

立法會
Legislative Council

Ref: CB1/BC/9/99/2

LC Paper No. CB(1)1980/99-00
(These minutes have been
seen by the Administration
and cleared by the Chairman)

**Bills Committee on
Urban Renewal Authority Bill**

**Minutes of meeting held on
Wednesday, 26 April 2000, at 2:30 pm
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Edward HO Sing-tin, SBS, JP (Chairman)
Hon HO Sai-chu, SBS, JP
Hon LEE Wing-tat
Hon LEE Cheuk-yan
Hon NG Leung-sing
Hon Ronald ARCULLI, JP
Hon James TO Kun-sun
Dr Hon LEONG Che-hung, JP
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
- Members absent** : Hon Gary CHENG Kai-nam, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Christine LOH
Hon CHAN Yuen-han
Hon Andrew WONG Wang-fat, JP
Hon WONG Yung-kan
Hon Emily LAU Wai-hing, JP
Hon FUNG Chi-kin
- Public officers attending** : Mr Stephen FISHER
Deputy Secretary for Planning and Lands/
(Urban Renewal and Buildings)
- Mr T K LEE
Assistant Director/Urban Renewal (Acting)
Planning Department
- Mr J D SCOTT
Senior Assistant Law Draftsman

Ms R CHAI
Government Counsel

Clerk in attendance : Miss Odelia LEUNG
Chief Assistant Secretary (1)1

Staff in attendance : Ms Bernice WONG
Assistant Legal Adviser 1

Miss Becky YU
Senior Assistant Secretary (1)3

I Meeting with the Administration

Discussion on compensation arrangement (LC Paper No. CB(1) 1424/99-00(01))

Mr LEUNG Yiu-chung opined that owners of domestic properties should be given an opportunity to negotiate with the Urban Renewal Authority (URA) the compensation for resumption of their properties. The Deputy Secretary for Planning and Lands (DS/PL) explained that the time-consuming land assembly process which involved protracted negotiations with the owners was the main reason why it took the Land Development Corporation such a long time to implement urban renewal projects. In order to expedite the land assembly process, instead of requiring URA to first negotiate and acquire the land needed for an urban renewal project, URA would be empowered under the Bill to apply direct to the Secretary for Planning and Lands (SPL) to recommend resumption of the land to the Chief Executive in Council. Affected property owners would be compensated fairly and reasonably under the Lands Resumption Ordinance (Cap. 124) (LRO).

2. As owners would be deprived of the opportunity for negotiation, Mr LEE Cheuk-yan remarked that a more generous compensation package should be offered to them. He considered that the Administration should use a five-year instead of a ten-year old flat as the basis for calculating the cost of a replacement flat. DS/PL advised that apart from the statutory compensation under LRO which would be the fair market value of the resumed flats, owner-occupiers would be eligible for a Home Purchase Allowance (HPA) which was an ex gratia allowance payable to enable them to purchase a ten-year old replacement flat comparable in size and in the same locality of the resumed flat. He added that while consideration was being given to enhancing HPA, the proposed use of a five-year old flat as the compensation basis might not be feasible as this would substantially increase the development cost of the 20-year urban renewal programme. According to the Administration's assessment, the development cost would be increased by about 0.9 billion if the age of the replacement flat was reduced by one year.

3. Mr LEE Wing-tat and Mr LEUNG Yiu-chung were not convinced of the Administration's response. They remained of the view that the cost of the replacement flat should be based on the value of a five-year old flat. Mr TAM Yiu-chung asked if the Administration would consider calculating the cost of a replacement flat of a certain age range. DS/PL welcomed Mr TAM's suggestion as this would allow greater flexibility, particularly for those project areas where no 10-year replacement flats were available.

4. On eligibility criteria for HPA, DS/PL explained that full HPA would be paid to owner-occupiers. For tenanted flats, HPA would be paid at 50% of the allowance. However, no more than two HPA payments would be paid to an owner in a resumption exercise, irrespective of the number of flats he owned. As some owners might live on the income generated by letting out the flats, Mr LEE expressed concern that resumption of the tenanted flats might adversely affect their livelihood. DS/PL advised that the statutory compensation alone would be sufficient for an owner to purchase a replacement flat of comparable age and size as the resumed flat. By letting it out, he could collect the same amount of rent as before. With the payment of 50% HPA for the first tenanted flat, the owner could buy a relatively newer flat than the resumed flat and charge a higher rent. Thus, the livelihood of landlords would not be adversely affected in any event as a result of land resumption. As to whether HPA payable to eligible owners would cover legal fees, stamp duty and decoration costs, DS/PL undertook to reply in writing.

