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How Effective is the Hong Kong Urban Renewal Policy (Redevelopment) Controlled by the Market

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Abstract: *As a region with neither land nor natural resources, Hong Kong is facing urban "diseases" such as increasing population density, housing problems and shrinking urban center functions. The formulation and promotion of urban renewal policies are Hong Kong's strategic goals and inevitable choices. With "market-led" as the main mode of Hong Kong's urban renewal policy for more than 30 years, its effectiveness is worthy of reference from other regions in Asia that implement government-led or have not yet implemented urban renewal policies. "The market knows best" is the method extension of the Hong Kong government's "laissez-faire" governance philosophy. From a data point of view, "market-led" has brought stimulus to the promotion of urban renewal policies in Hong Kong, and it has also shown relatively impressive results. However, from the perspective of macro policy, the "market-led" Hong Kong urban renewal policy presents a chaotic and unsustainable situation under the "laissez-faire" governance. At this stage, Hong Kong's market-led urban renewal policy is showing a good trend, but it is not a long-term solution. In the long run, the Hong Kong government should adopt a "bottom-up" model, strengthen urban renewal policy's "soft" administrative intervention methods and further improve the development role of the market, and then ultimately realize the sustainable development of urban renewal policies.*

Keywords: *Hong Kong; Urban renewal; Market-led*

Introduction

In the early 1970s, the Hong Kong government designated some dilapidated areas, including Sheung Wan, Wan Chai and Yau Ma Tei, as environmental improvement areas. The government hopes to solve the housing problem with increasing population, the problem of urban decay, and the living environment problem of residents by improving and rebuilding the old area. At that time, Hong Kong's social and economic conditions were not sufficient for major reforms (Development Bureau, 2019).

Since the 1980s, economic development in parts of Asia began to take off. In order to avoid further deterioration of the urban environment, some economically developed regions have begun to pay attention to and implement urban renewal policies to deal with the shrinking of urban center functions, residential housing problems, and restricted economic development (Liu, 2001). For example, the Four Little Dragons in Asia (Hong Kong, South Korea, Taiwan, Singapore). The Hong Kong government established the Land Development Corporation (LDC) in 1988 to implement urban renewal policies, and in 2001 established the Urban Renewal Authority (URA) to replace LDC.

Based on the "laissez-faire" and "market-led" governance model, Hong Kong has promoted a market-led urban renewal development plan. Because of different governance systems, the promotion model of Hong Kong's urban renewal policy is different from the government-led development model of Mainland China and Singapore (Liu, Yi, Zhang, Shrestha, Martek & Wei, 2017). In the first stage, this research only focuses on Hong Kong areas and explores the achievements and limitations of the market-led model for the development of Hong Kong urban renewal plans in "redevelopment". And uses Hong Kong's experience for future research on urban renewal policies in other parts of Asia.

Literature Review

Supreme Financial and Market Principles

Since the 1960s, when the Hong Kong government planned to promote the urban renewal policy, it has always emphasized the principle of "financial supremacy". The concept of "financial supremacy" comes from the inevitable attributes of the Hong Kong government's "positive non-intervention" and "market-led" governance principles. The urban renewal policy is used by the Hong Kong government (the British Hong Kong government and the SAR government) as a way to maximize land value and generate profit streams for public treasuries. The urban renewal strategy led by the market and the economy became stronger with the establishment of the Land Development Corporation and the Urban Renewal Authority after the 1990s. Over-reliance on the market-oriented urban renewal policy of Hong Kong has made citizens permanent victims of negative effects. Therefore, many different social movements and public appeals have emerged in Hong Kong society to challenge the market-led urban renewal policy (Wong, 2004). The Urban Renewal Authority's policy change to replace the Land Development Corporation is nothing but "new wine in a bottle" (Ng, 2002).

