

**Bills Committee on
Landlord and Tenant (Consolidation) (Amendment) Bill 2003**

**List of follow-up actions arising from the discussion
At the meeting on 10 March 2004**

Introduction

This paper contains the URA's responses to the matters raised at the meeting of the Bills Committee held on 10 March 2004.

Ex-gratia Payments to Domestic Tenants

2. In the paper (ref: CB(1)792/03-04(01)) discussed at the meeting held on 19 January 2004, we put forward two options for an ex-gratia allowance to be paid to domestic tenants required to move out because of URA projects after enactment of the Bill. One of these options was for an allowance based on 2 x the Rateable Value (RV) of the premises. The other option was for a disruption allowance based on the incidental cost allowance paid to owners of domestic flats. Both options would have resulted in payments of about \$90,000 for tenants of a property with an RV of \$45,000 (the average for URA projects so far).

3. At the meeting on 10 March 2004, Members expressed the following views:

- (i) that the proposed options were not sufficient; and

- (ii) that the URA should have regard to undertakings given by the Administration at the time the URA Ordinance was enacted.

4. When the URA Bill was introduced into LegCo in June 2000, the Administration undertook that the amount of cash compensation payable to tenants would not be less than the statutory compensation under the Landlord and Tenant (Consolidation) Ordinance (LTO). On enactment of the current Bill, statutory compensation will no longer be payable. Also, in a letter dated 8 March 2001 to the Panel on Planning, Lands and Works, the Administration undertook to recommend to the URA, among other things, the following:

“Cash Compensation for Tenants

Affected tenants will be rehoused by the URA. Tenants who do not need rehousing may opt for cash compensation. The cash compensation offer of the URA will be determined by its Board. However, we will recommend to the URA that the cash compensation for tenants of cubicles and bunk beds should not be less favourable than that currently offered to tenants by the LDC.”

5. We have reviewed our proposals in the light of these comments and now propose the following:

- (i) Domestic tenants affected by future URA projects commencing after enactment of the Bill will be offered rehousing in estates of the Housing Authority or Housing Society or in URA owned accommodation if eligible.

- (ii) Tenants not eligible for rehousing or who are eligible but do not wish to accept rehousing will be offered ex-gratia cash payments based on 3 x RV of the premises they occupy plus an additional 0.5 x RV as an incentive if they sign an agreement to surrender the premises within 28 days of the offer. (Agreement within 28 days does not necessarily imply physical clearance within that period but payments will be made only when the premises are handed over.)
- (iii) The existing minimum payments will be maintained, i.e.
 - \$70,000 for a one-person household.
 - \$80,000 for a two-person or larger household.

6. The tenant of an average property with an RV of \$45,000 will therefore receive \$135,000 plus an additional \$22,500 if he agrees to vacate within 28 days of the offer being made; a total of \$157,500. The minimum payments will ensure that small households, especially those living in bunk beds or cubicles with low RVs, will receive the same as under current URA policy.

Tenants Required to Move Out by Landlords before Implementation of Announced URA Projects

7. After enactment of the Bill, tenants will no longer have security of tenure. A number of projects announced by the former LDC have not yet commenced. Members have expressed concern that this may

encourage private landlords to require tenants to leave before the projects commence in order to benefit from compensation policies, in particular Home Purchase Allowance.

8. Members may wish to note that the transitional arrangements now proposed by the Administration, which will require landlords with tenancies current when the Bill is enacted to give 12 months' notice from the end of the tenancy, will help to address this problem to a large extent. Landlords will not be able to recover possession, except for self-occupation, for at least a year and, in many cases, significantly longer. Therefore, tenants affected by projects commencing within that period will be protected.

9. In addition, we proposed a number of measures to guard against abuses in our earlier paper, i.e.

- Continue the policy that owners of both tenanted and vacant flats receive SA at 50% of HPA;
- Continue to apply the criteria for determining whether the owner is an owner-occupier; and
- Reserve the right, on a case by case basis, to treat properties in the announced LDC projects as tenanted if the landlord requires a tenant to leave after enactment of the Bill, and then occupies the premises himself (or moves in immediate family members) in an attempt to benefit from HPA. In such cases, the URA may pay SA (50% HPA) to the owner and offer re-housing/compensation to the former tenant provided

the tenant was not in breach of his tenancy (e.g. by not paying rent). Full HPA may also be paid if the owner can show he had a genuine need to occupy the premises himself as sole residence. In this case, no compensation would be payable to the tenant. (This is the case even under the existing LTO.)

- In cases where landlords repossess the property upon expiry of the tenancy and move in more tenants and cooperate with them to exploit tenant compensation policies (e.g. by subdividing flats or moving in relatives or acquaintances), the URA may decline to compensate the new tenants.

10. In implementing these measures, we will make reference to the surveys carried out by the LDC in 1997 to assist in identifying long term residents. We will also consult Land Registry records to determine whether landlords have other properties, which will assist in establishing whether they are genuinely living in the affected premises as owner occupiers.

11. Finally, the URA Board, will keep these arrangements under constant review and make any necessary adjustments from time to time to protect the interests of current tenants as far as possible.

Urban Renewal Authority

13 April 2004