

立法會
Legislative Council

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Legislative Council
Panel on Planning, Lands and Works

Minutes of special meeting
held on Tuesday, 27 February 2001 at 3:00 pm
in the Chamber of the Legislative Council Building

Members present : Dr Hon TANG Siu-tong, JP (Chairman)
Hon LAU Ping-cheung (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, JP
Hon James TO Kun-sun
Hon LAU Wong-fat, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon IP Kwok-him, JP

Members attending : Hon Cyd HO Sau-lan
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, JP
Hon CHAN Yuen-han
Hon CHAN Kam-lam
Hon Andrew WONG Wang-fat, JP
Hon YEUNG Yiu-chung
Hon Emily LAU Wai-hing, JP
Hon Frederick FUNG Kin-kee
Hon Audrey EU Yuet-mee, SC, JP

Members absent : Hon WONG Yung-kan
Hon Timothy FOK Tsun-ting, SBS, JP
Hon Albert CHAN Wai-yip

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

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

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

(LC Paper No. CB(1)630/00-01(01) — Compensation arrangements for owners affected by land resumption for Urban Renewal Authority projects

LC Paper No. CB(1)630/00-01(02) — Proposed ex gratia allowances for property owners and tenants affected by the resumption of land

LC Paper No. CB(1)667/00-01(01) — Letter dated 23 February 2001 from Hon Emily LAU

LC Paper No. CB(1)667/00-01(02) — Administration's reply dated 26 February 2001 to Hon Emily LAU's letter)

The Chairman advised that the purpose of the special meeting was to discuss the compensation arrangements for owners and tenants affected by land resumption for urban renewal projects. Two other special meetings would be held on 1 March and 2 March 2001 for the Panel to receive about 20 deputations on the subject.

2. The Chairman drew Members' attention to the supplementary information provided by the Administration on "Ex gratia Compensation for Owners and Tenants of Domestic and Commercial Properties Affected by Land Resumption — A Comparison" tabled at the meeting.

(*Post-meeting note:* The supplementary information was circulated to members vide LC Paper No. CB(1) 702/00-01 on 28 February 2001.)

3. The Chairman also reminded Members to declare any direct pecuniary interests which they had in the subject.

Briefing by the Administration

4. At the invitation of the Chairman, the Deputy Secretary (Urban Renewal & Buildings) of Planning and Lands Bureau (DS/PLB) briefed members that during the consideration of the Urban Renewal Authority (URA) Bill in 2000, Members had asked the Administration to review the proposed compensation package for owners and tenants affected by the resumption of land, in particular the proposed basis for calculating the Home Purchase Allowance (HPA), and to bring the URA Ordinance into operation only after the revised package had been endorsed by the Finance Committee (FC). Following the passage of the Bill on 27 June 2000, the Administration had further consulted representatives of the residents and owners affected by urban renewal projects and come up with a revised compensation package for Members' consideration.

5. DS/PLB highlighted that the major difference between the original and revised proposals was that the basis for calculating the HPA was revised from a replacement flat of about ten years' old to a replacement flat of about seven years' old. In drawing up the revised proposal, the Administration had taken as the starting point that a reasonably modern flat in the same locality and having a similar floor area as that of the resumed property should be used as the basis for calculating the cost of a replacement flat. In this regard, a seven-year-old flat was reasonably modern, yet no longer perceived as new. The Administration therefore considered it fair and reasonable to use a seven-year-old replacement flat as the basis for calculating the HPA.

6. DS/PLB also pointed out that the proposed compensation arrangements, if endorsed by FC, would be applied to all land resumption exercises under any ordinance to ensure equity. It was therefore in the interest of the community for the Administration to consider the financial commitment of the proposal prudently. He urged Members to support the Administration's revised proposal.

Discussion

The basis for calculating HPA

7. Referring to the Administration's assumption that a seven-year-old flat was "reasonably modern" yet no longer perceived as "new", Mr James TO Kun-sun criticized that it was not based on any scientific justification. He considered it more appropriate for the Administration to use a five-year-old replacement flat as the basis

for calculating the HPA, having regard to the general support of this policy by Members and the owners affected by the URA redevelopment projects. Miss CHAN Yuen-han shared Mr TO's views. DS/PLB pointed out that a five-year-old flat was generally perceived as "new". He envisaged that if a five-year-old replacement flat was used as the basis for calculating the HPA, the financial commitment of the Administration would be substantial as the same compensation arrangement would apply to all land resumption exercises under any ordinance.

