

## **Compensation Arrangements for Land Resumption for Urban Renewal Projects**

### **Views expressed by members of the Land and Building Advisory Committee**

- Members are generally of the view that proposed compensation package is a very generous one compared with other countries at similar level of development.
- Members suggest that it would be useful if statistics on overseas experience can be given to make a comparison of their compensation package with that of Hong Kong.
- One member has expressed the following views:
  - The purpose of urban renewal is to regenerate and to reshape our city rather than for redistribution of wealth. Government intervention can only be justified if urban renewal is for public purpose and at strategic level; if not, there would be no case for land resumption and the specific project should not be carried forward.
  - If the case is being established, what we should be after is reasonable compensation and adequate rehousing. Should sharing of hope value be considered appropriate, the participant should also carry the risk of loss. Nonetheless, Home Purchase Allowance calculated on the basis of a replacement flat of 10 years is already extremely generous given the world standard and already cover a very very reasonable share of the hope value, if any. I would not accept 7 years if urban renewal is not a pressing issue, not to mention 5 years which is totally ridiculous. Where are we going to stop?
  - I doubt it very much if the figures presented in the paper can

fully reflect the risk and burden that urban renewal project is facing. I would expect the calculation has assumed no premium will be collected from the urban renewal projects hence the opportunity costs have not been reflected in the figures. Taking one step forward, we can say that the tax payer is subsidising the renewal projects one way or the other and it would be fundamentally wrong to transfer tax payer's money to the affected owners' pocket.

- In a nutshell, if the residents of an area do not think that there is any problem with their buildings or district, the government should not act. If they think government intervention is required, then the action taken is for their benefit and they should not be given the chance to gain a fortune. 7 years is already too generous.
- One member has expressed the following views:
  - I fully agree the principles that affected property owners/tenants should be offered with fair and reasonable compensation.
  - Under the current regulations the owners of the affected landed interests are entitled to statutory compensation which will be the open market value of the affected landed interests, i.e. the amount which the landed interests if sold in the open market by a willing seller might reasonably be expected to realise. However the relevant law does not provide entitlements to payments which are normally not reflected in the open market, and certainly does not allow for any compensation payments for the fact that the affected landed interests are being compulsorily acquired. Therefore, further payments on top of the statutory compensation will be justified. Such payments may be able to compensate the affected persons' lose of value which might be personal but valuable to the persons affected.
  - As to the level of the proposed ex-gratia payments I opine that the calculation of Home Purchase Allowance based on a 7-year old replacement flat is very generous. The paper does not spell

out the rationale why a 10 or 7-year old replacement flat is proposed but I believe the level of ex-gratia payments should reflect, amongst others, the years that the affected person is living in the area. It would not be unreasonable if a higher ex-gratia payment is payable for a longer period that the person is living in the area. Therefore, for person living in the area for less than, says 5 years, a 7-year old replacement flat would definitely be too generous.

- To sum up I think a 7-year old replacement flat is already very generous and would well cover other personal value to the persons affected.

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