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16 March 2001

Miss Salumi Chan  
Clerk to Panel  
LegCo Panel on Planning, Lands and Works  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Miss Chan,

**LegCo Panel on Planning, Lands and Works**

**Home Purchase Allowance and  
Ex Gratia Allowance for Owners  
and Legal Occupiers of Commercial Properties**

Thank you for sending me a set of submissions to Members on the proposed compensation arrangements for owners and tenants affected by land resumption for Urban Renewal Authority (URA) projects. I would like to respond to the main points made in these submissions as follows:

(a) **Hong Kong Society of Urban Renewal**

We welcome the support of the Hong Kong Society of Urban Renewal for the Government's proposed ex gratia compensation package and for the early establishment of the URA.

(b) Housing Committee of the Sham Shui Po District Council

The study was conducted late last year. Since the announcement of the Government's proposed compensation package, we have noticed a shift in the position of flat owners. Many are now prepared to accept a 7 years' old replacement flat as a compromise, if this could speed up the establishment of the URA.

(c) Residents' Group Concerned about  
the Redevelopment of Old Districts (Kwun Tong)

(i) Support for Government's Proposal

We welcome the in-principle support of the Residents' Group for the Government's proposal of a 7 years' old replacement flat as the basis for calculating the Home Purchase Allowance (HPA).

(ii) Timeframe

The Residents' Group has asked that the urban renewal programme be expedited. The 20-year timeframe is for the completion of the 200 urban redevelopment projects and the 25 uncompleted projects of the Land Development Corporation (LDC). It is intended that these projects will all start by the 15<sup>th</sup> or 16<sup>th</sup> year of the programme.

(iii) Removal Allowance

While the acquisition policy of the URA will be determined by its Board when it is established, we will suggest to the URA that the removal allowance for flat owners should not be less favourable than that offered to flat owners in the LDC Tsuen Wan project.

(iv) Home Ownership Scheme/Home Purchase Loan Scheme

We are prepared to discuss with the Housing Authority and the Housing Bureau the residents' proposal that the income and assets test for applicants for a flat under the Home Ownership Scheme or a loan under the Home Purchase Loan Scheme should be more flexible in the case of tenants affected by URA redevelopment projects.

(v) Acquisition by Agreement

The Government's proposal is that, in the case of land resumption, the basis for calculating the HPA should be revised from a replacement flat of about 10 years' old to a replacement flat of about 7 years' old. The acquisition policy of the URA will be determined by its Board when it is established. We will recommend to the URA that its acquisition offer should be more favourable than the Government's land resumption offer as an incentive to flat owners to sell their properties to the URA.

(vi) Priority for Certain Projects

We will recommend to the URA that priority should be given to the 25 uncompleted projects of the LDC.

(vii) Special Consideration for the 25 Uncompleted LDC Projects

We are prepared to recommend to the URA that, in respect of the 25 uncompleted projects of the LDC, the acquisition offers of the URA should have regard to the fact that the residents in these project areas have waited for redevelopment for quite some time.

(d) Hong Kong YWCA Urban Renewal Social Service Team

We agree that the acquisition offer of the URA should be better than the land resumption offer. Please also see subparagraph (c) above.

(e) Independent Owners' Association for Fair Treatment  
(2 submissions)

The Government will issue a set of guidelines on resumption and valuation matters. It is hoped that differences between the Government's valuation and that of the owners could be minimized.

One of the main principles of the people-oriented approach to urban renewal is that owners whose properties are resumed for redevelopment will be fairly and reasonably compensated. Accordingly, the proposed ex gratia compensation package would be applicable to all land resumption exercises under any ordinance. It would not be fair to pay different rates of ex gratia compensation to owners affected by different redevelopment projects.

(f) Concern Group for Urban Renewal in West Kowloon

(i) HPA

Having reviewed the existing ex gratia compensation policy, we propose that the basis for calculating the HPA should be revised from a replacement flat of about 10 years' old to a replacement flat of about 7 years' old.

(ii) Supplementary Allowance

We propose that the HPA for owners of a tenanted flat should be retitled as the Supplementary Allowance (SA) to avoid confusion or misunderstanding.

The existing ex gratia allowance for owners of a tenanted flat is not really for home purchase. It is a supplement to the open market value of the resumed flat. Accordingly, the SA should be lower than the HPA.

(iii) Proposed Flat-for-flat Exchange Scheme

We propose that the URA should introduce a flat-for-flat exchange scheme for owner-occupiers who are prepared to exchange their own flat for a replacement flat during the property acquisition stage of the URA's land assembly process. A pilot scheme would be introduced to see whether such a scheme would be popular with flat owners.

(iv) Cash Compensation for Affected Tenants

Tenants affected by URA redevelopment projects will be rehoused by the URA. Tenants who do not need rehousing may opt for cash compensation. The cash compensation offer of the URA will be determined by its Board. However, we will recommend to the URA that the cash compensation for tenants of cubicles and bunk beds should not be less favourable than that currently offered to such tenants by the LDC.

