

January 25<sup>th</sup>, 2010

The followings are my comments on the removal of security of tenure with specifics to the URA redevelopment projects:

According to URA current policies, there are ex-gratia payments to the independent owners whose property (ies) is/are acquired by the URA and to the tenants affected by the redevelopment. Such ex-gratia is only given to the owners if and when the property is used for self or relatives of the owners. A reduced amount of ex-gratia payment is given to the owner even when the property is vacant and not used by the owners according to the subjective judgment by the URA. The ex-gratia payment is defined by the URA as any amount that is the difference between the fair market value of the property and the estimated value by the URA. Only the owners whose property is/are being used by self or relative is entitled to the ex-gratia compensation. The concept is confusing and is not fair to the owners and the tenant.

First, it is strange that the owners is only able to get a value closer to the fair market value of his/her property only when the situation fits the URA's criteria of ex-gratia payment. Why would anybody needs to use his/her property in order to get a value closer to the fair market value? Why would they not able to obtain a value that is determined by the free market?

The not so obvious reason is that once the URA has 'encircled' or label an area for a project, regular buyers would not want to buy properties in the area deemed part of the project and forfeit any rights to a future appreciation or usage of their properties. Who wants to buy a property just to find out that they are facing the URA's redevelopment soon? The same can be said for the tenants.

What the URA has been claiming is that there are tenants being introduced to the properties within the project in order to obtain the ex-gratia payment to the tenant. What the URA didn't advertise is that all or part of the ex-gratia payment is actually being 'deducted' from the compensation to the owners by 50% of the fair market value of the property. They do so by disallowing all or part of the ex-gratia payment to the owners. It is simply normal or any owner to keep their property self-used or vacant when they want to sell their property in the free market. Why are the owners being accused (in many case by the URA) that they are evicting the tenants?

Second, while legitimate tenants should be compensated fully, a set rule must be clear to both the landlord, tenants and must also be applicable to the URA. Prove of long term tenancy for more than , say 5 years should be treated differently than someone who just recently became a tenant of the property, less someone who became a sub-tenant within a year of the URA' s announcement of the redevelopment project.

The problem faced by the URA is related to the security of tenure of the tenancy. While I support removal of such against the independent owners and the original owners of the properties, I cannot support the removal of security of tenure by the URA against the legitimate tenants with long term tenancy with the original owners. After all, the URA has reduce the amount of compensation to the owners already by disallowing or reduce the ex-gratia payment to the owners as compensation and the owner did not get the fair market value from parting from their properties, a extremely unfair situation that has been generated by the odd rules of compensation by the URA. How would the government deal with poor elderly with limited income who has been living in the same properties leased from the original owners for long?

From experiences gathered from owners and tenants dealing with the URA, many subjective measures, such as setting a time for inspection when owners or tenant are in China, requiring stringent records for utilities for the subject properties within the URA project, and the appeal process which takes long are already favoring the URA and against independent owners and tenant. After all, in the compact living environment which often is shared by the occupants of the units within the URA project. Who has the foresight, time and space to keep long record that the URA requires.

I suggest setting up clear and fair rules for compensation to both tenants and landlord with a bias towards original owners and long term tenants. Such will shorten the time the URA needs to deal with the tenants and owners, not the removal of security of tenure without modification and amendment in the situation when the URA is involved.

David Lai

DC Member

Wan Chai District Council