

立法會
Legislative Council

LC Paper No. CB(1) 2045/00-01

(These minutes have been seen
by the Administration)

Ref : CB1/PL/PLW/1

Legislative Council
Panel on Planning, Lands and Works

Minutes of special meeting
held on Thursday, 1 March 2001 at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Dr Hon TANG Siu-tong, JP (Chairman)
Ir Dr Hon Raymond HO Chung-tai, JP
Hon James TO Kun-sun
Hon LAU Wong-fat, GBS, JP

Members attending : Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Hon Margaret NG
Hon Emily LAU Wai-hing, JP
Hon Frederick FUNG Kin-kee
Hon Audrey EU Yuet-mee, SC, JP

Members absent : Hon LAU Ping-cheung (Deputy Chairman)
Hon WONG Yung-kan
Hon Timothy FOK Tsun-ting, SBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Albert CHAN Wai-yip
Hon IP Kwok-him, JP

Public officers attending : Mr Stephen FISHER
Deputy Secretary for Planning and Lands
(Urban Renewal and Buildings)

Ms Olivia NIP
Principal Assistant Secretary for Planning and Lands
(Urban Renewal)

Attendance by invitation : **Hong Kong Society of Urban Renewal**

Mr TANG Hoi-tung
Chairman

Sham Shui Po District Council, Housing Committee

Mr LEUNG Yau-fong
Chairman
Working Group on the Problems of Urban Renewal

Resident Group Concerning about the Redevelopment of Old Districts (Kwun Tong)

Mr FUNG Wun-yin
Chairman

Hong Kong YWCA Urban Renewal Social Services Team

Mr Jackey LO
Convenor

Independent Owners' Association for Fair Treatment

Mr David LAI
Chairman

Concern Group for Urban Renewal of Kowloon West

Ms CHOI Yuen-ling
Chairman

Hong Kong Institute of Planners

Mr Kenneth TO
Convenor, Public Affairs

Hong Kong Institute of Real Estate Administration

Mr John W T HUI
President

**SKH Kei Oi Social Service Centre Residents’
Concern Group on Sham Shui Po Urban Renewal**

Mr WONG Tak-chan
Member

**Joint Assembly of Owners and Tenants Affected by
the Redevelopment of the To Kwa Wan Thirteen Streets**

Ms YIU Shuk-chun
Member

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Mrs Queenie YU
Senior Assistant Secretary (1)6

Action

I. Compensation arrangements for land resumption for urban renewal projects

The Chairman welcomed representatives of the ten organizations and of the Administration to the meeting. He advised that the purpose of the special meeting was for Members to exchange views with the ten organizations on the Administration’s proposed ex gratia compensation arrangements for land resumption. Written submissions from eight of the organizations had already been circulated to Members while the submission from the Independent Owners' Association for Fair Treatment (LC Paper No. CB(1)692/00-01(05)) was tabled at the meeting.

2. The Chairman also drew Members’ attention to the submissions from the following organizations/individual who were not available to attend the meeting:

- (a) Land and Building Advisory Committee;
- (b) The Real Estate Developers Association of Hong Kong;
- (c) Miss LAU; and
- (d) Joint Association of Owners Affected by the Redevelopment in Older Urban Areas of Hong Kong (The submission was tabled at the meeting).

(Post-meeting note: The two submissions tabled at the meeting were circulated to Members vide LC Paper No. CB(1) 729/00-01 on 1 March 2001.)

Presentation of views by organizations

3. The Chairman reminded representatives of the organizations that when addressing the Panel, they were not covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382). Owing to time constraint of the meeting, the Chairman invited each representative to make an oral representation of not more than five minutes, highlighting the main points of their submissions.

*Hong Kong Society of Urban Renewal
(LC Paper No. CB(1) 692/00-01(01))*

4. Mr TANG Hoi-tung, Chairman of the Hong Kong Society of Urban Renewal presented the following salient points in the submission:

- (a) The Administration's proposed ex-gratia compensation package was fair. Some owners' proposal of using a five-year-old replacement flat as the basis for calculating the Home Purchase Allowance (HPA) was unrealistic and would have adverse impact on the property market. It would also increase burden on taxpayers as the compensation arrangements would be applied to all land resumption exercises;
- (b) Early establishment of the Urban Renewal Authority (URA) was in the interest of the community as a whole. Redevelopment of the old districts would bring about positive economic benefits to the community including more employment opportunities, and project a better image of Hong Kong to overseas investors/visitors; and
- (c) Failure to establish the URA would mean that compensation arrangements for land resumption of the urban renewal projects would be conducted under the Land Development Corporation

Ordinance (Cap. 15). In that case, HPA would be calculated on the basis of a 10-year-old replacement flat rather than a seven-year-old flat.

