ASSESSING INSTITUTIONAL RELATIONS IN DEVELOPMENT PARTNERSHIPS: THE LAND DEVELOPMENT CORPORATION AND THE HONG KONG GOVERNMENT PRIOR TO 1997

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Abstract

This paper interprets and develops contemporary notions of partnership in relation to Hong Kong's Land Development Corporation. It demonstrates how such agencies are likely to become over-dependent on their private-sector partners or ineffective in policy delivery, unless endowed with adequate powers and resources. In this context, it suggests that the LDC's capacity to promote urban renewal was undermined particularly by the institutional requirement to assemble redevelopment sites in multiple ownership principally through negotiation. While seeking to explains this weakness in relation to socio-cultural context of Hong Kong, it warns that, in applying the western experience of partnership elsewhere, full account must be taken of local circumstances and constraints.

1. INTRODUCTION

Despite the apparent importance of partnership as an indispensable element of modern urban policy, controversy still surrounds its nature, meaning and impact. Although Newman and Verpraet (1999, p. 487) claim that "Public-private partnership has become the urban policy of choice for many European governments", partnership, as a concept, remains ambiguous (Mackintosh, 1992). Moreover, while numerous studies have tracked the historical evolution of partnership in Britain, the United States and other mature democracies, few have sought to explore how these Western experiences have been translated and applied in different socio-economic or cultural circumstances.

This paper interprets and develops contemporary notions of partnership in relation to the activities of the Hong Kong's Land Development Corporation (LDC) in the decade immediately preceding the handover to China in 1997. The Corporation, which was established by the Hong Kong Government in 1988 to undertake, encourage, promote and facilitate urban renewal[1], chose initially to operate by means of public-private development partnerships. Such partnerships represent a popular if narrow means of urban policy implementation in which "the public sector moved beyond general promotion of development and enters into specific contractual arrangements with one or more private-sector partners, agreeing to share the risks and rewards of development" (Adams 1994, p. 144). The Corporation later sought both to promote owner participation in urban redevelopment and to undertake smaller projects on its own accord.

The paper has three specific aims. First, by exploring the Land Development Corporation's working relations with the Hong Kong Government on the one hand, and with private-sector developers and owners on the other, it seeks to discover how far the success or failure of development partnerships is influenced by the specific institutional arrangements within which they operate. Secondly, it explores the importance of both the expectations that partners place on one another and the extent to which these expectations are realistic. Thirdly, it attempts to explain how the smooth transfer of such

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institutional mechanisms as public-private development partnerships between contrasting locales may be impeded by the place-specific connotations of socio-cultural values such as private property, free enterprise and public accountability. Through case study material, the paper thus investigates how well development concepts drawn from other countries are mediated through local conditions.

The paper is presented in six sections. Section 2 provides a brief review of the evolution and international dissemination of public-private partnerships. Section 3, which seeks to establish the conceptual framework for the research, identifies a partnership's ability to promote synergy, transformation and budget enlargement as a critical measure by which to evaluate the success of the LDC in Hong Kong. Relations between the Hong Kong Government and the Land Development Corporation are then explored in Section 4, while those between the Corporation and the private sector are considered in Section 5.

The conceptual framework is employed in the final section to evaluate the collaborative record of the Land Development Corporation and the effectiveness of its working arrangements with both the Hong Kong Government and the private sector. This indicates that in applying experience from other countries to the local design of institutional mechanisms, it is essential to have full regard to the main development constraints and opportunities that are relevant to the place-specific context and to provide any new institutions with necessary the powers and resources to achieve this.

2. PARTNERSHIP IN PRACTICE: INTERNATIONAL EXPERIENCES

In the United States, the notion of public-private partnership in urban renewal was pioneered in Baltimore from the mid-1950s where the Greater Baltimore Committee, representing progressive business leaders in the city, worked alongside the dynamic Mayor Schaefer, to secure the revitalisation of the downtown district (Bianchini *et al.*, 1992). From the 1970s, Baltimore received numerous delegations from cities around the world who sought to replicate its perceived ingredients of success.

During the 1980s, as privatism in urban policy had become central to the political philosophies espoused by both the Reagan and Thatcher Governments (Barnekov *et al.*, 1989), public-private development partnerships emerged as a prominent component of urban policy in both Britain and the United States. Indeed, as O'Toole and Usher (1992) argue, the broad consensus cultivated during that decade insisted that a city without a partnership lacked a key element in attracting new investment and promoting urban regeneration.

According to Barnekov *et al.* (1989), urban redevelopment was considered essential to create the new urban spaces needed to attract the ever-more mobile international capital of the post-industrial economy. Fainstein (1994) powerfully demonstrates how comparable institutional forces were at work in New York and London to channel state support to the private development industry. This ensured the production of such similar urban landmarks as Battery City in New York and Canary Wharf in London.

The primary thrust of British urban policy in the 1980s has been characterised by Healey (1991) as urban regeneration through private-sector property development. In this atmosphere, a variety of single and multi-project private-public development partnerships blossomed (Adams, 1994). Even in cities such as Glasgow, where partnership between public agencies had been so instrumental in bringing substantial housing and environmental improvements in the late 1970s and early 1980s (Wannop, 1990), partnership with the private sector was considered vital to secure resources for urban regeneration from the mid-1980s (Cowan and Lindsay, 1993).

Nevertheless, as Healey et al. (1992), Turok (1992), Loftman and Nevin (1995) and many others have argued, although property-led regeneration promoted city rebuilding by replacing obsolete structures and vacant sites with new building forms and designs, it failed to initiate a comprehensive process of urban regeneration. By the mid-1990s therefore, the UK Government had adopted a more holistic approach to urban policy with renewed emphasis on involving communities in both the process and product of regeneration policy (Duffy and Hutchinson, 1997).

