

**For discussion
on 29 May 2018**

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

**Proposed Enhancements to the General Ex-gratia
Compensation and Rehousing Arrangements for
Government's Development Clearance Exercises**

Purpose

This paper sets out the Government's proposal to enhance the general ex-gratia compensation and rehousing (C&R) arrangements to be offered to eligible domestic occupants in squatters and business undertakings affected by Government's development clearance exercises¹.

The Enhanced Arrangements

2. When land is required to be resumed and cleared for development projects such as public works projects, apart from the provisions for statutory compensation under the relevant ordinances, the Government offers administrative ex-gratia allowances (EGAs) to affected landowners and occupiers subject to various eligibility criteria to facilitate the clearance process. Pursuant to the stated objective that no one would be rendered homeless in development clearance exercises, the Government also offers rehousing arrangements to residents affected by clearances on an ex-gratia basis according to their eligibility.

3. In line with the "people-oriented" philosophy of the current-term Government, we propose enhancements to the existing ex-gratia C&R arrangements for Government's development clearance exercises. We believe that our proposal fairly and pragmatically balances the use of public money and public housing resources as well as the expectations of the community and stakeholders. By enhancing the existing C&R arrangements, we hope to positively address the concerns raised, and to facilitate land resumption and clearance with a view to timely delivery of land for housing, commercial and other community needs.

¹ Government's development clearance exercises include clearances required for public works projects (for which relevant works departments have submitted clearance applications to the Lands Department (LandsD)), clearances related to statutory land resumption and clearances of government land to make way for Government's land disposal and other development purposes, but do not include enforcement-related clearances or emergency clearances.

4. Our proposal comprises the following key features:
- (a) replacing “project-specific” packages with a unified as well as enhanced general ex-gratia C&R package applicable to all future Government’s development clearance exercises;
 - (b) offering to eligible households non-means tested rehousing in dedicated rehousing estates (Dedicated Estates) to be built and operated by the Hong Kong Housing Society (HKHS);
 - (c) relaxing the eligibility criteria and increasing the amount of cash EGAs for eligible households residing in surveyed/licenced structures²;
 - (d) suitably extending the arrangements on non-means tested rehousing and enhanced cash EGAs to eligible households currently residing in surveyed/licenced non-domestic structures, subject to appropriate measures being taken to confine such households to a finite number; and
 - (e) relaxing the eligibility criteria of applicable EGAs for business undertakings on brownfields and in squatters.

Unified C&R Package

5. We propose to rationalise the C&R arrangements by offering a unified as well as enhanced standard general package applicable to all Government’s development clearance exercises, including clearances for Kwu Tung North and Fanling North (KTN/FLN) New Development Areas (NDAs) and Hung Shui Kiu NDA Projects for which the applicability of special packages has been announced and clearances for other projects like Wang Chau development Phase 1.

² The Government conducted in 1982 a territory-wide Squatter Control Survey (SCS) to register the location, dimension and use of squatter structures. The survey results are used as a baseline for squatter control whereby the existence of squatters covered by the 1982 SCS (i.e. “surveyed structures”) is tolerated for domestic or non-domestic use, whichever was recorded in the 1982 SCS. Moreover, the Government has issued different licences permitting erection of temporary structures on government land and private agricultural land, and these include Short Term Tenancies (STTs), Government Land Licences (GLLs), Modification of Tenancy (MOT) Permits, Short Term Waivers (STWs) and Letters of Approval (Ls of A). The structures covered by those licences issued before 1982, or those after 1 June 1982 provided that they are derived from pre-1982 licences in respect of the structures to be cleared and without substantial changes to the conditions of the pre-1982 licences are referred to as “licensed structures”. Such licensed structures are tolerated and could be for domestic or non-domestic use, whichever was stated in the relevant licences.

Enhanced Rehousing Element

6. The prevailing rehousing arrangements for domestic clearerees in squatters mainly target those who fulfil the required comprehensive means test (CMT) requirement. The rehousing needs of squatter domestic occupants rooted in a locality, irrespective of their financial means, may not be catered for. As the provision of non-means tested rehousing for domestic clearerees affected by Government's development clearance exercises was in fact the policy prevailing before the introduction of CMT for subsidised housing in 1998³, many affected domestic occupants of squatters are aggrieved by the existing arrangements, in particular the CMT requirement.