(Post-meeting note: The Administration's response was circulated vide LC Paper No. CB(1) 1507/99-00(04).)

5. Mr LEUNG Yiu-chung expressed concern about disputes on HPA cases. DS/PL advised that a non-statutory appeals committee comprising non-official members would be established to hear appeals lodged by owners of residential properties who were aggrieved by the decisions of the Director of Lands (D of L) in relation to the eligibility for the payment of HPA, calculation of the payment of HPA in a particular case or other related matters. The appeals committee would make a determination on the case. If D of L did not accept the determination, the case would then go to SPL who would make a final decision.

6. As regards compensation for non-domestic properties, DS/PL said that to reduce disputes on business loss, the Administration was considering fixing business loss at a certain percentage of the value of the property concerned. Mr LEE Wing-tat welcomed the Administration's proactive attitude in this regard and pointed out that owner-occupiers, particularly those of small businesses, had often had difficulty in producing documentary evidence to prove business loss. He urged the Administration to take into account all relevant factors, including the difficulties faced by owner-occupiers and tenants of non-domestic premises such as calling loans by banks, dwindling of new order for business etc, in determining the appropriate percentage to prevent a repeat of the confrontation experienced in the resumption of Wah Kai Industrial Centre. Mr TAM Yiu-chung echoed that as owners were obliged to give away their properties involuntarily, special allowance should be provided to encourage them to continue with their businesses elsewhere. This would also help create job opportunities. DS/PL noted members' concerns and advised that the Administration was reviewing the ex gratia allowance for owner-occupiers of both commercial and industrial premises. However, in view of the distinct difference between

these two types of premises, separate bases for determining the ex gratia allowance might be adopted. As to whether the revised ex gratia allowance, if any, would have retrospective effect, DS/PL answered in the negative on the grounds that LRO stated clearly that all compensation should be based on the existing value of the resumed properties on the day of reversion.

7. Mr Ronald ARCULLI enquired about the differences in compensation for acquisition of land for redevelopment offered to owners and tenants by private developers and URA. DS/PL explained that under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545), a private developer could only make an application to the Lands Tribunal for an order for the sale of all the undivided shares in a lot for the purposes of redevelopment if he owned not less than 90% of the undivided shares in the lot. As private developers could only acquire land through negotiation with land owners, they often had to pay a higher price for the last few properties. On the other hand, private developers were not bound to rehouse affected tenants for acquisition of land for redevelopment. They were only required to pay compensation to the affected tenants under the Landlord and Tenant (Consolidation) Ordinance (Cap. 7). However, in the case of URA, all owners would be compensated in accordance with the same policy and principles. Affected tenants would be provided with appropriate and affordable rehousing. At members' request, the Administration undertook to provide a separate paper delineating the differences in compensation for acquisition of land for redevelopment offered to owners and tenants by private developers and URA.

(Post-meeting note: The Administration's response was circulated vide LC Paper No. CB(1) 1507/99-00(03).)

8. In view of the slump in property prices over the past few years, Mr NG Leung-sing pointed out the possibility that the amount of compensation payable to owners of domestic and non-domestic properties might be insufficient for the repayment of the mortgage loan. DS/PL advised that under section 6(1) of LRO, D of L should, within 28 days from the date on which the land was reverted to the Government, write to the former owner and notify the bank if the property was mortgaged, making an offer of compensation in respect of the resumption of the land. If the offer of statutory compensation and ex gratia payment was accepted, separate cheques would be sent to the former owner and the bank. Mr NG nevertheless requested and the Administration undertook to write to the Hong Kong Association of Banks to seek its views in this regard.

Discussion on rehousing arrangement
(LC Paper Nos. CB(1) 1424/99-00(02) and (03))

9. Mr LEE Wing-tat expressed concern that the Administration might have underestimated the number of rehousing units required to accommodate residents affected by urban renewal. The Assistant Director/Urban Renewal (Acting), Planning Department (AD of P (Ag)) advised that the estimate of 16,000 rehousing units for the 20-year urban renewal programme (or 1,000 rehousing units a year in the first five years of the programme) was derived on the basis of the results of the 1996 By-Census. The Administration considered that these should be sufficient as only affected tenants would be eligible for rehousing. Owner-occupiers would be compensated by way of payment of

statutory compensation and HPA. Having regard to the changes in housing aspiration of households over the past years, Mr LEE considered that the Administration should not rely on information compiled in 1996. He suggested that the Administration made reference to the information compiled by the Housing Bureau. AD of P (Ag) assured members that freezing surveys would be conducted for each urban renewal project to ascertain the actual number of tenants affected.