Development partnerships in urban renewal have also emerged as a key theme in other Western European countries. For example, as public-sector grant resources for urban renewal declined in West Germany even before unification, public-private partnerships were increasingly seen as an important component of urban land policy (Dieterich *et al.*, 1993). In the Netherlands, public-private partnerships for urban renewal were explicitly included in the coalition agreement for government in 1986. Indeed, a pioneering role was played by that national administration in identifying five substantial partnership projects to serve as a model for the allocation of subsidies (Kohnstamm, 1993). Of the five, the IJ Embankment project in Amsterdam, a partnership between the Amsterdam local authority and two major financial institutions, proved the most advanced (Witbraad and Jorna, 1993).

In Pacific Asia, Singapore's Urban Redevelopment Authority, established in 1974, represents one of the longest-established examples of collaboration between the public and private sectors. As a statutory body with integrated responsibilities for planning and development, it has assembled title to many inner urban sites previously in multiple ownership, usually then marketing them by open tender to private developers (Walker and Flanagan, 1991).

In Hong Kong, a series of special government committees and working parties early in the 1980s concluded that redevelopment could best be promoted by partnership between the private and public sectors through the establishment of land development corporations. After a report commissioned from the consultants Coopers and Lybrand in 1985 had backed the concept of public-private development partnerships, legislation was enacted in 1987 to establish the Land Development Corporation. We later return to discuss its activities in detail, after having first explored the theoretical basis of such partnerships.

3. THEORISING PARTNERSHIPS IN URBAN POLICY AND DEVELOPMENT

As the above examples demonstrate, the very attraction of partnership as a concept derives from its fluid and elusive meaning. This is well illustrated by British experience over the last three decades. In the 1970s, for example, partnership in urban policy was restricted mainly to formal arrangements intended to improve the coordination and delivery of public services between central and local government. By the 1980s, the meaning of partnership had shifted to reflect the emergent desire across both public and private sectors to transfer responsibility for urban regeneration to private developers and investors. In the 1990s, as broader alliances were formed between the public, private and community sectors in the context of renewed cooperation between central and local government, a more holistic interpretation of partnership emerged.

Although such flexibility in the meaning of partnership makes the search for theoretical explanation problematic, three main approaches - growth coalition theory, urban regime theory and institutional thickness - offer valuable contributions. (Amin and Thrift, 1995; Lawless, 1994; Strange, 1997).

Growth coalition theory

Growth coalition theory derives primarily from the work of Molotch (1976) and Logan and Molotch (1987). This identifies how the renewal and growth of American cities have often been driven forward by coalitions of private-sector business interests led by property owners and developers but which enjoy extensive support from the local media, universities and wider culturally-based bodies. Such private-sector led coalitions are able to dominate local policy agendas through their apparent ability to champion and deliver the symbols of urban economic development to which local politicians aspire.

Urban regime theory

These insights are perhaps more fully developed by the second approach, urban regime theory, which has evolved from the work of Elkin (1987), Stone and Saunders (1989) and Stone (1989 and 1993). This recognises that the complexity of modern urban governance demands the creation of formal or informal clusters of non-governmental actors to participate in the task of government. However, urban regime theory rejects the notion of autonomous participants independently coming together to form growth coalitions and instead seeks to explain the formation, activities and influence of urban regimes in terms of their structural derivation and the power wielded by their members. This makes it possible, for example, for business interests to capture local political agendas either openly through the electoral process or less visibly by operating behind the scenes.

Since growth coalition and urban regime theories both originate out of American experience, neither may be readily applicable in alternative political cultures (Lawless, 1994; Strange, 1997). In the British context, Lawless (1994, p. 1321) argues that: "They underestimate the professionalised nature of the local bureaucracy; they underplay political conflict within and between partners; they overemphasise the influence of the indigenous business community; they assume too readily that growth dominates local governance and, crucially, they fail to give due prominence to local government."

Institutional thickness

In the third approach, however, Amin and Thrift (1995) argue that social and cultural factors, which can best be summed up in the phrase 'institutional thickness', are as important as economic forces in accounting for the success of certain localised nodes of agglomeration in relation to globalised networks. They contend that local institutional thickness can have a decisive influence on economic development and identify four factors that contribute to its construction. The first is a strong institutional presence evident in a plethora of institutions that represent and/or link the public and private sectors. The second is a high level of interaction within the local network of institutions. From this interaction develops the third factor, namely, sharply defined structures of domination and/or patterns of coalition which produce the collective representation of otherwise sectional and individual interests and the control of rogue behaviour. Fourthly, participants in the relevant institutions develop a mutual awareness that they are engaged in a common endeavour.

Amin and Thrift (1994) acknowledge that institutional thickness does not always lead to successful economic growth and can sometimes produce resistance to change instead of a innovative outlook. With this in mind, the concept of institutional thickness been applied and tested in several recent studies (see, for example, Amin, 1999; Hudson *et al.*, 1997; MacLeod 1997 and 1999; Raco, 1997). MacLeod (1997), showed that, although Lowland Scotland was well endowed with institutions involved in economic development, this produced neither ready synergy between them, nor effective structures of domination nor even the collectivization of sectional interests. He drew attention to the clandestine behaviour of some partners who roguishly competed with others for the attraction of inward investment.

As Raco (1997) also demonstrated in respect of Sheffield and Cardiff, the development of thicker institutional relations does not always mean that institutions will co-operate with each other. It is therefore worth noting that, from a comparison of 11 selected European regions, Hudson *et al.* (1997, p. 370) concluded that "... successful regions thus tend to be characterised by distinctive forms of local regulation and governance . . . (that) are as much a product of specific local and regional cultures as they are mechanisms that facilitate their reproduction." In a more recent debate, Le Galès (1999, p. 298) has argued that, in developing a new political economy of cities, it is essential "to understand how cultural elements are entangled, remobilised in association with the regulation of markets and politics to secure a locality and/or a mode of governance." As Shields (1999) noted in response, the relationship between culture, place and identity can be altered by any dramatic economic change, as a result of which forms of cohesion shift and social institutions and norms are transformed.

