LDC, such as the lack of power in land resumption and heavy financial commitment. In light of this, the Urban Renewal Authority Ordinance (URAO) was introduced and passed in 2000, which established the Urban Renewal Authority (URA) in May 2001 to replace the LDC which was dissolved at the same time.

The URA (2001) as a Stronger Tool: Towards Regulated Self-Governance

The URA took over the work of the LDC which performed as the key organisational tool by the HKSAR government in facilitating the city's urban renewal. The URAO states more clearly about the responsibility of the URA in improving the standard of housing and built environment of Hong Kong by "replacing old and dilapidated areas with new development", "promoting the maintenance and improvement of individual buildings" as well as "preserv(e)(-ing) buildings, sites and structures of historical, cultural or architectural interest" (Section 5, URAO). In other words, the URA received the legal mandate to revitalize the older part of the city not only through land redevelopment, but also encouraging building rehabilitation and heritage conservation.

Under the new provisions of planning procedures, instead of submitting development proposals on project-by project basis for SPEL's approval as required by the LDC, the URA is obliged to submit a five-year corporate plan and annual business plan to the Financial Secretary every financial year which covers details of implementation for all its development plans within the period. When the projects are in
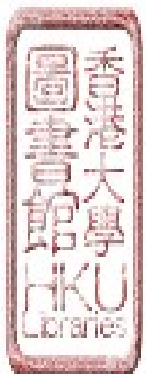
need of land resumption, the URAO also allows the URA to apply to the Secretary for Development requesting him to recommend to the Chief Executive in Council the resumption of land in an approved development scheme or project under the Lands Resumption Ordinance. However, the threshold for application was lower than that of the LDC as the URA can apply direct for mandatory resumption within 12 months after the projects plans are given final approval by the Chief Executive or the Secretary for Development without requiring it to attempt to require land first. This would give the Authority greater power in proceeding to redevelopment projects and thus reduce the risk of project delays due to resistance of individual owners.

Besides, the URA is exempt from taxation and land premium, and the government injects a total of $10 billion to it as capital investment fund. It is no longer legally bound to conduct business according to prudent commercial principles, that now the URA is obliged to exercise due care and diligence in the handling of its finance (Section 10(4) of URAO). These provisions have greatly eased the financial burden of the URA compared with its predecessor. These differences between the URA and the LDC reflected official commitment to improve the institutional design to facilitate the work of the new urban renewal agency.

At the same time, by creating a stronger organization, the government expects the URA to take up more responsibilities than the LDC. URAO stipulated that the government would prepare from time to time an Urban Renewal Strategy (URS) which would be reviewed and updated regularly, and the URA shall follow the guidelines set out in the URS when it prepares programme of implementation for its proposals and projects in the corporate plan. Subsequently, the first URS was introduced in November 2001, half year after the birth of the URA.
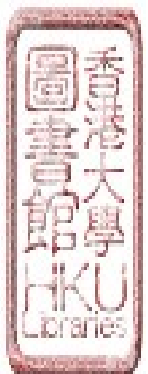
In the 2001 URS, the government has already set the target number of projects for the URA, i.e. to complete 200 new projects and 25 uncompleted projects of the LDC in 20 years, In planning its redevelopment programme, the URA shall give priority to those 25 projects brought forward from the LDC era, and the URS has designated nine target areas for the URA, which are Kwun Tong, Ma Tau Kok, Sai Ying Pun, Sham Shui Po, Tai Kok Tsui, Tsuen Wan, Wan Chai, Yau Ma Tei and Yau Tong respectively. The URA was required to adopt a "people-centre" approach in urban renewal as the purpose of urban renewal is to improve the quality of life of residents in the urban area and reduce the number of people who are inadequately housed. Instead of "slash and burn", urban renewal approach shall include redevelopment, rehabilitation and heritage preservation.

When the URS was reviewed and the new version was introduced in February 2011, it stipulated that the URA had to carry out urban renewal by "people first, district-based and public participatory" approach, setting more rules and principles to be obliged. The government defined the scope of urban renewal to include four elements known as 4R - Redevelopment, Rehabilitation, pReservation and Revitalisation, with redevelopment and rehabilitation as the two core businesses of URA. New platforms such as District Urban Renewal Forum (DURF) would be set up in older urban areas to strengthen urban renewal planning with the community at the district level, and new roles were assigned for the URA that it would act as implementer in responding to building owners' initiative for redevelopment, or provide assistance to these owners as facilitator. In short, the URA as the executive agency of the URS is required to work on a number of assigned redevelopment sites on one hand, and steering non-profit-making tasks in rehabilitation of aged private buildings, heritage conservation and revitalization of historical buildings on the other hand.
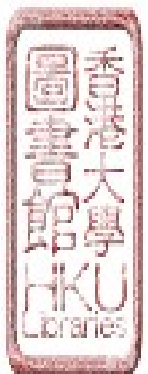
From the creation of the URA in 2001, it is observed that the type of governance in urban renewal in Hong Kong has been changing from cooperative governance in the LDC era towards regulated self-governance. The URAO has assigned the URA with greater obligations, authorities and resources, especially in the implementation of the government's URS. At the same time, the reconstruction and ongoing management of its redevelopment projects still rely on collaboration with private developers, and URA would be engaging in various forms of partnering relationship with more public and private actors such as bureaux and departments, non-governmental organisations (NGO) and civil society organizations (CSO) in its daily operation. These features of stronger legal and policy binding in organizing urban renewal and network governance with active participation of public and private actors could be broadly categorized as the ideal type of regulated self-governance.

Concluding Comments

In the study of urban renewal in Hong Kong, the historical development from initial reliance on the market to redevelop older private housing before the 1980s, followed by governmental action to establish the LDC in 1988 and then replace it by the URA in 2001 have reflected changing patterns of governance in this policy area from private self-governance towards cooperative governance and even self-regulated governance.

The governance approach in urban renewal of Hong Kong did not start from the conventional mode of state intervention probably because Hong Kong had long been featured with "laissez-faire", non-interventionist principle in affairs involving private
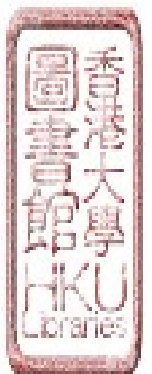
property interests since the colonial days. The government especially after the 1967 riots paid much attention to the provision of public housing, and the renewal of private housing was left to the private sector. It was when the government alerted that the conditions of those aging private buildings became worsened in the 1980s and the problem of urban decay rose to public agenda that induced public actors to take part in the governance mode of urban renewal. Instead of steering urban renewal by bureaucratic structure, the government opted to establish a statutory body as the LDC in 1988 to encourage private participation in redevelopment projects in the form of joint venture. Afterwards, it was due to ineffectiveness of this early model of cooperative governance that triggered the government to take steps forward in the extent of state involvement, leading to the establishment of the renewed statutory organization as the URA in 2001, resembling the model of regulated self-governance.

After understanding why the URA was formed by the government as its policy tool in delivering urban renewal, how the government assigned resources to the URA in achieving its policy goals in urban renewal would be examined, and to what extent these resources have enabled the URA to possess capacity and competencies to fulfil its obligations.
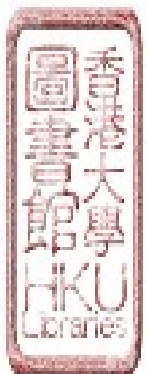
Chapter Four - Governance and Policy Tools of URA

Introduction

The choice of policy tool is very important in ensuring smooth delivery of policy measures. It also reflects the governance model that government adopts. In the case of urban renewal in Hong Kong, at first, the Hong Kong government had considered that leaving private sector alone would be responsive to housing needs of the market and hence it had been reluctant to play an active role in addressing the urban decay problem. As discussed in the last chapter, it had been trying to rely on the private sector to tackle urban decay problem until it was obvious that relying solely on the private sector could not solve the urban decay problem. The increasing severe urban decay problem had pushed the government to be more involved in the delivery of urban renewal.

With the change of governance model towards regulated self-governance, the government had established the then LDC and subsequently the URA as its tool to deliver urban renewal instead of solely rely on the market. By choosing "Organisation" of Hood's NATO framework as its policy tool, the government has granted a number of resources to enable URA to develop and employ a range of tools. These range of tools would be examined using Vedung's Carrots, Sticks and Sermons framework.

This chapter examines the resources that the government has granted to URA using the NATO Scheme and how it affects the capacity of the URA in employing and developing its own tools to delivery urban renewal.
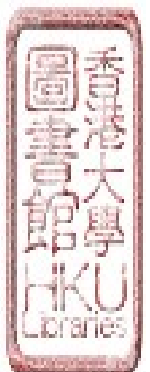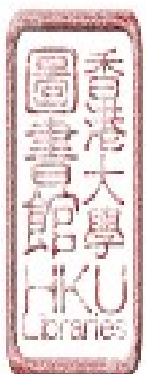
The URA as a Dualistic Tool

The choice of a statutory body, the URA, as the organisation to deliver urban renewal reflects government's reluctance on shouldering the delivery of urban renewal completely by the government. The government hopes the position as a statutory body outside the government structure would enable the URA to develop and employ its own toolkit to deliver urban renewal in a more flexible way while maintaining transparent and publicly accountable operations. Its position as an independent legal entity enables it to operate in a commercial manner, including entering into joint venture or partnership with private companies, which is inline with government's long-lived policy of "big market, small government".

URA as Statutory Body

The URA was setup under the Urban Renewal Authority Ordinance (URAO) (Department of Justice, 2001), which empowers the URA with the authority to carry out urban renewal and associated purposes. As a statutory body, the URA has authority to hire its own staff to facilitate its work. This gives the URA flexibility to appoint specialist as well as administrative staff with expertise to deliver complex urban renewal related works, particularly in land acquisition, planning and design, clearance and project management, which are expected to be more competent in project implementation..
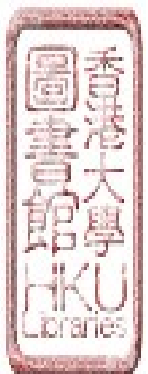
A Board of Directors is appointed by the Chief Executive to oversee the work of the URA and ensure effective inter-agency coordination with other government bureaux/departments in delivering urban renewal within the enabling framework established by the URA. The Board comprising 3 executive directors and at least 12 non-

executive directors (including the Chairman) with appointment for a term not exceeding 3 years to avoid abuse of powers and to generate fresh ideas for urban renewal. Amongst the non-executive directors, four of them are public officers and they are Director of Buildings, Director of Home Affairs, Director of Lands and Director of Planning. Since all members are appointed by the Chief Executive, it ensures that the direction of the URA is inline with the policy direction of the government. In addition to ensuring that the government department and bureaux can discuss and embed urban renewal in their business plans through the top-down approach, the platform also enhances collaborative governance across the government sector when the URA's redevelopment projects and rehabilitation schemes are being implemented. Top down command will also ensure that the public officers communicate and coordinate their actions in delivering urban renewal, which is conducive to speeding up the process.

Yet, urban renewal project is very complex which takes a long time from project identification through different stages of the project like land resumption, various impact assessments, rehousing of affected residents, property development, etc. For example, the K11 project had been initiated in 1976 was only completed in 2009, lasting for more than 30 years. Given this long time-span business nature, the term of three years for the Board of Directors is relatively short for urban renewal projects. The change of composition of the Board and more importantly the Chairman may impose major shift on project choices and direction of the URA. The recent resignation of the then Managing Director, Miss Iris Tam[1], reveals the clash of values with the Chairman who took office in 2013 (Urban Renewal Authority,2013).