*Sham Shui Po District Council, Housing Committee
(LC Paper No. CB(1) 692/00-01(02))*

5. Mr LEUNG Yau-fong, Chairman of the Working Group on the Problems of Urban Renewal, Sham Shui Po District Council presented the following salient points in the research report undertaken by the City University of Hong Kong:

- (a) A five-year-old replacement flat should be used as the basis for calculating the HPA;
- (b) As four public officers would be appointed by the Chief Executive as non-executive directors of the URA Board, the decision of the Board would not be entirely independent of the Administration's influence;
- (c) Owners should be entitled to a Supplementary Allowance (SA) calculated at 80%, instead of the proposed 50%, of the HPA for the first tenanted/vacant flat;
- (d) The Flat-for-flat Exchange Scheme appeared to be attractive but detailed arrangements of the Scheme were not clear; and
- (e) The interest of the minority groups such as elderly tenants and owners of small properties should also be taken into account.

*Resident Group Concerning about the Redevelopment of Old Districts (Kwun Tong)
(LC Paper No. CB(1)692/00-01(03))*

6. Mr FUNG Wun-yin, Chairman of the Resident Group Concerning about the Redevelopment of Old Districts (Kwun Tong) pointed out that the Resident Group supported in principle the Administration's proposal to use a seven-year-old replacement flat as the basis for calculating the HPA, subject to the following conditions -

- (a) The 20-year urban renewal programme for the 200 projects should be expedited and replaced by a 15-year programme;
- (b) A Removal Allowance for renovation and maintenance costs should be provided for the affected owners on the basis of the size of the seven-year-old replacement flat;
- (c) Applicants for flats under the Home Ownership Scheme/Home Purchase Loan Scheme should be exempted from the income and asset test;

- (d) The maximum number of flats eligible for payment of the HPA/SA should be increased from three to all flats of the same owner; and
- (e) The difference between the HPA/SA for a wholly tenanted flat and that for a flat partially occupied by the owner should be reduced to avoid conflicts between owners and tenants.

Hong Kong YWCA Urban Renewal Social Services Team
(LC Paper No. CB(1) 692/00-01(04))

7. Mr Jackey LO, Convenor of the Hong Kong YWCA Urban Renewal Social Services Team presented the findings of a survey conducted by the Team and the following salient points in the submission:

- (a) Of the 524 respondents, about 60% preferred the proposed Flat-for-flat Exchange Scheme and 40% preferred cash compensation. While about 64% of those who chose the latter option accepted the Administration's proposal to use a seven-year-old flat as the basis for calculating the HPA, 36% insisted that a five-year-old flat should be used instead;
- (b) The Administration should provide a basket of compensation packages to cater for the needs of different types of households; and
- (c) Early implementation of the urban renewal projects would improve the environment. To facilitate a smooth transition of the Land Development Corporation (LDC) to the URA, a Provisional URA should be established to work out more favourable compensation arrangements than the Administration's proposed arrangements.

Independent Owners' Association for Fair Treatment
(LC Paper No. CB(1) 692/00-01(05))

8. Mr David LAI, Chairman of the Independent Owners' Association for Fair Treatment presented the following salient points in the submission:

- (a) The compensation arrangements should be generous as redevelopment was imposed upon the affected owners;
- (b) The meaning of "same locality" in the Administration's proposed package should be clearly defined to avoid ambiguity;
- (c) Owners of vacant flats affected by the URA projects should be eligible for 100% of the HPA; and

- (d) Once the redeveloped project was planned, the affected owners should have the right to decide when to sell their properties to the URA, rather than awaiting a formal offer from the URA.