7. In order to address their genuine rehousing needs, we plan to **offer a non-means tested rehousing option for eligible households, in the form of rental and subsidised sale flat (SSF) units in Dedicated Estates to be developed and managed by HKHS**, in addition to the current means-tested rehousing option offered by the Hong Kong Housing Authority (HKHA)⁴. Having critically reviewed the prevailing eligibility criteria of C&R arrangements, the option of non-means tested rehousing will be offered to eligible households residing in surveyed/licenced structures continuously for **at least seven years** immediately preceding the date of PCS⁵ and meeting other eligibility criteria, such as the prevailing "no-domestic-property" requirements. Relevant details are set out in **Annex A**.

Enhanced EGA Element

8. Currently, only domestic occupants residing in surveyed/licenced domestic structures continuously for ten years or more immediately preceding the date of PCS are eligible for Ex-gratia Allowance for Permitted Occupiers (EGAPO). We see a case for providing certain assistance to those who are residing in those structures continuously for less than ten years immediately preceding the date of PCS and who are not eligible for rehousing (means-tested or non-means tested) or do not wish to opt for rehousing. We therefore propose to **relax the eligibility for EGAPO to cover eligible households residing in surveyed/licenced structures continuously for at least two years immediately preceding the date of PCS**. We also propose to **enhance the**

³ Before 1998, squatter clearerees may be eligible for rehousing to public rental housing (PRH) only if they fulfil, amongst others, the criteria that they must be genuine residents in a surveyed/licenced domestic structure at the time of the pre-clearance survey (PCS) and must have been covered by the 1984/85 Squatter Occupancy Survey (SOS).

⁴ The current rehousing option to HKHA's PRH is available to those having minimum two years' continuous residence in surveyed/licenced domestic structures and meeting HKHA's CMT and other requirements.

⁵ There is currently no non-means tested rehousing element under the general C&R arrangements. Under special C&R arrangements announced for KTN/FLN NDAs Project, the minimum continuous residence requirement immediately preceding the date of PCS for rehousing to subsidised rental units subject to a relaxed means test requirement and to SSF units subject to no means test requirement is ten years.

calculation of EGAPo amounts payable to eligible households. Relevant details are set out in **Annex A**.

Domestic Occupants in Surveyed/Licensed Non-domestic Structures

9. Households residing in surveyed/licenced non-domestic structures which were turned into domestic use are not eligible for rehousing and EGAPo under the prevailing general arrangement. As the prevailing Squatter Control Policy tolerates both surveyed/licenced domestic structures and surveyed/licenced non-domestic structures in general, we see a case for exercising some flexibility in catering for households currently residing in surveyed/licenced non-domestic structures, subject to appropriate measures to confine such households to a finite number.

10. To ensure that we are catering only for a finite number of eligible households who have been residing in surveyed/licenced non-domestic structures for a period of time before 10 May 2018 (i.e. the announcement date of the proposal), but not those moving into those non-domestic structures later in violation of the Squatter Control Policy, LandsD will conduct a **one-off voluntary registration exercise** on a territory-wide scale to freeze the occupation of surveyed/licenced non-domestic structures for domestic purposes. For households who have already resided continuously for at least two years in such non-domestic structures immediately before 10 May 2018 (i.e. since 10 May 2016 or before), there will be a one-year period for them to submit their registration on a voluntary basis before their eligibility for any C&R arrangements may be assessed in the event that their structures are to be cleared by the Government in a future development clearance exercise. The key principles of the one-off voluntary registration exercise are at **Annex B**. Details of the exercise will be announced by LandsD in due course.

Non-surveyed/Non-licensed Unauthorised Structures

11. We wish to reiterate that the Squatter Control Policy is to tolerate only those squatters covered in the 1982 SCS or licenced, provided those surveyed/licenced squatters are not in breach of the registered records/conditions. As such, we remain of the view that households residing in **totally unauthorised structures** (i.e. other than those tolerated by virtue of the 1982 SCS/licence status) **should not be eligible** for the enhanced C&R package, except for a modest amount of Domestic Removal Allowance (DRA) for which we propose to extend the eligibility criteria and enhance the basis of assessment. Further details are set out at **Annex A**.

