

LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT

Urban Renewal Authority Acquisition Policy and Related Matters

I. PURPOSE

This paper explains the Urban Renewal Authority's (URA) acquisition policy and addresses the various questions raised by Members about it.

II. CURRENT URA ACQUISITION POLICY

2. The URA's acquisition policies are based on the Government's resumption policy which was debated and agreed by the Legislative Council's Finance Committee, after considerable discussion. However, URA's policies include more generous incentives than Government's resumption policy, such as an ex-gratia Incidental Costs Allowance (ICA), so as to encourage early acceptance of URA's offers.

3. Briefly, the policies for domestic owners comprise payment of the market value of the property plus Home Purchase Allowance (HPA) or Supplementary Allowance (SA). HPA is the difference between the value of a notional replacement flat, based on a seven year old flat in a similar locality, and the market value of the flat under acquisition. This has become known commonly as the "seven-year rule". HPA is paid to owner-occupiers. SA is paid to owners of tenanted and vacant flats at 50% of HPA.

4. The policies for domestic tenants comprise a choice of either ex-gratia payments based on the Rateable Values (RV) of the flats which they occupy plus cash incentives or, in cases where the tenants are eligible and prefer it, rehousing in public housing estates. Ex-gratia payments are subject to a minimum of \$70,000 for a single-member family and \$80,000 for a multiple-member family. Moreover, in response to LegCo's concerns over the compensation payable to domestic tenants in the remaining ex-Land Development Corporation projects during the passage of the Landlord and Tenant (Consolidation) (Amendment) Ordinance 2004, the URA has also agreed to provide eligible tenants with ex-gratia payments calculated on the basis of the previous formula in force before the enactment of the Ordinance.

5. The policies applicable to non-domestic owners and tenants are based on the Market Values (MV) and RV of their respective premises. Business owner-operators receive compensation equal to the MV plus the higher of either 35% x MV or 4 x RV. Alternatively, owner-operators can make Business Loss Claims (BLC) in lieu of the above mentioned ex-gratia compensation. Business landlords receive compensation of the MV plus the higher of either 10% x MV or 1RV. Business tenant-operators receive compensation of either BLC or 3RV.

6. Detailed information on URA's acquisition and rehousing policy is given by the URA, along with other information, to affected owners and tenants at the times when the URA launches each of its projects and conducts occupancy or freezing surveys on all of the properties within the boundaries of each of the URA's projects.

III. RESPONSES TO QUESTIONS

a) Whether apart from the standard cash compensation offers, URA would consider other options of acquisition offers for affected property owners and tenants

7. URA's cash compensation policies are well tried and tested, generally well accepted, effective, fair and some would say generous, as well as being flexible, providing freedom of choice and being in line with Government policies and market practices.

8. Nevertheless, URA does keep its overall policies under review and does, through its extensive community engagement activities, listen to the views which it receives from the community in this regard, especially from those directly affected by its redevelopment projects and key stakeholders. These have included calls to help property owners to maintain social networks, to help owners meet their relocation costs, to help tenants with special relocation needs, to help maintain the local characters of certain neighbourhoods, and to help alleviate the disruption caused to local businesses.

9. On 19 November 2007, the URA announced a new package of enhancement policies for the benefit of residents and business operators affected by its redevelopment projects. These new initiatives, which were designed under the existing policy framework, respond to aspirations and concerns of the affected residents and the community. They have three important objectives, namely, to help retain the social

networks of residents as much as practicable, to assist long-time business operators in re-establishing themselves in the locality and to preserve retail trades that are considered to have a special character in a district. The enhancement package comprises:

- (i) expression of interest in purchasing arrangement for residential units;
- (ii) designation of space exclusively for the purpose of social enterprise for commenced projects;
- (iii) additional ex-gratia business allowance for business operators; and
- (iv) special Local Sports Shops Arrangement for the Sai Yee Street project.

10. The first enhancement policy, expression of interest in purchasing arrangement (EIPA), is intended for owner-occupiers of domestic flats in a redevelopment site to facilitate their purchasing of new units at prevailing market prices and moving back to the same area where they once lived. Owner-occupiers, who accept the URA's acquisition offers unconditionally within the usual 60-day offer period and register their interest with the URA within this period, will be given priority, subject to the number of available units, to apply for selection by balloting from the reserved flats prior to commencement of pre-sale of the development concerned, subject to this being permitted under the land grant. This will help enable them to retain their social networks and lifestyles in the same neighbourhood. Whether they accept this arrangement or not, their entitlement to receiving Home Purchase Allowance based on the existing "seven-year rule" acquisition policy, i.e. the value of a notional seven-year-old flat, will remain unchanged.

11. The second enhancement policy, designation of space for social enterprises, aims at helping affected residents re-establish and strengthen their social networks in the district. For sizeable projects in which allocation of space is possible, URA will consider reserving floor space for non-government organizations (NGOs) to make bids for the purpose of operating social enterprises involving active participation of residents and shop operators of the projects concerned. Details of this policy are still being worked out but URA intends to try it out first in the Lee Tung Street and Peel Street/Graham Street projects. With experience thus gained, URA may consider extending this policy to other suitable projects.

12. The third enhancement policy, in the form of an additional payment of ex-gratia business allowance (EGBA) is designed to enhance the overall amount payable to all businesses operating out of non-domestic properties within a redevelopment project area i.e. owner-operators and tenant-operators. This new allowance is payable in addition to the existing compensation whereby owner-operators receive cash payment equivalent to the MV of their properties plus the higher of either 35% x MV or 4 RV of their properties, and tenant-operators receive cash payment of 3 RV. EGBA will be paid at a rate of 0.1 times the RV per year for a maximum of 30 years so that a business with 30 years' history or more will enjoy a maximum of three times the RV. The maximum amount of allowance payable is capped at \$500,000. To ensure that businesses operators occupying small units or with a not-so-long history would also benefit to some extent, the policy provides a minimum allowance of \$70,000 to any eligible business operator.

