

WHO UNDERTAKES REDEVELOPMENT PROJECTS? I. WHO UNDERTAKES REDEVELOPMENT PROJECTS? In a large-scale property redevelopment, the following entities are usually the only parties that acquire land for redevelopment: the Urban Renewal Authority (URA), or property developers. If the URA or property developers want to redevelop an area, they first consider acquiring the land by private agreement with the existing owners. If they cannot acquire the entire interest in the land, they may acquire the rest through land resumption or compulsory sale. The URA undertakes land resumption under the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong) and the Lands Resumption Ordinance (Cap. 124 of the Laws of Hong Kong). Property developers can apply for a compulsory sale order for all interest in the land under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545 of the Laws of Hong Kong) for the purpose of redevelopment.

URBAN RENEWAL AUTHORITY II. URBAN RENEWAL AUTHORITY The URA was established under the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong) in May 2001 to replace the Land Development Corporation as the statutory body to undertake, encourage, promote and facilitate the regeneration of the older urban areas of Hong Kong.

LAND RESUMPTION III. LAND RESUMPTION Once the development project or development scheme is launched, the URA has to repossess the land for redevelopment. The URA first considers acquiring properties in redevelopment areas through private negotiation. If the URA fails to acquire land by private agreement for whatever reasons, such as title problems, probate cases or untraceable owners, the URA will make a request to the Government for resumption of the land pursuant to the Lands Resumption Ordinance (Cap. 124 of the Laws of Hong Kong).

INTIMIDATION TACTICS FACED BY PROPERTY OWNERS IV. INTIMIDATION TACTICS FACED BY PROPERTY OWNERS There are sometimes news reports on intimidation tactics applied to minority property owners who refuse to sell their properties for redevelopment. The intimidation acts may include: excessive telephone calls; shouting outside the properties; cutting off electricity and water supply; using glue to block the key hole; or using a chain lock to lock the door gate. If property owners face these acts of intimidation, they should immediately report them to the police, as they may be criminal offences. Property owners can also consult lawyers and apply for an injunction if necessary to avoid further intimidation and harassment.

ASSISTANCE V. ASSISTANCE Elderly minority owners may seek assistance from the Senior Citizen Home Safety Association (SCHSA). It provides (1) telephone and online enquiry services, (2) community education, and (3) case consultation services to elderly owners.

Telephone and online enquiry services The SCHSA provides information, including the application and procedure for compulsory sale, the rights of minority owners, the application and appeal procedure with the Lands Tribunal, reference prices of properties, and reserve prices of past compulsory sale cases. For information, call 2345-5265 or visit the SCHSA website.

Community education The SCHSA organizes talks, workshops and outreach programmes in elderly centers, as well as providing information leaflets on compulsory sale to the public.

Case consultation services The SCHSA provides consultation services including: explaining to elderly owners the general practice of property acquisition and the process of compulsory sale under the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545 of the Laws of Hong Kong); free-of-charge checks for elderly owners to see whether their properties fall within the class of land lot under which the 80% application threshold for compulsory sale applies; referral of elderly owners to other social services agencies if relocation is required; and referral of elderly owners to professionals such as surveyors for advice and assistance.

URA-IMPLEMENTED REDEVELOPMENT PROJECTS A. URA-IMPLEMENTED REDEVELOPMENT PROJECTS Under the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong), the URA may implement a project by way of a development project or a development scheme.

Development project If, in accordance with the Town Planning Ordinance (Cap. 131 of the Laws of Hong Kong), amendment of the land use indicated in the Outline Zoning Plan (OZP) is not required, the URA can implement the project as a "development project".

Development scheme If the project area is sizable and an amendment to the land use zoning indicated in the OZP is required, the URA can implement the project by means of a "development scheme". Since the OZP has to be amended, the URA has to submit a draft plan to the Town Planning Board. After a hearing, the URA considers their presentations and comments

received in respect of the draft plan, and submits a draft plan or amended draft plan to the Chief Executive in Council for approval.

