

**The Land Development Corporation's submission
on the compensation package for land resumption to
the Legislative Council Panel on Planning, Lands and Works**

The Land Development Corporation (LDC) would like to present its views on the compensation package for the resumption of land as follows:

First, the URA should be set up as quickly as possible. Otherwise, residents in old districts and the overall environment of Hong Kong will have to pay a great price.

Second. The Corporation hopes that the Government and Members can quickly reach an agreement on the compensation arrangements for people affected by redevelopment projects. Based on LDC's experience, the compensation package recently proposed by the Government is acceptable.

Urgency in setting up the URA

It has been more than eight months since the Legislative Council passed the URA Ordinance in June last year. As the Government and the Legislative Council have yet to come to an agreement on compensation arrangements for people affected by redevelopment projects, the URA cannot be set up and begin its operation. The original intention of setting up the URA was to speed up the pace of urban renewal. However, the pace of redevelopment has now been slowed down and this is causing concern among residents in old districts. In fact, urban renewal is beneficial in improving the overall environment of Hong Kong and the community is suffering as a result of the delay in the setting up of the URA.

The Corporation is greatly distressed over the delay in urban redevelopment and fully understands the plight of residents in old districts and the price caused by it. Neither can we implement new projects nor draw up future plans while awaiting the setting up of the URA. While LDC staff members are working very hard on existing projects and engaging in the preparation work of the URA, uncertainties over the future are unduly affecting their work and morale. If the situation persists, it will bring about great pressure on the LDC staff, thus affecting the smooth transition to URA.

In the circumstances, we call on Members and the Government to arrive at an agreement on the compensation arrangement as quickly as possible to facilitate the setting up of the URA.

Compensation Arrangements

Since the future URA will implement redevelopment projects with public money, its compensation policy should be decided by the Government and Members of the LegCo after thorough deliberation. Experience of the LDC could perhaps serve as reference for your consideration.

The Corporation understands that the focal point of discussion between the Government and the LegCo Members is the building age of the replacement flat which will be used as the basis for the assessment of HPA. The current LDC policy is to use the value of a 10-year-old flat as the basis for assessment. The proposal of a 7-year-old flat by the Government is, therefore, acceptable.

There has been demand for compensation based on the value of a 5-year-old replacement flat, citing the redevelopment projects in Tsuen Wan and Kennedy Town as examples. We would like to take this opportunity to clarify LDC's acquisition policy as follows:

In general, LDC's acquisition policy takes into account the Government's compensation policy for land resumption, the project economics, market conditions and other special circumstances.

(A) Pre-November 1991

The HPA was granted on an ex-gratia basis in addition to the existing use value of the property to enable the owner to purchase a new replacement flat of a similar size in the locality.

(B) From November 1991 to June 1997

The HPA was determined having regard to a replacement flat of one to three years' old and of a similar size in the same locality as the acquired property.

(C) June 1997

In April 1997, the Government changed the basis for calculating the HPA to a replacement flat of 10 years' old. Having considered the special background of the Tsuen Wan and Kennedy Town projects, the LDC changed the HPA basis to a 5 years' old replacement flat. However, this was applicable to the Tsuen Wan and Kennedy Town projects only and in special circumstances, including the fact that they had been delayed for many years prior to being taken over by LDC.

(D) Since January 1998

The LDC revised its acquisition policy in January 1998. The HPA has since been calculated on the basis of a 10 years' old replacement flat, which is similar to that of the Government. This policy has been applied to the Hanoi Road project.

Apart from the stated compensation policy, the LDC has from time to time adopted a flexible approach in handling individual households with difficulties

or compassionate cases. The objective of the Urban Renewal Authority is to speed up the pace of urban renewal, and we hope that it will be given the same flexibility when acquiring properties for the implementation of urban renewal in future.

The LDC looks forward to the early establishment of the URA so as to promote and undertake urban renewal projects and build a better city for our people.

Land Development Corporation
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