Although Amin and Thrift (1995) place shared cultural norms and values alongside interaction and synergy between institutions, collective representation by many bodies and a common industrial purpose in the constitution of institutional thickness, the place-specific cultural foundations for the essential relations of trust between institutions have been under-explored in the literature. Raco (1997) maintains that, to capture the extent of trust relations and mutual co-operation, empirical studies of institutional thickness must investigate flows and contacts between institutions that are present, while MacLeod (1997) revealed the extent of distrust in the institutional spirit in Lowland Scotland. Both these pointers suggest that the nature and fear of roguish behaviour may be culturally-defined and vary from place to place and that, as a result, distinctive mechanisms may need be to be put in place in different contexts to preserve or restore trust between participants.

Significantly, Hudson *et al.*, (1997, p. 370) caution against "attempts to implant the institutional tissue of successful regions to alien environments", arguing that it is not necessarily possible to change localised cultures, especially in the short term, through the creation of new institutions via policy interventions. Since development partnerships can represent an important component of local institutional thickness, it is thus relevant to consider how far the concept of partnership, drawn originally from Western experience, can be replicated in different cultural circumstances, where such notions as trust and accountability may have distinct historical connotations.

Synergy, transformation and budget enlargement

To discover more of the purpose or rationale for partnership, it is necessary to turn from broad theorisations of its nature or meaning to more detailed examination of the processes at work within particular partnerships. According to Mackintosh (1992), three main factors hold partnerships together, explain their character and account for their wide appeal. These are synergy, transformation and budget enlargement. Mackintosh's framework has been beneficially applied and tested by Hastings (1996) in her study of Scottish Urban Partnerships and offers a practical and robust basis for the subsequent evaluation of partnership experience in Hong Kong.

Mackintosh (1992) abstracts the concept of synergy from corporate strategy literature where it refers to the additional benefits that arise when companies collaborate rather than compete. It is founded on the principle that partners with common aims but different skills and resources can achieve more by working together than the sum of that which they could each achieve alone. In urban policy, significant potential for partnership may arise when non-commercial and profit-making organisations pool resources and work together.

Mackintosh's concept, according to Hastings (1996), is best described as resource synergy which adds value through resource co-ordination and collaborative effort. However, Hastings (1996) identifies another form of synergy which produces new insights attributable to the different perspective or cultural backgrounds of partners. She calls this policy synergy since it has the potential to result in innovative policies or solutions.

Transformation, for Mackintosh (1992) reflect the mutual desire of each partner to transform the outlook of the other in its own direction. The public sector, for example, may thus seek to persuade its private-sector partner to take a socially more responsible approach to regeneration, while the private-sector partner may hope to impress upon a traditionally bureaucratic public sector, the importance of flair and enterprise. However, Hastings (1996) suggests that if power relations between partners are unequal, uni-directional not mutual transformation in which one or all the parties are unwilling to change, may result.

As state resources for regeneration are increasingly allocated on a competitive basis, partnerships provide individual cities with a competitive edge in the bidding process and a method of budget enlargement. This is the third rationale for partnership identified by Mackintosh (1992). Partnerships thus not only reflect the shortage of public-sector funds and the desire of private-sector partners for risk reduction but also provide a mechanism to extract subsidy from a third party such as central government or the European Union.

Research undertaken

As this review has demonstrated, while partnership is now well-established as a development concept, its mode of application has varied from time to time and from country to country. Indeed, whereas partnership was once applied as a mechanism to improve co-ordination within the public sector, its meaning has long since evolved into a mode of relations between the public and private sectors. In many cases, property developers and investors have been at the forefront of these partnerships with the public sector, reflecting the importance of urban redevelopment in many regeneration strategies. Elsewhere, however, such specific interests have been assimilated into a broader coalition of public and private organisations to whom collaborative action through development partnerships represent only one element of a broader strategy to market and re-position particular urban areas within the context of global restructuring.

One of the most interesting components of this discussion is how the precise distribution of responsibilities and risk between public and private sectors partners is likely to influence the final product of their partnership. For example, developments that are very largely financed by the private sector and undertaken at its own risk will not necessarily meet the broader social objectives of the public sector.

To help understand the proper role, potential contribution and varied expectations that partners may have of one another, Mackintosh's concepts of synergy, transformation and budget enlargement are considered to provide a valuable theoretical framework for empirical work. In the next two sections, we therefore presents a detailed case study of the Land Development Corporation (LDC) in Hong Kong before returning to the Mackintosh framework as a basis for its evaluation.

The research on which this case study is based comprised extensive primary and secondary data collection in Hong Kong. Primary work involved some 20 semi-structured interviews with key actors, of which six were held with representatives of the Land Development Corporation, three with those of the Government Planning Department, two with those of the Government Lands Department, six with private-sector property agents, two with private-sector architects or planning consultants and one with a development company. In some cases, the interviews were followed up by exchange of correspondence.

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

4. THE HONG KONG GOVERNMENT AND THE LAND DEVELOPMENT CORPORATION

Although the Hong Kong Government initiated a series of experimental urban renewal schemes between 1960 and 1980[2] (Fong, 1985), for most of the postwar period its urban development policies concentrated on the clearance of squatter settlements, the construction of mass public housing and most notably, on an ambitious decentralisation programme to provide accommodation for 3.58 million people in nine new towns located beyond the main urban areas[3].

However, by the 1980s, it had thus become clear that a fresh and imaginative development strategy was urgently needed for the whole of the whole of the older urban areas around Victoria Harbour. The Government responded with the preparation of Metroplan (Hong Kong Government, 1991). As a basic principle, the plan sought to reduce population densities by thinning out congested urban areas in coordination with the development of newly-reclaimed areas. Yet without an explicit urban renewal strategy, the implementation of this principle was over-dependent on the private real estate sector who saw no immediate benefit in reducing traffic congestion, improving the environment or creating new open space (Dimitriou and Cook, 1998).

Within the public sector, the Land Development Corporation was identified in Metroplan as one of its principal executive agents. The Corporation had formally commenced operations as an independent statutory body on 15 January 1988, with its Managing Board, including its Chief Executive, wholly appointed by the Governor of Hong Kong. Officially, the LDC was intended principally "to improve the standard of housing and the environment in Hong Kong by undertaking, encouraging, promoting and facilitating urban renewal" (Hong Kong Government, 1987, Section 4).