(v) Eligibility for Rehousing

The URA will have the discretion to allocate 20% of the annual quota of rehousing units provided by the Housing Authority and the Housing Society to affected tenants on compassionate grounds. Tenants who have a genuine housing need can be rehoused under this discretionary quota.

(g) Hong Kong Institute of Real Estate Administration

We welcome the support of the Hong Kong Institute of Real Estate Administration for the Government's proposal of a 7 years' old replacement flat as the basis for calculating the HPA. We will look into the other proposals of the Institute.

(h) SKH Kei On Social Service Centre – Residents' Concern Group for Urban Renewal in Sham Shui Po

We noted the position of the Residents' Concern Group for Urban Renewal in Sham Shui Po.

(i) Joint Association of Owners and Tenants Affected by the Redevelopment of the Thirteen Streets in To Kwa Wan

We noted the position of the Joint Association of Owners and Tenants Affected by the Redevelopment of the Thirteen Streets in To Kwa Wan. Please see sub-paragraph (c) above.

(j) Land and Building Advisory Committee

We welcome the support of the Land and Building Advisory Committee for the Government's proposal of a 7 years' old replacement flat as the basis for calculating the HPA.

(k) Miss Lau

We welcome the support of Miss Lau for the Government's proposal of a 7 years' old replacement flat as the basis for calculating the HPA. We are aware that there are quite a number of residents in To Kwa Wan who share Miss Lau's view.

(l) Real Estate Developers Association of Hong Kong

We noted the position of the Real Estate Developers Association of Hong Kong. We are exploring the possibility

of the URA introducing another flat-for-flat exchange scheme (an old flat for a Home Ownership Scheme flat) for flat owners whose properties are required by a redevelopment project of the URA.

(m) Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shopowner Organizations

We noted the position of the Federation of Hong Kong, Kowloon and New Territories Public Housing Estates Resident and Shopowner Organizations.

(n) M Y Wan and Associates Limited (2 submissions)

The statutory compensation arrangements are set out in the Lands Resumption Ordinance (Cap. 124). We are of the view that the HPA should remain an ex gratia allowance. The Government will establish a Home Purchase Allowance Appeals Committee to deal with appeals against the decision of the Director of Lands on HPA payments.

We will carefully consider Mr Wan's proposed guidelines for the determination of a notional residential flat for calculating the HPA.

(o) Hong Kong General Chamber of Commerce

We noted the views of the Hong Kong General Chamber of Commerce. For properties under multiple ownership, the open market value is normally assessed in terms of existing use value. For owner-occupied properties, market values on vacant possession basis will be assessed. For tenanted properties, market values will comprise, among other things, the rental value for the unexpired term of the tenancy and the open market value upon expiry of the tenancy.

(p) St James' Settlement Urban Redevelopment Social Service Team – Wan Chai Redevelopment Affected Owners Group

We noted the position of the Wan Chai Redevelopment Affected Owners Group. Please see sub-paragraph (c) above.

(q) Hong Kong Institute of Architects

We noted the views of the Hong Kong Institute of Architects on the proposed ex gratia compensation package.

(r) LDC

We welcome LDC's support for the Government's proposed ex gratia compensation package. We agree with the LDC that the URA should be established as soon as practicable.

(s) Concern Group for Tenants' Rights in the Redevelopment of Tai Kok Tsui

We noted the views of the Concern Group for Tenants' Rights in the Redevelopment of Tai Kok Tsui.

(t) Centre of Urban Planning and Environmental Management, University of Hong Kong

We noted the views of the Centre of Urban Planning and Environmental Management. We welcome Professor Ng Mee-kam's comment on Government's proposal.

(u) Hong Kong Institute of Surveyors

We welcome the support of the Hong Kong Institute of Surveyors for the Government's proposal of a 7 years' old replacement flat as the basis for calculating the HPA. We agree with the Institute that the URA should be established as soon as possible. We will carefully consider the other points made by the Institute.



(v) Central Redevelopment Affected Owners Group

We noted the position of the Central Redevelopment Affected Owners Group. Please see sub-paragraph (c) above.

(w) A Group of Residents Affected by Redevelopment in Sai Ying Pun, Central and Sheung Wan

We noted the position of this group of residents in Sai Ying Pun, Central and Sheung Wan.

(x) Joint Association of Owners Affected by the Redevelopment in Older Urban Areas of Hong Kong

We noted the findings of the questionnaire survey and the position of the Joint Association.

(y) Hong Kong People's Council on Housing Policy

We noted the views of the Hong Kong People's Council on Housing Policy.

(z) Public Housing Consultation Hotline

We noted the views of the Public Housing Consultation Hotline.

Yours sincerely,

(Stephen Fisher)  
for Secretary for Planning and Lands