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[1] Ms Iris Tam took office as Managing Director of URA since 2006 and she has quit in March 201[5], according to article "Head of Hong Kong's Urban Renewal Authority quits amid 'clash over priorities'" published on South China Morning Post on 31st March 2015 (URL : http://www.scmp.com/news/hong kong/article/1752068/head-hong-kongs-urban-renewal-authority-quits-amid-clash-over).

Amongst the non-executive directors, four of them are public officers and they are Director of Buildings, Director of Home Affairs, Director of Lands and Director of Planning. Since all members are appointed by the Chief Executive, it ensures that the direction of the URA is in line with the policy direction of the Government. In addition to ensuring that the government departments and bureaux can discuss and embed urban renewal in their business plans through the top-down approach, the platform also enhances collaborative governance across the public and private sector when the URA's redevelopment projects and rehabilitation schemes are being implemented.

Moreove, the URA is subject to scrutiny by the Legislative Council. The URA Chairman, Managing Director and Executive Directors are required to attend meetings of the Legislative Council when requested and they shall answer questions raised by Council members. This requirement reinforces transparency and accountability in the URA's operations by promoting, expecting the trust between the URA and the public would be enhanced when it is more exposed to public scrutiny.

Urban Renewal Strategy: URA as a Tool of Government

The birth of the URA in 2001 carried a major mission to carry out urban renewal in accordance with the government's official strategy in urban renewal introduced in the same year. As stipulated on the URAO, the URA shall follow guidelines set out in the URS on the implementation of its projects. This is a clear demonstration that the government made use of the URA as its tool to achieve its desired policy goals.
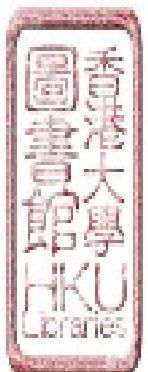
The imposition of the URS to the URA was a rather hierarchical as the development and review of the URS is responsible by the Secretary for Development. Although comprehensive public engagement was conducted during the last review of the URS in 2008, the URA as the strategy's executive agency was only invited as one of the attendees in the Steering Committee (Development Bureau, 2011). Its weak influence on the development of the new URS may have limited its autonomy in deciding the strategic plan more suitable for the URA in implementing urban renewal initiatives.

The URS announced in 2011 sets out a "people first, district-based, public participatory" approach to be adopted by the URA in carrying out urban renewal in order to balance the needs and interests of different stakeholder groups. It also set out detailed approach and procedure that the URA shall adopt in implementing urban renewal projects. For example, the procedure for conducting social impact assessments is set out in detail in the URS. On one hand, a very clear set of guidelines could ensure the URA to follow all required procedure of the government. On the other hand, it also imposes constraints for the URA to develop its own approach to deliver urban renewal.

In addition, the URA has been tasked to complete the 25 uncompleted projects from the LDC together with 200 priority projects (Planning and Lands Bureau, 2000). In addition to setting out the detailed procedures that URA needs to adopt through the URS, the government has tasked the URA with a large series of projects to complete. The URA merely serves as an "execution machine" of the government in implementing the serie of projects. With reference to the latest report of the URA reported to the Legislativ Council on 23 June 2015 (Development Bureau, 2015), the URA has commenced a tota of 57 projects since its establishment and taken over the implementation of the 1(ongoing projects from the former LDC. Based on the existing pace, all these 225 projects
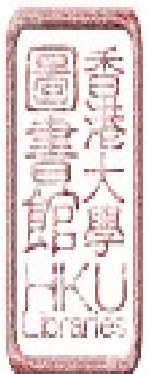
may take 40 more years to complete. The URA has already been heavily loaded with projects assigned by the government, which leaves very little room for the URA to initiate its own projects.

Resumption, Redevelopment and Re-housing with Authority from the Government

In order to speed up the land resumption process, the URA has been granted with the mandatory resumption power. The URA could apply for mandatory resumption within 12 months after the project plans are approved by the Chief Executive. The application should be made under the LRO. Although the URA has been granted with more authority on resumption, the power is not without limit. Under the LRO, the resumption should be made for public purposes only, such as sanitary or ventilation, etc (Department of Justice, 1997). Although the Chief Executive in Council may decide to be a public purpose, the power is not easy to exercise since it may invoke strong resistance from the public.

The strong resistance from the civil society imposes challenges for the URA to exercise this power. In the Nga Tsin Wai Village redevelopment project (one of the 25 uncompleted projects of the LDC) which was announced in 1998, the URA has submitted an application to the Secretary for Development requesting the Secretary to recommend to the Chief Executive in Council the resumption of land for the project in 2009 but the land has still not been resumed yet (Urban Renewal Authority, 2013) (Information Services Department, 2013).
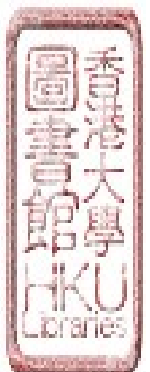
In re-housing of residents affected by the redevelopment projects, the URA received support from the HA and Hong Kong HKHS that eligible tenants could be re-housed in units managed by the two agencies. For example, the HA has agreed to allocate 20% of its rental housing to cater for the resettlement needs of the URA (Lai, 2010). Nevertheless, since the URA does not have any authority over the HA and HKHS, it is difficult for the URA to ensure sufficient rehousing for the affected residents could be provided by HA and HKHS. With more than 270,000 applications (Housing Authority, 2015) on the queue waiting for public rental housing, the HA is facing tremendous pressure to allocate public rental houses to its applicants and hence difficult to cater for the needs of the URA.

Hence, without availability of rehousing units, most of the URA's effort to assist affected flat occupiers to move out from the original site during the course of land acquisition has to rely on providing cash compensation and ex-gratia payment to affected owner-occupiers and tenants, which has proved to become a tremendous financial burden for the URA in the long run. Although the new URS identified the need to offer "flat-for-flat" arrangement as an alternative option, the URA's experimental attempt in the site in Kai Tak new development site was yet to be realised.

Treasure from the Government

Recognising the former LDC lacked sufficient financial support, the government has injected $10 billion to URA over five-year period. Instead of adopting "pruden commercial principles" (Urban Renewal Authority, 2014) as the LDC, the government has imposed less stringent principle on URA in handling its finance. As stipulated on th URAO, the URA is required to exercise due care and diligence in the handling of it
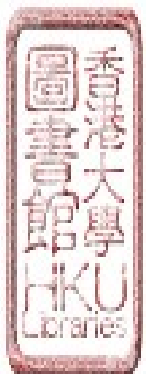
finance. It is also exempted from land premium for its redevelopment sites (Urban Renewal Authority, 2014), which is a major cost component of urban renewal. As at 31 March 2015, the total amount of land premium waived was $14.3 billion (Development Bureau, 2015). The government has indirectly granted more than double of its initial injection through waiving land premium. Furthermore, under the URAO, the URA could borrow from the government or other parties as approved by the Financial Secretary. The URA has put in place a MTNP since 2009 in order to secure sufficient funds to support its programme. As at end March 2015, the bond issued was $4.6 billion (Development Bureau, 2015). In sum, financially speaking, the huge sum of financial resources have provided the URA with more choices on the selection and employment of its own tools.

Information Collection and Dissemination using its nodal position

The URA serves as the central presence of the government in delivering urban renewal. This nodal position enables the URA to collect and disseminate public information related to urban renewal from the society for the government. With the improvement of technology, the URA can disseminate information related to urban renewal and rehabilitation to the community through websites and mobile apps, such as URA's website, the Building Rehab Info Net, and UR City Fun mobile, etc. It has also setup the Urban Renewal Exploration Centre to provide the public with information related to urban renewal, such as the urban decay problem of Hong Kong, the mission of the URA, etc. With more interactions with citizens, it could enable the citizens to better understand the urban decay problems that the city is facing and the work of URA and hence conducive to trust building and smooth delivery of urban renewal projects.
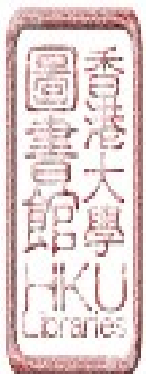
The URA also collects and collates needs and views in the community. For example, it collates redevelopment needs from property owners through demand-led scheme and it listens to the needs of the residents of old districts through Community Service Partnership Scheme. These initiatives enable URA to adopt a more bottom up approach to deliver urban renewal, which would be conducive to achieving a more harmonous and faster property resumption process.

The URA's Toolkit – Carrots, Sticks and Sermons

As discussed above, the government has given the URA enhanced resources in authority, treasure and nodality hand in hand with its assignment to the URA with enhanced roles in implementing the official policy in urban renewal. The URA as an organizational tool has the capacity to employ its own tools to support the delivery of urban renewal as set out under the URS and the URAO. Table 4.1 below summarises a wide array of the tools adopted by the URA in delivering redevelopment and rehabilitation tasks under the classification of Carrots, Sticks and Sermons (Vedung, et al, 1998).

Urban Renewal Approach: mix of Carrots and Sermons

From a "people-centered" approach to "people-first, district-wide, public participatory" approach as set out in the old and new URS, the URA adopted a mix of Carrots and Sermons to cater the interests and needs of different stakeholders for promoting sustainable and quality living environment in Hong Kong through urban renewal.
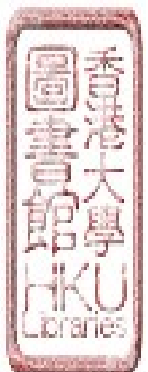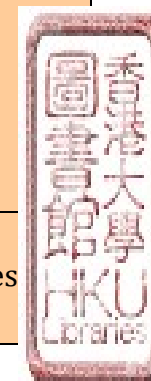
Table 4.1 Carrots, sticks and sermons employed by the URA to deliver its core business/ entrusted obligations

	Top down initiatives – URA-led
	Bottom up initiatives –URA to provide support, assistance and allowances to encourage these private-led initiatives
	Schemes supported by the Urban Renewal Fund (URF)
	Schemes entrusted to the URA by the government

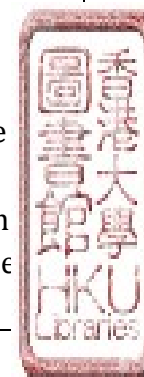|	Carrots	Sticks	Sermons
Redevelopment	Compensation Policy • Compensation to be given to affected owners equivalent to the unit rate of a notional replacement flat seven-year-old situated in similar locality and of similar size • To accelerate land acquisition	• Mandatory resumption or compulsory sale to assemble land 1. Urban Renewal Authority Ordinance Cap 563 2. Lands Resumption Ordinance Cap 124	Have flexibility to either adopt Public-private partnership model to deliver the redevelopment schemes or to redevelop by other partners such as the Housing Society and the Housing Authority, with the former being the most adopted model.
	Flat for Flat scheme (FFF) • Provides domestic owner-occupiers affected by the URA's redevelopment projects an alternative to cash compensation and ex-gratia payment • Can opt for either 'in-situ' FFF units in the URA's new development at the original sites or for units at a Kai Tak Development site earmarked for	Expression of Interest in Purchasing Agreement • Affords domestic owner-occupiers the priority to purchase new flats in the redeveloped site should they wish to return	Public engagement and advisory • District Urban Renewal Forum (DURF) – set up by the government to offer urban renewal planning advice from holistic and integrated perspective • DAC • Providing public briefings and roadshows