In practice, the creation of the Land Development Corporation represented tacit recognition by the Government of its own previous failures in urban renewal (Cuthbert, 1998). Indeed, as Tony Eason, Secretary for Planning, Environment and Lands in the Hong Kong Government later acknowledged, the LDC was established primarily in reaction to the realisation of "how slow and cumbersome the process (of urban renewal) becomes when conducted through a formal government programme competing with other priorities for public funds" and with the aim of "providing an agency able to fund and implement redevelopment schemes on a larger scale than previously possible" (Eason, 1992). Yet, ironically, unlike the British Urban Development Corporations, the LDC was severely constrained by having no powers of development control or compulsory purchase (or land resumption as it is termed in Hong Kong) and by not receiving any assistance from the Government to help rehouse persons displaced by its activities (Cuthbert and Dimitriou, 1992).

Although the Land Development Corporation was established as an independent body, the Government retained close supervision over its detailed operations. For example, the Corporation was accorded no power to initiate comprehensive development schemes even in areas designated for urban renewal by Secretary for Planning, Environment and Lands (SPEL)[4], without his specific authorisation. Even when so authorised and issued with a Government planning brief[5], the Corporation was required to furnish SPEL with a detailed scheme plan, both to explain how the scheme was to be implemented and to outline arrangements for rehousing any displaced persons.

Until this scheme plan was approved in principle by the Government's Town Planning Board[6], individual plots within a comprehensive development could still be redeveloped in accordance with earlier outline zoning plans without the need for specific permission. Moreover, even the final confirmation of the Town Planning Board's decision by Hong Kong's Executive Council[7] implied no Government commitment to support land resumption, if the LDC found itself unable to acquire the whole redevelopment site by negotiation[8].

For any later resumption request to succeed, the LDC was required to demonstrate that it had taken all reasonable steps to acquire the land by negotiation on terms that were fair and reasonable[9] and that its arrangements for rehousing and implementation were adequate. However, even private developers in Hong Kong rarely have the necessary skill or patience gradually to acquire all interests in a redevelopment site of any significance since most buildings are held in undivided shares or by strata titles.

Indeed, as Yeh (1990, p. 374) points out: "The main obstacle to urban redevelopment (in Hong Kong) is the difficulty in assembling sites. . . This is complicated by the multiple ownership of properties in Hong Kong, in which each unit in a building is owned by a separate owner and lots are owned by groups of individuals or companies. . . Considerable time and effort have to be spent on lengthy negotiations in order to secure a sufficient number of small lots for assembly into a larger site suitable for the implementation of a redevelopment scheme."

By insisting on private negotiation as the basis for site acquisition by the Land Development Corporation, the Hong Kong Government actually made urban redevelopment less rather than more viable. On the one hand, this forced the LDC to pay above market value for obsolete property in need of redevelopment, while on the other hand, owners benefited from any inflation in land values over the long drawn-out period of land acquisition. Immediate resumption of all land required for redevelopment would certainly have been a cheaper, more efficient, and arguably fairer basis on which to proceed[10].

Even so, despite the magnitude of the task ahead, the Hong Kong Government remained keen to minimise its financial commitment to urban renewal and offered the LDC only an initial low-interest loan of HK $100 million (at the time, about £10 million) to set it up in business[11]. The Corporation was thereafter expected to make urban renewal pay by generating enough revenue from profit-making schemes to cover subsequent loss-making ones. Nevertheless, its Managing Board displayed an admirable record of inventiveness that soon enabled it to generate its own resources for future urban renewal. This is explained in the next section, which outlines the first two phases of LDC projects launched in 1988 and 1992.

5. THE LAND DEVELOPMENT CORPORATION AND THE PRIVATE SECTOR

Partnership with leading private developers (Phase 1)

Once in business, the LDC set itself an ambitious target of initiating at least six substantial urban renewal projects in each of its first five years. Aware that its own resources were limited, the LDC cannily identified the one powerful asset that it could successfully market to the highest bidder. This comprised those prime redevelopment sites mainly in Central Hong Kong, which apart from multiple ownership, would have been redeveloped by the private sector many years ago for high-rise commercial use. By June 1988, within six months of the establishment of the LDC, eight such projects all intended for completion by 1994 had been identified (Adams and Hastings, 2000).

The first eight projects were intended to produce a total of 300,000 m² of office space, 200,000 m² of retail and other new commercial space, 120,000 m² of residential space, 30,000 m² of G/IC space and one hectare of public open space, at a total development cost of approximately HK $12 billion (Arthur, 1990). Although four of these projects were small-scale, the other four (at Wing Lok Street, Jubilee Street, Argyle/Shanghai Street and Yunnan Lane/Waterloo Road) involved significant commercial redevelopment. These sites were deliberately included by the LDC in Phase 1 in order to provide a target capital base of HK $5 billion by 1994.

By holding out the prospect of eventual access to some of the most valuable land in Hong Kong, in late-1988, the LDC offered options on sites it had yet to acquire itself. The Corporation reckoned that, in the last resort, if it failed to acquire these sites by negotiation, the Government would be obliged to exercise its resumption powers. Within its first twelve months, the Corporation thus concluded partnership arrangements with four of the most powerful development companies in Hong Kong[12]. Together, these companies placed total deposits with the LDC of approximately HK $1.2 billion (or 38 times the actual amount that the LDC borrowed from the Government) for the eight sites. As a result, the Corporation recorded pre-tax profits of almost HK $2 million in 1988/89 and over HK $59 million in 1989/90, before completing even a single redevelopment.

Although the LDC was required by its partnership arrangements to deliver eight previously constrained sites to the private sector within a relatively short timetable, actual on-site commencement of redevelopment was significantly delayed in each case, mainly by the requirement for the Corporation to acquire as many interests as possible by private negotiation before asking the Government to exercise resumption powers of its behalf.

By 1991, after three years of negotiations, the Corporation had only part acquired each of the four major sites originally identified for comprehensive redevelopment in 1988. It therefore requested the Government to undertake resumption of the two largest redevelopment sites at Wing Lok Street and Jubilee Street in Central Hong Kong and also of two smaller sites in Kowloon. These requests were all approved by the Executive Council in early-1992.

