

**Information Paper for Legislative Council Panel on Housing
Funding Allocation for Demolition of Cottage Areas**

Purpose

We intended to seek the approval of the Finance Committee to allocate funds to the Lands Department for the demolition of four Cottage Areas. Members discussed the subject at LegCo Panel on Housing meetings held on 7 December 1998 and 1 March 1999 respectively. At Members' request, the Administration has withheld the funding proposal and reviewed the question of offering "compensation/special ex-gratia allowance" to Cottage Areas residents affected by the clearance programme. This paper informs Members of the findings of the review and the Administration's position.

The Clearance Programme

2. The Government has pledged in the 1997 Policy Address to clear the remaining five Cottage Areas by 2001 to provide a more satisfactory living environment to resettled households. Details are given at Annex A.

3. The Director of Lands, with the support of the Secretary for Housing, will propose to create a new commitment of \$41.8 million⁽¹⁾ under Subhead 600 Works of Head 91 - Lands Department for demolishing structures in the four Cottage Areas at Fo Tan, Mt Davis, So Kon Po and Lai Chi Kok. The breakdown is given at Annex B. The demolition of Tung Tau Cottage Area will be funded by the Housing Authority because the site has been designated for public housing development by the Housing Authority.

4. Upon request by Members, we have considered the question of offering "compensation/special ex-gratia allowance" to Cottage Area residents with self-owned structures. All the supporting documents provided by Cottage Area residents have been thoroughly examined.

Administration's Position and Arguments

5. Legal advice has again confirmed that neither the Government nor the Housing Authority is legally liable to pay any "compensation" to Cottage Area residents by demolishing their structures. As regards the so

⁽¹⁾ The Administration originally proposed to create a new commitment of \$44.5 million for demolishing the four Cottage Areas. The demolition cost is now adjusted downwards to \$41.8 million, after taking into account the revised price adjustment factor.

called “special ex-gratia allowance” as suggested by Cottage Area residents with self-owned structures, the Administration considers it undesirable to use public funds for such purpose as a matter of principle. In response to the arguments of Cottage Area residents, we set out the Administration’s response in the following paragraphs.

(i) Uniqueness of Tiu Keng Leng Cottage Area

6. Special ex-gratia allowances were offered to residents affected by the clearance of Tiu Keng Leng Cottage Area in 1996 because the historical background of the Cottage Area was unique and the residents’ structures were freely assignable with the approval of Director of Housing. In other Cottage Areas with self-owned structures (Mt Davies, So Kong Po, Lai Chi Kok and Tung Tau), licensees can only assign the structures to “authorized persons” of public rental housing estates, temporary housing, interim housing and Cottage Areas. In short, only those eligible families authorised by the Director of Housing may acquire residence in other Cottage Areas, as opposed to the freely assignable structures in Tiu Keng Leng Cottage Area. Owing to the uniqueness of Tiu Keng Leng Cottage Area, the Administration has made it clear that the special ex-gratia allowances were exceptional and would not apply to other housing and public works related clearances. In this connection, Members may wish to refer to FCR (94-95) 126 for the Administration’s submission made to the Finance Committee on clearance of Tiu Keng Leng Cottage Area on 31 March 1995.

(ii) Rights and obligations of Cottage Areas residents

7. Although some of the Cottage Area residents erected their structures according to approved plan, they do not have legal title to the land on which these structures were erected. They were first permitted to live in the areas in 1952 by the Emergency (Resettlement Areas) Regulations under the Emergency Regulations Ordinance. Under these Regulations, the Urban Council was empowered to set aside any area of Government land for resettlement of squatters (which included the remaining four Cottage Areas with self-owned structures). It was stipulated that the Urban Council might by permit authorise the erection of structures in these areas by payment of prescribed fees. The Resettlement Ordinance enacted in 1958 sought to consolidate, inter alia, the Emergency (Resettlement Areas) Regulations then in force and clearly defined the residents’ contractual right to occupy these Cottage Areas subject to, inter alia, the payment of prescribed permit fees and the adherence of the regulations enacted under the Ordinance. The Resettlement Ordinance was subsequently repealed in 1973 by the Housing

Ordinance, which empowered the Housing Authority to manage these Cottage Areas and enforce the conditions of the licences. None of the above legislation provided for compensation by way of demolition of the structures. Further, the Government has never undertaken that the residents may stay in their cottages indefinitely (as in the case of Tiu Keng Leng Cottage Area).

