

# **The Challenges of Urban Renewal and Housing in Contemporary Hong Kong**

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## **Introduction**

Hong Kong is a quickly evolving city that is often characterized by its density and rich culture; it supports the life, work, and play of seven million inhabitants. The built environment is constantly evolving because of urban renewal, which involves the redevelopment of poor or deteriorating areas through agencies like the Urban Renewal Authority. The Urban Renewal Authority Ordinance instated the Urban Renewal Authority in 2001 “to undertake, encourage, promote and facilitate the regeneration of older urban areas of Hong Kong.”<sup>1</sup> The Authority, however, faces criticism for placing profit above social betterment in their projects.

## **Thesis**

My research will examine and critically analyze the opaque legalities and inequities surrounding urban renewal and redevelopment in contemporary Hong Kong. I will specifically scrutinize urban renewal projects and plans after the founding of the Urban Renewal Authority in 2001 to the present day. I will answer questions including: “What is the connection between urban renewal and affordable housing in Hong Kong,” “how can agencies like the Urban Renewal Authority produce more environmentally sustainable redevelopment plans,” “what is the role of Hong Kong’s government in these planning issues,” and finally, “is housing affordability related to the ‘Umbrella Movement?’” Ultimately, I propose that unsustainable urban renewal and redevelopment plans exacerbate housing affordability and displacement issues, which are already serious concerns in Hong Kong. I also propose that these issues, at least partially, fuelled the Umbrella Movement protests. Lastly, I will propose policies and strategies that can improve current renewal and housing conditions.

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<sup>1</sup> Urban Renewal Authority. 2015. “About URA.” *Urban Renewal Authority*. Retrieved from <http://www.ura.org.hk/en/about-ura.aspx>

<sup>2</sup> Demographia. 2015. “11<sup>th</sup> Annual Demographia International Housing Affordability Survey: 2015.” *Performance Urban Planning*. Retrieved from <http://www.demographia.com/dhi.pdf>

## **Methodology**

I conducted my research throughout the summer of 2015 in the city of Hong Kong. I quickly learned that being located in the actual city was the best way for me to carry out my research. Throughout the summer, I contacted a number of academics, urban planners, and researchers who could help deepen and develop my research. I reached out to groups like Civic Exchange, a nonpartisan policy think tank based in Hong Kong, as well. Simon Ng, the Chief Research Officer at Civic Exchange, helped me to narrow my research. Ng connected me to urban theorists and planners. I also got in touch with activists and participants in the Umbrella Movement who helped me gain a better understanding of the socioeconomic issues in Hong Kong.

I carried out a qualitative analysis of past literature and research on Hong Kong's urban renewal policies, history of urbanization, housing rights, and development. I accessed both Occidental College and Hong Kong University of Science and Technology's rich research and database centers. I also attended a number of workshops and seminars led by professors and planning experts from Chinese University and Hong Kong University. I worked under the guidance of Professor Mark Vallianatos, who is my mentor in this project.

## **Background**

Hong Kong is a prominent financial center that is situated at the southern gateway of China. But there is more to this city than corporate skyscrapers, megamalls, and dim sum restaurants. The Special Administrative Region (SAR) of the People's Republic of China has the least affordable housing market in the world according to Demographia's International Housing

Affordability Survey. Hong Kong's median housing prices were 17 times the average pre-tax housing income in 2014, which is the least affordable recorded in 11 years.<sup>2</sup>

In Hong Kong, housing conditions and quality of life only worsen as prices rise. Low-income households squeeze themselves into smaller flats in order to pay for them. A university study revealed that the average rent-to-income ratio for tenants who live in subdivided flats stood at 41 percent.<sup>3</sup> The average monthly income of these households was about HK\$10,000, yet they spent more than HK\$4,000 on rent.<sup>4</sup> Hong Kong's minimum public housing standard is 70 square feet; however, the median area per capita dropped from 67.6 to 46.8 square feet in 2014.<sup>5</sup>

According to the Transport and Housing Bureau, 2.10 million people or 29.3 percent of the population reside in public rental housing (PRH) units.<sup>6</sup> Meanwhile, 16.5 percent lives in subsidized homes and 0.5 percent in temporary housing shelters provided by the government.<sup>7</sup> The rest of the population (53.7 percent) lives in private permanent housing.<sup>8</sup>