Business Undertakings

12. We have also taken the opportunity to review the EGA arrangements for business undertakings, including the prevailing one endorsed by the Finance Committee (FC) on 6 December 2013 as well as the proposed enhancement announced by the Government on 11 April 2017 (but subject to FC's approval). We consider that there is room to **relax the eligibility threshold** by shortening the minimum continuous operational period requirement of eligible open-air/outdoor business undertakings (i.e. those not operating from surveyed/licenced structures) from ten to seven years immediately preceding the date of PCS. We have also proposed to exercise flexibility in dealing with business undertakings operating from surveyed/licenced structures. For details, please see **Annex A**. Such fine-tuning would better cater for the genuine needs of business undertakings without compromising the basic principles and policies underpinning the EGA arrangements.

Financial Implications

13. The recommendations concerning EGAs would be subject to FC's approval. The number of domestic occupants of squatters and business undertakings affected by Government's development clearance exercises, as well as the types of structures in which households reside and from which business undertakings operate, varies amongst projects and cannot be ascertained until after completion of a PCS⁶. Also, the relevant information in relation to assessment of eligibility for C&R arrangements for households and business undertakings, such as the length of residence and occupation by households and business undertakings respectively, and the exact status of structures in which households reside and from which business undertakings operate, cannot be ascertained until after completion of detailed eligibility screening. It is therefore not possible to provide an accurate quantitative assessment of the financial implications of the proposal at this stage. As a broad brush estimate, the additional financial implication arising from the enhancement proposal for those EGAs payable to domestic households in squatters is estimated to be in the order of \$240 million, over the estimated expenditure of some \$320 million if the arrangements are to remain unchanged.

⁶ The conduct of a PCS before commencement of land resumption and clearance is a standard process in Government's planning for all development projects requiring land resumption and clearance. Its purpose is to capture the current occupation and status of existing structures within the development areas. The information obtained will serve as a basis for assessment of eligibility for rehousing and/or EGAs, where applicable, in the event that any structures and occupiers therein are required to be cleared by the Government in future for the proposed developments.

Way Forward

14. Subject to Members' views, we intend to make a submission to FC to seek approval of the parts of the proposal involving EGAs. The parts of the proposal involving rehousing will be implemented through land grant to HKHS and with the support of HKHS and HKHA. Subject to FC's approval of the parts of the proposal involving EGAs, our intention is to apply the proposed enhancements to EGAs and rehousing at the same time as a package for all eligible domestic occupants in squatters who have not yet received Government's EGAs or rehousing as of 10 May 2018 in respect of all on-going and future land resumption and clearance⁷; and to apply the proposed enhancements to EGAs to all eligible business undertakings on brownfields which have not yet received Government's compensation or EGAs as of 11 April 2017 and all business undertakings operating from eligible surveyed/licenced structures which have not yet received Government's EGAs as of 10 May 2018 in respect of all on-going and future land resumption and clearance.

**Development Bureau
Lands Department
May 2018**

⁷ "On-going exercises" refer to those for which the project departments have submitted clearance application to LandsD and the land clearances have not yet been completed.

Details of the Proposal

General Ex-gratia Compensation and Rehousing (C&R) Arrangements for Clearees affected by Government's Development Clearance Exercises

We propose the following enhancements to the general ex-gratia C&R arrangements –

Rehousing for Domestic Occupants in Squatters

- (a) **in addition to** the current means-tested rehousing option offered by the Hong Kong Housing Authority (HKHA)¹, **offering non-means tested rehousing** as an option to eligible households to be cleared in Government's development clearance exercises, in the form of **rental and subsidised sale flat (SSF) units** in dedicated rehousing estates (Dedicated Estates) to be built and operated by the Hong Kong Housing Society (HKHS);
- (b) **extending the eligibility for non-means tested rehousing** in (a) above to cover domestic occupants of both surveyed/licenced domestic **and non-domestic structures**² affected by Government's development clearance exercises, subject to them meeting the prescribed eligibility criteria such as –

¹ The current rehousing option to HKHA's public rental housing (PRH) is available to those having minimum two years' continuous residence in surveyed/licenced domestic structures and meeting HKHA's comprehensive means test (CMT) and other requirements.