8. Given the above, the Cottage Area residents are in effect licensees permitted by the Housing Authority to reside on designated land by paying licence fees. Under the licence conditions, they enjoy the right to erect their structures at their own costs and are obligated to vacate their structures upon receipt of the 3-month advance Notice-To-Quit issued by the Housing Authority. These are contractual obligations clearly stated in the licence conditions which are binding on both the residents and the Housing Authority. Therefore the Administration does not consider that the right to erect their structures constitutes a ground for “compensation” or “special ex-gratia allowance” for the demolition of structures.

(iii) Rehousing arrangements

9. The Administration does recognise that Cottage Area is an early form of public housing and the overall position of Cottage Area residents is rather unique. The Administration is therefore prepared to offer relaxed re-housing arrangements for Cottage Area residents as proposed by the residents themselves. Briefly, these include –

- (a) offering public rental housing flats to eligible households without the income-cum-asset test and domestic property ownership restriction;
- (b) according first priority green form status to buy Home Ownership Scheme/Private Sector Participation Scheme/Buy-or-Rent Scheme flats with monthly mortgage subsidies;
- (c) according green form status to buy Sandwich Class Housing Scheme flats; and
- (d) according first priority green form status to apply for Home Purchase Loan Scheme.

Conclusion

10. The Administration is concerned about the living conditions of the Cottage Area residents, and therefore has undertaken to clear all the remaining five Cottage Areas by 2001 to provide a more satisfactory living environment to the resettled households. We hope the clearance programme

will proceed as scheduled. We will seek the required funding for the clearance of the four Cottage Areas from the Finance Committee at an appropriate time. If our funding proposal is not accepted, we shall be bound to hold back the clearance of four Cottage Areas. As regards Tung Tau Cottage Area, the Housing Authority will proceed with the clearance as scheduled and provide the necessary funding.

Housing Bureau
Government Secretariat
July 1999

Clearance Programme of Cottage Areas

<u>Name</u>	Estimated no. of units	Estimated no. of households	Estimated no. of persons	Date of clearance completion (tentative)
Tung Tau	222	216	872	December 1999
Fo Tan	189	135	513	June 2000
So Kon Po	179	161	612	April 2001
Mount Davis	221	184	699	April 2001
Lai Chi Kok	177	202	768	June 2001
Total	<u>988</u>	<u>898</u>	<u>3464</u>	

Clearance of Cottage Areas
Financial implications

At a unit rate of \$45,600 per cottage (at September 1998 prices), the total demolition cost of 766 units (each of approximately 30 m²) at the four Cottage Areas is estimated to be \$41.8 million, with the following breakdown-

	Unit (Nos.)	Sub-total (\$ million)	Total (\$ million)
(a) Demolition cost			34.93
• Fo Tan	189	8.62	
• Lai Chi Kok	177	8.07	
• Mt. Davis	221	10.08	
• So Kon Po	179	8.16	
(b) Contingencies (8 % on (a))			2.77
			—
			37.70
		Sub-total	(at September 98 price level)
(c) Inflation allowance			4.10
			—
		Total	41.80
			—

2. The above costs include the expenses of hiring contractors for the demolition work and 20% on-costs charged by the Housing Authority to cover site management, site security, tendering, contract documentation, project management and supervision services provided by the Housing Authority. The demolition work comprises the following items -

- (a) demolition of superstructures such as vacated Cottage Area units which contain asbestos, public latrines, pump houses, meter rooms, transformer rooms and refuse collection points;

- (b) making good the ground level such as grubbing up of footings, surface channels, drainage and foundations;
- (c) disconnection of public utilities such as fresh water and flush supply, fire services and electricity supply;
- (d) removal of resulting debris; and
- (e) fencing up of the cleared site.

3. Subject to Finance Committee's approval, we will phase the expenditure as follows-

Year	\$ million (September 1998)	Price Adjustment Factor	\$ million (Money-of- the-date)
2000-2001	9.3	1.08028	10.05
2001-2002	28.40	1.11809	31.75
	_____		_____
Total:	37.70 ====		41.80 =====