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18 May 2000

Miss Odelia Leung
Clerk to Bills Committee on the
Urban Renewal Authority Bill
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Miss Leung,

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

Thank you for your letter of 10 May 2000.

Our response to the points raised in the second paragraph of your letter is as follows:

(a) Sale and Purchase Agreements

There is usually a standard clause in a Sale and Purchase Agreement which deals with the possibility of the resumption of the property concerned by the Government before the transaction is completed. A typical example of such a standard clause is as follows:

“The Vendor hereby declares that he has not received any notice from the Government under the Lands Resumption Ordinance (Cap. 124) or the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap. 276) or any form of notice of a similar nature under any other Ordinances relating to the resumption of the Property and should it be discovered

that any such notice existed prior to the date hereof or should such notice be served on or before the actual date of completion, the Purchaser shall be entitled to rescind this Agreement by giving written notice to the Vendor on or before the date for completion whereupon the deposit and all other monies which form part of the purchase price paid hereunder prior to the date of such rescission shall forthwith upon demand by the Purchaser be refunded by the Vendor to the Purchaser but without any interest, costs or compensation and the parties hereto shall at the cost of the Vendor enter into and cause to be registered at the Land Registry or the relevant New Territories Land Registry an Agreement for Cancellation. The Vendor undertakes to notify the Purchaser forthwith in writing if on or before the date of completion any such notice as aforesaid is served on the Vendor.”

Under such a clause, a Sale and Purchase Agreement would be invalid if notice of resumption has been given before the signing of the Sale and Purchase Agreement, or is given after the signing of the Agreement but before the actual date of the completion of the transaction.

(b) Business loss

Section 10(2)(d) of the Lands Resumption Ordinance provides that the compensation payable to owners affected by land resumption should cover:

“the amount of loss or damage to a business conducted by a claimant at the date of resumption on the land resumed or in any building erected thereon, due to the removal of the business from that land or building as a result of the resumption;”.

Business loss under section 10(2)(d) includes:

- (i) loss due to the total extinguishment of the business; and

- (ii) loss due to the removal of the business from the resumed premises to other premises.

Claims for business loss due to total extinguishment are not uncommon. Compensation has been paid for total extinguishment in many cases.

(c) Hardship cases

It should be pointed out that it is very unlikely that the amount of compensation plus ex-gratia allowance payable to an owner would be insufficient for him to repay the mortgage loan. The Land Development Corporation has not come across any such “negative asset” cases.

The Government can only compensate owners in accordance with the law and the existing policy on ex-gratia payments if any land is resumed. However, any owner who faces hardship may discuss his case with the Urban Renewal Authority (URA) before or after the publication in the Government Gazette of the resumption notice. The URA would deal with his case in a fair and compassionate manner. Perhaps a bridging loan may be made to tie him over the difficult period.

(d) Casual vacancies

We have requested the Housing Authority (HA) to accord first priority to the URA when reserving flats arising from casual vacancies in public rental estates. We will let Members know of HA’s response.

(e) Quota for rehousing on compassionate grounds

We have requested the HA to provide a quota of flats to the URA for rehousing affected tenants on compassionate grounds. We will let Members know of HA’s response.

(f) Social impact assessment

The URA would fully assess the social impact of a proposed project and the social and rehousing needs of the residents.

The impact assessment would be carried out in two stages:

- (i) a non-obtrusive impact assessment to be conducted before the publication of the proposed project in the Government Gazette; and
- (ii) a detailed impact assessment after the proposed project has been published in the Government Gazette.

The main elements of the impact assessment to be conducted before the publication of the proposed project in the Government Gazette would include:

- (i) the population characteristics of the proposed project area;
- (ii) the socio-economic characteristics of the area;
- (iii) the housing conditions in the area;
- (iv) the degree of overcrowding in the area;
- (v) the availability of amenities and community facilities in the area;
- (vi) the historical background of the area;
- (vii) the cultural and local characteristics of the area;
- (viii) an initial assessment of the potential social impact of the proposed project; and
- (ix) an initial assessment of the mitigation measures required.

The main elements of the impact assessment to be conducted after the publication of the proposed project in the Government Gazette would include:

- (i) the population characteristics of the residents affected by the proposed project;
- (ii) the socio-economic characteristics of the affected residents;
- (iii) the rehousing needs of the affected residents;
- (iv) the housing preferences of the affected residents;
- (v) the employment status of the affected residents;
- (vi) the place of work of the affected residents;
- (vii) the social networks of the affected residents;
- (viii) the educational needs of the children of the affected families;
- (ix) the special needs of the elderly;
- (x) the special needs of the disabled;
- (xi) a detailed assessment of the potential social impact of the proposed project; and
- (xii) a detailed assessment of the mitigation measures required.

Yours sincerely,

(Stephen Fisher)
for Secretary for Planning and Lands

c.c. Department of Justice
(Attn: Mr J D Scott and Ms R Chai)

Director of Planning
(Attn: Mr T K Lee)