² The Government conducted in 1982 a territory-wide Squatter Control Survey (SCS) to register the location, dimension and use of squatter structures. The survey results are used as a baseline for squatter control whereby the existence of squatters covered by the 1982 SCS (i.e. "surveyed structures") is tolerated for domestic or non-domestic use, whichever was recorded in the 1982 SCS. Moreover, the Government has issued different licences permitting erection of temporary structures on Government land and private agricultural land, and these include Short Term Tenancies (STTs), Government Land Licences (GLLs), Modification of Tenancy (MOT) Permits, Short Term Waivers (STWs) and Letters of Approval (Ls of A). The structures covered by those licences issued before 1982, or those after 1 June 1982 provided that they are derived from pre-1982 licences in respect of the structures to be cleared and without substantial changes to the conditions of the pre-1982 licences are referred to as "licensed structures". Such licensed structures are tolerated and could be for domestic or non-domestic use, whichever was stated in the relevant licences.

- (i) **at least seven years'** continuous residence immediately preceding the date of Pre-clearance Survey (PCS), which has been **shortened from ten years**³;
 - (ii) registering in and fulfilling the requisite requirements of the one-off voluntary registration exercise for domestic occupants in surveyed/licenced non-domestic structures;
 - (iii) the prevailing “no-domestic-property” requirement⁴; and
 - (iv) other eligibility criteria set by HKHS⁵;
- (c) making use of vacant units of HKHS’s rental and HKHA’s PRH estates to provide **transitional arrangements** to eligible households opting for the rehousing proposal in (a) above before HKHS’s Dedicated Estates are ready for population intake (estimated to be in around 2023/2024 for the Dedicated Estate at Pak Wo Road, Fanling and at Hung Shui Kiu (HSK) NDA at the earliest). Concerned households would be given the option (instead of being mandated) to relocate to the Dedicated Estates when they are ready for population intake;

Ex-gratia Allowance for Permitted Occupiers (EGAPO) for Domestic Occupants in Squatters

- (d) **shortening the minimum continuous residence requirement for EGAPO from ten to two years** immediately preceding the date of PCS;

³ There is currently no non-means tested rehousing element under the general C&R arrangements. Under special C&R arrangements announced for Kwu Tung North and Fanling North (KTN/FLN) New Development Areas (NDAs) Project, the minimum continuous residence requirement immediately preceding the date of PCS for rehousing to subsidised rental units subject to a relaxed means test requirement and to SSF units subject to no means test requirement is ten years.

⁴ Under the prevailing “no-domestic-property” requirement, during the period from the date of PCS applicable to the affected structure up to the date of granting rehousing, the applicant and his/her family member(s) listed in the application form should not own or co-own or have an interest in any domestic property in Hong Kong; or have entered into an agreement (including provisional agreement) to purchase any domestic property in Hong Kong; or hold more than 50% of shares in a company which owns, directly or through its subsidiaries, any domestic property in Hong Kong; or be enjoying any form of subsidised housing or related benefits, or subject to debarment as a result of previous enjoyment of subsidised housing or related benefits.

⁵ HKHS also has in place some other eligibility criteria, for example, the applicant and his/her family member(s) must be permanently residing in Hong Kong, and the applicant and all family members included in the application must not be / have been an owner of any property purchased under any of the home purchase assistance schemes operated by HKHA or HKHS.