*Concern Group for Urban Renewal of Kowloon West
(LC Paper No. CB(1) 692/00-01(06))*

9. Ms CHOI Yuen-ling, Chairman of the Concern Group for Urban Renewal of Kowloon West made the following amendments to the submission:

| <u>Paragraph Number</u> | <u>Amendments</u> |
|-------------------------|---|
| 4.3 | It should read as “政府所謂讓步，只是先強行降低賠償，繼而提高為七年的謊言手法，……………” |
| 5.2 | It should read as “不論出租 業主首個單位或空置業主的首個單位 可獲全數自置居所津貼或特惠津貼賠償。” |

10. Ms CHOI went on to highlight the following salient points in the submission:

- (a) Compensation package should be people-oriented and consideration should be given to the fact that affected households in old districts comprised mainly those who needed help from the community, for example, the elderly people;
- (b) Affected owners should be compensated with a fair amount of HPA to enable them to purchase a replacement flat of an equivalent size in the same locality. A 5-year-old flat should be used as the basis for calculating the HPA;
- (c) The Flat-for-flat Exchange Scheme was a possible option for compensating the affected owners. The Government should disclose as early as possible more information about the Scheme such as the selection procedures and the locations of the buildings under the Scheme; and
- (d) Owners of their first tenanted/vacant flat should be eligible for 100% of the HPA.

Hong Kong Institute of Planners

11. Mr Kenneth TO, Convenor of Public Affairs of the Hong Kong Institute of Planners presented the following views of the Institute:

- (a) The Institute had no specific stance on whether a five-year-old or a seven-year-old replacement flat should be used as the basis for calculating the HPA. The Institute however considered it important to ensure that the affected owners would be sufficiently compensated to purchase a replacement flat based on the agreed policy;
- (b) As resumption cost formed part of the total development costs, it was necessary to attract developers to participate in the urban renewal projects. Otherwise, the Government in the end might have to bear the loss of the projects; and
- (c) Affected owners should consider the cost for maintaining their old flats in evaluating whether the revised compensation package offered by the Government was acceptable to them or not.

Hong Kong Institute of Real Estate Administration
(LC Paper No. CB(1) 692/00-01(07))

12. Mr John HUI, President of the Hong Kong Institute of Real Estate Administration presented the following salient points in their submission:

- (a) Urban renewal strategy should be supported in the interest of the community of Hong Kong as a whole. Reasonable compensation should be offered to the affected owners/tenants with regard to property market prices. The Institute considered a seven-year-old replacement flat a reasonable basis for calculating the HPA but flexibility should be allowed for special cases;
- (b) The URA should be a facilitator of urban renewal projects and should not take on the role of a developer unless strictly necessary. In this regard, a 3% return yield on development costs should be included in the financial analysis as an average risk factor to attract private developers to participate in the URA projects; and
- (c) The Government should increase land supply to provide housing units under the mixed housing schemes for rehousing purpose and should help the displaced residents to establish new social network in the areas that they were rehoused.

SKH Kei Oi Social Service Centre Residents' Concern Group on Sham Shui Po Urban Renewal
(LC Paper No. CB(1) 692/00-01(08))

13. Mr WONG Tak-chan, member of SKH Kei Oi Social Service Centre Residents' Concern Group on Sham Shui Po Urban Renewal presented the following salient points in the submission:

- (a) Compensation should be sufficient for the affected owners to purchase a five-year-old replacement flat of a comparable size in the same locality;
- (b) Owners of tenanted/vacant flats should be eligible for 80% of the HPA;
- (c) Affected tenants should be rehoused in-situ. They should not be subject to any means test or other eligibility tests for rehousing; and
- (d) The Government should provide more information on how the estimated development value (sale value of the completed units) of \$254 billion was derived at for the URA projects.

Joint Assembly of Owners and Tenants Affected by the Redevelopment of the To Kwa Wan Thirteen Streets
(LC Paper No. CB(1) 692/00-01(09))

14. Ms YIU Shuk-chun, member of the Joint Assembly of Owners and Tenants Affected by the Redevelopment of the To Kwa Wan Thirteen Streets presented the following salient points in the submission:

- (a) A people-oriented approach should be adopted in implementing urban renewal projects;
- (b) The Joint Assembly insisted that the HPA should be calculated on the basis of a five-year-old replacement flat;
- (c) The Flat-for-flat Exchange Scheme in the same district should be an option for compensation. The quality of flats offered should be comparable to those offered under the Sandwich Class Housing Scheme;
- (d) Affected owners who let out part of their flats should be eligible for full HPA. Owners should be eligible for 50% of the HPA for their first three tenanted flats;

- (e) Removal Allowance in the sum of \$100 000 should be provided for the owner of each affected household. As regards the tenant of each affected household, the Removal Allowance should be calculated at \$800 per square metre;
- (f) To ensure that a reasonable compensation would be provided for the affected owners/tenants, a minimum amount should be set for those who opted for cash compensation;
- (g) Owners of tenanted/vacant ground floor shops should also be eligible for the same compensation package as those owners who operated their business in their shops; and
- (h) In case the URA could not be established, the Administration should coordinate the departments concerned in issuing repair/maintenance orders and assist affected residents in carrying out the required works.

