

Our Ref: SN/012

1 March 2001

Mrs Queenie Yu
LegCo Panel on Planning, Lands and Works
Legislative Council Secretariat
3/F Citibank Tower
3 Garden Road
Central
Hong Kong

Dear Mrs Yu

LegCo Panel on Planning, Lands and Works

I refer to your letters of 21 February 2001 and 1 March 2001 and would like to put forward the following comments as the Chamber's Real Estate / Infrastructure and Real Estate Services Committees' (the Committees) reaction to proposals set out in the information circular issued together with the letter of 21 February 2001.

- 1) The Committees are very supportive of the Government's proposals in regard to urban renewal and the establishment of the Urban Renewal Authority and are keen to see these proposals implemented as soon as possible. Whilst the Committees recognize the need to ensure that compensation proposals are fair and equitable, it is equally important to ensure that the initiative does not become stalled over this one issue and the momentum for urban renewal developed over the last 18 months is not adversely affected.
- 2) The Committees consider that the proposals now put forward by the Administration as a result of the review requested by members of LegCo should largely satisfy previous concerns regarding the adequacy and fairness of compensation packages under the

new Urban Renewal Authority Ordinance.

- 3) The Committees endorse the proposals to provide affected owners with adequate monetary compensation to purchase a reasonably modern replacement flat in the same locality. However the Committees are concerned at recent suggestions by the Administration that replacement apartments could be offered instead of monetary compensation. This suggestion would seem to run contrary to the Administration's stated policy of moving away from the production of housing units and alternatively could lead to significant re-housing delays, if such units have to be secured in the secondary market. It is important that there is certainty and a clearly defined and understandable set of monetary compensation packages is the best way to achieve this.
- 4) The Committees accept that there is a significant difference between the value of a replacement flat of about 10 years old and that of one of 7 years old and the Administration has clearly moved a long way to meet the concerns of the community in this regard. However, the rationale for claiming that a five year old flat is still generally regarded as "new", whereas a seven year old flat is not perceived as such is, in reality, very subjective and the Administration's decision to adopt the latter for compensation calculation purposes needs to be supported by clear transactional evidence. From the figures tabled by the Administration it would appear that to adopt a five year old standard as against a seven year standard would only involve an additional acquisition/resumption cost of HK\$1.5 billion over 200 URA projects, 25 unfinished LDC projects and a twenty-year urban renewal programme.
- 5) It is not clear, at least from the information provided to the Chamber, whether the Open Market Value of the replacement unit in the case of an owner of a fully tenanted flat will be assessed on a "subject to tenancy" basis. The Committees presume that this will be the case in that if a vacant possession basis is to be assumed for the replacement unit the value of the Special Allowance to be paid to that owner could be increased significantly but without justification. The Committees consider that this aspect should be clarified.
- 6) It appears that there is some discrepancy between statements in the text of the Paper to the Panel containing the proposed ex-gratia allowances, namely between 12 (c) and 12 (j). Paragraph 12 (c) states HPA/SA will be payable for a maximum of 3 flats whilst Paragraph 12 (j) states that no SA will be paid for a third wholly tenanted flat.

Notwithstanding the need for clarification if the Administration intends to limit SA (only payable on tenanted flats) to two units, the Committees would question the need and fairness of having any limit on the number of units for which compensation claimed. The Committees accept the need to guard against abuse or speculation but in the case of owner occupied units, the Administration already recognizes that the number of owners who own and occupy more than 3 units is very few and a minimum period of ownership – say since prior to enactment of the URA Ordinance - could provide the necessary check and balance. In the case of tenanted units, a similar “period of ownership” standard could be adopted, rather than attempting to control abuse or speculation by a reducing or nil SA. The Committees are concerned that genuine small investors should not be penalized by the loss of units bought in good faith for generation of future income.

- 7) The Committees are pleased to note that the proposed ex gratia allowance for owners and tenants of commercial properties is generally more generous than the current ex-gratia allowance. Similarly they are pleased to see that affected owners and tenants of commercial properties will still have the ability to claim for business loss, removal costs and professional fees if they consider that the new ex-gratia allowance does not represent adequate compensation.

Yours sincerely



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