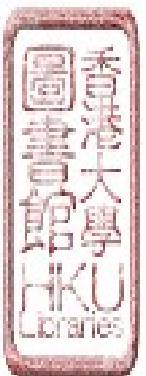|	Carrots	Sticks	Sermons
	the FFF scheme • To facilitate rehousing thus speed up land acquisition		
	Special ex-gratia payment to tenants whose landlords terminate or refuse to extend their leases after freezing survey but before the URA successfully acquires the properties 1. Domestic buildings • Improve the conditions of tenants in dilapidated buildings • Compassionate housing will be considered in exceptional circumstances 2. Non-domestic properties • Payable to owner-occupiers of non-domestic properties • Taking into account the number of years of their continuous operation	Demand-led Redevelopment Project (pilot) - domestic buildings • Urban Renewal Authority Ordinance Cap 563 • Joint application >50% of owners • Building condition within the site should be "poor" or "varied" • Does not comprise buildings/ structures of significant interests • Within redevelopment zones identified by the DURF and not in proposed preservation areas • Not within area of a redevelopment project commenced by the URA • All applications will be screened by the URFS • Have to be approved by the Financial Secretary as viable investment for implementation •	URF supports the operation of social service teams to provide assistance for residents affected by the URA's redevelopment projects
	Compassionate Allowance for Elderly Domestic Owner-Landlords • Eligible owner-landlords who	Demand-led Redevelopment Project (pilot) - commercial and industrial buildings • Urban Renewal Authority Ordinance	URF supports social impact assessments and planning studies proposed by the DURF

|	Carrots	Sticks	Sermons
	rely on rental income to sustain their livelihood to receive extra allowance	**Cap 563** • To accelerate the pace of renewal of dilapidated industrial buildings in areas already rezoned to release more land for residential or commercial development • Joint application >50% of owners • Building condition within the site should be "poor" or "varied" • Does not comprise buildings/ structures of significant interests • Within redevelopment zones identified by the DURF and not in proposed preservation areas • Not within area of a redevelopment project commenced by the URA • All applications will be screened by the URFS and needs to follow the relevant occupation permit • Have to be approved by the Financial Secretary as viable investment for implementation	
	Provide removal allowance to affected tenants of sub-divided units in industrial buildings affected by URA		URF supports heritage preservation and district revitalisation projects proposed by NGOs and other

	Carrots	Sticks	Sermons
	redevelopment		stakeholders
	Maintenance cost reimbursement scheme • Provide ex-gratia allowance to encourage owners to carry out maintenance and repair works for buildings likely to be redeveloped soon		
Rehabilitation	Mandatory Building Inspection Scheme (June 2012) • Assist owners in complying with the statutory requirement to carry out inspection of buildings once every 10 years		Urban Renewal Resource Centre to provide building rehabilitation information and application assistance
	Integrated Building Maintenance Assistance Scheme (IBMAS) (2011) – completely taking over the work of Hong Kong Housing Society under the Scheme from July 2015 • Common area repair works subsidy • Common area repair works interest-free loan		Also handles applications of • Building Maintenance Grant Scheme for Elderly Owners (administered by HKHS) • Building Safety Loan Scheme (administered by BD) • (both can be applied through IBMAS form processed by the URA)

|	Carrots	Sticks	Sermons
	• Home renovation interest-free loan • Owners corporation formation subsidy • (Building Rehabilitation Loan Scheme and Building Rehabilitation Materials Incentive Scheme in 2004 now consolidated under IBMAS)		
	Third Party Risks Insurance Subsidy • Providing a 3-year subsidy to Owners Committee after completion of repair works		Partnered with NGOs to offer building rehabilitation supporting service to owners in various districts
	"Operation Building Bright" scheme (2009) • URA to contribute $150m to support the scheme (in collaboration with the HKHS and the government) • Provide subsidies and technical support to owners of dilapidated private buildings aged 30 years or above • Taking over all the building		

	Carrots	Sticks	Sermons
	rehabilitation work from the Hong Kong Housing Society 1. Improving building safety and cityscape **2.** Creating more job opportunities		
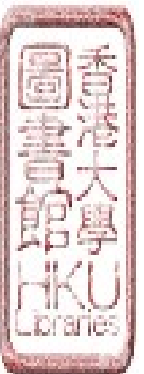
As a fresh response to the new URS in February 2011, the URA endowed $500 millions to the Urban Renewal Fund (URF) which operated since August 2011 (Urban Renewal Fund) as a standalone "Carrot" that is run by an independent organisation by guarantee to provide a steady and independent source of funding for various initiatives in line with the URS. The main function of the fund is to ensure that the impact of the URA's projects is mitigated as far as possible, which includes using the fund to support social impact assessments and other planning studies as part of scoping and evidence base development for better information gathering. As well as supporting heritage preservation and district revitalization projects proposed by NGOs and other stakeholders, a URF-funded social service team staffed by appointed NGOs was also set up to provide assistance for residents affected by the URA's redevelopment projects to promote its social obligations.

In line with the theme of addressing community concerns and aspirations through the "district-wide, public participatory" approach, through the use of URA's nodal position, four main "Sermons" are employed in the URA's toolkit to increase transparency of the URA's operation and to enhance its commitment to public engagement.

Firstly mentioned in the first URS in 2001, District Advisory Committees (DAC) are set up in seven districts by the URA to understand local urban renewal needs and issues. Members of the local community are nominated into the committee to advise issues related to urban renewal. It provides a two-way communication channel between the stakeholders the URA to improve information dissemination enable holistic district wide planning through maintaining a continuous dialogue.
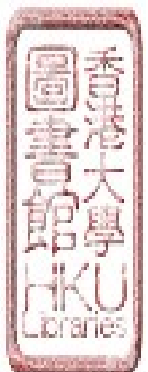
Then in June 2011, the government set up the first District Urban Renewal Forum (DURF) in Kowloon City to strengthen planning in urban renewal at district level, The URA as a member of DURF make uses of this platform to detect information and enhance communication with different sectors of the community. In addition, the URA-funded URF approved funding application of Kowloon City DURF in conducting broad-based public engagement exercises, planning studies, social impact assessments and other related studies to inform its agendas setting and decision making process.

Moreover, as mentioned previously that the URA's nodal position enables it to further improve information dissemination and public education, the URA has developed various digital platforms such as websites and mobile apps as well as a physical site in the Urban Renewal Exploration Centre to provide necessary information about its work on urban renewal in different areas. Besides promoting and educating the public about the importance and necessity of urban renewal in Hong Kong, these platforms act as sermons for the URA to demonstrate and defend its efforts all along and build up an informative, professional and helpful corporate image.

Corporate Social Responsibilities initiatives serves as the last, but by no means the least useful, tool used by the URA as an effective outreach tool to promote social value and its social responsibility within the community. All these new "Carrots" and "Sermons" function together to ensure that the URA can more be effective in responding to arising urban renewal issues and addressing the information asymmetry between the stakeholders and the authority.
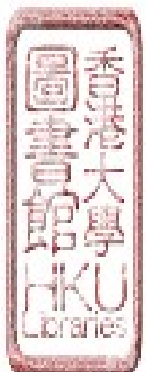
Redevelopment: Carrots and Sticks

Redevelopment projects have to go through the stage of land acquisition to clear the site for tendering out construction work. To enable successful acquisition of owners shares in the project sits, the URA decided to pump more resources to increase the power of its "Carrots" than its predecessor.. Instead of awarding affected owner-occupiers with a notional 10-year flat compensation, the URA enhanced its offer to a 7-year compensation[2] to address LegCo's concern about the low compensation and to increase chances that affected citizens can be relocate within the locality.

Domestic owner-occupiers affected by URA redevelopment projects[3] can also opt for 'in-situ' Flat for Flat scheme[4] (FFF) units in the URA's new development at the original sites or for units at a Kai Tak Development site earmarked for the FFF scheme as an alternative to cash compensation and ex-gratia payment. As the URA and the government anticipated that this alternative "Carrot" would be popular, a total of 484 flats at the De Novo development in Kai Tak were reserved for the FFF scheme to incentivise those affected by URA redevelopment projects to move to development to preserve the social network (URA, 2012). Together with various special ex-gratia

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[2] Compensation to be given to affected owners equivalent to the unit rate of a notional replacement flat seven-year-old situated in similar locality and of similar size

[3] Only applicable to domestic owner-occupiers affected by URA redevelopment project that are initiated after the adoption of the URS in 2011

[4] Domestic owner-occupiers who opt for the FFF must first accept the amount of cash compensation calculated on the basis of the value of a notional seven-year-old replacement flat. They could then have a choice of 'in-situ' flats situated in the lowes five to eight floors in the future new development or flats in an FFF Scheme to be developed by the URA on a site at Kai Tak. The unit prices for new flats are fixed at the time of the acquisition offer.
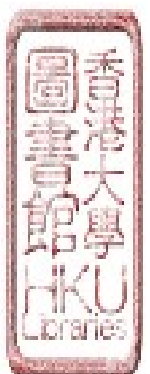
payments and allowances, it was also hoped that the wider range of "Carrots" may encourage affected citizens to accept the acquisition offer much more quickly to reduce delays caused by negotiations and rehousing and accelerate the land resumption process.

Recognising the value of encouraging stakeholders in tackling the worsening urban decay problem in Hong Kong, the Demand-led Redevelopment (Pilot) Scheme was introduced as a "Stick" to help the URA to fulfil its obligation to promote the bottom up approach in urban renewal set out in the URS adopted in 2011. Under this new scheme, the URA may act as an "implementer" to commence a redevelopment project under the "owner demand-led" approach pursuant to the its powers set out in the URAO Cap 563, or, as an "facilitator" to provide technical assistance to owners where necessary in the complicated joint sale process depending on the building owners' aspirations. No acquisition or compensation or resumption will be carried out by the URA in that case.

Alongside that, the Urban Redevelopment Facilitating Services Co Ltd (URFS) was introduced as a "Stick" and set up as a subsidiary of the URA to increase the its efficiency in dealing with demand-led scheme applications. Though it is running in a small scale at the moment, the URA noted that the authority may initiate more of such projects in response to demand and would increase its resources in this area accordingly (Legislative Council Secretariat, 2015) to enhance the URA's power to command and control the demand-led pilot scheme to promote regulatory efficacy in promoting this bottom up initiative within the community.
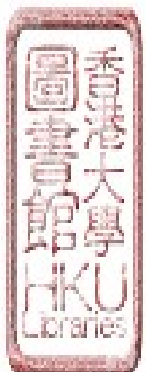
Rehabilitation: Carrots accompanied by Sermons

Meanwhile, the new focus on rehabilitation as one of its two core business has encouraged the URA to put more focus on using policy tools that could help deliver the government's policy goal to enhance building safety (Development Bureau, 2011). In an attempt to speed up its work the URA appointed more staff resources as a key "Carrot" to accelerate its pace in delivering its projects. The staff pool has doubled to 500 since 2009 to deal with the increased workload, particularly in rehabilitation schemes. Resources have also been invested in setting up Urban Renewal Resource Centres in various districts as "Sermons" to provide building assistance and advice in relation to building maintenance to interested parties.