The Downplay of the Government's Role

Regime theories emphasize that the promotion of urban renewal policies is not only a matter of physical change, but more importantly, the role of the government in problem identification and policy implementation. In essence, urban renewal policies can be seen as a platform for cooperation and confrontation among stakeholders such as the government, social organizations, private developers, and citizens (Wong, 2004). The governance philosophy of "the market knows best" allows Hong Kong's rulers to avoid trying to formulate broader social and economic development strategies, and will only formulate and modify individual policies based on "expedient measures"(Ng, 2002). "Political diversity" emphasizes the political complexity among participants in urban renewal. For a government, it needs to master power as a force of social production to provide a model of leadership and operation and even allow another role to do things they would not do (Wong, 2004). The biggest challenge for the Hong Kong government to develop urban renewal comes from its lack of administrative means to consolidate and integrate the forces of the entire society, and it is even unable to perfect and timely mobilize internal departmental resources to promote the development of urban renewal (Ho, 2012). The government needs to strengthen its role (high-level policies) and establish a long-term and stable framework of political and resource alliances with various stakeholders, promote the transparency and accountability of urban renewal policies, and ensure its own internal administrative efficiency to promote sustainable development of urban renewal policies (Lai, Chau & Cheung, 2018).

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Lack of citizen participation

Xia Xunxiang (2011), a scholar of the Chinese University of Hong Kong, analyzed in detail the "power" problems encountered in the promotion of urban renewal policies in Hong Kong from the perspective of political sociology and emphasized the importance of citizen participation. The "top-down" and "market-led" urban renewal development model completely ignores citizens who should have the right to participate (relational and procedural). The planning, communication, and resource allocation of urban renewal policies are often only between private developers and the Urban Renewal Authority, and grassroots citizens are only notified before they are demolished. As a public policy with the vision of improving the living environment of residents, a policy that does not take the wishes of the citizens as the main body but takes the market as the core to overlook the development of urban renewal is bound to fail. In the structural issues of urban construction, the internal members of the community have more advantages and voice than others (Liang, Li & Chen, 2018). Scholar Xia cited the extremely influential social movement triggered by the street power of the residents of Lee Tung Street in Hong Kong was misappropriated as an example. This is a struggle where "powerless" oppose decision-making and market bullying and defend their rights. Hong Kong's urban renewal policy needs to actively listen to and adopt the voices of the grassroots of society and adopt a "bottom-up" model as a development strategy to achieve sustainable development.

Research Sustainability

This study is based on a large number of searches in the resource database (Hong Kong PolyU library and Google Scholar) and found that many scholars' analysis of the effectiveness of Hong Kong's urban renewal policy is a conclusion drawn from the theoretical level of sociology and political science, and combined with qualitative analysis. Whether the effectiveness of the market-led urban renewal policy in Hong Kong is truly crisis and unsustainable like the conclusions of the above-mentioned scholars. This study will use factual data analysis as a research method to explore the effectiveness of market-led urban renewal policies in Hong Kong.

Policy Effectiveness (Data Analysis)

This study will explore the effectiveness of the market-led urban renewal policy in Hong Kong based on data analysis. The data used in this study all come from the official website of the Hong Kong government and professional global database to ensure the safety and academic nature of the data source, including the Urban Renewal Authority, the Hong Kong Census and Statistics Department, CEIC and so on.

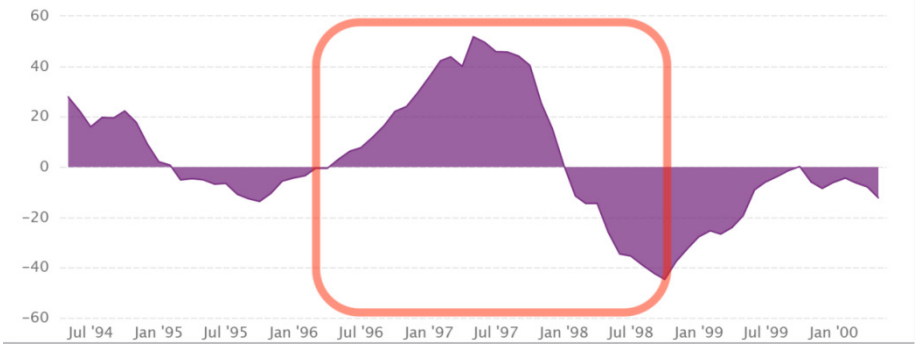
Hong Kong’s urban renewal policy consists of two stages, namely, the Land Development Corporation established under the Land Development Corporation Ordinance from 1988 to 2001, and the Urban Renewal Authority established in 2001 under the Urban Renewal Authority Ordinance. This study will explore the respective effectiveness of the two development stages from the perspective of redevelopment in market-led development.