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<sup>2</sup> Demographia. 2015. "11<sup>th</sup> Annual Demographia International Housing Affordability Survey: 2015." *Performance Urban Planning*. Retrieved from <http://www.demographia.com/dhi.pdf>

<sup>3</sup> Liu, Luis. 2015. "Housing Conditions Poorer As Rents Keep Rising." *China Daily Asia*. Retrieved from [http://www.chinadailyasia.com/hknews/2015-06/26/content\\_15282434.html](http://www.chinadailyasia.com/hknews/2015-06/26/content_15282434.html)

<sup>4</sup> Liu, Luis. 2015. "Housing Conditions Poorer As Rents Keep Rising." *China Daily Asia*. Retrieved from [http://www.chinadailyasia.com/hknews/2015-06/26/content\\_15282434.html](http://www.chinadailyasia.com/hknews/2015-06/26/content_15282434.html)

<sup>5</sup> Liu, Luis. 2015. "Housing Conditions Poorer As Rents Keep Rising." *China Daily Asia*. Retrieved from [http://www.chinadailyasia.com/hknews/2015-06/26/content\\_15282434.html](http://www.chinadailyasia.com/hknews/2015-06/26/content_15282434.html)

<sup>6</sup> Information Services Department. 2015. "Hong Kong: The Facts." *GovHK*. Retrieved from <http://www.gov.hk/en/about/abouthk/factsheets/docs/population.pdf>

<sup>7</sup> Hong Kong Housing Authority. 2014. "Housing In Figures." *GovHK*. Retrieved from <http://www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf>

<sup>8</sup> Hong Kong Housing Authority. 2014. "Housing In Figures." *GovHK*. Retrieved from <http://www.housingauthority.gov.hk/en/common/pdf/about-us/publications-and-statistics/HIF.pdf>



*Public Housing flats near Hang Hau Station*



*Private Housing flats near Hang Hau Station*

The government first instated a system for public housing after World War II. An influx of Mainland Chinese refugees in the 1930's led to a shortage of housing and increased housing prices. People who could not afford the rising rent took shelter in ramshackle huts. But Shek Kip Mei, an area full of squatters, caught on fire and left 50,000 people homeless in 1953.<sup>9</sup>

The government created the Resettlement Program in order to house the homeless. Around 1.8 million people lived in public housing settlements by 1973 as a result of this huge housing program.<sup>10</sup> The Land Development Corporation (LDC), which was created in the 1980s, devoted itself to redeveloping aging urban areas and improving living conditions for Hong Kong's residents. The Urban Renewal Authority replaced the LDC in 2001 in order to better meet the housing needs of the present day. But even with these changes, housing is still a serious issue today in Hong Kong.

### **Urban Renewal and Affordable Housing**

Urban renewal and redevelopment in Hong Kong replaces or renovates dilapidated buildings and areas. The government established the URA in the hopes that it would improve the built environment of the city through urban renewal. Improving housing conditions and affordability is part of the URA's mission. The problem with many of the URA's projects is that they do not meet the needs or expectations of the local communities. Instead, the URA meets the desires of wealthy Mainland Chinese investors and private developing firms.

Carine Lai, who is the Project Manager at Civic Exchange, criticizes the structure and financial nature of the organization. She calls the authority "a machine for buying up old

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<sup>9</sup> Fung, Ping Yan. "Public Housing in Hong Kong: Past, Present and Future." *Chartered Institute of Housing*. Retrieved from [http://www.cih.org.hk/event\\_speaker\\_download/events2006100801/Public%20Housing%20in%20Hong%20Kong%20-%20Paper%20to%20SAHF.pdf](http://www.cih.org.hk/event_speaker_download/events2006100801/Public%20Housing%20in%20Hong%20Kong%20-%20Paper%20to%20SAHF.pdf)