Moreover, various "Carrots" are used to promote rehabilitation by highlighting the importance of building inspections and building safety. Notably, the URA now runs the integrated and enhanced the Integrated Building Maintanence Assistance Scheme (IBMAS) which covers the whole of Hong Kong. Building owners can apply for various subsidies and loans available under the IBMAS directly through the URA. In addition to increasing the URA's efficiency in dealing with the rehabilitation-related applications and providing advice, this arrangement has helped to remove confusion about which government department/ organisations applicants should approach to receive advice and assistance in rehabilitation. All these initaitives function to stimulate owners incentives to refurbish their buildings to enhance building safety and tackle urban decay through the bottom-up approach.
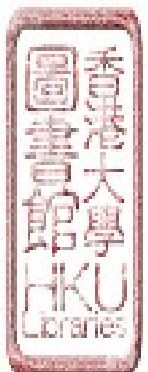
Concluding Comments

As the governance model change towards more intervention, the government has given URA with more resources to enable its delivery of policy measures. As the same time, it has also given the URA with many more obligations. The big series of projects assigned to the URA during its setup had already overloaded the authority. The government treats the URA more as its "execution machine" instead a fully autonomous body to deliver urban renewal.

A wide range of tools have been developed and employed by the URA in the delivery of urban renewal. Its comprehensive toolkit has enhanced its capacity in the delivery of policy measures and thus conducive to achieving the policy goals as set out under the URS. It has also been effective in developing more up-to-date tools to address the new focus in the revised URS since 2011.

Yet, though the URA attempted to integrate the "people-centric" ideology in its new toolkit to ensure that the URA is 'open, transparent and publicly accountable' (URA, 2011) in tackling urban decay, the URA often criticised as a profit-oriented agent colluding with the private developers, and it becomes the culprit of the destroyed fabrics of the older community. Despite their commitment in designing more innovative policy tools to accelerate urban renewal, the URA is under constant attack that they are too slow in delivering its role, especially in their redevelopment works. It raises question whether the URA as a dualistic tool has been given and adopted the most appropriate tools to undertake its roles, which shall be discussed in the next chapter.
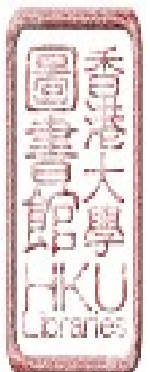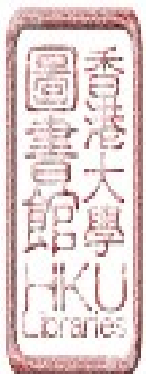
Chapter Five - The URA's Impact in Promoting and Facilitating Urban Renewal
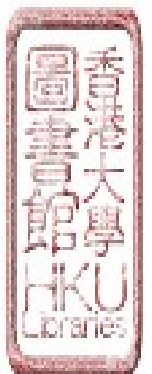
Introduction

Though the URA essentially enjoys a high degree of operational autonomy to design its instruments to deliver its roles in urban renewal, choosing 'the best' set of policy tools to tackle policy problems is an intricate yet essential process in policy design and analysis (Doelen, 1998; Kruse and Forss, 2001). Since its establishment in 2000, the URA has been under constant pressure to be more 'proactive and imaginative in terms of planning and resource utilisation in solving urban deterioration' (Law, Chan, Chui, Wong, Lee, & Chau, 2008). In addition to succeeding its predecessor's task to complete the 25 unfinished renewal projects and 200 priority projects as mentioned in Chapter 4, the authority was given a huge responsibility to ensure that it steps away from the previous "slash and burn" approach to urban renewal and embrace a more people-centric, district-wide policy in undertaking its work to improve the quality of life of residents living in old urban areas.

While the greater financial and regulatory powers have enabled the URA to benefit 510 buildings under its own rehabilitation scheme up till March 2010 and complete 8 of the 52 URA-initiated redevelopment schemes and up till March 2011 (Development Bureau, 2011), the URA is still considered too slow in tackling urban decay in Hong Kong. Considering that the URA will only be able to produce 18,000 flats to improve the living conditions of 33,000 people and deliver 37,000m^2 of public open space and 55,000m^2 of government/ institution/ community facilities (GIC) upon completion of all of the 52 URA initiated redevelopment projects (Ibid), there were

debates (Law, Chan, Chui, Wong, Lee, & Chau, 2008) to re-examine whether the URA model is the most optimal mode to deliver urban renewal. It centres on if the government should adopt a more laissez faire, market-led approach to urban renewal by promoting private self-governance and cooperative governance as put forward by Knill and Tosun (2012) as two ideal types of governance to complement or facilitate the URA's works; or a more aggressive interventionist approach to further advance the URA's works by reinforcing regulated self-governance to enhance regulatory efficacy and increase the government's command and control powers in tackling urban decay in Hong Kong. This creates pressure for the URA to develop a better range of policy tools and use a combination of "push" and "pull" factors to promote and facilitate urban renewal

Meanwhile, policy backlash triggered by the Queen's Pier and Lee Tung Street heritage preservation conflict acted as wake-up calls to push the government and the URA to engage the public in the government's agenda setting and delivery processes to address the public's concerns and aspirations in redeveloping, rehabilitating, revitalising, and preserving their community and improving the environment. As noted by Doelen (1998), the prevailing political thought provided powerful incentives to encourage the government and the URA to explore ways to better utilise the government's "Nodality" powers and the URA's Sermons to engage the public in planning and delivering urban renewal proposals to meet the public's expectations in these areas to avoid furthe policy backlashes. This also helped the URA to acknowledge that they will need to develop stronger, more diversified policy tools that will allow them to command and control, provide and manage as well as to inform and educate stakeholders to effec change more efficiently.
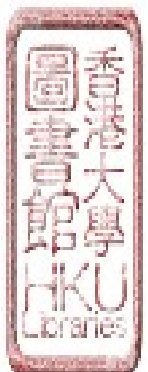
Refreshing of the URA's Approach and a More Comprehensive Toolkit

The URS review conducted between 2009-2011 provided a golden opportunity for the government and the URA to step back to reflect Members' concerns raised during the White Bill process and to review their priorities and approaches. It also encouraged the URA to re-establish itself as an impartial regulatory body that regards equity and inclusiveness, effectiveness and accountability as its key values to promote good governance (Knill and Tosun, 2012). The subsequently adopted URS allowed the URA to refresh their priorities on redevelopment and rehabilitation and to adopt a 'people-first, district wide, public participatory' approach in delivering its core business. The diverse range of policy tools employed in delivering its new business focus as set out in Chapter 4 has also strengthened the URA's ability to exert its influence in the market through by utilising the different modes of governance for its benefits.

Promoting collaborative governance in the governance network

In regards to promoting collaborative governance in its work, the URA has in fact made good use of the range of Carrots and Sermons in the toolkit to engage stakeholders and enhance two-way information exchange and advisory between the organisation and its stakeholders. In addition to embedding participatory, consensus oriented planning in its problem definition, agenda setting and decision making processes, the URA can also showcase its commitment to be accountable, transparent and inclusive in delivering its work. Particularly, the URA is considered to be perceptive in using the DURF set up under the government's "Nodality" powers as put forward by Hood (2007) to increase the representativeness of its consultative exchange with a cross-session of the wide

community. DURF's ability to convene social impact assessments and other studies will also improve the URA's agenda setting and decision-making process, which in end will benefit district-wide, holistic planning of affected areas.

The fact that the URA makes attempts to promote collaborative governance under a regulated self-governance framework has a positive effect in reinforcing and establishing the URA's accountability in developing its projects and programmes, which in turn will increase the URA's efficiency in delivering its programmes. The tools employed will increase the URA's ability to manage the engagement process and be more responsive to the concerns and aspirations raised through the different information dissemination and advisory functions enabled by the URA's "Sermons". The toolkit's overall ability to engage and empower the public in the URA's decision making processes will help to increase the legitimacy of the URA's proposals and make it more politically feasible to be delivered, which are key success criteria highlighted by Salamon (2000) for good policy tools. This shows that the URA has embraced what Knill and Tosun (2012) describe as characteristics of good governance. If carefully delivered, the tools will not only be able to support the "People-first, district-wide, public-participatory" approach in urban renewal, it will also enhance the URA's competencies in promoting and embracing equity and inclusiveness in its decision making processes to safeguard good governance (Knill and Tosun, 2012).

The impact of using cooperative governance to enhance cooperation between the government and the private sector in delivering urban renewal

According to statistics, there are approximately 9890 three storeys or more private buildings aged 40 years or above in HK in 2013 with old Urban districts such as
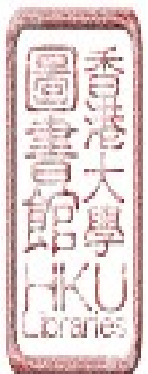
Yau Tsim Mong (18.8%), Kowloon City (16%), Central and Western (14.8%), Sham Shui Po (12.1%) and Wai Chai (11.5%) being the areas that have the highest concentration of old buildings in HK. It is estimated that the number of old buildings aged 40 years or above will increase annually by about 600 buildings in the next decade (HK government, 2014). In operational terms, there are 6200 buildings that are 50 years or above in HK, 40% of which are old depilated buildings that are in urgent need to be refurbished (Ming Po, 2015). With the limited resources the URA has in delivering urban renewal, how the URA uses the powers and resources given by the government to deliver the government's goals in urban renewal is key.
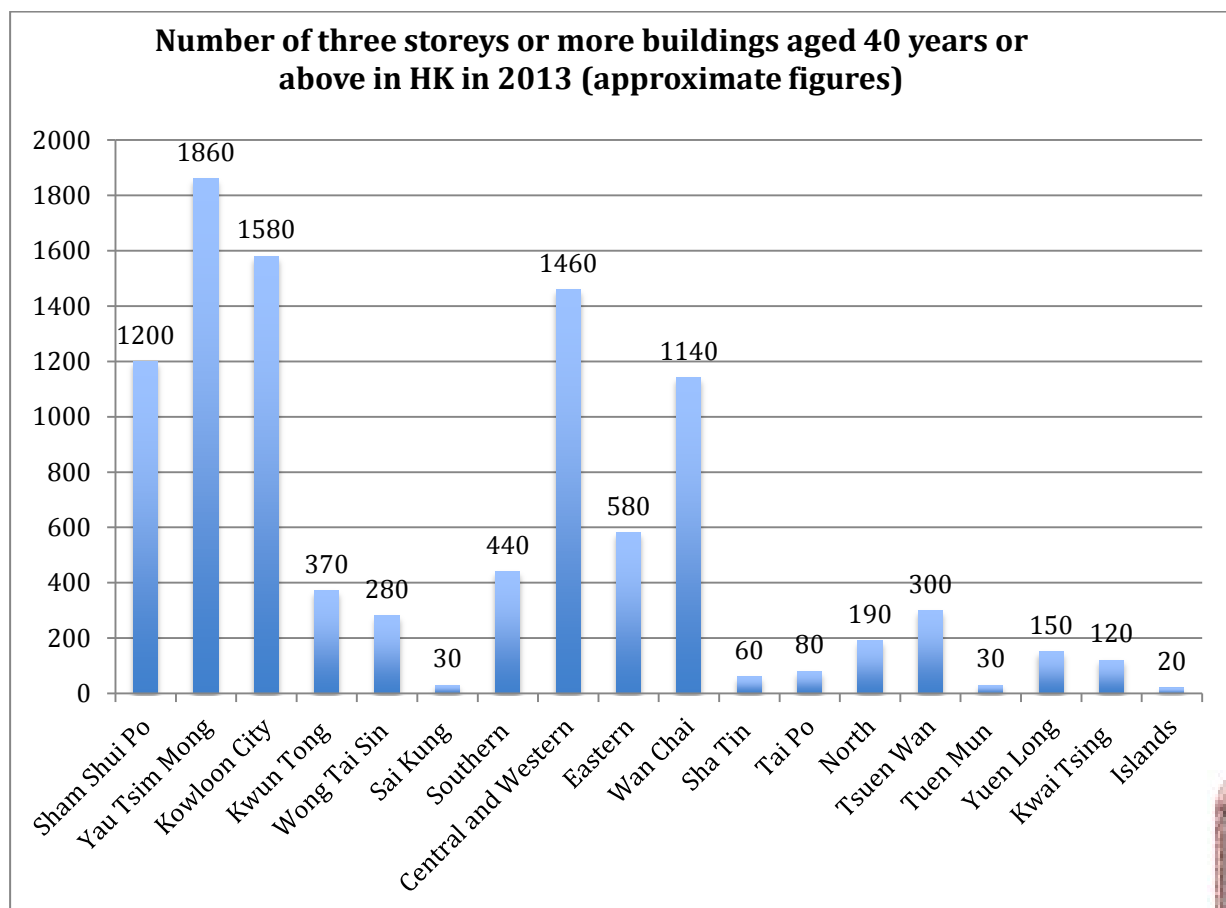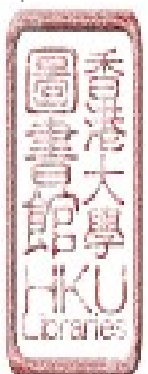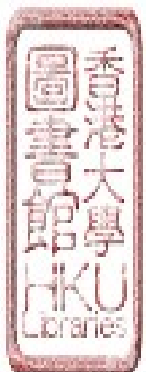