13. The fourth enhancement policy concerning Local Sports Shops Arrangement aims at preserving the special local character created by a cluster of sports commodities retail trades in the to-be-commenced Sai Yee Street project of Mong Kok. URA shares the views expressed by members of the Legislative Council, the community and, in particular, the affected sports shop operators that efforts should be made to preserve, and if possible enhance, the local character of this district. URA will therefore introduce a special Local Sports Shops Arrangement exclusively for the Sai Yee Street project, in conjunction with a "Sports Retail City" design which will further strengthen the local character of this neighbourhood. Under the arrangement, all 19 sports shop operators in the project site will be offered priority to lease shop spaces on the ground and upper floors of the retail section of the new development, for periods of up to three years, at the then prevailing market rental level. Details of this arrangement are being worked out and will be announced upon formal commencement of the project before the end of this financial year.

14. These enhancements have been devised in response to the community's changing needs and aspirations, taking into account existing practical and resources constraints. They have been introduced on the basis of the compensation policy for land resumption approved by the Legislative Council's Finance Committee in 2001. In this context, the 2001 policy, which has been tried and proven effective in many redevelopment projects in the past six years, must remain as the URA's fundamental policy.

b) Updated position on Project H18 Peel Street/Graham Street, including property acquisition arrangements

15. Project H18, Peel Street/Graham Street, commenced on 19 July 2007, following approvals of the Planning Brief and the Master Layout Plan by the Town Planning Board in November 2006 and May 2007 respectively.

16. The H18 Conservation Advisory Panel (CAP) was established by URA and under its Central & Western District Advisory Committee, in May 2007, to look into the various conservation issues. H18 CAP is chaired by a Central & Western District Councillor closely connected with the local neighbourhood and consists of residents' and hawkers' representatives, heritage experts, academics and other community personalities. The CAP held a public forum in August 2007 to solicit public views on the heritage preservation planning for the project as well as on ways to keep and revitalize the open street market adjacent to the three development sites which together make up this project. In September 2007, H18 CAP met to discuss the verbal presentations and written representations which it received after the public forum. H18 CAP will further discuss the comments and views received with URA and the government departments concerned thereafter. H18 CAP will then meet again for the purpose of conducting further direct dialogue with those who have submitted comments, prior to working out any recommendations for submission to URA and government departments for consideration.

17. Meanwhile, acquisition of the properties in H18 was commenced by URA on 17 October 2007. The Home Purchase Allowance rate, i.e. the seven year old flat unit rate, offered by URA to affected owner-occupiers in this project, after assessment by seven independent surveyors, was \$8,508 per square foot saleable area. To date, the level of acceptance of offers by owners is encouraging.

c) Updated position on project K28 Sai Yee Street, including property acquisition arrangements

18. Preparations are being made for commencement of this redevelopment project before the end of this financial year, subject to resolution of various outstanding issues.

19. As for all other projects, the Home Purchase Allowance rate for this project will be assessed just prior to the start of acquisition in

order to ensure that it reflects property market prices at that time, as assessed by seven independent surveyors to be appointed by balloting for this project at the appropriate time. To ensure transparency, local district leaders and residents' representatives will, as usual, be invited to attend the balloting as well as the briefing session for the appointed surveyors.

20. Meanwhile, consideration is being given to the idea of creating a "sports city" in the retail portion of the new development to enhance the current vibrant character created by the cluster of sports shops in the vicinity of this project. Close dialogue is also being maintained with the sports shop operators.

d) Under what circumstances would URA implement a redevelopment project in association with affected property owners

21. URA will consider joint redevelopment with affected owners only on an ad hoc basis in cases where the particular circumstances of the project concerned merit it. Such circumstances can include cases where a major owner owns a very large proportion of the total land interests, such as the case in Project K1 Nga Tsin Wai Village in which the major owner owns approximately 70% of the total individual owners' land interests. There are, therefore, no hard and fast rules. Besides the proportion of land interest ownership, URA will also consider whether it is possible to work out joint development arrangements which would bring benefit to the community.

22. Project H19 Wing Lee Street/Staunton Street did not proceed by way of joint development because the land owned by Henderson was excised from the Comprehensive Development Area (CDA) zone. This followed court action by Henderson, which preferred to develop its land holding within the original project boundary independently, although URA did discuss the possibility of joint redevelopment with Henderson before the excision with a view to achieving better overall planning and urban design of the CDA.

e) Whether URA would always resort to invoking the Lands Resumption Ordinance for acquisition of properties in implementing redevelopment projects; if not, what are the relevant considerations

23. URA has to apply for resumption as its last resort in cases where not all of the affected property interests can be acquired through

reasonable negotiation by URA with their respective owners. Reasons for resumption being necessary include it not being possible to trace the owners, succession problems, bad titles and it not being possible to negotiate or conclude acquisition agreements with the owners concerned.

f) Under what circumstances would URA purchase properties within the boundary of a redevelopment project before the commencement of the project

24. Apart from those properties acquired by the former Land Development Corporation and vested in the URA by virtue of the commencement of Urban Renewal Authority Ordinance, the URA generally acquires properties after completion of all relevant planning processes (if so required) but may also, in very exceptional circumstances, acquire properties in the open market before the completion of any required planning processes e.g. for the prevention of demolition by private owners of buildings which are considered as having some historical or architectural interests.

Urban Renewal Authority
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