<sup>10</sup> Fung, Ping Yan. "Public Housing in Hong Kong: Past, Present and Future." *Chartered Institute of Housing*. Retrieved from [http://www.cih.org.hk/event\\_speaker\\_download/events2006100801/Public%20Housing%20in%20Hong%20Kong%20-%20Paper%20to%20SAHF.pdf](http://www.cih.org.hk/event_speaker_download/events2006100801/Public%20Housing%20in%20Hong%20Kong%20-%20Paper%20to%20SAHF.pdf)

buildings using compulsory purchase powers.”<sup>11</sup> The Authority has the power to transfer land to developers without a premium, split the profits, and plough money into the next project. Property developers see a partnership with the URA as an economic opportunity because older low-rises have “vacant airspace” for development and revenue.<sup>12</sup>

Scholars like Hendrik Tieben, who is an assistant professor of Architecture at Chinese University, voice their skepticism of the URA as well. Tieben remarks on how the URA’s projects seems to “upgrade the neighborhood, but not for the residents – they [are] expected to move out.”<sup>13</sup> He even calls the URA’s redevelopment projects as “government-sponsored gentrification.”<sup>14</sup>

The URA compensates displaced residents from a project with cash or with public housing units that are usually located in the New Territories. For example, the URA repackaged newly redeveloped apartments in Sai Ying Pun as “Island West” and marketed them at almost HK\$15,000 per square foot.<sup>15</sup> Former residents in that area could no longer afford to stay even if they wanted to.

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<sup>11</sup> Lai, Carine. 2014. “Let’s Start Again.” *South China Morning Post*. Retrieved from [http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP\\_URBAN.pdf](http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP_URBAN.pdf)

<sup>12</sup> Batten, John. 2013. “Destroying Memory Lane.” *The Correspondent*. Retrieved from [http://www.heritageworldmedia.com/downloads/pdfs/Wing%20Lee%20St%20J%20Batten\\_3.pdf](http://www.heritageworldmedia.com/downloads/pdfs/Wing%20Lee%20St%20J%20Batten_3.pdf)

<sup>13</sup> DeWolf, Christopher. 2010. “Rethinking Urban Renewal in Hong Kong.” *Urban Photo*. Retrieved from <http://www.urbanphoto.net/blog/2010/08/15/rethinking-urban-renewal-in-hong-kong/>

<sup>14</sup> DeWolf, Christopher. 2010. “Rethinking Urban Renewal in Hong Kong.” *Urban Photo*. Retrieved from <http://www.urbanphoto.net/blog/2010/08/15/rethinking-urban-renewal-in-hong-kong/>

<sup>15</sup> DeWolf, Christopher. 2010. “Rethinking Urban Renewal in Hong Kong.” *Urban Photo*. Retrieved from <http://www.urbanphoto.net/blog/2010/08/15/rethinking-urban-renewal-in-hong-kong/>



*Signs for rent at a real estate office*

The “Masterpiece” is another example of the URA’s profit-driven redevelopment projects. In 2009, the URA and New World Development jointly developed area in Tsim Sha Tsui. Each flat in the completed project sold at more than HK\$30,000 per square foot.<sup>16</sup> Former residents moved away because they could not pay the new housing prices. Wealthy Mainland investors purchased the property instead in the hopes of profiting from the redevelopment.

The URA exacerbates income inequality by relocating poor tenants away from these newly developed areas and into public housing estates in Kowloon or the distant New Territories. Those who cannot afford to live in the center of the city commute from Mongkok or Wanchai to these faraway districts for work. The inequalities gradually become more spatially visible. High-income groups live comfortably near the urban core, which is on Hong Kong Island. As Lai remarks, poverty is not only about having little money, but also about being “cut

<sup>16</sup> DeWolf, Christopher. 2010. “Rethinking Urban Renewal in Hong Kong.” *Urban Photo*. Retrieved from <http://www.urbanphoto.net/blog/2010/08/15/rethinking-urban-renewal-in-hong-kong/>



off from the rest of society.”<sup>17</sup> Income segregation breaks down local urban economies, encourages crime, and limits social and economic opportunities for the poor. Geographic proximity of different income groups helps create safe and vibrant communities in Hong Kong.