Figure 5:1: Distribution of buildings aged 40 years or above in HK in 2013 (compiled with data obtained from www.info.gov.hk)

Although the URA has much stronger financial support than its predecessor, its operating expenditure and redevelopment costs are also huge. The financial situation of the URA heavily relies on the sales proceeds of its projects which are very sensitive to the situation of the market. For instance, a net operating deficit of $2.3 billion was recorded in 2013-14, however, the share of sales proceeds of a number of projects managed to turn the deficit into a net operating surplus of $1.1 billion in 2014-15 (Development Bureau, 2015). Expenditure of the URA is also greatly affected by the market, depending on the liquidity of the URA's assests and the number of projects in the pipeline. With both income and expenditure being extremely volatile and sensitive to market fluctuations, it is very difficult for the URA to develop long-term plan to deliver urban renewal.

One way that the URA tried to maximise its abilities, particularly its financial resources, in delivering urban renewal is by utilising what Knill and Tosun (2012) described as "cooperative governance" to facilitate collaboration between the organisation and the private sector to increase its capacity to deliver multiple projects at a time. As confirmed by former Managing Director Iris Tam, the URA is heavily dependent on the PPP as a "Sermon" to ascertain that it can recoup its costs quickly after the redevelopment to sustain its finances (Hong Kong Economic Journal, 2015). Coupled with the fact that the PPP model will allow the URA to obtain higher percentage of return from developers if the project is popular and sells well, this triggers intense disapprovals that the URA are "profit hungry" (李明生, 2015) as they tend not to work in partnership with HKHS and the HKHA in delivering more affordable schemes for the public. There are also concerns that the PPP will encourage "interest transfers" between the URA and the developers.

Yet, using PPP as a Sermon to utilise the power of collaborative governance is advantageous in resolving complex societal problems such as urban renewal. While the PPP mode will indeed help the URA to gain a higher internal rate of return, PPP's effectiveness in reducing agency costs to spread risks and ensure more efficient delivery of the redevelopment scheme should not be overlooked. Though working in partnership with government organisations that specialise in delivering housing options for the general public, such as the HKHS and the HKHA, may deliver more housing types for people, the different policy goals and clientele often make agents hesitant to collaborate with each other to avoid conflict within the hierarchical system. Agreeing on division of work, financial contributions and subsequent cost reimbursements also contributes to problems in promoting inter-agency coordination in delivering the schemes, especially for time-sensitive projects such as tackling urban decay.

On the contrary, as the property developers will need to respond to tenders and accept the terms set out in contract before entering in a PPP with the URA, the URA faces less bureaucracy and interagency coordination issues when compared to government agencies and may make implementation much quicker. From the perspective of minimising agency costs and costs involved in selecting and implementing a standard to ensure compliance as highlighted by Freiberg (2010), the URA is considered effective in reducing delays caused by inter-agency coordination. The URA is also seen to be efficient in using cooperative governance as a mechanism to maximise its capacity in promoting and facilitating urban renewal to make implementation of urban renewal schemes more manageable and contribute what Knill and Tosun (2012) regards as a way to promote good governance.
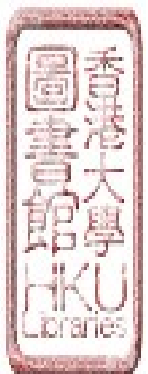
Nonetheless, by entering into partnership with private developers, URA's autonomy on the project would undeniably be reduced. Private developers are profit maximisers by nature. Without surprise, the property developed will tend to be more expensive in order generate more profits. Take the Lee Tung Street/ McGregor Street in Wan Chai redevelopment project as an example. Though the affected properties were resumed at around $4000/ft^2 by the URA, the redeveloped residential properties were sold with a starting price of $20000/ft^2 (陳紹銘, 2014) when it was first launched, rising to an astonishing $30000/ft^2 in 2015[5]. The high costs/ per ft^2 is unaffordable for most people, especially as the entry selling price was over $6m when it was launched. While the Lee Tung Street project proves to be extreme, URA redevelopment projects delivered through the PPP rarely goes below the $10000/ft^2 mark (郭榮鏗, 2015), which makes them comparable to luxurious flats delivered by property developers. From that angle that the URA is the agent that in charge of assembling land for delivering urban renewal as a public good, it does appear to negate the URA's regulatory efficacy in using its powers to improve the quality of life of people in Hong Kong. For this reason, the public often question the legitimacy of the URA's intervention in the market, especially since the properties developed are almost in line with prices of private sector developments. The tension between increasing efficiency of delivery and ensuring equity in delivering value for money public goods will continue to affect the URA's ability to deliver urban renewal.

The public's concerns about the legitimacy of the URA's intervention extend beyond that however. Criticism that the URA is a 'greedy, voracious monster' (楊穎姿

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[5] Based on the average "Price per square foot (Saleable Area)" for period from Feb 2015 to July 2015 retrieved from http://www1.centadata.com/eptest.aspx?type=3&code=SASPWPPYPS&info=&page=0 on 27th July 2015.
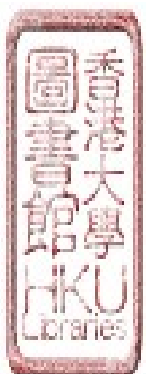
2015) is only interested balancing its books raises concern whether the URA has been ineffective as a dualistic tool in commanding and controlling urban renewal within the regulated self-governance framework, especially in terms of the URA's use of Carrots as incentives to speed up land acquisition.

Is the URA valuably interventionist in delivering the government's urban renewal policies through its toolbox?

Legco members' concerns about fair treatment to those affected by the URA's redevelopment schemes prompted the government to introduce the seven-year compensation obligation and the FFF scheme for the URA to execute when they exercise their resumption powers pursuant to the URAO and LRO. They become the core "Carrots" that the URA needs to offer to affected parties when they deliver its roles as a dualistic tool. In addition to a range of allowances "Carrots" the URA offers to affected parties to alleviate the impact of their intervention, the URA must also compensate or rehouse domestic and commercial tenants in exercising its "Sticks" to kick start the redevelopment process.

Though the Carrots were introduced to ensure that they could alleviate the impact of the URA's projects, they have mixed results. The FFF scheme was introduced to reduce the impact on the URA's finances and to address the social impact of the redevelopment projects. As a result, the URA is going to sell 338 properties that were reserved for the FFF scheme at 80% the market rate to support the government's new policy focus to increase the supply subsidised housing for the public (Now.com, 2015) The obligation to provide a seven-year compensation was adopted when the property market was still recovering from the financial crises 2008. Though it was designed with
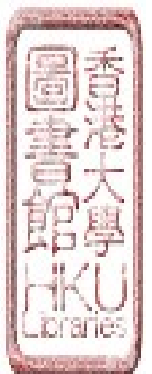
good intent, the high property price in recent years induced a drastic increase in compensation to be provided for affected parties. Since 2013, the URA often needs to pay above $9,000/ft² to resume land for redevelopment due to the high property price in recent yeares. As a point of reference, a $11,020/ft² price was used to resume a 50 year-old, eight storey building in in Fuk Chak Street in Tai Kok Tsui by the URA in September 2013 (Now.com, 2013); however, a record-breaking $13,614/ft² has to be compensated to affected owners to resume a site in Anchor Street (Now.com, 2015), which is 400m away from the former site (see Fig 2 below). This raises questions about the appropriateness of the tools as an intervention strategy.
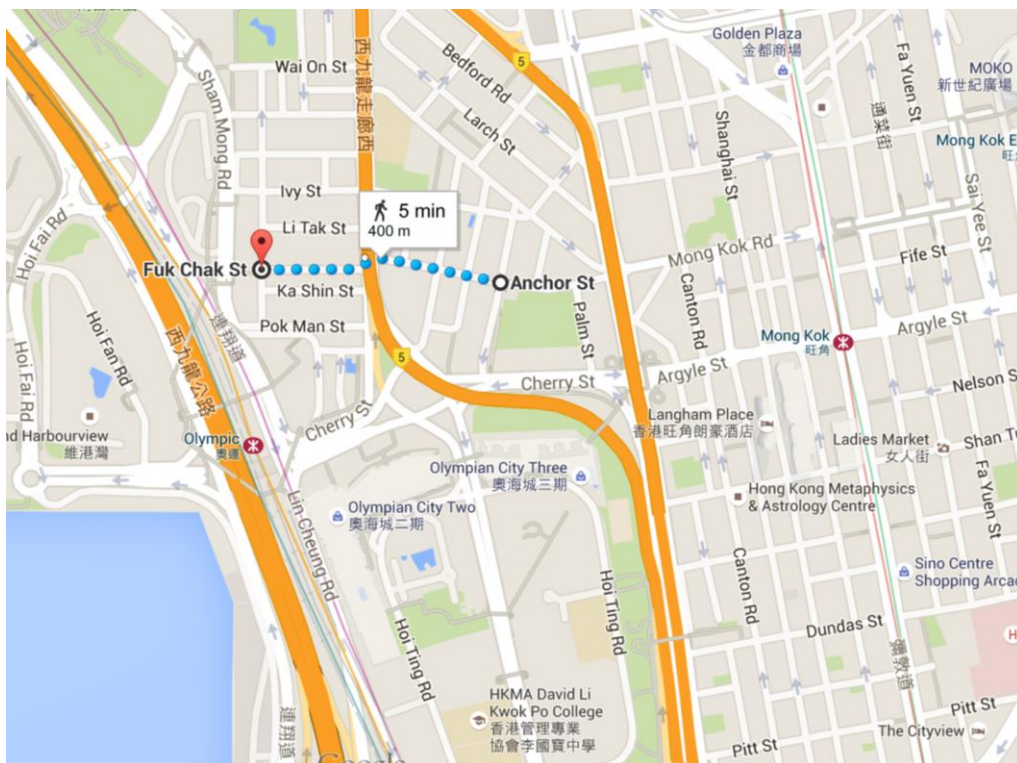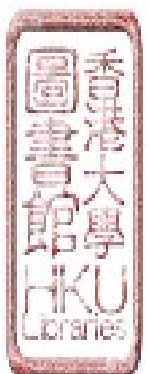

Figure 2: Map showing the proximity of the two resumed sites

Looking at the issue strategically, though the are the URA's "Carrot", they are the executor of the government's policy to compensate people affected by URA'

redevelopment projects, i.e. the URA is required to use these Carrots in line with regulated self-governance framework while it use its "Sticks" to resume land. Therefore

With the property price having doubled since 2009[6], the inflated compensation is likely to enable affected owner-occupiers to be relocated to areas outside of the distressed areas, particularly since the compensation offered is significantly higher than that of the market price. Though valuably interventionist by nature to promote equality to compensate affected owners when the policy tool was designed and adopted, this "Carrot" has in fact increased market speculation for properties in old, squalid buildings for opportunistic buyers that hope to make a profit from buying the property at market price to receive the URA's generous seven-year compensation. This raises questions whether the government's notional seven-year compensation policy is indeed manageable as a tool to promote equity and efficiency in speeding up urban renewal, which Salamon (2000) identifies as key characteristics of a good policy tool.