- (e) **enhancing** the calculation of EGAPo amounts⁶ payable to eligible households by (see **Appendix**) –
- (i) removing the existing \$600,000 cap on the amount of EGAPo payable and introducing a size cap at 100 square metres for the calculation of EGAPo amount payable in relation to the size of the eligible structure;
 - (ii) introducing a size floor of 10 square metres for the calculation of EGAPo amount payable in relation to the size of the eligible structure attributable to each household, i.e. if a household occupies only one structure and the structure is of size less than 10 square metres, it will be counted as 10 square metres; however, if a household occupies multiple structures, the total size attributable to the household will be counted unless the total is still less than 10 square metres in which case the total will be counted as 10 square metres; and
 - (iii) revising the banding system for assessing the quantum of EGAPo payable to eligible clearerees in terms of different proportions to the full EGAPo rate having regard to their length of continuous occupation;
- (f) providing a **reduced EGAPo** to eligible households who will purchase SSF units in Dedicated Estates in (a) above for the purpose of assisting their home purchase;
- (g) **extending the eligibility** for EGAPo to cover also domestic occupants of surveyed/licenced **non-domestic structures** affected by Government's development clearance exercises, in addition to domestic occupants of surveyed/licenced domestic structures who are already covered, subject to them registering in and fulfilling the requisite requirements of the one-off voluntary registration exercise

⁶ There are three different EGAPo basic rates depending on the location of eligible structures, including Urban, Extended Urban and New Territories. The current basic rates for the three locations are at \$18,216, \$13,680 and \$12,096 per square metre respectively. As there is currently no EGAPo amount floor, the minimum EGAPo amount in the New Territories would be \$48,384 (\$12,096 x 10 square metres x 40%) if using households residing in eligible structures with size of 10 square metres or more as an example and calculating using the basic rate in the New Territories (i.e. \$12,096), with adjustment by residence length (i.e. households with residence length between 10 and 15 years may receive 40% of the basic rate). The maximum EGAPo amount cap is \$600,000. Under the proposed enhancement measures, there is an EGAPo amount floor whereby the eligible area of structures resided by households is still counted as 10 square metres even if it is less than 10 square metres. Hence, the minimum EGAPo amount in the New Territories is \$60,480 (\$12,096 x 10 square metres x 50%) after adjustment by residence length (i.e. households with residence length between 2 and 6 years may receive 50% of the basic rate). Under the proposed enhancement measures, there is a size cap of 100 square metres for EGAPo amount, so the maximum EGAPo amount in the New Territories is \$1,209,600 (\$12,096 x 100 square metres x 100%).

for domestic occupants in surveyed/licenced non-domestic structures and meeting the prescribed eligibility criteria such as (d) above and the prevailing “no-domestic-property” requirement⁷;

Domestic Removal Allowance (DRA) for Domestic Occupants in Squatters

- (h) **enhancing** the calculation of DRA amounts⁸ payable to eligible households by –
 - (i) introducing a new element of “rental for the period required for fitting-out (one-month rental)” into the existing methodology of calculating DRA amount; and
 - (ii) rounding up the DRA amounts so computed under the revised methodology to the nearest \$10; and
- (i) **relaxing the eligibility** for DRA to cover **all households covered by PCS and cleared by Government** (i.e. the prevailing “no-domestic-property” requirement will no longer be applicable and households residing in totally unauthorised structures (i.e. other than those tolerated by virtue of the 1982 SCS/licence status) will also be eligible);

Ex-gratia Allowances (EGAs) for Business Undertakings

- (j) **relaxing the eligibility** for EGAs by –
 - (i) shortening the minimum continuous operational period under the extended EGA arrangement for business undertakings announced on 11 April 2017 from ten to seven years immediately preceding the date of PCS;

⁷ Under the prevailing “no-domestic-property” requirement, during the period from the date of PCS applicable to the affected structure up to the date of granting EGAPO, the applicant and his/her family member(s) listed in the application form should not own or co-own or have an interest in any domestic property in Hong Kong; or have entered into an agreement (including provisional agreement) to purchase any domestic property in Hong Kong; or hold more than 50% of shares in a company which owns, directly or through its subsidiaries, any domestic property in Hong Kong; or be enjoying any form of subsidised housing or related benefits, or subject to debarment as a result of previous enjoyment of subsidised housing or related benefits.

⁸ The current DRA rates for one-person households, two-to-three-person households, four-to-five-person households and six-or-more-person households are \$5,365, \$12,005, \$15,756 and \$20,251 respectively. The DRA rates (at the prevailing level) upon implementation of the enhancement measures for one-person households, two-to-three-person households, four-to-five-person households and six-or-more-person households will be \$9,410, \$16,050, \$22,110 and \$28,840 respectively.