Discussion

Basis for calculating the HPA

15. Mr James TO Kun-sun invited the representatives of those organizations which supported the Administration's proposal of using a seven-year-old flat as the basis for calculating the HPA to comment on whether they would strongly object to the use of a five-year-old flat as the basis for calculation. He also invited the representatives of those organizations which insisted on using a five-year-old flat as the basis for calculating the HPA to comment on whether they would accept the Administration's proposal if the URA would use a five-year-old flat as the basis for calculation.

16. Mr FUNG Wun-yin, Chairman of the Resident Group Concerning about the Redevelopment of Old Districts (Kwun Tong) appreciated the need for the Government to consider the financial commitment of its compensation policy having regard to the fact that the policy would be applied to all land resumption cases. However, the demand from the affected owners/tenants for fair compensation should also be catered for. In this connection, he suggested the Administration to provide a Removal Allowance to bring the sum of compensation closer to the amount expected by the affected owners/tenants.

17. Mr David LAI, Chairman of the Independent Owners' Association for Fair Treatment said that the former compensation package calculated on the basis of a 10-year-old flat had been proven a failure since it was introduced in 1997. As regards the current proposal, the Administration had informed many affected owners/tenants that if its proposal of using a seven-year-old flat as the basis for calculating the HPA was

not accepted, the "10-year-old replacement flat" basis would remain in use and the URA would not be established. In Mr LAI's opinion, the Administration's high-handed approach had left many affected owners/tenants no choice but to accept its proposal. In this regard, he reiterated that it was important to clearly define the geographical boundary of "same locality" in implementing the compensation policy. Otherwise, it would be meaningless to argue whether a five-year-old or seven-year-old flat should be used as the basis for calculating the HPA. Mr LAI also urged that implementation of the urban renewal projects should not be delayed any further.

18. Mr Jackey LO, Convenor of the Hong Kong YWCA Urban Renewal Social Services Team expressed that many affected owners/tenants were not clear about the difference between the Government's land resumption offer and the URA's acquisition offer. They were more concerned about the actual compensation amount they would receive and the appropriate authority responsible for making decisions on compensation matters before the establishment of URA. However, Mr LO pointed out that a "five-year-old replacement flat" basis had been applied to the Tsuen Wan project on the grounds that residents/owners were greatly affected by the delay in the implementation of the project. He considered that the same acquisition arrangement should be applied to the 25 uncompleted projects of the LDC.

19. Mr LEUNG Yau-fong, Chairman of the Working Group on the Problems of Urban Renewal, Sham Shui Po District Council reiterated their support for using a five-year-old replacement flat as the basis for calculating the HPA. In the absence of any written undertaking from the Government, he was not convinced that the acquisition offer of the URA would be better than the Government's resumption offer.

20. Ms Audrey EU Yuet-mee sought clarification on the source(s) of finance provided for the URA to implement a better acquisition offer than the Government's resumption offer. DS/PLB replied that the financial model had assumed that all projects would start at the same time. Appropriate timing of the implementation of the projects would have a significant bearing on whether a package of projects would make a profit or loss. In this regard, the URA Board had the discretion to prioritize its urban renewal projects and decide when the redeveloped flats would be put on the market for sale.

21. Responding to Ms Audrey EU, DS/PLB advised that the saleable area of a resumed flat would be used for calculating the compensation. For example, the value of a 40-year-old flat in redevelopment areas (estimated to be about \$1 000 per square feet) with a saleable area of a 1 000 sq ft was about \$1 million. The Government would compensate \$3 million to the owner concerned to enable him to purchase a seven-year-old flat in the same locality (estimated to be about \$3 000 per square feet) with a saleable area of 1 000 square feet. The use of a five-year-old flat (estimated to be about \$3 200 per square feet) as the basis for calculation would mean that the Government would have to compensate \$3.2 million to the same owner.

Financial analysis of the URA projects

22. Ms Emily LAU Wai-hing pointed out that the estimated income and expenditure for the URA's 20-year urban renewal programme projected by the Administration was misleading as it had not included the estimated land costs of \$50 billion. The projected profit of \$2.9 billion on the basis of using a five-year-old replacement flat for calculating the HPA and the estimated development value of the completed units at \$254 billion would be subject to significant variations according to changes in the property market and interest rate. She invited the representatives of the organizations to give views on the extent of financial commitment the Government should make in undertaking urban renewal projects.