Aside from the increasing debate about the fairness and effectiveness of these policies in speeding up renewal, it has put an enormous burden on the finances of the URA and impact on how it uses its "Sticks" to resume land to stimulate other urban renewal initiatives. The whopping 290%[7] increase in the Centacity Index between 2001 and 2013 makes it increasingly unsustainable for a self-financed statutory body to continue providing notional value of a seven-year flat compensation to affected citizens. Particularly, the large compensation requires the URA to ring-fence a large amount of liquid assets to pay for the compensation. This affects the URA's ability in planning and

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[6] With reference to Centa-City Leading Index (CCL), CCL was 145.48 for the week 20th to 26th July 2015 while CCL was 57.51 for the week 5th – 11th January 2009. (URL : http://202.72.14.52/p2/cci/SearchHistory.aspx)

[7] Centacity Leading Index increased from 40.67 in 2001 to 118.20 in 2013
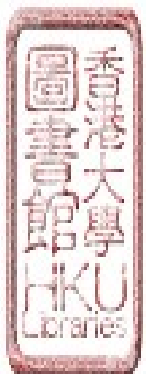
using its resources to support other redevelopment projects, particularly in land resumption.

Though the government weaved the URA from paying land premium through its "Finance" powers to support the URA's financial authority, the fact that the resumption process may take years puts a toll on the URA's finances, especially when borrowing is involved. As of 31st March 2014, $30 millions alone has been to be made due to an increase in rate by 0.5% (URA, 2014). In addition to increasing the risks of these projects, long project duration makes it difficult for the URA to recoup its costs to sustain other projects. Besides, the heavy financial burden makes it extremely challenging to resume land to deliver more strategic projects that could improve the living condition of more people and speed up renewal of old areas. For that reason it encouraged the URA to pick smaller projects as a strategy to allow a quicker turnaround of resources. It also makes it easier for the URA to control project costs and duration from a project management prospective when compared to complex projects, such as the ones involving a big area or rezoning to increase its efficiency and effectiveness in delivering projects to uphold its reputation as an effective agent in delivering urban renewal. This makes the URA inefficient as an key government tool to deliver urban renewal, especially as it is highly selective in choosing projects that they can manage rather than choosing them based on the positive impact it will bring to the wider community in redeveloping the old areas.

With those key observations in mind, it will be beneficial for the government to review its compensation policies to ensure it is fair to the general public and is effective for the URA to execute. While a compensation should be offered to those affected by the URA when it exercises its "Sticks" to resume land, perhaps the government should reconsider whether the notional seven-year compensation is still appropriate given that
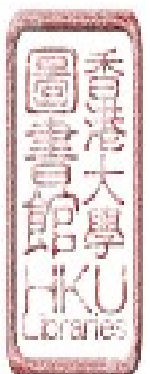
the property price has increased significantly since the policy was adopted. Besides, the government will also need consider whether they should inject more resources into the URA through its "Treasure" powers to ensure that the URA has adequate resources to deliver its urban renewal work. Not only will this have a positive impact in reducing the URA's pressure to deliver this obligation, it will also increase the URA's ability to speed up urban renewal by freeing up more of its resources to deliver other projects. It will also enable the URA to be more valuably interventionist in prioritising and implementing initiatives and projects that will benefit the wider community. In particular, this will help increase the effectiveness of the Demand-led Redvelopment (Pilot) Scheme in promoting and facilitating urban renewal, especially when a strong enabling framework has already been established in line with regulated self-governance to realise the ideals of the URS.

Establishing an enabling framework to implement the demand-led redevelopment pilot scheme to support bottom-up approach to urban renewal
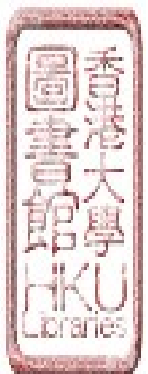
The Demand-led Redevelopment (Pilot) Scheme was introduced as a "Stick" to encourage stakeholders to take a more active role in tackling urban deterioation through collaborative governance. Since July 2011, only 11 of the 110 demand-led pilot schemes application were selected and commenced from the three rounds of demand-led redevelopment scheme (URA, 2014). The URA noted that limited resources mean that they have to be highly selective of the schemes they will be involved. In line with it obligation to be "financially prudent" in its decision making, as the URA will incur an average of $0.3bn loss for every demand-led project they are involved in (Wong & Fung 2015), the URA emphasised that they could only take on 1-2 projects demand-le redevelopment projects per year (URA, 2011).
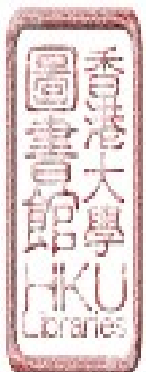
Moreover, the URA introduced new criteria to increase its regulatory efficacy in delivering its policy goal. To satisfy the selection criteria of the 4th round of the demand-led redevelopment scheme, all buildings within the site must be classified as "Poor" or "Varied" to qualify. Scores will be deducted for applications that involve buildings with non-compliance building orders issued by the Buildings Department (URA, 2015). The minimum size for applications site was increased from 400m² to 700m² to 'enhance the planning gain and efficiency of floor layout for the redevelopment' to benefit the wider community (URA, 2014). They noted that a third of applications from the previous rounds are above 700m² threshold so this modification is simply acting as a natural filter for smaller schemes (鍾雅宜, 2015). The URA also raised the application threshold from 67% to 80% to ensure it can engage more property owners at an early stage to increase the success rate of the scheme[8]. The URA argued the new criteria is to increase chances for the schemes to be delivered which will help to avoid wasting URA's resources and reduce project risks (Wan Wei Po, 2015).

Though the URA may have improved their efficiency of its "Stick" in delivreing the pilot scheme, it has reduced its legitimacy in meeting the aspirations of the public as set out in the URS. The URA denied that the new requirements were introduced to avoid investing in non-profit making projects, particularly as they have increased the relevant

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(i)   filed within the appeal period or if an appeal is filed, the dismissal of appeal, within one year of the offer.   (URA, 2015)

1.   of URA's conditional offers and signing of Agreements for Sale and Purchase by owners of no less than 80% of undivided shares of each lot in the application within the specified offer period and;

*2.   the Secretary for Development's authorisation of the project and no appeal is filed within the appeal period or if an appeal is filed, the dismissal of appeal, within one year of the offer.   (URA, 2015)*

project selection weighting on building conditions from 30% to 50% to prioritise buildings that would benefit the most from the pilot scheme (HKCD, 2015). Yet, the URA's decision to eliminate smaller sites in their facilitation programme has attracted criticisms that the URA is reneging on the promise to adopt a 'people first, district-based and public participation approach' (URA, 2014) to address the problem of urban decay. NGOs were quick to condemn the URA for acting against their social mission to assist people who would benefit the most from the urban renewal services as a public good.

Although it is understandable that public services are under pressure to deliver more with less resources, the URA should focus on how many people can benefit from the redevelopment scheme and how the scheme will help 'strengthen the socio-economic and environmental fabric for the benefit of (the) urban communities' (URA, 2002). It is these kind of small-scale projects that would actually benefit most from URA's intervention as private developers are usually not interested in projects that are small scale and/ or not profitable.

By accepting the small-scale demand-led schemes the URA will promote economic efficiency and encourage more bottom-up initiatives from the community to redevelop old buildings in areas with worst state of decay, such as in Yau Tsim Mong, Sham Shui Po where most of the buildings are built in the 1950s and are in urgent need for refurbishment or redevelopment. Old buildings in these two districts in particular are saddled with sub-divided flat problems as the poor and vulnerable groups could not afford to live in more decent places. Many of these older buildings are with scattered ownership, badly maintained and are expensive in making them compliant to current building safety and fire safety requirements. Without the URA's intervention there is little hope that these old buildings can be redeveloped as tenants are keen to move out
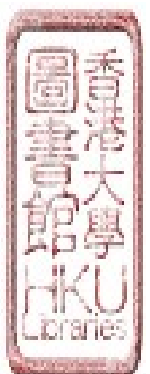
and would not invest in maintaining the buildings in hopes of the BD's intervention to declare it unsafe for habitation. The quality of life of people living in small, old squalid buildings will only worsen overtime with little chance of being redeveloped.

This problem runs deeper than simply failing to help those who needed help the most. Some residents indicated that they had been approached by private developers but have declined to work with private developers to redevelop their plot in hopes of being selected by the URA. Apart from compensation matters, they expressed strong reservations about working with property developers and felt that it is 'much safer to be acquired by the government' (i.e. the URA) than by private developers (Ming Po, 2015). Most residents living in these old buildings are elderlies and are more comfortable working with an agent with delegated authority from the government to impose sanctions and provide for the public good rather than for private interests. Considering that, the new criteria are, in fact, deviating from the original goal of the pilot scheme to build upon the collaborative governance framework to promote "self-help" to improve citizens' the quality of life. While the adjustments to "rules of the game" makes it more manageable for the URA to execute, it reduces its effectiveness in promoting good governance within the system (Knill and Tosun, 2012).
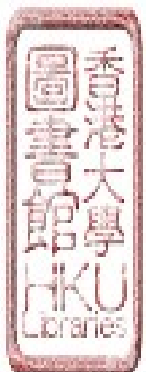
Aside from affecting the public's trust in the programme, these new arrangements also raise questions regarding the core value of the URA – whether the statutory body rates maintaining financial sustainability much more strongly over its stipulated mission to tackle urban decay and improve the quality of life of residents in HK. By increasing the thresholds for consideration, there is general suspicion that the URA is using the system as a mechanism to alleviate chances that it needs to select projects that would lead to huge losses and minimise chances of them using the relevant
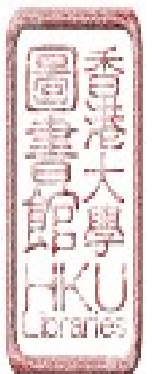
"Sticks" and "Carrots" to commence the selected projects. Most agreed the high thresholds are merely a tactic to deter applicants from applying rather than having a direct impact in increasing the URA's effectiveness in delivering the pilot scheme. Some editors even went as far as saying that the new thresholds is a number game that help the URA to filter out most schemes and provide the URA a "convenient getting out clause" in terminating the demand-led scheme as the project in itself is investment-heavy and non-money making (吳家鎚, 2014).