Almost six years after it had first identified their redevelopment potential, the LDC finally took possession of its flagship sites at Wing Lok Street and Jubilee Street in late-1993. Until then, the 54 and 23 storey commercial developments to be constructed at Wing Lok Street by the LDC's development partner at a cost of HK $4 billion, were effectively held up for three years while the LDC sought to overcome multiple site ownership by negotiation.

At Jubilee Street, the 73 storey commercial development to be built at a cost of HK $5 billion and intended to become the tallest building in Hong Kong, was similarly delayed. Both these flagship projects were eventually completed in late 1997. However, even then, no start had been made on the other two comprehensive redevelopments, at Argyle/Shanghai Street and Yunnan Lane/Waterloo Road, first announced by the LDC in 1988.

Despite the inevitable complexity of urban redevelopment, especially where existing residents and businesses need to be rehoused, the Corporation's Phase 1 redevelopment programme would certainly have been implemented faster and at lower cost, if the Government had been prepared to commit itself to early and rapid resumption on the LDC's behalf. In the end, to prevent the collapse of its LDC initiative, the Government was forced to bow to pressure from development interests and override those of existing owners.

Direct development and owner participation (Phase 2)

During the early-1990s, the LDC started to look beyond the first phase of its redevelopment programme and evaluate possible projects for inclusion in Phase 2. No longer under such intense pressure to raise significant capital to cover its recurrent expenses, the LDC resolved to select projects for Phase 2 that could be pursued on its own or in partnership with the existing owners. Only where proposed developments necessitated substantial external funding were joint venture arrangements with development companies to be considered.

In 1992/93, some 44 potential redevelopments were evaluated by the LDC for Phase 2, of which 14 were eventually selected (Adams and Hastings, 2000). To achieve more direct control over the development process, the Corporation deliberately chose smaller redevelopment sites for Phase 2. For example, while no sites under 600m² had been included in Phase 1, four such sites were chosen for Phase 2. Such small sites could be quickly developed by the LDC alone without the need for extensive land assembly or external funding. Yet, while the Land Development Corporation certainly produced much-needed new housing on these sites, in doing so, it merely replicated the kind of small-scale redevelopment produced by the private sector elsewhere.

The concept of owner participation in urban redevelopment had originally been raised during debates on the proposed establishment of the LDC in the mid-1980s (Adams, 1991). In simple terms, it presumes that those who own obsolete property might be willing to combine their ownerships in order to share proportionately in any development profits. Three sites within Phase 2 were chosen by the LDC for redevelopment through owner participation[13].

At two sites, participation was invited on a cost-sharing or non cost-sharing basis. The former was meant for larger owners such as development companies who have already started to acquire properties within the redevelopment area. Such owners were required to contribute to development costs (including land acquisition, land premium and construction) in return for a greater share of development profit. In contrast, the only contribution made by owners under the non-cost basis was the land itself, the value of which determined the owner's share of development profit.

At the two sites where participation was offered on a cost-sharing or non cost-sharing basis, discussions with existing owners proved complex and protracted. At the other site, owner participation was offered only on a non cost-sharing basis. Since many of the existing owners were development companies, this generated little interest, as a result of which owner participation was abandoned and a joint venture partner sought instead.

By mid-1996, acquisition or planning problems meant that only four of the intended Phase 2 developments had been completed or were on site. The Land Development Corporation's attempt to tackle Phase 2 without backing from the powerful development interests who partnered its Phase 1 projects ensured that its practical impact was relatively insignificant.

6. EVALUATION

The record of the Land Development Corporation in working with both the Hong Kong Government and the private sector provides valuable insights from a different cultural context on institutional relations in development partnerships. In this final section, reflecting on this interesting case study, we first apply Mackintosh's concepts of synergy, transformation and budget enlargement in commenting on the role and potential contribution of public-private development partners in Hong Kong. We then review the realism of expectations placed by partners on one another before examining how the western concept of partnership, when applied elsewhere, needs to take account of the specific socio-cultural context and local circumstances.

In a contractual sense, in Phase 1, the Land Development Corporation entered into partnership with four of the most powerful development companies, while in Phase 2, it offered the chance of partnership to the existing owners of its identified redevelopment sites. In both cases, the LDC's relations with the private sector were conditioned by the institutional arrangements for urban renewal established by the Government and by its own working relations with various Government departments. While not contractual, these latter linkages form an important part of the evaluation of the LDC in Mackintosh's terms.

Although the Land Development Corporation itself was dominated, at least at first, by private-sector development interests, it was officially a statutory body with both public and private sector representation on its Managing Board[14]. The Board originally appointed to run the LDC consisted of three high-ranking government officials and a typical selection of primarily bankers, engineers, surveyors and property developers prepared to serve as 'good committee men' (Taylor, 1991). Several such members of the original Managing Board had previously been appointed by the Governor concurrently to serve on the Housing Authority or Town Planning Board or in one case on all three.

Table 1. Institutional Relations of LDC Development Partnerships			
	Land Development Corporation		
	Synergy	*Transformation*	*Budget enlargement*
Hong Kong Government	No simplified planning or land acquisition powers granted to LDC. Limited practical contribution by LDC to Metroplan	LDC frustrated by old-planning and land acquisition agenda set by government bureaucracy	Government revenue government style enlarged by LDC activity, not vice versa
Powerful development companies	Substantial financial commitment to LDC Phase 1 redevelopments	Phase 1 redevelopments chosen to produce greatest commercial returns for the private sector rather than to maximise social and environmental benefits	Profit-sharing on Phase 1 expected to produce between HK$2.5 billion and HK$6.25 billion for LDC
Existing property owners	Excluded from LDC Phase 1 redevelopment. Reluctant or slow to conclude Phase 2 partnerships with LDC	Intransigence forced LDC to improve Phase 1 compensation and offer owner participation in Phase 2	Owner participation if feasible likely to be less lucrative for LDC than partnership with powerful development companies
Source: Author's own analysis			

This highlights the close knit community of property and development interests that was prepared to work closely with the Hong Kong Government to manage the development process in the territory.