- (ii) covering business undertakings operating from a surveyed/licenced domestic structure converted for non-domestic uses generally covered in the 1982 SCS for the current EGA arrangement for business undertakings endorsed by the Finance Committee (FC) on 6 December 2013, subject to no C&R claims for domestic occupants being made in respect of those structures; and
- (iii) covering business undertakings operating from a surveyed/licenced non-domestic structure of a specified use (e.g. godowns) changed to other non-domestic uses (e.g. workshops) on a limited basis for the current EGA arrangement for business undertakings endorsed by FC on 6 December 2013, subject to no C&R claims for domestic occupants being made in respect of those structures.

Residual Elements for Special C&R Arrangements already Announced

2. The proposed enhancements of the general C&R arrangements are generally more favourable than the announced special C&R arrangements for KTN/FLN NDAs and HSK NDA Projects. In the spirit of not differentiating C&R packages for different projects upon introduction of the unified as well as enhanced general C&R package, we have reviewed the necessity of the special C&R arrangements for KTN/FLN NDAs and HSK NDA Projects that have already been announced.

3. **The announced Special Ex-gratia Cash Allowance (SEGCA) offer at a maximum level of \$600,000 will be retained**, as it is possible that the SEGCA amount which individual households are entitled to receive may be higher than the enhanced EGAPo amount. In other words, eligible households in KTN/FLN NDAs and HSK NDA Projects have the choice to opt for either SEGCA or enhanced EGAPo. Separately, **the announced Special Rehousing Scheme (including the one-off bridging allowance arrangement and reduced SEGCA offer) will be dropped by aligning with the enhanced general rehousing arrangement** referred to in paragraph 1(a)-(c) above.

C&R Arrangements for Clearees affected by In-situ Land Exchange under Enhanced Conventional New Town (CNT) Approach

4. Currently, as a safeguard measure for clearees under enhanced CNT approach, applicants for in-situ land exchange are required to provide their occupants with comparable monetary compensation (excluding any

means-tested rehousing entitlements which could only be provided by HKHA and which may still be offered to the occupants if they choose to apply for HKHA's PRH units as normal PRH applicants) so that vacant possession can be delivered. With the proposed enhancements to the general C&R arrangements (in particular on the rehousing front) as detailed in paragraph 1 above, we propose that appropriate criteria be set to require applicants for in-situ land exchange under the enhanced CNT approach for the remaining phases of KTN/FLN NDAs and HSK NDA Projects to provide comparable rehousing arrangements as well (e.g. accommodation charged at the rental level for a non-means tested rental unit), or cash-equivalent of rehousing element as agreed between the land exchange applicant and clearerees meeting similar eligibility criteria.

Implementation Details of Non-means Tested Rehousing

Dedicated Estates

5. In offering non-means tested rehousing, we will engage HKHS to build and operate Dedicated Estates, which would serve eligible domestic clearerees from the same or different development clearances (depending on the take-up rates), and together the Dedicated Estates would provide the choices of rental and SSF units.

6. To ensure fairness, eligible households opting for rental units at the Dedicated Estates would be subject to the prevailing HKHS's rental estate management policies (including the new Well-off Tenants Policy which HKHS is planning to introduce from 1 September 2018 onwards⁹). For those opting for rental units, rent at HKHS's prevailing Group B standard¹⁰ would be chargeable for rental units at Dedicated Estates. For SSF units, the same alienation restrictions applicable to HKHS's normal SSFs would apply.

⁹ According to HKHS's Well-off Tenants Policy announced in January 2018, new tenants of HKHS's Group A and Group B rental estates and households transferring tenancy to a family member other than his/her spouse are required to declare their family income and asset after residing in the estate for ten years and on biennial basis afterwards. In case of changes in family circumstances, including take-over of tenancy or addition of family member aged 18 or above in the tenancy, the tenants are required to make declaration biennially, irrespective of their length of residence. Households whose family income exceeds 5 times the respective Group A/B waiting list income limits, whose total family net assets exceed 100 times the respective Group A/B waiting list income limits, or those who own any domestic property in Hong Kong, are required to vacate their rental units. Separately, households whose family income exceeds 2 times and not more than 3 times the respective Group A/B waiting list income limits are required to pay 1.5 times rent; and those whose family income exceeds 3 times and not more than 5 times the respective Group A/B waiting list income limits are required to pay double rent.