10. Referring to the preliminary agreement with the Housing Authority (HA) concerning the rehousing of tenants affected by the redevelopment projects of URA (LC Paper No. CB(1) 1424/99-00(02)), Mr LEE Wing-tat noted that HA had only agreed to provide an annual quota of up to 1,000 public rental housing (PRH) and interim housing (IH) units to URA in the initial five years of URA's operation without the obligation to meet any shortfall in rehousing units for affected tenants. As rehousing was crucial to the success of the urban renewal programme, Mr LEE considered that efforts should be made to persuade HA to undertake to provide sufficient rehousing units for affected tenants. In reply, DS/PL stressed that as each organization had its own policy, the preliminary agreement was considered acceptable to both HA and URA. Apart from HA, the Housing Society (HS) had also agreed to act as a rehousing agent of URA. This would enable URA to pool the rehousing resources provided by HA and HS and enhance its flexibility in making rehousing arrangements for affected tenants.

11. Mr LEE Cheuk-yan asked if affected tenants would be required to meet the eligibility criteria, such as the residence rule and the comprehensive means test, in order to be eligible for rehousing to PRH units of HA. DS/PL explained that affected tenants would be rehoused to either PRH or IH according to their eligibility. Those who failed the income and assets tests might be offered Green Form status for the purpose of applying for various subsidized home ownership schemes administered by HA. However, the Administration estimated that the vast majority of affected tenants would be eligible for PRH.

12. Members noted with concern that there was no guarantee for local rehousing under the preliminary agreement. Mr TAM Yiu-chung cautioned that the offer of rehousing units in remote areas might lead to confrontation. DS/PL reiterated that both HA and HS had agreed in principle to reserve and use casual vacancies arising from their existing housing stock in various districts to rehouse tenants displaced by URA projects. New housing units might also be provided to supplement casual vacancies subject to availability. Sufficient rehousing resources would be made available one year prior to the actual redevelopment. It was however up to the tenants to decide whether to accept the rehousing units. In addition, the Government might grant land to HA and HS near the project areas for the construction of flats for rehousing affected tenants. For instance, the Administration had earmarked a piece of land in the West Kowloon Reclamation for HS to build 800 to 1,000 flats to rehouse tenants displaced by URA projects.

13. Mr LEE Wing-tat held the view that the preliminary agreement with HA was too conservative. He reiterated that efforts should be made to persuade HA to undertake to provide sufficient flats within the same district to rehouse tenants displaced by URA projects. Noting that the preliminary agreement with HS (LC Paper No. CB(1) 1424/99-00(03)) was more flexible than that with HA, Mr James TO opined that the Administration

should strengthen cooperation with HS. DS/PL advised that the two agreements were complementary to each other to ensure that sufficient rehousing units would be made available to the affected tenants. Besides, the Financial Secretary would not approve the corporate plans or the business plans if he was not satisfied with the rehousing arrangements. He undertook to mention at the resumption of Second Reading Debate on the Bill that affected tenants would be offered rehousing in local or nearby districts as far as practicable. Mr LEE remained unconvinced of the Administration's explanation and indicated that he might move amendment to the Bill in this respect.

14. As to whether the Administration would consider giving affected tenants who declined to accept rehousing the option of cash compensation, DS/PL explained that the main objective of the urban renewal programme was to improve the living condition of residents in old urban areas. The offer of cash compensation would not be able to achieve the goal. Nevertheless, under special circumstances, cash compensation might be offered in lieu of rehousing, such as elderly tenants who chose to retire in the Mainland.

II Any other business

15. Members agreed to hold the next six meetings as follows:

- Tuesday, 2 May 2000, at 8:30 am;
- Tuesday, 9 May 2000, at 2:30 pm;
- Friday, 12 May 2000, at 8:30 am;
- Tuesday, 16 May 2000, at 10:45 am;
- Monday, 29 May 2000, at 4:30 am; and
- Wednesday, 31 May 2000, at 8:30 am.

(Post-meeting note: The meeting on 12 May 2000 had been subsequently rescheduled for Monday, 15 May 2000, at 4:30 pm.)

16. There being no other business, the meeting ended at 4:30 pm.