Such interests had much to gain from speeding up the process of urban renewal, particularly where a more efficient disposition of land uses led to higher financial returns. While they formed natural allies with the powerful development companies with whom the LDC entered into Phase 1 partnership, they were less well disposed towards existing owners of redevelopment sites. Subsequently, the composition of the Managing Board was widened to include accountants, lawyers and community workers[15].

Bearing this in mind, Mackintosh's concepts of synergy, transformation and budget enlargement can now be applied to the research evidence. Table 1 seeks to summarise the institutional relations of the Land Development Corporation first with the Hong Kong Government, secondly with the powerful developers who acted as its joint-venture partners for Phase 1, and thirdly, with the existing owners of redevelopment sites identified in both Phases 1 and 2.

Synergy

Effective resource synergy in Hong Kong would have required the successful combination of private-sector finance capital with public-sector planning and land acquisition powers. In fact, while the private sector was prepared to commit significant resources to the LDC's Phase 1 projects, the Government proved not merely reluctant to establish accelerated procedures for the LDC, but actually imposed additional bureaucratic burdens above those normally required of private-sector redevelopment. Little synergy was achieved between the LDC and property owners who were excluded from participation in Phase 1 and proved reluctant or slow to take up that opportunity in Phase 2.

While resource synergy thus took much longer to achieve in Hong Kong than might have been expected, policy synergy in Hastings' (1996) terms, was almost non-existent. Although the Land Development Corporation may have had potential to promote innovative urban projects, its actions tended to reinforce rather than challenge development trends in Hong Kong. Its Phase 1 projects, for example, served to intensify rather than reduce urban concentration in Hong Kong, while several of its Phase 2 schemes fostered the very type of sporadic high-rise projects on small sites that the Corporation was originally meant to eliminate. As a result, the LDC thus made only a limited practical contribution to the implementation of Metroplan.

According to Bailey (1994), in evaluating public-private partnerships, it is essential to ask how far they bring *additional* benefits and how far the same benefits could have been achieved through traditional means. In 1986, the proposed LDC had been described in the South China Morning Post by an unnamed Lands Department official as a “toothless tiger” which would merely add another layer of red tape to an already time-consuming process (Way, 1986). This prediction proved fateful since later experience showed that most of the LDC's initial redevelopments could have been implemented more readily if some basic improvements had instead been made to the Crown Lands Resumption Ordinance to enable the Government itself to assemble lucrative redevelopment sites rapidly for subsequent sale to the highest bidder.

Transformation

According to Fong (1985), the concept of the LDC was quite consistent with Hong Kong's central philosophy of minimal government intervention. He suggests that the Government chose to establish an LDC since it believed that, even in urban renewal, “the private sector should be the main driving force and that its own intervention should be confined to promoting private sector development in areas where it wished to achieve social and economic goals” Fong (1985, p. 289). This position minimised conflict with Hong Kong's reputation as an emblem of free enterprise under its British administration.

As a result, the initial redevelopment strategy of the LDC concentrated on sites thought likely to generate the greatest commercial returns for the private sector and hence produce the most lucrative offers for the Corporation, reflecting the LDC's own lack of financial muscle and its dependence on large private development companies for its initial resources. Since such sites were almost all occupied by low-value, decaying property located close to high-value commercial centres, the maximum plot ratios achievable through redevelopment were substantially higher than those existing.

If the LDC had been able to select its initial sites on social or environmental grounds, areas in far greater decay may well have been chosen. Instead, in the absence of an urban renewal strategy for Hong Kong as a whole, locations that did not offer profitable business opportunities were likely to experience continued deterioration. As Cuthbert (1998, p. 51) states: "This is truly a recipe for disaster. . . There remains, therefore a quantum leap between what the LDC is enacted to do, and the redevelopment needs of the city and its citizens." Such a leap may well require the traditional view of urban renewal in Hong Kong to be replaced by a broader vision of urban regeneration[16]

In Hastings' (1996) terms, transformation in Hong Kong's partnership was thus primarily uni-directional. While the Land Development Corporation proved keen to subscribe to the private sector concept of development viability, since it had a vested financial interest in successful redevelopment, powerful private-sector developers had little desire to embrace local needs for rehousing or new community facilities. Moreover, the LDC encountered significant resistance from existing property owners, many of whom who proved loath to accept what they perceived to be its parsimonious purchase offers (Adams and Hastings, 2000)[17]. As a result, the Land Development Corporation had to devote disproportionate attention to overcoming dissatisfaction and alienation with its projects from community groups and existing property owners.

Budget Enlargement

Consistent with Hong Kong's free enterprise philosophy, the Land Development Corporation was required to make urban renewal pay. Under the standard partnership arrangements later published by the Corporation (LDC, 1990), each of the LDC's development partners agreed to pay the full costs of site acquisition and subsequent development. As each development is completed and sold, profits will be shared between Corporation and its development partner according to a standard pre-determined ratio, commonly believed to be 50:50. On this basis, bearing in mind that most Hong Kong developers require 20% to 50% profit on total development cost, the Land Development Corporation stands to reap between HK $2.5 billion and HK $6.25 billion on the eventual completion and sale of the first eight projects. Owner participation, even if feasible, would certainly be less lucrative.

As a result of its joint-venture partnership arrangements, the LDC drew little more than HK $31 million of the HK $100 million low-interest government loan to which it was entitled. Between 1988/98 and 1995/96, it paid the Government over HK $11 million in interest for the privilege of this loan facility. In addition, the Corporation paid almost total of HK $56 million in tax over the same period on revenues of over HK $2 billion.

The low tax base in Hong Kong has required that the costs of land production (traditionally harbour reclamation and the provision of infrastructure) should be significantly exceeded by revenue from sales of land which have traditionally accounted for between 20% and 33% of annual Government revenues. In 1993/94, for example, the Government received HK $43.5 billion from land sales out of total revenues of HK $140 billion. The Government stood to benefit significantly from commercial redevelopment in Central Hong Kong[18]. In this regard, the LDC paid the Government land premiums of HK $2.9 billion in total for its flagship sites at Wing Lok Street and Jubilee Street.