¹⁰ According to HKHS, the rental level for HKHS's Group B rental estates is about 50% of the market rent. For example, the rent for a four-person household residing in a HKHS's Group B rental unit is about \$4,150 (as at April 2018).

One-off Transitional Arrangements before Completion of the Dedicated Estates

7. On present assessment, the earliest population intake of the Dedicated Estates at Pak Wo Road, Fanling and HSK NDA will be around 2023/2024. Hence, there is an imminent need to provide transitional units to accommodate eligible households opting for non-means tested rehousing and to be cleared between now and around 2023/2024 when the Dedicated Estates are ready for population intake.

8. As a one-off transitional arrangement, the existing stock of vacant units in HKHS's rental estates will first be made available to eligible households. Where HKHS's vacant rental units are not able to meet the needs of households eligible for non-means tested rehousing during the transitional period, HKHA would identify vacant PRH units in existing PRH estates or new PRH estates under construction but due for completion between now and around 2023/2024 (when the Dedicated Estates are ready for population intake) and make them available to eligible households.

9. Eligible households would be given the option (instead of being mandated) to relocate (for a second time) to the Dedicated Estates (where both rental and SSF units are available) when they are ready for population intake in around 2023/2024. Those opting to relocate to the Dedicated Estates when they are ready for population intake in around 2023/2024 will be provided DRA once again. Similar to those opting to relocate to rental units at the Dedicated Estates, those opting to stay put in HKHA's PRH or HKHS's rental units would be subject to the prevailing HKHA/HKHS's policies on well-off tenants.

Reduced EGAPo for assisting Home Purchase

10. For eligible households who will purchase SSF units at Dedicated Estates, to assist their home purchase, we propose offering them a reduced amount of EGAPo at 83% of the EGAPo amount to which they would have been entitled had they not opted for purchasing SSF units at Dedicated Estates. This is in line with the arrangements under the special C&R packages for the Hong Kong Section of the Guangzhou – Shenzhen – Hong Kong Express Rail Link (XRL), KTN/FLN NDAs and HSK NDA Projects¹¹.

¹¹ Under the special C&R package for XRL Project, eligible households are offered either an Ex-gratia Cash Allowance (EGCA) of \$600,000 at maximum ("EGCA-only option"), or an EGCA of \$500,000 at maximum plus the opportunity to purchase a surplus Home Ownership Scheme (HOS) flat without being subject to CMT ("EGCA-HOS option"). Under the special C&R packages of KTN/FLN NDAs Project and HSK NDA Project, an option similar to the EGCA-HOS option under XRL project was announced for eligible households who may have the opportunity to purchase SSF units at a dedicated en-bloc local rehousing estate without being subject to CMT.

**Computation of the Amount for
Ex-gratia Allowance for Permitted Occupiers (EGAPO)**

EGAPO is assessed having regard to **72-month rental value** for comparable but lawful structures of the **same size** in the same area. The approved basis for calculating EGAPO rates is as follows –

- (a) the whole of Hong Kong is divided into three broad regions – Urban, Extended Urban and the New Territories for the purpose of calculating the applicable EGAPO rates (current basic rates are \$18,216, \$13,680 and \$12,096 per square metre respectively);
- (b) the EGAPO rates are determined by reference to the latest rental data available to the Rating and Valuation Department (RVD) on the average unit rental of village type houses and/or tenement buildings; and
- (c) the EGAPO rates would be updated every six months in accordance with (b) above.

2. Under the prevailing arrangement, the EGAPO amount received by households will be apportioned according to the length of continuous occupation for domestic use (see table below) and subject to a cap of \$600,000.