8. Referring to paragraph 6 of the paper (LC Paper No. CB(1)630/00-01(01)), Mr Frederick FUNG Kin-kee noted that the difference in the projected profit between the use of a seven-year-old replacement flat and a five-year-old replacement flat as the basis for calculating the HPA for the 200 priority projects in the 20-year urban renewal programme and the 25 uncompleted Land Development Corporation (LDC) projects was \$2.4 billion. He however pointed out that if a five-year old replacement flat was used as the basis for calculation, it would expedite the negotiation process with the affected owners and therefore achieve substantial savings on interest cost which were estimated to be about \$3.9 billion a year. Mr James TO and Mr LEE Cheuk-yan asked whether the Administration was prepared to recommend to the URA that a five-year-old replacement flat be used as the basis for making acquisition offers to owners affected by its urban renewal projects. In response, DS/PLB pointed out that URA would decide its own acquisition policy after its establishment. The Government would not have any objection if URA decided to offer more favorable acquisition terms than those offered by the Government. Mr Abraham SHEK Lai-him stressed that acquisition offers of URA should be fair, reasonable and in line with the statutory requirement to ensure the smooth and effective implementation of urban renewal projects.

9. Mr Frederick FUNG considered the Administration self-contradictory. On the one hand, it put forward proposed compensation arrangements for URA projects while on the other hand, it claimed that URA would decide its own acquisition policy. DS/PLB clarified that the proposals set out in the paper represented the compensation arrangement proposed by the Government for all land resumption exercises including URA and non-URA projects. The URA might however offer more favourable acquisition terms than the compensation terms of the Government.

10. Mr CHAN Kam-lam noted that LDC had used a five-year-old replacement flat as the basis for calculating the HPA for the Tsuen Wan and Kennedy Town projects. He therefore considered it difficult for the Administration to convince the owners affected by URA projects that it was fair and reasonable to use a seven-year-old replacement flat as the basis for calculation. DS/PLB clarified that the "five-year-old replacement flat" basis for calculation had only been applied in those two projects because of their special background. In January 1998, LDC revised its acquisition policy and since then, the HPA had been calculated on the basis of a ten-year-old replacement flat, which was similar to that of the Government. Mr Abraham SHEK clarified that LDC had only applied this basis for calculating the HPA to the

redevelopment project at Hanoi Road. More favourable terms were offered in all other LDC projects.

11. Mr CHAN Kam-lam suggested a new option, i.e. to use the mean value of the average costs for seven-year-old and five-year-old replacement flats as the basis for calculating the HPA. DS/PLB pointed out that the Administration had studied the issue in depth before putting forward its revised proposal, and that the use of a seven-year-old replacement flat as the basis for calculating the HPA was the baseline of the Administration.

12. Mr LAU Wong-fat asked whether the Administration had included the development potential of the land to be resumed by URA in calculating the compensation terms. DS/PLB replied that development potential would be calculated in the compensation package only for single-owner buildings. He however stressed that the proposed compensation arrangement which enabled owners of multi-owner buildings to purchase a seven-year-old replacement flat of a similar floor area in the locality of the resumed flat had adequately taken into account the development potential of the land in question.

Interest costs

13. While supporting early implementation of the redevelopment projects of URA, Ms Emily LAU sought clarification on the basis for calculating the interest cost and the sale value mentioned in paragraphs 8 and 9 of the paper (LC Paper No. CB(1)630/00-01(01)). DS/PLB advised that the key assumption used in the model was that all the projects were to be implemented independently without affecting market conditions and started at the same time. Moreover, interest rate was assumed to be at 8.5% per year throughout the 20-year development period. No projection of value was made and all values and figures adopted in the financial analysis were those at the date of assessment, i.e. August 2000. Ms LAU considered the assumptions not realistic, as a number of uncertain factors such as fluctuation in interest rates and market conditions had not been taken into account. At the request of Ms LAU, DS/PLB undertook to conduct a series of sensitivity tests on fluctuation in interest rate and property prices and provide the findings for Members' reference.

Land costs

14. Responding to Mr LEE Cheuk-yan, DS/PLB stressed that URA would not be a profit-making establishment. The projected profit referred to in paragraph 6 of the paper (LC Paper No. CB(1)630/00-01(01)) had not included the premium at full market value for land granted to URA by the Government for the implementation of its redevelopment projects. If full market value was to be paid for the sites, the estimated land costs would be \$50 billion and the 20-year urban renewal programme would result in a deficit regardless of whether the building age of replacement flats used for calculating the HPA was 7 years or 5 years. To facilitate Members' understanding, Ms Emily LAU suggested the Administration to include the full

market value for the sites in the income and expenditure analysis in its submission to FC.

15. Responding to Mr Frederick FUNG, DS/PLB clarified that the Government/Institution/Community facilities in urban renewal projects would be developed on Government land, and that the construction cost of such facilities would be reimbursed by the Government to URA.

Acquisition offer for vacant flats

16. Miss CHAN Yuen-han sought clarification on whether owners of vacant domestic properties would be entitled to the same ex gratia allowance as the owners-occupiers of domestic properties. DS/PLB advised that vacant flats would be regarded as tenanted flats in terms of compensation entitlement for URA redevelopment projects.

Redevelopment projects in the New Territories

17. Responding to Mr LAU Wong-fat, DS/PLB confirmed that the URA would be tasked to implement a 20-year urban renewal programme for nine target areas which would not cover any districts in the New Territories (NT). He assured Members that Heung Yee Kuk would be consulted if redevelopment plans requiring resumption of land in the NT regions were to be implemented.