Land Development Corporation (LDC)

The Land Development Corporation (LDC) is essentially an independent statutory body that is responsible

for its own profits and losses. The goal of the LDC is to be responsible for urban renewal, to avoid further deterioration of the urban environment, and to improve the living environment of residents in old districts through redevelopment. The reconstruction method of the LDC adopts cooperation with or even relies on private developers. However, as a partner of the Land Development Corporation the private developer bears all costs related to the purchase of the site and subsequent development costs. And need to comply with the fixed standards of acquisition compensation. In the end, half of the profits from urban redevelopment must go to the LDC. The start-up capital of LDC is only a 100 million Hong Kong dollar loan from the government. The Land Development Corporation takes prudent fiscal measures to ensure that it will not lose money during the urban renewal process, and the LDC claims to have never spent taxpayers' money (Ng, 2002). When private developers give up investment, LDC will have no funds and will not prepare investment funds, and thus cannot continue the urban renewal program.

Since the signing of the Sino-British Joint Declaration, Hong Kong has restricted the number of annual land sales. Before 1997, near return to the motherland, Hong Kong's real estate, stock markets and entire social-economic have repeatedly set new highs under the impetus of the economic bubble that had already existed in the 1990s. The sharp rise in housing prices and high-profit prospects in Hong Kong have driven private real estate developers to actively participate in LDC's urban renewal plan. However, the ultimate failure of LDC also originated from the market failure of the Hong Kong real estate market between 1997 and 1998 (Ng, 2002).



Figures 1. Hong Kong housing price trend chart from May 1994 to May 2000 (CEICDATA, 2020)

According to the data in the annual reports of the Land Development Corporation in 1997 and 2020, it is found that the performance of the LDC before 1997 includes 15 projects were completed, covering 2.76 hectares of land, providing 1050 flats and 269 075 square meters of commercial or office space (URA, 1998). But the 12 years of operation results between 1988 and 2000 just only 16 projects were completed, covering 2.8 hectares of land, providing 1104 flats and 269 676 square meters of commercial or office space (URA, 2001). From 1997 to 2020, the Land Development Corporation completed only one redevelopment project, and the urban renewal process was extremely slow.

The reason for the slow progress of the Land Development Corporation's projects after 1997 was the negative impact of the Asian financial turmoil and the LDC operation mode that was very unfavorable to private real estate developers. The Asian financial turmoil caused Hong Kong's economic bubble to burst. The market in Hong Kong's real estate industry is failured and house prices have fallen sharply. In the middle of one and a half years from June 1997 to December 1998, Hong Kong housing prices fell by about 72% (CEICDATA,

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2020). According to the above-mentioned joint venture rules, under the circumstances of the social and economic downturn, it is a very unwise choice to cooperate with LDC to develop urban renewal. It is very likely that the result will be an extremely loss-making business plan. The income of urban redevelopment involving private real estate companies is far less than that of newly developed land. At the same time, there are fewer and fewer private real estate companies capable of participating in community reconstruction. Under the prudent financial and self-financing model of the Land Development Corporation, the market-led development mechanism more hindered the urban renewal plan and directly led to the final failure of LDC (Ng, 2002).

Urban Renewal Authority (URA)

Urban Renewal Authority (URA, 2020) is a statutory body established by the government, but not regarded as an employee or agent of the government, nor shall it be regarded as enjoying the status, immunities or privileges of the government. It is almost equivalent to a private institution–"private developer". The aim of URA is to improve the quality of life of residents in the urban areas, reducing the number of inadequately housed people and solving the problem of LDC's market failure. Like LDC, the government's primary concern in the URA urban renewal policy is still financial feasibility. Therefore, the URA is essentially a statutory body that also is self-financing. In order to solve the problem of inaction in the LDC urban renewal policy, URA has been given two important decisive powers by the Urban Renewal Authority Ordinance. One is that the URA will have the right to propose to "direct" the resumption of land (Article 24 & 25), and the other is that the URA can sell or grant land reclaimed under the Land Resumption Ordinance with the approval of the Chief Executive in Council (Article 29).