Analysing from a land administration point of view, this mechanism does appear to favour the URA in filtering out small land plots or sites that have already used up the maximum permitted plot size for development and they cannot benefit from increasing its plot: redevelopment floor space ratio. Former Manager Director Tam also admitted just before she left office in May 2015 that the small plot: redevelopment floorspace ratio and the fact that these old buildings are dispersed makes it unviable for the URA to be involved in to facilitate many of the bottom-up schemes (Ming Po, 2015). This raises concerns that the URA is more anxious about loss limitation rather than it is not feasible to work on smaller plots. This has not only negated the URA's effectiveness in using this "Stick" as an positive intervention strategy in the market, it has also reduce the URA's accountability and legitimacy in delivering this bottom-up initiative.

The URA should acknowledge the aim of the initiative is to assist building owners who are keen to redevelop the buildings; and the target buildings should be those that are unprofitable and have little chance to be redeveloped unless the URA get involved in. Buildings with floorspace above 700m² have relatively high potential to be redeveloped through the market force and should not be the target beneficiaries of the

demand-led redevelopment pilot scheme. As noted by Dr Law Chi-kwong, a specialist in renewal issues at University of Hong Kong, building condition and the project's impact in improving the quality of life of those residing in the building should be the key consideration of the URA in getting involved in demand-led pilot schemes rather than the plot size and profitability (Wong, 2014). The obsession with driving down acquisition costs and maximising surplus plot ratio from old buildings to build luxury buildings will only attract further criticisms from the public and increase calls to hold the body to its social obligations (Yeung, 2015).

Moreover, stakeholders, including Councillors, are concerned that none of the demand-led projects have been completed and the URA is already declaring the scheme unsustainable, 4 years into the scheme. Coupled with the issues discussed above, this does raise serious questions about the integrity of the URA in implementing the initiative and carrying out its "implementer" role stipulated in the URS. In the URS consultation in 2011, different stakeholder groups including influential professional bodies and think tanks, civic groups, property developers groups and individuals already expressed their grave concerns that the URA's self-financing model is unsustainable and model will lead to policy inclination which departs from public expectation (Development Bureau, 2011:18-20). This reduces the URA's credibility in establishing this programme to ensure that it provides a robust platform to enable the bottom up approach.

Nonetheless, the government's failure to fully appreciate the pressure it is putting on the URS to deliver the pilot scheme without extra resources is the ultimate push factor for the URA to increase the thresholds to limit its involvement in the pilot scheme. Even though the demand-led redevelopment scheme is pilot by nature, the
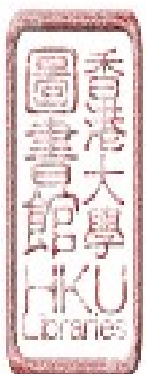
government should recognise that extra resources should be given to the URA to deliver schemes, especially since it will take at least five – eight years based on the URA's own redevelopment projects from commencement to completion (宋嘉平, 2015) to deliver any redevelopment project.

The government, as well as the URA, should also acknowledge that the scheme is a welcoming initiative to kick-start the self-help mentality to capitalise on the instrument's potential ability to enhance collaboration within the governance network. . Moreover, it is also premature to axe the demand-led scheme purely on cost terms, especially since the demand-led projects only has a 18% failure rate[9] and is relatively low-risk compared to other URA-initiated renewal projects. As the Chief Executive recognised that demand-led scheme had received 'an overwhelming response from property owners' (Legislative Council Secretariat, 2015), the URA, as a dualistic tool, should be more proactive and consider seeking capital funding ("Treasure") from the government to expand the scheme and ensure the continual implementation of the pilot scheme. Though some may argue that this is using public money to directly subsidise private initiatives, if these bottom up projects could make better use of the existing brownfield sites and bring substantial benefit to the wider community the government should consider this as a worthwhile investment. This will have positive effect in accelerating the governance network's ability and capacity to tackle urban decay and improve the quality of living of those in old districts in a sustainable manner. This in return will help to relieve the URA from its financial constraints to pursue their other initiatives and increase its influence in the regulated self-governance network to promote collaborative governance. The enhanced relationship will be beneficial in

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[9] 2 of the 11 selected schemes did not materialise
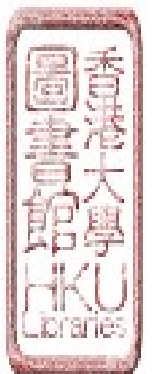
solving the urban deterioration problem in Hong Kong through the collective force, such which will also form a cascading effect to help promote private-self governance within society to contribute to urban renewal.

***Utilising private-self governance to support its role in promoting Rehabilitation in Hong Kong***

The new focus on rehabilalition as one of its two core business has encouraged the URA to put more focus on using policy tools to meet the government's policy goal to enhance building safety (Development Bureau, 2011). Functionally speaking, this will increase the URA's ability and capacity to enhance its effectiveness to promote private-self governance in the network. However, it is noted that the government has not provided the URA with extra resources and powers to enable the URA to deliver these additional functions more effectively. Though the URA has employed double amount of staff to cope with the extra workload associated with the government's rehabilitation initiatives, the URA is seen to be relatively passive in using its tools to promote rehabilitation.

Since the URA inherited and expanded the IBMAS scheme in July 2015, the URA has increased the barrier to entry which makes buildings under twenty years of age much harder to receive the grant to facilitate refurbishment works. From the perspective of promoting good governance, the URA should not be increasing the barrier to entry so quickly, especially since they have just taken over the responsibility for delivering this scheme across Hong Kong. The action may frustrate the public and contribute to the negative image that the URA is only concerned about reducing their
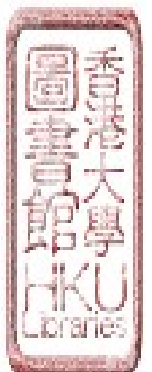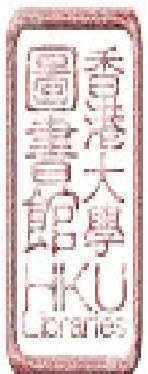
financial burden from running the scheme rather than helping those who would benefit the most from the initiatives.

If the government is keen on using the URA as a dualistic tool in promoting rehabilitation, the government should consider providing the URA with more "Finance" to create incentives for the URA to use this "Carrot". It will also increase the government's effectiveness in using URA as a tool through "Organisation" as per Hood's policy tools framework to promote rehabilitation in the long run. In addition to delivering a more sustainable form of urban renewal by stimulating private interests in carrying out refurbishment works, the increased attractiveness of the URA's "Carrots" will help to further extend the building life and avoid deterioration to tackle the problem of urban decay at its core. This will help to reduce the government and the URA's burden in the long run if more private owners and the residents living in the buildings are interested in the upkeep of their buildings and ensure that they are up to the building standard. While the reimbursement might be small and not a "juicy" Carrot, it serves as a small "bait" to help encourage owners and residents who were thinking about refurbishing the building anyway to take benefit from the scheme to carry out the works earlier. This will be a win-win situation for all parties involved, especially for the government as it will help to promote private-self governance amongst citizens to invest in their buildings, which reduces the government's cost in the long run in using redevelopments as a key means to promote urban renewal. This will also make the URA's task to deliver rehabilitation much more managable to increase the effectiveness of the URA as a tool used by the government to achieve it's policy goal to promote building safety.
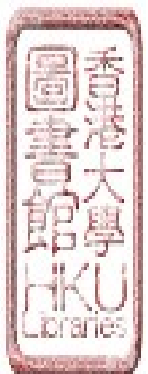
Moreover, IBMAS can also help to reinforce the URA's position as a key rehabilitation promoter. The "Carrots" can help to reduce the need for demolition and redevelopment of tired buildings that only require a facelift to revamp the area. Though some are interested in getting their buildings redeveloped by the URA to obtain the seven year compensation, it should be acknowledge that most find it difficult to leave the established, cherished community ties and find it a nuisance to be removed away from familiar surroundings. This is particularly applicable for owners that do not wish to sell their share of ownership or if some of the residents prefer to remain in the familiar surroundings, such as elderlies, when the building fully meets basic health and building safety standards. In order to make better use of IBMAS as a potentially powerful policy tool to further expedite urban renewal efforts, the URA should first re-examine the powers granted to the authority to tie in with their roles and responsibilities in delivering redevelopment and rehabilitation. Rather than delivering the programmes in separate silos as per the present setting, the URA can re-jiggle the programmes into top-down initiatives and bottom-up initiatives for better alignment of powers to deliver the respective schemes. This will make it more efficient to reassign – or even re-design – different policy tools to the respective initiatives to make it more effective for the URA to assign resources to help building owners as well as residents to maintain and/ or renovate their building.

As it is much more affordable to renovate and retrofit old buildings to bring them up to the fire and health and safety standards, the URA can utilise its capacity as the lead authority in promoting rehabilitation to request the government to inject more resources in the IBMAS to encourage building owners and residents to maintain their buildings to extend the life of the buildings further. This will have the added benefit of increasing the inter-agency coordination between the URA and the BD in tackling the

issue of old, dilapidated buildings and promoting a clearer distribution of duties between the two bodies in tackling urban decay issues. Through the multi-dimensional approach compromising public education, financial and technical support as already put in place through the URA's "Sermons", it is believed that the URA will be more effective in promoting the importance of maintenance and encourage bottom-up approaches to urban renewal to foster a safe and sustainable living environment in Hong Kong. Combined with enhanced use of sermons to advocate and educate the public about the advantages of IBMAS scheme as an alternative over the demand-led scheme, it will potentially help more buildings that did not quality for the demand-led scheme to pursue the "self-help" initiative to improve their quality of living. The building owners will also be under less pressure to cooperate with property developers and sell their properties if they wish to improve their living conditions but do not want to move away from the community. This will not only increase the URA's responsiveness in delivering the rehabilitation initiatives, it will also promote private-self governance effectively as Knill and Tosun (2012) proposed to reduce the need for top-down intervention to enable urban renewal.

Compared to redevelopment which involves long term demolition and construction works, rehabilitation works is more palatable in comparison and causes much less disruption to the residents, businesses and the wider community. Provided that more buildings within the old urban areas choose to pursue the IBMAS, the programme will have a positive impact in contributing to the preservation of the community and the architectural characteristics of the area, which is unique and no replicable in small scale, project-based redevelopment projects. It will also serve as a powerful catalyst and lead to gradual, but organic revitalisation of the urban area as the area begins its transformation. This is quicker and much more cost-effective way to
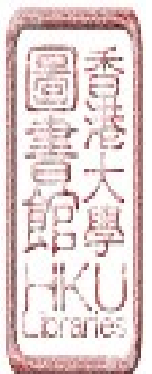
address urban decay to help achieve sustainable development and uphold the long-term vision to urban renewal in Hong Kong, which is the ultimate mission and goal of the URA and the Hong Kong government. This will also allow the URA as a statutory body to fully deliver its duties in accordance to their mandate and fulfil their social mission to promote and facilitation urban renewal in the most economically viable, financially sustainable manner.

Concluding Comments

As a dualistic tool used by the government in promoting and facilitaing urban renewal, the URA is, overall, considered effective in using the powers imparted by the government in delivering a wide range of Carrots, Sticks and Sermons to accelerate urban renewal in Hong Kong. As demonstrated in the analysis, the URA has in fact invested significant resources in ensuring that it adopts the "people-first, district-wide, public participatory" approach in its work. It appears that URA have also made due regard to promoting good governance in constructing this toolbox, especially in increasing the efficiency in speeding up its work. Great care was also seen in enhancing the legitimacy of its decision making process to increase its accountability by establishing a robust, enabling framework to enhance communication between the URA and the stakeholders to address information assymtery through a combination of "Carrots" and "Sermons" to promote collaborative governance..