*A playground in front of a public housing estate*

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<sup>17</sup> Lai, Carine. 2014. “Building Walls.” *South China Morning Post*. Retrieved from [http://www.civic-exchange.org/Publish/LogicaldocContent/20140516SCMP\\_URBAN.pdf](http://www.civic-exchange.org/Publish/LogicaldocContent/20140516SCMP_URBAN.pdf)



*Public housing estates near an MTR stop in the New Territories*



*An inoperative supermarket at a public housing estate in Tseung Kwan O*

The URA claims that it adopts a “people first, district-based, public participatory”<sup>18</sup> approach. In 2011, the organization produced a new Urban Renewal Strategy that emphasized greater community engagement and a commitment to more holistic planning. However, the new strategy does not always reflect the organization’s practices.

The Authority spends about HK\$260 million on building rehabilitation every year, but this amounts less than to what the organization spends yearly on administrative expenses.<sup>19</sup> In 2013, the URA spent only HK\$65 million on building rehabilitation loans out of its total assets of HK\$32 billion.<sup>20</sup> An organization’s distribution of funds and resources is a good indicator of its values and interests.

Community participation and involvement is missing from all of the URA’s projects. A single building might have multiple owners, which means that a redevelopment project should consider multiple stakeholders. However, the URA believes that it will save time and money by utilizing a top-down approach. Douglas Young, a self-described grassroots architect, describes the need for a bottom-up approach in urban planning in Hong Kong. Tenants, regardless of their socioeconomic status, should be the “ultimate designers.”<sup>21</sup> A bottom-up approach would help the URA address the social, economic, and environmental needs of local communities.

I spoke directly with a local freelance planner on urban renewal and housing issues in Hong Kong. The planner worked at the Land Development Corporation from when it was founded in 1988 to when it changed into the Urban Renewal Authority and until 2005. I asked

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<sup>18</sup> Urban Renewal Authority. 2015. “Our Commitment.” *Urban Renewal Authority*. Retrieved from <http://www.ura.org.hk/en/about-ura/our-commitment.aspx>

<sup>19</sup> Lai, Carine. 2014. “Let’s Start Again.” *South China Morning Post*. Retrieved from [http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP\\_URBAN.pdf](http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP_URBAN.pdf)

<sup>20</sup> Lai, Carine. 2014. “Let’s Start Again.” *South China Morning Post*. Retrieved from [http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP\\_URBAN.pdf](http://www.civic-exchange.org/Publish/LogicaldocContent/20140613SCMP_URBAN.pdf)

<sup>21</sup> DeWolf, Christopher. 2010. “Rethinking Urban Renewal in Hong Kong.” *Urban Photo*. Retrieved from <http://www.urbanphoto.net/blog/2010/08/15/rethinking-urban-renewal-in-hong-kong/>

her about the URA's projects and she criticized their personal interest in improving their pockets rather than improving the living environment of Hong Kong.

The planner suggested that the Authority place a greater emphasis on rehabilitation over redevelopment when I asked her about more sustainable strategies. The refurbishment of a building is cheaper and more efficient than complete demolition. Only when a building is beyond repair should it be demolished. She also suggested that the URA mix public housing units with private units in order to address income segregation. Public housing estates are often neglected or overlooked. For example, supermarkets and Mass Transit Railway (MTR) stops are further away from these estates. The URA could use its powers and influence in the private and public market for social improvement.



*Public (far left) and private housing estates built besides each other*

## Government and Policy

Public policy plays an important role in shaping these planning issues. Families need more proactive measures from the government to protect them in the housing market. The Transport and Housing Bureau promised to build 200,000 public rental flats and 280,000 private units over the next ten years.<sup>22</sup> But solely increasing the supply of housing will not relieve Hong Kong from its skyrocketing property prices and rents. The waiting list for public rental flats had 260,000 applicants in 2014 and the list grows longer every year.<sup>23</sup> The government builds flats at a pace that can no longer keep up with the existing demand.

The government should explore viable alternatives to help address the needs for affordable housing. For example, the government can foster the private rental market. The private rental market plays an important role in creating economic opportunities such as home ownership for middle to low-income families in Hong Kong. But in the past three years, the median rent of a private home rose by 31 percent while the median income of a household rose by only 15 percent.<sup>24</sup> The government can foster this market in a number of ways.

