

**Bills Committee on the
Urban Renewal Authority Bill**

**Compensation for Owners and Tenants
Affected by the Resumption of Land for
Urban Renewal Authority Projects**

Introduction

The purpose of this paper is to set out the existing compensation arrangements for owners and tenants affected by the resumption of land for Urban Renewal Authority (URA) projects.

Background

2. The Urban Renewal Authority Bill (the Bill) was published in the Government Gazette on 22 October 1999 in the form of a White Bill for public consultation. The compensation arrangements for owners and tenants affected by the resumption of land for URA projects were one of the main concerns of the public during the consultation exercise.

3. The Bill was published in the Government Gazette on 3 February 2000 and introduced into the Legislative Council on 16 February 2000.

Land Resumption

4. The time-consuming land assembly process is the main reason why it has taken the Land Development Corporation (LDC) a long time to implement urban renewal projects. Under the existing mechanism, the LDC is first required to take all reasonable steps to acquire affected properties within the project area. This usually involves protracted negotiations with the owners. If there are any properties which the LDC is unable to acquire, the LDC may then request the Secretary for Planning and Lands (SPL) to recommend to the Chief Executive in Council the resumption of such outstanding properties.

5. In order to expedite the land assembly process, instead of requiring the URA to first negotiate and acquire the land needed for a redevelopment project, the URA is empowered under clause 24 of the Bill to apply for “direct resumption” of the land required. The Chief Executive in Council is the authority for approval of such resumption applications.

6. Land resumption will be carried out under the Lands Resumption Ordinance (Cap. 124). Resumption of land for urban renewal is deemed to be resumption for a public purpose within the meaning of the Lands Resumption Ordinance.

Issues

7. The main issues raised by the Bills Committee on the Urban Renewal Authority Bill concerning compensation are:

- (a) compensation for owners of domestic properties whose properties are resumed for URA projects;
- (b) compensation for owners of non-domestic properties whose properties are resumed for URA projects; and
- (c) compensation for tenants of non-domestic properties affected by the resumption of land for URA projects.

Compensation for Owners of Domestic Properties

8. Owners of domestic properties are eligible for statutory compensation if their premises are resumed by the Government under the Lands Resumption Ordinance. This statutory compensation will be the fair market value of the resumed premises. The fair market value of a property is what a willing buyer will pay a willing seller in the open market for the property.

9. Besides the fair market value of the properties, owner-occupiers are also eligible for the Home Purchase Allowance (HPA), which is an ex-gratia allowance payable to enable affected owners to purchase a replacement flat of a similar size in the locality of the resumed flat.

10. The amount of HPA payable in individual cases is the difference between the cost of a replacement flat and the amount of statutory compensation. Under the current policy (endorsed by the Finance Committee of the Legislative Council on 25 April 1997), the cost of a replacement flat is based on a flat of about 10 years' old of a size similar to the one being resumed and in the same locality.

11. At present, full HPA is paid to owners occupying a whole flat. For a tenanted flat, the HPA is paid at 50% of the full allowance. In the case of a partly tenanted flat, the owner is paid full HPA for the owner-occupied portion of the flat and 50% of the HPA for the tenanted portion. No more than two HPA payments to an owner is allowed for a resumption exercise.

12. The main eligibility criteria for HPA are summarized as follows:

- (a) a single owner-occupied flat
full HPA for the flat;
- (b) 1 owner-occupied flat and 1 flat occupied
by the owner's immediate family
full HPA for both flats;
- (c) 1 owner-occupied flat and 1 wholly tenanted flat
full HPA for the first flat and 50% HPA for the second
flat;
- (d) 1 wholly tenanted flat
50% HPA for the flat;
- (e) more than 1 wholly tenanted flat
50% HPA for 1 flat and no HPA for the other flats;

- (f) 1 flat partly occupied by the owner and partly tenanted full HPA for the area occupied by the owner and/or his immediate family, and 50% HPA for the tenanted area;
- (g) 1 flat partly occupied by the owner and partly tenanted, and 1 wholly tenanted flat
 - (i) for the first flat – full HPA for the area occupied by the owner and/or his immediate family, and 50% HPA for the tenanted area;
 - (ii) for the second (tenanted) flat – 50% HPA; and
- (h) 1 flat wholly occupied by joint owners or a company where each individual owner/shareholder owns another flat or more than 1 flat
full HPA for the first flat to each joint owner/shareholder pro rata, 50% HPA for the second flat to each joint owner/shareholder pro rata and no HPA for the remaining flats.

Compensation for Owners of Non-domestic Properties

13. Owner-occupiers of non-domestic properties whose premises are resumed by the Government under the Lands Resumption Ordinance are offered:

- (a) the fair market value of their properties, plus an ex-gratia allowance; or
- (b) the fair market value of their properties, plus the option to claim business loss and disturbance payment, if substantiated.

14. As regards paragraph 13(a) above, the ex-gratia allowance is based on a formula covering rental cost for the “unproductive” period during removal, removal costs, decoration costs, stamp duty, legal fees and estate agent’s fees.

15. Owners of tenanted premises are eligible for statutory compensation which is the fair market value of their properties. However, they are not paid the ex-gratia allowance as they are not operating a business out of the premises.

Compensation for Tenants of Non-domestic Properties

16. Tenants of non-domestic properties affected by the resumption of land are offered the same ex-gratia allowance as owner-occupiers of non-domestic properties. Alternatively, they are entitled to claim business loss and disturbance payment, if substantiated.

Review

17. During the public consultation on the White Bill, a number of community groups urged the Government to improve the HPA and the ex-gratia allowance for owner-occupiers and tenants of non-domestic properties. We are reviewing the HPA and the ex-gratia allowance for owner-occupiers and tenants of non-domestic premises to see if they should be enhanced.

Planning and Lands Bureau

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