23. Ms CHOI Yuen-ling, Chairman of the Concern Group for Urban Renewal of Kowloon West and Mr FUNG Wun-yin, Chairman of the Resident Group Concerning about the Redevelopment of Old Districts (Kwun Tong) opined that the Government should put forward a realistic financial analysis for consideration by the affected owners/tenants. Ms CHOI further pointed out that the resources spent on urban renewal projects would benefit the community in terms of the provision of additional facilities such as hospital and recreational centres. She was of the view that the affected owners should be provided with reasonable compensation as many of them were unwilling to sell their flats when the property prices were low.

24. Mr LEUNG Yau-fong, Chairman of the Working Group on the Problems of Urban Renewal, Sham Shui Po District Council opined that the Administration deliberately presented an optimistic financial analysis to gain the support of Members for its proposed compensation arrangements.

25. Mr TANG Hoi-tung, Chairman of the Hong Kong Society of Urban Renewal opined that it was an impossible task for the Administration to produce an accurate financial analysis due to the unpredictable trend of the property market. However, the Administration should balance the interests of the community, affected households as well as developers in ensuring that urban renewal projects would be carried out smoothly and successfully.

26. DS/PLB informed the meeting that in response to the Panel's request at the meeting on 27 February 2001, the Administration had just forwarded to the Panel three additional information papers on financial analysis of the 20-year urban renewal programme. If land cost were to be included, the projected loss of the URA's 20-year urban renewal programme by using a ten-year-old, seven-year-old or five-year-old replacement flat as the basis for calculating the HPA were \$75 billion, \$78.1 billion and \$80.5 billion respectively. Moreover, sensitivity tests on interest rate fluctuations ranging from 1% above to 1% below the base case of 8.5% per annum throughout the 20-year development period had been conducted. It was found that fluctuations in the

interest rate had significant impact on the financial analysis. The results ranged from a profit of \$16.2 billion to a loss of \$6.2 billion.

(Post-meeting note: The three information papers were circulated to members vide LC Paper No. CB(1)723/00-01 on 1 March 2001.)

27. Responding to Ms Emily LAU, DS/PLB advised that the data used in the Administration's financial analysis were provided by a firm of consultants. The Administration considered that the data used were reasonable.

28. Ms Emily LAU sought the Administration's comments on the Hong Kong Institute of Real Estate Administration's proposal of including a 3% return yield on development costs as an average risk factor. DS/PLB said that a 3% return on investment should be acceptable by an investor. However, a 3% return had not been included in the financial analysis provided in the Administration's paper because it was not the Administration's intention to make a profit out of the urban renewal projects.

Finalizing compensations arrangements after the establishment of URA

29. Mr James TO and Mr Frederick FUNG considered that the Hong Kong YWCA Urban Renewal Social Services Team's suggestion of establishing a Provisional URA was not practicable as no such provision was made in the URA Ordinance (Cap. 563). Referring to the Government's undertaking in June 2000 that the URA would only come into operation after the revised compensation package had been endorsed by the Finance Committee (FC), Mr James TO suggested that the undertaking be modified to the effect that the URA be established first and the Administration should be allowed more time to put up its proposed compensation arrangements, on the condition that the Administration and the URA could not start resuming land unless agreed by FC. DS/PLB welcomed the suggestion of setting up the URA first but stressed that the condition imposed could not be accepted because the URA had to perform its functions once it was established. DS/PLB pointed out that under the URA Ordinance, the URA was required to submit to the Financial Secretary not later than three months before the end of each financial year a draft business plan for the next financial year and a draft corporate plan for a period of five years. The URA was also required to submit its first draft business plan and first draft corporate plan to the Financial Secretary for approval as soon as practicable after it was established.

30. Mr Frederick FUNG supported Mr James TO's proposal and requested the Administration to consider it further. DS/PLB reiterated the Administration's stance and pointed out that the proposal was unfair to the URA Board as its hands would be tied.

(Post-meeting note: The Administration's written response to the submissions of the organizations was circulated to members vide LC Paper No. CB(1) 854/00-01 on 16 March 2001.)

II. Any other business

31. There being no other business, the meeting ended at 12:55 pm.

Legislative Council Secretariat

16 August 2001