Overall then, the LDC's activities produced an enlarged budget not for urban renewal but for the public exchequer more generally. While this constrained what the Corporation might otherwise have been able to achieve, it shows that financial flows in Hong Kong were in precisely the opposite direction to that which Mackintosh (1992) might led us to expect.

Partners' expectations of the LDC and the socio-cultural context for urban redevelopment in Hong Kong

The creation of thirteen British Urban Development Corporations between 1980 and 1993 was mainly intended to address the extensive redundancy of land and property (and, indirectly, of labour) produced by the retreat of capital from the industrial heartlands of major conurbations. Such substantial areas of vacant urban land from which people and activity had withdrawn and in which it is necessary to stimulate demand, simply do not exist in Hong Kong.

Whereas public-private partnerships in urban regeneration were regarded in the UK as a valuable means to transform the structural character of, and remedy the lack of demand in deindustrialised locations, the most significant challenge facing the LDC in Hong Kong was the multiple ownership rather than any economic decline. Its joint venture partners thus expected the Corporation to have the capacity to assemble sites for high-value redevelopment through the effective acquisition and relocation of existing activities occupying low-value and physically-decayed property in central areas[19].

These expectations proved unrealistic since the LDC was neither entrusted with the necessary powers itself to assemble redevelopment sites by compulsion nor backed by rapid and unqualified resumption undertaken by the Government. Indeed, in political circumstances where private negotiation was deemed the most appropriate basis on which to assemble redevelopment sites, the Government itself expected the LDC to offer a sufficiently attractive purchase package to tempt existing property owners to sell their interests freely to the Corporation. The LDC's initial acquisition policy failed to meet these expectations, although it certainly proved controversial (Adams and Hastings, 2000)[20].

In such circumstances, it is relevant to ask why the British administration in Hong Kong sought to adapt an institutional model for urban renewal that originated in deindustrialized western economies, but endowed it with so few powers and resources. Specifically, why was the Land Development Corporation not granted simplified planning or land acquisition powers, equivalent to those enjoyed by the British Urban Development Corporations on which it was partly based? To answer this question, it is essential to consider the specific connotations in Hong Kong of socio-cultural values such as private property, free enterprise and public accountability as well as the ever-present fear there of corruption.

In the UK, interference in the land market to achieve public policy goals has long been considered quite legitimate by the state (Imrie and Thomas, 1993). In contrast, in Hong Kong, what may appear to be in the public interest has traditionally been subservient to the rights of private property. As a result, compulsory acquisition of land from small private owners to enable well-endowed private developers to reap substantial profits from commercial redevelopment would have been regarded by some with power in Hong Kong as setting a precedent for more widespread interference in the economy and undermining its reputation as a haven for free enterprise.

Although the British administration in Hong Kong was hardly democratic even during the time of the last governor, Chris Patten, it operated in partnership with senior members of the local community who were drawn in to serve on various official boards and committees, of which the Town Planning Board was but one example. This openness was reflected in a genuine sense of accountability to local people that pervaded official actions and deliberations since, although the colonial Government was unelected, it remained reliant for its survival and authority on retaining the trust of the local population. As a result, it would have been unthinkable for the Land Development Corporation to have bypassed normal planning procedures and made its own decisions behind closed doors. Indeed, quite the reverse proved true, for to avoid any hint of special treatment, the Government felt it necessary to impose extra statutory requirements upon the Land Development Corporation.

An associated reason for the reluctance of the Hong Kong Government to entrust the Land Development Corporation with its dominant private-sector membership with responsibility for the exercise of public powers lies in the strenuous efforts historically made in Hong Kong to root out corruption. At the forefront of this struggle has been the Independent Commission Against Corruption, which was established entirely independently of the civil service, to report directly to the Governor. In 1991, for example, the ICAC received 2,018 complaints, prosecuted 314 persons, of whom 110 were convicted and cautioned a further 86 persons for minor offences.

The reputation gained by the ICAC over many years contributed substantially to Hong Kong's economic success by establishing the rule of law as the framework for business transactions. Hong Kong became known as one of the cleanest places in which to conduct business in Pacific Asia. Since so much financial gain is to be derived from property development in Hong Kong, it is not surprising that, although the Hong Kong Government was keen to draw private sector development expertise into the formulation and implementation of public policy, it was not prepared to subcontract official planning procedures as a whole to the Land Development Corporation.

7. Conclusions

In a British context, Raco (1997) draws the contrast between localist institutions are constructed from the top-down, politically, socially, economically, and local institutions that derive their personnel, support and finance from the communities from which they develop. Although the Land Development Corporation was certainly established as a localist rather than a local institution, the specific cultural context of Hong Kong meant that it took undue time to produce significant resource synergy, made little contribution to policy synergy, was uni-directional in its transformative activities and enlarged the public purse not for urban renewal but for more general government expenditure.

This suggests that Amin and Thrift's (1995) concept of institutional thickness may prove harder to achieve where historical and cultural circumstances require formality and distance to be placed between institutions in order to avoid the fear of suspicion, distrust and even corruption that might arise in those circumstances, from a more informal mode of relations.

Again, reflecting on Mackintosh's threefold framework of synergy, transformation and budget enlargement, it is apparent from the Hong Kong experience, that such benefits may be unachievable if such partnerships are formed without clear and realistic expectations of what each partner can actually contribute to the joint effort. This reinforces the earlier warning of Hudson *et al.* (1997) to guard against the implantation of institutional tissue to an alien environment and confirms, in the Hong Kong context, that the creation of new institutional mechanisms alone does not guarantee successive urban renewal. Much more significant are the powers and resources entrusted to such mechanisms and their precise modes of operation.

Sadly, although earlier literature on urban renewal in Hong Kong had identified the need to think very carefully about the precise means of land assembly in urban renewal, these warnings were largely ignored during the establishment of the Land Development Corporation. In the end, therefore, the absence of a coherent urban renewal strategy in Hong Kong confined the scope of urban renewal by its British administrators in the period preceding the 1997 handover of Hong Kong to a series of small but repetitive experiments, of which the Land Development Corporation was the final example.

