

**ASSESSMENT OF HOME PURCHASE ALLOWANCE
RATES FOR URBAN RENEWAL AUTHORITY PROJECTS**

I. INTRODUCTION

This paper sets out the method by which Home Purchase Allowance (HPA) rates (\$ per square meter of saleable area) are assessed in Urban Renewal Authority (URA) projects.

II. THE HPA POLICY

2.1 The HPA policy approved by the Finance Committee of the Legislative Council in 2001 aims to provide ex-gratia HPA to owner-occupiers of domestic properties affected by resumption of land. HPA is defined in the “Land Resumption and Compensation in the Urban Area – Guidelines for Owners, Occupiers and Surveyors” (“the Guidelines”) published by the Lands Department (July 2003) as:

“the difference between the value of a notional replacement flat (based on a seven year old flat of a size similar to the resumed flat and in the same locality) and the open market value of the resumed flat.”

2.2 The policy also provides for payment of Supplementary Allowances at 50% and 25% of the HPA for the first and second vacant and tenanted domestic flats to their owners respectively.

2.3 The HPA rate is assessed for each resumption exercise based on a notional seven-year-old replacement flat.

2.4 When implementing its redevelopment projects, the URA follows the same policy and approach in making offers in attempt to acquire the relevant domestic properties by agreement.

III. THE URA'S ASSESSMENT METHOD

3.1 The URA calculates the HPA rate for each project basing on the seven separate valuations of a notional seven-year-old replacement flat respectively prepared by seven professional surveyor firms. The surveyors firms will have employed a specified number of qualified professional general practice surveyors with relevant working experience and will meet certain criteria in respect of supporting staff and facilities to ensure that the surveyor firms are capable of carrying out the required valuation. The list of qualified surveyor firms maintained by the URA is at Annex. The surveyor firms are instructed to conduct the valuation in accordance with the Guidelines. The surveyor firms also abide by the relevant professional practicing rules and regulations in conducting the valuations.

3.2 Hitherto, the seven surveyor firms were appointed through open tender. The HPA rate was assessed based on the weighted average of the seven valuations with the highest and lowest figures disregarded

and with greater weight given to the median valuation. Recently, in response to some requests to further enhance the transparency of appointing the seven valuation firms, the URA has launched a trial mechanism for appointing surveyor firms through ballot instead of open tender. The ballot will be witnessed by independent observers. In calculating the HPA rate, the highest and the lowest valuations will be disregarded as before and a simple arithmetic average of the remaining five valuations will be calculated to form the rate. The trial mechanism will be reviewed in the light of experience.

IV. Response to request for disclosing surveyors' report

4.1 In response to LegCo Members' request for disclosing surveyors' reports, the URA has decided to state the names of the seven surveyor firms and the seven figures used in the calculation of the HPA rate in the acquisition offers issued by the URA, starting from the acquisition offers made in March 2005. The URA believes that this system strikes a reasonable balance between the needs for credibility, transparency and expediting the acquisition process.

Urban Renewal Authority
March 2005

**Urban Renewal Authority
General Practice Surveying Consultants
(w.e.f. 31 January 2005)**

Name of Consultants
1) CB Richard Ellis Limited
2) Chesterton Petty Limited
3) CS Surveyors Limited
4) David C. Lee Surveyors Limited
5) DTZ Debenham Tie Leung Limited
6) Dudley Surveyors Limited
7) FPD Savills (Hong Kong) Limited
8) Jones Lang LaSalle Limited
9) Larry H.C. Tam & Associates Limited
10) Memfus Wong Surveyors Limited
11) Vigers Appraisal and Consulting Limited
12) AA Property Services Limited
13) AG Wilkinson & Associates
14) Albert So Surveyors Limited
15) American Appraisal China Limited
16) Colliers International (HK) Limited
17) Fotton Surveyors Limited
18) Knight Frank Hong Kong Limited
19) Lanbase Surveyors Limited
20) LandElite Surveyors Limited
21) Lawson David & Sung Surveyors (International) Limited
22) LCH (Asia-Pacific) Surveyors Limited
23) Merryshine Surveyors Limited
24) Prudential Surveyors International Limited
25) RHL Appraisal Limited
26) SH Ng & Co Limited