One way is for the administration to tap into the MTR's redeveloped property above stations, and then rent out flats on that land at an affordable rate. Hong Kong also has thousands of empty apartments are owned by the wealthy as speculative investments. The rate of rental vacancies is at a record high of 12.5 percent, which amounts to about 180,000 flats in Hong

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<sup>22</sup> Transport and Housing Bureau. 2014. "Long Term Housing Strategy." *Transport and Housing Bureau*. Retrieved from <http://www.thb.gov.hk/eng/policy/housing/policy/lths/>

<sup>23</sup> Cha, Li-si. 2014. "How Private Flats At Affordable Rents Can Be Increased." *EJ Insight*. Retrieved from <http://www.ejinsight.com/20141230-how-private-flats-at-affordable-rents-can-be-increased/>

<sup>24</sup> Liu, Luis. 2015. "Housing Conditions Poorer As Rents Keep Rising." *China Daily Asia*. Retrieved from [http://www.chinadailyasia.com/hknews/2015-06/26/content\\_15282434.html](http://www.chinadailyasia.com/hknews/2015-06/26/content_15282434.html)

Kong.<sup>25</sup> The government can also encourage landlords to rent out their vacant properties with subsidies or tax incentives.

Rent control is another way for the government to level out the playing field between tenants and landlords. The Long Term Housing Strategy Steering Committee carried out a public consultation on rent control last year and discovered that 70 percent of submissions wanted the government to reinstate rent control measures.<sup>26</sup> Rent control will not solve all of Hong Kong's housing issues but it is part of the solution in helping ordinary families afford a home.

The government must reassess and intervene in the URA's methods and strategies as well. The Authority should begin placing importance on community partnerships over profits from private development. Rehabilitation projects should be more prevalent than projects that demolish old buildings. The URA should prioritize itself on enlarging the pool of affordable housing in all areas in Hong Kong.

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<sup>25</sup> Cha, Li-si. 2014. "How Private Flats At Affordable Rents Can Be Increased." *EJ Insight*. Retrieved from <http://www.ejinsight.com/20141230-how-private-flats-at-affordable-rents-can-be-increased/>

<sup>26</sup> Tse, Betsy. 2014. "Should Hong Kong Reintroduce Rent Control?" *EJ Insight*. Retrieved from <http://www.ejinsight.com/20141205-should-hong-kong-reintroduce-rent-control/>

## The Umbrella Movement and Housing Affordability



*A pro-democracy demonstration in Mongkok*

Hong Kong's pro-democracy protests garnered worldwide media attention and became known as the Umbrella Movement in 2014. Protestors demonstrated against China's interference in the election of the next Chief Executive.<sup>27</sup> The Umbrella Movement demands an electoral system that truly represents the peoples' needs and interests. I wondered, as I watched these events unfold, as to whether urban renewal and housing issues fueled the protestors' frustrations in any way.