Yet, even in Hong Kong, the temptation for urban policy-makers to create a significant public impact through the careful announcement of a new institutional initiative remains strong. In early 1998, reflecting the intended "seamless" handover to power, the new Chief Executive of the Special Administrative Region of Hong Kong committed the incoming Government to the implementation of the last-minute British proposal to transform the Land Development Corporation into a fully-fledged Urban Renewal Authority. Only time will tell whether this new organisation will ensure better institutional arrangements for urban renewal than those inherited from British rule.

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FOOTNOTES

1. In Hong Kong, "The term "urban renewal" has traditionally been used by the Government to refer generally to urban renewal, urban redevelopment, urban regeneration and urban renaissance" (Hong Kong Government, 2000). In this paper, however, urban redevelopment is used to refer to the demolition and reconstruction of buildings, while urban renewal, which may include building conservation and rehabilitation as well as redevelopment, is taken to involve the creation of more widespread urban benefits such as improvements to environmental conditions, traffic circulation and community facilities.

   In practical terms, however, it should be recognised that urban redevelopment has long been regarded as the prime mechanism by which to achieve urban renewal in Hong Kong. We do not use the terms urban regeneration or urban renaissance in a Hong Kong context since they imply a much broader and more holistic approach to urban policy than traditionally pursued there. For as the Urban Task Force (1999, p. 25) recently stated in respect of English cities: "An urban renaissance should be founded on the principles of design excellence, economic strength, environmental responsibility, good governance and social well-being."

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

3. Eight new towns have been designated within the mainland New Territories (the area of some 749 square kilometres between the main urban areas around Victoria Harbour and the Chinese border about 30 kilometres to the north). They are Fanling/Sheung Shui, Sha Tin, Tai Po, Tin Shui Wai, Tseung Kwan O or Junk Bay, Tsuen Wan, Tuen Mun and Yuen Long. The ninth new town, Tung Chung/Tai Ho on Lantau Island is associated with the development of Hong Kong's new international airport.

4. Under British rule, the administrative secretariat of the Hong Kong Government was organised into twelve policy and two resource branches, each headed by a Secretary who was the most senior officer of the Hong Kong Government responsible for that field of administration. Of these, the Secretary for Planning, Environment and Lands was the most important for the purposes of this paper. In principle, the Government Secretariat was considered responsible for policy development, while the day-today administration of Government was handled by specific departments, each with its own Director reporting to a particular Secretary. The main departments responsible for urban renewal were Lands and Planning.

5. Such planning briefs normally included requirements for G/IC uses. In Hong Kong, this term is used to refer to Government, Institutional or Community uses, usually maintained out of public funds. Such facilities would be unlikely to have been provided on these sites but for the activities of the LDC.

6. Approval by the Town Planning Board was certainly not merely a procedural formality. The Board took an independent and occasionally unpredictable view of proposals since a substantial majority of its members were appointed from outside the ranks of Government officials.

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

8. In the view of one of the partners of Brooke Hillier Parker, Chartered Surveyors in Hong Kong, interviewed for the research in September 1992, the Hong Kong Government had by then never fully backed the LDC nor made it clear whether resumption requests would be supported. The latter view was supported by a Senior Town Planner working for Shankland Cox in Hong Kong who was also interviewed for the research in the same month.

9. In personal correspondence to one of the authors in November 1997, the Chief Executive of the Land Development Corporation commented that ". . . in a fast rising property market (such as we have experienced during much of LDC's short life) . . . it is hard to demonstrate the fairness and equity of our offers."

10. This view was expressed in September 1992 by at least one interviewee, a Director of Chesterton Petty, Chartered Surveyors in Hong Kong. He suggested that there was little point in negotiating for any length of time because valuations quickly become outdated in Hong Kong. Instead, he recommended immediate resumption of redevelopment areas be undertaken coupled with accelerated statutory procedures.

11. According to the Director of Chesterton Petty, interviewed in September 1992, the Hong Kong Government deliberately limited the resources it made available to the LDC in order to retain greater control over the Corporation's activities.

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

13. These were at Queen Street, Central Hong Kong, Nga Tsin Wai Village, and Hanoi Road, Tsim Sha Tsui.

14. The Land Development Corporation Ordinance required that no more than three members of the Managing Board should hold public office and that the Chairman and at least five other members should be chosen from outside government ranks.

15. According to two senior officials of the Hong Kong Government Lands' Department, interviewed in September 1992, the composition of the LDC Board was changed to give greater public confidence in LDC activities. They thought that more district board members and social workers with good contacts in local communities should have been appointed in the first place. In subsequent correspondence with one of the authors, one of these officials drew particular attention to "Public resentment and opposition . . . which has to a great extent been created by the LDC's own practices and the public perception of the LDC serving to further the profits of private sector developers."

16. See Footnote 1.

17. Certain interviewees alleged that the Corporation at first offered the minimum it considered existing owners within its redevelopment sites would be likely to accept. It was claimed that some initial offers were as low as 34.6% of the independent valuations undertaken on the Corporation's behalf. The Corporation (1997) strenuously denied these allegations, contending that "the LDC's purchase offers have never represented the minimum - from the outset they were based on independent assessments of open market value which prevailed at the time."

18. All land in Hong Kong, apart from the site of St John's Cathedral, was held under Crown lease. Where a redevelopment site was covered by a number of existing leases, it was normal policy for these to be surrendered by the developer and a new lease granted for the whole site. The premium was payable to the Government for the new lease took account of the value of the leases surrendered which may well have been restricted in time or use.

19. A representative of Cheung Kong, one of the LDC's main development partners its Phase 1 projects stated to one of the authors during an interview in September 1992 that the company normally ensured that it was in the "driving seat" for any joint-venture projects it entered into. Although the company enjoyed an amicable relationship with the LDC, it found itself unusually dependent on a development partner.

20. See Footnote 17.