In 2001, the Urban Renewal Authority formulated 5 plans to be completed within 20 years during the initial establishment of the URA, including the redevelopment of some 2000 buildings in disrepair, improve the appearance of the urban area by 67 hectares, rehousing some 27 000 tenant households, provision of around 60 000 square meters of the rest area and provision of about 90 000 square meters of floor space for use as community/welfare facilities. In 2020, the URA annual report presented that the results of the 19 years from 2001 to 2020 include rebuilding 1,495 buildings in disrepair, improving the appearance of the urban area by 208,000 square meters, providing 28,100 square meters of rest area, there are 23,200 newly built residential units and there are 32,600 residents benefited. The results of URA's urban renewal policy in the past 19 years are still far from the original plan, but URA's achievements are far greater than LDC in terms of urban renewal (URA,2020).

Driven by factors such as power, market-led, and self-financing, URA's urban renewal policy has shifted to a profit-oriented urban renewal project. In just 19 years, URA's net asset value has jumped from an initial negative 2.719 billion to a positive 47.092 billion in 2020 (URA, 2020). The Urban Renewal Authority has further established its reputation as a big profit player. In the acquisition phase, URA buys at low prices from the perspective of merchants and sells at extremely high prices. Such as Sham Shui Po Lai Chi Kok Road/Guilin Street and Yi Kuk Street Project, the URA purchased the old building at a price of HK$3,894 per square foot of saleable area. Then through cooperation with the Cheung Kong Group to create high-end residential "Trinity Towers". The newly built high-end residential buildings have indeed increased the volume ratio, but the current price per square foot is 15,000 to 20,000 Hong Kong dollars. The compensation plan

centered on the "market" has prompted the original residents of the old district to be ignored (Lau, 2021).

Year	Income (billion)	Loss (billion)	Net asset value (billion)
2002	0.128	0.58	- 2.719
2003	0.0057	0.227	- 0.946
2004	0.201	0.008	+ 0.974
2005	4.936	NA	+ 5.976
2006	2.766	NA	+ 9.553
2007	0.536	NA	+ 12.323
2008	5.266	NA	+ 14.418
2009	1.413	4.459	+ 14.418
2010	9.663	NA	+ 16.977
2011	3.647	NA	+ 19.186
2012	3.69	NA	+ 21.77
2013	5.341	NA	+ 26.207
2014	1.169	2.27	+ 23.937
2015	9.904	NA	+ 25.013
2016	7.422	NA	+ 29.764
2017	5.035	NA	+ 32.606
2018	13.867	NA	+ 46.6
2019	3.423	NA	+ 46.974
2020	2.107	NA	+ 47.092

Figures 2. Financial details of the Hong Kong Urban Renewal Authority from 2002 to 2020 (URA, 2020).

Lee Tung Street used to be a famous print production and retail center in Hong Kong, especially famous for printing wedding invitations. Lee Tung Street was also acquired by the government in 2005 for reconstruction. Before the redevelopment, the URA had promised that the redevelopment of LEE Tung Street would be based on the theme of marriage and emphasizes that the design will retain the traditional building. But after the redevelopment, the traditional style becomes European style. Many stores are internationally renowned brands there are only a few stores operate business related to marriage. The newly built Lee Tung Street has not preserved the local culture of Hong Kong in people's minds but is more like a modern shopping mall (Du, 2018). As of 2021, the Lee Tung Street project has allowed URA to receive a net income of HK$6.8 billion. The excessive marketization and commercialization of the URA's operating model has indeed effectively improved the results of urban renewal at the data level, but has to make people question whether the urban renewal plan is a project beneficial to the people's livelihood.

Research Findings and Suggestions

From a data perspective, the effectiveness of the market-led urban renewal policy of Hong Kong presents another answer. In fact, both the Land Development Corporation and the Urban Renewal Authority are statutory bodies that adopt a self-financing model. Scholar Ng (2002) called the reform between the two is "new wine in old bottles". The unreasonable cooperation model of the Land Development Corporation has dispelled the enthusiasm of many private developers to participate. When faced with economic recession and other crises, the urban renewal policy led by the Land Development Corporation is basically useless. In the market-led development model, the motivation of private developers is based on profit. Therefore, during the period of the Urban Renewal Authority, the government gave it the "right to resumption" and the "right to sell

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land" while turning it into a "private developer" that seemed to have nothing to do with the government. With the promotion of rights and the free market, the nature of self-financing has led the Urban Renewal Authority to regard the urban renewal plan as a profit target. From 2002 to 2020, the Urban Renewal Authority rebuilt a large number of old and dangerous buildings in the society and provided a large number of new housing units to the society. In contrast, the effectiveness of LDC is not worth mentioning. Under the inducement of power and the market, the development direction and goals of the Urban Renewal Authority have been originally planned. The redevelopment model of the urban renewal policy has changed from "people-oriented" to "money first". Then, with the data on the effectiveness of urban renewal continuously improving, is the market-led urban renewal policy really successful?