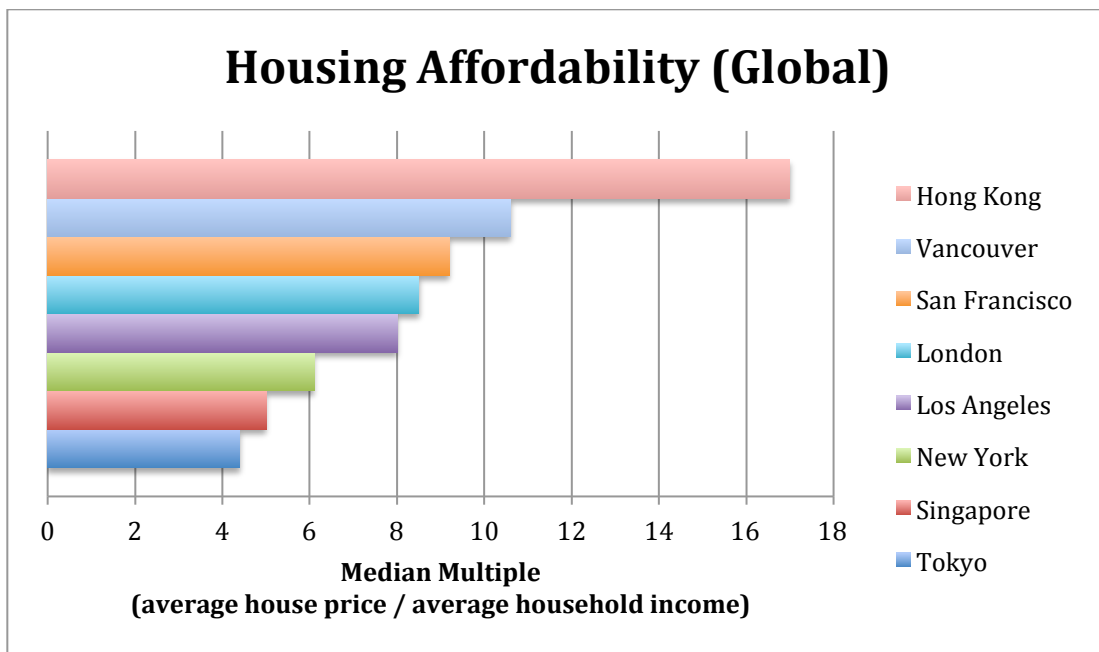
I spoke with a number of protestors, professors, and urban planners on this topic. I learned through my conversations that people joined the Umbrella Movement for various reasons. I spoke with a professor in Chinese University's urban planning department who said that housing issues might have some bearing on the movement; however, protestors are more

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<sup>27</sup> Forsythe, Michael. 2014. "Protests in Hong Kong Have Roots in China's 'Two Systems.'" Retrieved from <http://www.nytimes.com/2014/09/30/world/asia/the-hong-kong-protests-what-you-should-know.html>

concerned with political representation. I discovered, after more research and my conversations with protestors from the movement, that political and economic frustrations are intimately linked in Hong Kong.

In Hong Kong, corporations and big real estate developers have a considerable amount of control and influence over Hong Kong's economy, and in turn, these groups dominate legislature.<sup>28</sup> I met with a protestor from the movement who told me that residents are angry at how the administration handles social and economic issues. The government does a poor job at addressing housing concerns, for example. Hong Kong's land regulation and development policies significantly impact the level of crowding in the housing stock. Hong Kong now has one of the highest housing prices in the world; its median housing price is almost 30 percent higher than New York City.<sup>29</sup>



*Created using data from Demographia's International Housing Affordability Survey (2015)*

<sup>28</sup> Lai, Chak-fun. 2015. "Social Problems Unlikely To Be Resolved Without True Democracy." *Ejinsight*. Retrieved from <http://www.ejinsight.com/20150306-social-problems-unlikely-to-be-resolved-without-true-democracy/>

<sup>29</sup> Chen, Liyan. 2014. "Beyond the Umbrella Movement: Hong Kong's Struggle With Inequality In 8 Charts." *Forbes*. Retrieved from <http://www.forbes.com/sites/liyanchen/2014/10/08/beyond-the-umbrella-revolution-hong-kongs-struggle-with-inequality-in-8-charts/>



According to another protestor, who is a young professional in his mid-twenties, people fight for a spot in top universities then compete for corporate jobs only to work extremely long hours and spend almost half of their income on housing. Many young people have no other choice but to live with their parents well into their thirties because of the shortage of affordable and viable housing. Young people do not have enough opportunities to climb up the social ladder and hold Hong Kong's political system responsible for letting the city fall into such a state. The protestor exclaimed that inequality permeated not only housing policies in Hong Kong. Minimum wage in Hong Kong, for example, is only HK\$28 an hour, which is not even half the cost of taking the subway from the center of the city to the airport. Many protestors in the Umbrella Movement hope to bring these inequalities to light, hold the government responsible for its negligence, and see real change in their lives through grassroots organizing.

## **Conclusion**

Through my research, I conclude that Hong Kong's urban renewal policies and practices have poorly served its communities and residents. The government and Urban Renewal Authority cannot adequately address social or economic issues without making critical changes to their approach, structure, and visibility. I believe that ordinary citizens, as in the pro-democracy protests, can organize around collective interests and pressure organizations like the Urban Renewal Authority to reform housing and redevelopment policies in Hong Kong.