Rehousing arrangements

18. Responding to Ms Audrey EU Yuet-mee's enquiries about the Administration's reply to Ms Emily LAU (LC Paper No. CB(1) 667/00-01(02)), DS/PLB advised that the 150 flats scheduled for demolition in 2001-02 referred to projects in progress while the 1 000 flats scheduled for demolition in 2003-04 were for new projects of the URA. The Administration and the URA would not disclose their locations until the announcement of the projects and the completion of freezing surveys on the affected households. Both the Housing Authority (HA) and the Housing Society would be rehousing agents for the URA in making necessary rehousing arrangement for the affected tenants. In this regard, the Government would grant land to the HA and the Housing Society for the construction of an equivalent number of public rental housing units provided by them to the URA for rehousing purpose. So far, no major rehousing difficulties had been anticipated by the Administration.

19. Responding to Miss CHAN Yuen-han, DS/PLB confirmed that tenants affected by the URA redevelopment projects would be subject to the income and assets test if they applied for purchase of flats under the Home Ownership Scheme. However, the Administration was willing to discuss with the HA/Housing Department on whether flexibility could be provided for applicants who were in need of assistance, for example, elderly people. Miss CHAN was of the view that such flexibility should be provided for all tenants affected by the URA redevelopment projects.

Proposed Flat-for-flat Exchange Scheme

20. DS/PLB advised that it had been suggested to the Government that some flat owners, particularly elderly flat owners, would value home ownership more than cash compensation for their old flats and would therefore prefer the URA to provide them with a replacement flat. The Administration considered the suggestion feasible and would discuss with the URA upon its establishment the introduction of a Flat-for-flat Exchange Scheme for owner-occupiers of domestic properties who were prepared to exchange their old flat for a new replacement flat during the property acquisition stage of the URA's land assembly process. Under the proposed scheme, the new replacement flat would be of a standard similar to that of a flat of the Sandwich Class Housing Scheme of the Housing Society. Participating owners would be accorded a priority number for selecting flats by the drawing of lots. Having regard to the differences between the prices of flats on the upper floors and those on the lower floors, a "flat value equalization scheme" based on a median unit price was proposed for participating owners who had selected upper floor flats to pay participating owners who had selected lower floor flats an "equalization payment". If the size of the replacement flat was larger than the old flat, the owner-occupier would have to pay for the additional floor area according to the current market value per square metre of the replacement flat. However, if the size of the replacement flat was smaller than the old flat, the owner-occupier would be compensated for the reduced floor area according to the current market value per square metre of the replacement flat.

21. Mr Abraham SHEK considered the proposed Flat-for-flat Exchange Scheme a reasonable and fair option for the affected owners.

Compensation arrangement for owners and tenants of industrial properties

22. Responding to the Chairman, DS/PLB confirmed that there was no need for the Government to resume vacant industrial lands for redevelopment purpose. The LDC had not acquired any industrial properties in the past. The need to resume industrial properties was unlikely to arise in the first few years of URA's operation. As the review on the ex gratia allowance for industrial properties involved more complex issues, the Administration was conducting a comprehensive review on the allowance as a separate exercise, and planned to put forward proposals later this year.

Alternative options

23. Responding to Mr IP Kwok-him's concern about the way forward if the Administration's proposed compensation arrangements were not endorsed by FC in March 2001, DS/PLB envisaged that it would be unlikely for the Government to come up with alternative compensation packages for Members' consideration. In that case, URA would not be established and the Land Development Corporation Ordinance (Cap. 15) would remain in effect. However, it would be difficult for the LDC to

implement with its limited resources the large-scale redevelopment projects planned for the URA.

24. Mr Frederick FUNG opined that the Government had not taken a reasonable and responsible approach to resolve the issue. Mr LEE Cheuk-yan shared his view. DS/PLB disagreed and pointed out that the Administration had compromised twice on the basis for calculating the HPA. Mr LEE suggested that the compensation arrangements be worked out after the establishment of URA. DS/PLB welcomed the suggestion but stressed that there would not be any guarantee that the URA would use a five-year-old replacement flat as the basis for calculating the HPA. DS/PLB added that some flat owners urged for the early implementation of the redevelopment projects and supported the Administration's proposal for using a seven-year-old replacement flat as the basis for calculation. DS/PLB requested Members to support the Administration's proposal which was in the overall interest of the community.

25. Some Members proposed the Administration to come up with more compensation options before submitting its proposal to FC for consideration. Mr LAU Ping-cheung suggested the Administration to consider a combination of cash compensation and flat-for-flat exchange option to address the concern of elderly owners.

(Post-meeting note: The supplementary information provided by the Administration on the financial analysis of the 20-year urban renewal programme and the "Proposed Flat-for-flat Exchange Scheme for Flat Owners Affected by Urban Renewal Authority Projects" was circulated to Members vide LC Paper No. CB(1) 723/00-01 on 1 March 2001.)

II. Any other business

26. There being no other business, the meeting ended at 5:10 pm.

Legislative Council Secretariat

14 August 2001