As a region with neither land nor natural nature, Hong Kong is facing urban "disease" such as increasing population density, housing problems, and shrinking urban center functions. The development of urban renewal policies is the strategic goal and inevitable choice of Hong Kong. The urban renewal strategy with "economic priority" and "market-led" as the core development concepts has continued from the British Hong Kong government to the present SAR government. However, in the market-led urban renewal policy, the Hong Kong government's "laissez-faire" governance model has a negative effect on the "top-down" urban renewal strategy. The Hong Kong government lacks the necessary administrative intervention in the urban renewal policy, so that the cooperation between the stakeholders in the urban renewal plan is a mess. Even the Hong Kong government can't fully integrate, call and direct the resources and information of various internal departments in a timely manner. The corresponding implementation plan and implementation speed of the urban renewal plan have always been mysterious to ordinary citizens. Residents of Lee Tung Street in Hong Kong triggered a sensational social protest movement because their street rights were misappropriated by private developers and the Urban Renewal Authority. The urban renewal policy is a public policy with citizens as the main body, but citizens do not have the right to participate and speak. Although the market-led urban renewal plan has achieved considerable results, due to the overlooked attitude and the lack of effective administrative intervention, the current policy cannot be truly sustainable.

The concept of "laissez-faire" and "market-led" social governance has been rooted in the blood of the Hong Kong government. Adopting excessively strong administrative intervention and a model far away from market dominance is not feasible for the promotion of Hong Kong's urban renewal plan. Therefore, while maintaining the "market-led" advantage, the Hong Kong government should slightly increase some "soft" administrative intervention measures. For example, the Hong Kong government uses some subtle interventions to guide cooperation among government departments, private developers, citizens and other stakeholders. The government needs to increase internal administrative supervision and open up the progress of the implementation of the urban renewal policy to enhance public confidence in the government. At the same time, the government also needs to improve its own administrative efficiency to strengthen the cooperation and intercommunication between its own internal departments and promote the accelerated development of the overall urban renewal plan. "Public opinion" is an important part of the urban renewal policy. The Hong Kong government should adopt the “bottom-up” model and integrate the superiority of its own elite decision-making (top-down). Only through the coexistence of the two modes, coupled with "soft" administrative intervention, that the Hong Kong government can build a sustainable urban renewal policy development framework in the greatest possible way.

Scope for the Future Research

Urbanization has become a major global development trend. According to United Nations projections, in 2030, the global urban population will account for 60% of the total population (He, 2020). As the most populous region in the world, Asian countries more need to develop urban renewal policies to deal with urban "disease" caused by rapid urban population growth. Hong Kong, Singapore, Tokyo, Taipei, Shanghai and other economically developed cities have become the pioneers of urban renewal policies in Asia. At this stage, the promotion of urban renewal policies includes two main modes of operation. One is a market-led urban renewal policy, and the other is a government-led urban renewal policy (Liu et al., 2017). In the context of increasingly severe urban problems, study the advantages and disadvantages of the above two promotion models and summarize the results of the implementation of the above models in various Asian cities as the effective experience and significance of follow-up research.

Conclusion

Urban renewal is a continuous and endless development process for any city. Especially for Hong Kong, which lacks land and natural resources. "Laissez-faire" and "market" are not panacea, especially for policies that involve the lives of grassroots citizens. The market is often profit-oriented, and laissez-faire use of the market to promote the "benefits to people" policy will to a large extent have negative effects and even conflicts. At this stage, Hong Kong's market-led urban renewal policies show a good trend, but they are not a long-term solution. From a long-term perspective, the Hong Kong government should adopt a “bottom-up” model to humbly listen to the suggestions and criticisms of grassroots citizens, and strengthen the “soft” administrative intervention methods of urban renewal policies, promote cooperation among stakeholders, open up transparency, and enhance Internal administrative efficiency, thereby ultimately realizing the sustainable development of urban renewal policies.

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