

# **Information Paper for Legislative Council Panel on Housing**

## **Policy on Clearance of Cottage Areas**

### **Purpose**

This paper informs Members of the policy on clearance of Cottage Areas (CAs) and the Administration's position on residents' requests for compensation.

### **Introduction**

2. The Government pledged in the 1997 Policy Address to clear all the remaining Cottage Areas in Tung Tau, Lai Chi Kok, So Kon Po, Mt. Davis and Fo Tan by 2001 to improve the living conditions of resettled households. Fo Tan CA was cleared in July 2000 and the clearance of Tung Tau CA started in September 2000. The other three remaining CAs are scheduled for clearance by mid-2001.

### **Background on CAs**

3. In 1952, residents were first permitted to live in CAs by the Emergency (Resettlement Areas) Regulations under the Emergency Regulations Ordinance. Under these Regulations, the then Urban Council was empowered to set aside areas of Government land as CAs and authorise, by permits, the erection of structures in these areas subject to the payment of prescribed fees by residents. The Resettlement Ordinance enacted in 1958 sought to consolidate the Emergency (Resettlement Areas) Regulations and other related legislation then in force and to clearly define residents' contractual right to occupy CAs subject to, inter alia, their payment of prescribed fees and adherence to the regulations enacted under the Ordinance. The Resettlement Ordinance was subsequently repealed in 1973 by the Housing Ordinance, which empowers the Housing Authority to manage these CAs and enforce the conditions of the permits.

## Rehousing arrangements

4. Upon clearance, eligible households of the CAs are offered the following relaxed rehousing arrangements -

- (a) public rental housing (PRH) flats without being subject to the income-cum-asset test and domestic property ownership restriction (except for those purchasing or moving to their cottages on or after 11 September 1998<sup>Note 1</sup>);
- (b) first priority Green Form status to buy Home Ownership Scheme (HOS) / Private Sector Participation Scheme (PSPS) / Buy-or-Rent Option Scheme flats with monthly mortgage subsidies;
- (c) Green Form status to buy Sandwich Class Housing Scheme flats; or
- (d) first priority Green Form status to apply for the Home Purchase Loan Scheme (HPLS).

5. CA households, upon accepting the above rehousing arrangements, are also eligible for an ex-gratia domestic removal allowance, ranging from \$3,950 (for single-person household) to \$11,410 (for 6-person or above household) at present.<sup>Note 2</sup>

6. Eligible single-person and two-person households may opt for cash allowance in lieu of rehousing, on condition that they will be ineligible for any form of public housing assistance in the subsequent two years.

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*Note 1 :* For those purchasing or moving to their cottages on or after 11 September 1998, they will be offered PRH units if they can pass the income-cum-asset test and fulfil the eligibility criteria. If they fail the test, they will be offered interim housing (IH) units. However, their stay in IH will be restricted to one year, during which they will be required to pay licence fee equivalent to market value. During their one-year stay at IH, they will be accorded second priority green form status for the purchase of HOS/PSPS flats or grant of loans under the Home Purchase Loan Scheme (HPLS), subject to their fulfilling the eligibility criteria for White Form applicants.

*Note 2:* The clearance of Tung Tau Cottage Area was announced in September 1998 and the ex-gratia domestic removal allowance for affected households range from \$3,670 (for single-person household) to \$10,900 (for 6-person or above household).

## **Request for compensation**

7. The question of compensation for the loss of self-owned structures upon clearance of CAs has been discussed since 1996. The Government has very carefully and thoroughly considered all the arguments put forward in support of residents' claim. It considers that as a matter of principle, using public funds to meet residents' request is undesirable.

8. CA residents do not hold legal titles to the land. By paying permit fees to the Housing Authority, they are only given the right to erect structures at their own cost on Government land, subject to the three-month Notice-to-quit issued by the Housing Authority. Legal advice has confirmed that neither the Government nor the Housing Authority is legally liable to compensate residents for the loss of structures. Since 1968, a total of 12 Cottage Areas involving 14 468 cottages and 77 785 persons have been successfully cleared under the same permit conditions.

9. A special ex-gratia allowance was granted in the clearance of Tiu Keng Leng CA because of the unique historical background of this CA. This was recognised by the then Legislative Council when it approved in 1995 the payment of the special ex-gratia allowance to affected clearerees. The Government made it clear that the payment of the allowance was exceptional and could not be taken as a precedent for other CAs.

10. The clearances of the CAs are to improve residents' living conditions. They should not be delayed any further.

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October 2000