

Legislative Council
Panel on Planning, Lands and Works

**Proposed Flat-for-flat Exchange Scheme
for Flat Owners Affected by
Urban Renewal Authority Projects**

INTRODUCTION

Some owners in older urban areas have asked the Government to consider providing a flat-for-flat exchange scheme for flat owners whose properties are required by a redevelopment project of the Urban Renewal Authority (URA). This paper outlines a proposal for a flat-for-flat exchange scheme for owner-occupiers of domestic properties for Members' information.

PROPOSAL

2. It has been put to the Government that some flat owners, particularly elderly flat owners, would value home ownership more than cash compensation for their old flats. Some elderly flat owners are also worried about having to look for a flat in the private sector secondary property market. They would much prefer the URA to provide them with a replacement flat. It has also been suggested that a pilot scheme should be introduced to see whether such a scheme would be popular with flat owners.

3. The details of the proposed scheme are as follows:
- (a) the URA would introduce a flat-for-flat exchange scheme for flat owners who are prepared to exchange their old flat for a replacement flat during the property acquisition stage of the URA's land assembly process; no such option would be offered during the following land resumption stage;
 - (b) only owner-occupiers whose domestic properties are located within a URA project area would be eligible to participate in the proposed flat-for-flat exchange scheme; there would be no guarantee that an owner would be allowed to join if the scheme is over subscribed;
 - (c) only owner-occupiers who own only one flat in Hong Kong would be eligible to participate in the proposed scheme;
 - (d) an owner-occupier would be offered the option of exchanging his old flat for a new replacement flat which will be of a standard similar to that of a flat of the Sandwich Class Housing Scheme of the Housing Society;

- (e) there would be no restrictions on resale after the participating owner has taken possession of the new replacement flat;
- (f) an owner-occupier would have to exercise the option to participate in the flat-for-flat exchange scheme within a specified time (say three months); the option would be effected by way of an agreement; there would be a penalty clause for subsequent withdrawal from the scheme;
- (g) the terms of the exchange would be that a new replacement flat of the same size to that of the old flat would be provided by the URA for the old flat of the owner-occupier;
- (h) the new replacement flats for exchange would, as far as practicable, be available in two to three sizes;
- (i) owner-occupiers would normally have to choose the size nearest to that of the old flat;
- (j) if the size of the replacement flat is larger than the old flat, the owner-occupier would have to pay for the additional floor area according to the current market value of the replacement flat;

- (k) if the size of the replacement flat is smaller than the old flat, the owner-occupier would be compensated for the reduced floor area according to the current market value of the replacement flat;
- (l) the calculation of the payment for a larger flat or reimbursement for a smaller flat would be based on the date of the selection of a replacement flat by the owner-occupier;
- (m) a slightly larger number of flats in proportion to the number of participating owners (say 1.1 times) would be provided for allocation;
- (n) the priority for selecting flats would be determined by the drawing of lots;
- (o) a 'flat value equalization scheme' for participating owners based on a median unit price would be introduced so that former owners who have selected upper floor flats would pay former owners who have selected lower floor flats an 'equalization payment' (see Appendix A);
- (p) the URA would allocate flats to the proposed scheme using a 'stratified random allocation method'

(see Appendix B), if there are insufficient owner-occupiers to take up all the flats in one block;

- (q) adequate information, including site plans, layout plans, completion dates, etc, would be provided to prospective participants;
- (r) temporary housing would be available to participants of the flat-for-flat exchange scheme who have to move out of their old flats during the construction period of the new replacement flats;
- (s) participants who choose to move into such temporary housing would have to pay the prevailing rent for the temporary flat; and
- (t) only one removal allowance (on moving out of the old flat) would be provided to participating owners by the URA.

**Proposed Flat Value Equalization Scheme
for Participating Owners**

Under the proposed flat-for-flat exchange scheme, participating owners would be accorded a priority number for selecting flats by drawing lots. To take into account the differences between the prices of flats on the upper floors and those on the lower floors, a flat value equalization scheme has been proposed by owners in the older urban areas.

2. A median flat value (a flat value within the range of flat values of the flats allocated for selection by participating owners below and above which there is an equal number of flat values) would first be established. The price per square metre of the median flat would then be calculated (the median unit price).

3. The unit prices (ie, prices per square metre) would then be calculated for the other flats. A unit price list would then be prepared.

4. Under the proposed flat value equalization scheme, owners who choose a flat the unit price of which is above the median unit price would pay a premium of the difference between the unit price and the

median unit price times the saleable area of the flat. Similarly, those who choose a flat the unit price of which is below the median unit price would receive a solatium of the difference between the unit price and the median unit price times the saleable area of the flat.

5. This proposed scheme would ensure equity among participating owners.

Proposed Stratified Random Allocation Method

If the number of owners participating in the proposed flat-for-flat exchange scheme is smaller than the total number of flats in a single block, a quota of flats in the block would be provided by random allocation for selection by participating owners.

2. In order to ensure that participating owners would be allocated a fair number of flats in the upper, middle and lower floors, a stratified random allocation method would be used. For example, one third of the quota of flats would be allocated randomly from units on the upper floors, another third from the middle floors and another third from the lower floors.

3. This allocation method has been suggested by representatives of flat owners who would like to participate in the proposed flat-for-flat exchange scheme.