Though the URA have establised enabling frameworks in line with regulated self governance, the URA is not seen to have effective as a dualistic tool in delivering the policy tools entrusted by the government in delivering. This is particularly the case fo
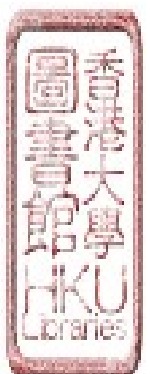
using situations where finance is a key consideration in delivering the initiatives. The need to operate on a 'financially prudent' principle is often in conflict with the URA's intention to deliver "people-centric", holistic urban renewal proposals, which has affected the toolkit's effectiveness in delivering the URA's social mission. This induces the URA to use the "do minimum" approach to ensure that it fulfils its obligations while delivering as few initiatives as reasonably practicable to reduce their impact on the URA's finances. This is characterised in the URA's attitude in delivering the demand-led redevelopment scheme and the rehabilitation initiatives.
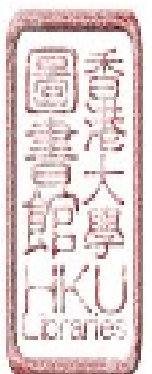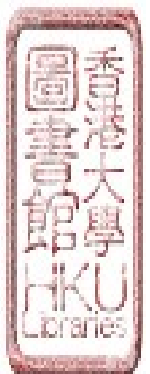
Chapter Six – Observations, Findings & Conclusions

Introduction

Hong Kong is a small place with a hilly landscape. Less than 7% of its land is being used for residential purposes (Planning Department). The highly dense population imposes great challenges for the government on rehousing affected citizens due to the need of re-development. Scattered ownership further adds difficulties for the government to resume its land for re-development. The urban decay problem has become more and more serious and the pace of urban renewal has long been unsatisfactory. If building dilapidation continue its pace, Hong Kong would soon become unsafe to live in.

The Hong Kong government has established the then LDC and subsequently URA with a view to speeding up the urban renewal process. In the course of the urban renewal, the government hopes the URA could balance the needs of preservation and re-development while maintaining its financial sustainability. Though the government has tried provided the URA with more financial support and authority, URA still faces many challenges and difficulites in delivering urban renewal. This project attempts to analyse how the governance model of the URA and tools it adopts affects the effectiveness on delivering urban renewal. This Chapter concludes the major findings of the project and to summarise feedback to the resaerch questions.
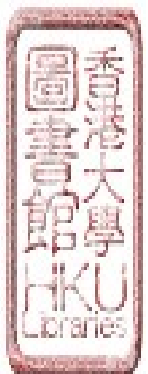
Research Questions Revisited: Significant Obervations

The project started with the question on governance approaches and policy tools available to governments for addressing the needs of urban renewal. The Hong Kong government had initially adopted private self-governance model to deliver urban renewal against urban decay until it was proved market force alone could not tackle the problem. When it decided to engage in influencing the scale and scope of the city's redevelopment by setting up the LDC in the late 1980s, a more cooperative governance model was adopted by the government who wished to utilise "market intelligence" in order to drive the engine of urban renewal without committing long term financial support. Since then, the mode of governance in this policy area has become featured with political steering by interactive policy networks involve both the state and the private actors.

With respect to policy tool, the government has chosen to adopt a statutory body (i.e. the then LDC and URA) as its tool to deliver urban renewal. The position as an independent statutory body outside the government structure enables the employment of policy tools in a more flexible way while maintaining highly transparant and publicly accountable operations.

As a policy tool, the government has granted the URA with a number of resources (i.e. Vedung's carrots, sticks and sermons embracing elements of nodality, treasure and authority of Hood). As the governance model changes towards more intervention, the government has added more resources to the URA. The increase in resources gives URA more flexibility on developing and employing its own tools to deliver urban renewal more effectively and thus enhance it's capacity. However, at the same time, the

government has assigned the URA with more roles and responsibilities, hoping that the URA would be able to deliver with the increased resources.

The increased resources from the government has allowed the URA to develop a wider range of "Carrots", "Sticks" and "Sermons" to enhance its powers to command and control, to provide and manage incentives as well as to to enhance two-way education between the the URA and the stakeholders. Finance, however, has a significant effect on the URA's ability to use the capacity of the different governance mode to achieve its missions. To enhance the effectiveness and responsiveness of the URA as a dualistic tool in delivering urban renewal, the government should impart more of its "Finance" tools to allow the URA as "Organisation" under Hood's classification to deliver its roles more effectively. It will help the URA to deliver its roles more effectively and efficiently and increase its accountability and legitimacy in performing its duties.
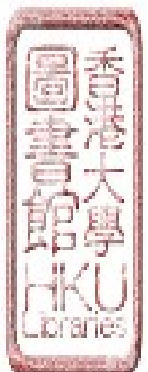
Major Findings

The URA has considerable capacity in delivering urban renewal. The increase in resources has increased URA's capacity in delivering urban renewal as compared to the LDC. As at March 2015, the URA has commenced a total of 57 redevelopment projects, three preservation-cum-revitalisation projects in addition to 10 ongoing projects from the then LDC (Development Bureau) since its establishment in 2001. In LDC's 13 year of history, it had only delivered 25 projects (Law, Chui, Wong, Lee, & Ho, 2010). From these figures, the URA has actually speeded up the urban renewal process. However, it shall be noted that the target set in the Urban Renewal Strategy back in 2001 was to redevelop 2,000 buildings in 20 years (i.e. 100 buildings per year) while it has only
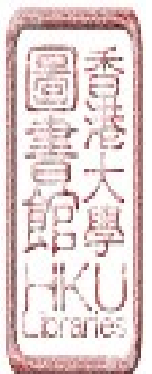
completed redevelopment of 293 projects as at June 2015 (i.e. around 20 buildings per year). (Law, Chui, Wong, Lee, & Ho, 2010) (Development Bureau, 2015) In other words, the URA is still far from achieving the original target set by the government. An in-depth study is therefore essential in order to understand the problems URA is facing so that improvement measures could be derived.

Furthermore, financial sustainability has forced URA to operate on commercial principle. As revealed by media on the recent resignation of the then managing director of URA Ms Iris Tam, the Chairman had intended to outsource URA's acquisition department by entering into partnership with Richfield Realty to speed up the resumption process and he hope to change the current compensation policy of paying affected owners with the price of a seven-year old flat in the same locality (Wong & Xu) in order to balance its book. Since URA is a statutory body established by the government and a huge sum of public money has already been injected, citizens expect URA focus more on its social objectives rather than putting profits on top of its agenda. However, it is not easy to achieve its social objectives while maintaining financial sustainability. In order to ease URA's financial burden, more government support or adoption of a more innovative financial arrangement would be required.

The URA has been tasked with both re-development and preservation. On one hand, it is easier for one organisation to consider either to re-develop or preserve dilapidated buildings from a holistic view. On the other, it is very difficult to maintain a delicate balance between re-development or preservation, especially for an organisation which requires to maintain its financial sustainability. Preservation projects are usually costly and unable to generate profits. In order to maintaining its financial sustainability it would be more favourable for the URA to select re-development projects rather than
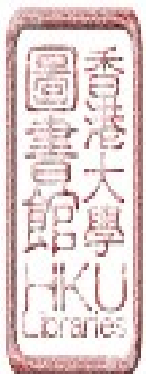
preservation ones. Out of the 57 redevelopment projects URA has commenced, only 7 of them contain preservation elements and there are only 3 preservation-cum-revitalisation completed (Development Bureau, 2015). These figures tells us the fact that URA actually puts more focus on re-development, rather than preservation. The Development Bureau is actually responsible for policy on development-related heritage preservation and it has implemented a few schemes to support preservation of historic buildings, such as the "Revitalising Historic Buildings Through Partnership Scheme" and "Financial Assistance for Maintenance Scheme". (Development Bureau) (Commissioner for Heritage's Office) In order to ease financial burden of the URA, the government may consider to utilise other organisation, such as a government department, to deliver preservation rather than URA.

Redevelopment has always been more difficult than building from scratch. Difficulties in urban renewal not only limit to the governance and policy tools of URA. Some other factors which are specific to Hong Kong also increases difficulties on urban renewal. The scattered ownership of property makes it difficult for the URA on resuming the land. The high property price puts a big financial burden on URA in land resumption. These difficulties could not be resolved without more intervention by the government.

Conclusions

The study discusses how the evolution of governance model affects the resources that the government allocates to address the urban decay problem. It also study URA' capacity to develop or employ its own tools to deliver urban renewal and also the

effectiveness of tools it employed. Constraints that URA faces on using the resources granted, which would affect its capacity to fullfil its obligations, have also been visited. However, the study does attempt to evaluate the overall effectiveness of the URA on achieving the missions as set out under URS.

Since the study relies solely on desktop research, it is limited to the information available publicly, such as LegCo papers, newspaper clippings, annual reports of the URA, official documents of the government, etc. No interview with officials in the URA has been conducted and no internal documents have been obtained. As a result, no first-hand information has been included in the study. Accuracy of figures quoted solely relies on second hand information stated on official documents or information available publicly.

Urban decay is a complicated problem which cut across different policy areas, such as building safety, town planning, preservation, social welfare, etc. It possesses some nature, if not all, of a wicked problem and there is no easy solution. Noting the problem of urban decay could not be addressed without more intervention by the government, the government has already deployed more resources in order to speed up the pace of addressing the problem. Though the pace of re-development has been speeded up after the establishment of URA in some sense, it is still unable to catch up with the pace of building dilapidation. It is necessary to carry out a comprehensive review on roles and responsibilities of the URA and achievements and challenges of it with respect to the resources granted in order to identify an improved arrangement to deliver urban renewal.
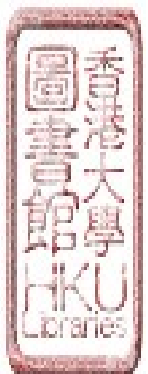
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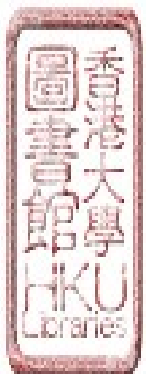
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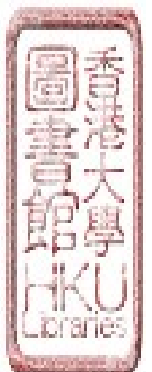
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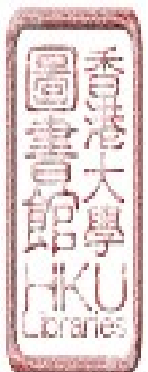
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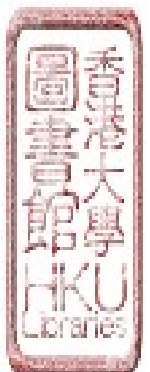
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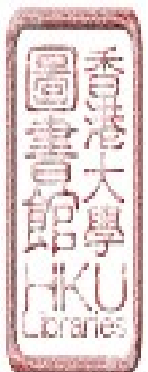
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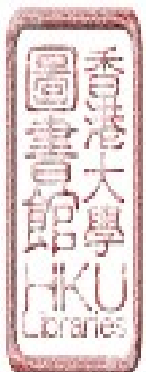
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