Banding	Types of Households in Surveyed/Licensed Domestic Structures	Proportion of Full EGAPO Rate
Band 1	Occupation covered by the 1984/85 Squatter Occupancy Survey (SOS), or permitted occupiers of licensed domestic structures	Full EGAPO rate
Band 2	Occupation of 26 years or more before Pre-clearance Survey (PCS), but not covered by the 1984/85 SOS	85% EGAPO rate
Band 3	Occupation between 21 and 25 years before PCS	70% EGAPO rate
Band 4	Occupation between 16 and 20 years before PCS	55% EGAPO rate
Band 5	Occupation between 10 and 15 years before PCS	40% EGAPO rate

3. Under the enhancement measures, the banding system for assessing the quantum of EGAPO payable to eligible clearerees in terms of different proportions to the full EGAPO rate having regard to their length of continuous occupation will be revised as follows –

Banding	Types of Households in Surveyed/Licensed Domestic or Non-domestic Structures	Proportion of Full EGAPO Rate
Band 1	Occupation covered by the 1984/85 SOS, or permitted occupiers of licensed domestic structures	Full EGAPO rate
Band 2 ⁽¹⁾	Occupation of 31 years or more before PCS, but not covered by the 1984/85 SOS	Full EGAPO rate
Band 3 ⁽¹⁾	Occupation between 26 and 30 years before PCS	90% EGAPO rate
Band 4	Occupation between 21 and 25 years before PCS	80% EGAPO rate
Band 5	Occupation between 16 and 20 years before PCS	70% EGAPO rate
Band 6	Occupation between 7 and 15 years before PCS ⁽²⁾	60% EGAPO rate
Band 7	Occupation between 2 and 6 years before PCS ⁽²⁾	50% EGAPO rate

Note:

- (1) Households with occupation of 26 years or more before PCS but not covered by 1984/85 SOS are now further separated into two bands.
- (2) Households with occupation between 2 and 9 years before PCS are not eligible for EGAPO under the current arrangement.

4. Before the proposed enhancement, the prevailing EGAPO amount in the New Territories ranges from a minimum of \$48,384 to a maximum of \$600,000, being the cap, by using households residing in eligible structures with size of 10 square metres or more as an example. Under the proposed enhancement measures, the range will be increased from a minimum of \$60,480 to a maximum of \$1,209,600.

**One-off Voluntary Registration Exercise for
Domestic Occupants of Surveyed/Licensed Non-domestic Structures**

To complement the revised general ex-gratia compensation and rehousing (C&R) arrangements for domestic occupants residing in surveyed/licenced non-domestic structures, the Lands Department (LandsD) will conduct a one-off voluntary registration exercise with a view to freezing the occupation of surveyed/licenced non-domestic structures for domestic purposes and discouraging people from moving into those non-domestic structures after 10 May 2018 (i.e. the announcement date of the proposal). Only those satisfying the requisite registration requirements will be eligible for C&R arrangements in the future Government's development clearance exercises.

2. Subject to further implementation details to be announced by LandsD separately, the key principles of the voluntary registration exercise include –

- (a) Domestic occupants must have been residing in a surveyed/licenced non-domestic structure continuously for a minimum of two years immediately preceding the announcement made on 10 May 2018 (i.e. since 10 May 2016 or before), and provide the relevant proof, including a statutory declaration, upon request;
- (b) The territory-wide voluntary registration period will be one year, during which eligible domestic occupants of surveyed/licenced non-domestic structures may submit their registration application on a voluntary basis¹;
- (c) Information registered will be kept for future assessment of eligibility under the general C&R arrangements in the event that the area is required to be cleared for development purpose as well as for any necessary investigation and enforcement action under the Squatter Control Policy as appropriate; and

¹ While further implementation details will be announced by LandsD, we are considering the possibility, in the spirit of being as facilitative as possible, that if development clearances and rehousing will be arranged prior to the expiry of the one-year registration period, households already covered by a Pre-clearance Survey but yet to receive C&R arrangements will be considered to have been registered and need not submit any registration application.

- (d) LandsD may conduct checking at any time or on receipt of complaints against changes of domestic occupants residing in surveyed/licenced non-domestic structures, or other breaches under the prevailing Squatter Control Policy.

3. The occupation of surveyed/licenced non-domestic structures for domestic purposes remains a breach of the current Squatter Control Policy. However, for domestic occupants of surveyed/licenced non-domestic structures who have submitted registration, enforcement would not normally be taken on the ground of such a breach on use, provided that there is no change in domestic occupants and there are no other breaches against the prevailing Squatter Control Policy.