B. PUBLICATION OF DEVELOPMENT PROJECTS AND DEVELOPMENT SCHEMES

B. PUBLICATION OF DEVELOPMENT PROJECTS AND DEVELOPMENT SCHEMES Upon the implementation of a URA initiated or "demand-led" project, the URA must publish in each issue of the Gazette within two months, and once a week during the publication period in a Chinese language and an English language local newspaper, a notice of the commencement date of the implementation of the project, together with a summary of the project information (a description of the general nature and effects of the project), and the times and places where information on the project will be exhibited and available for public inspection.

C. OBJECTIONS AND APPEALS

C. OBJECTIONS AND APPEALS Development project The commencement date of the development project is published in the Gazette, and information on the development project is made available for public inspection for a period of two months (the publication period). Within the publication period, any person who considers that he will be affected by the development project may send to the URA a written statement of his objections to the project. The URA then submits the project, the URA's deliberation on the objection, the objections which have not been withdrawn, and an assessment to the Secretary for Development for consideration no later than three months after the expiration of the publication period. The Secretary for Development then considers the development project and any objections which have not been withdrawn, and can decide to: (1) authorize the URA to proceed with the development project without any amendment; (2) make an amendment to the development project to meet an objection; or (3) decline to authorize the development project. If the Secretary for Development authorizes the URA to proceed with a development project, he orders the URA to publish in the Gazette a notice of authorisation of the project, together with a summary of the description of the general nature and effects of the project, and a plan delineating the boundaries of the project. If the Secretary for Development makes an amendment to a development project to meet an objection, he orders the URA to publish in the Gazette notice of the amendment to the development project. If the amendment appears to the Secretary for Development to affect any land other than that of the objector, the Secretary for Development serves notice in writing of the amendment on the owner of the other land, or gives notice by advertisement or other means he deems desirable and practicable to inform the owner of the other land of the amendment. If the owner of the other land wishes to object to the amendment made by the Secretary for Development, he must send to the Secretary for Development a written statement of that objection within 14 days in the case of an owner of the land included in the original development project; or two months in the case of an owner of the land affected by an amendment made by the Secretary for Development which was not included in the original development project. If the Secretary for Development declines to authorise a development project, he orders the URA to publish in the Gazette a notice of withdrawal of the project, and he gives written notice of that decision to the owner of the land, or gives notice by advertisement or other means the URA deems desirable and practicable to inform the owner of the land of the decision. An aggrieved objector to the decision of the Secretary for Development can appeal to an independent Appeal Board. The Appeal Board Panel may confirm, reverse or change the appealed decision of the Secretary for Development.

Development schemes Objections will be considered under the Town Planning Ordinance (TPO). Objections can be made to the Town Planning Board (TPB) when the TPB publishes in the Gazette notice of the URA development scheme. The TPB will then consider the related objections. For details, please refer to Town Planning Board Guidelines No. 29A.

D. ACQUISITION PRICE

D. ACQUISITION PRICE The URA will offer an owner-occupier of domestic property the market value (valued on a vacant-possession basis) of his property plus an ex-gratia allowance, namely Home Purchase Allowance ("HPA"), for the purchase of the property. The HPA is the difference between the market value of the property being acquired and the value of a notional replacement flat, which is a seven-year-old flat of similar size and in a similar locality to the property being acquired, and located on a middle floor with average orientation. An owner who leaves his property vacant will be offered the market value (valued on vacant possession basis) of his property plus a Supplementary Allowance ("SA") instead of the HPA. The SA is a percentage of the HPA. If

an owner does not reside in his property as his sole residence, the occupancy status of his property will be treated as being vacant.

E. FREEZING SURVEY The occupation status of the property at the date of the freezing survey is used by the URA to determine whether the owner is entitled to a HPA or SA, so the URA conducts a freezing survey on the date on which a project commences. Any change in the occupation status of the property after the freezing survey does not affect the amount of allowance payable to the owner. Hence, even if the owner evicts the tenants from the property between the time of the freezing survey and the time of the completion of property acquisition by the URA and becomes an owner-occupier, he will not receive a higher allowance.

F. FLAT-FOR-FLAT SCHEME The Flat-for-Flat Scheme (FFF), which commenced after the promulgation of the new Urban Renewal Strategy on 24 February 2011, is applicable to owners affected by the URA's redevelopment projects. Domestic owner-occupiers affected by the URA's redevelopment projects may opt for the FFF in lieu of cash compensation. Domestic owner-occupiers who opt for the FFF must first accept the amount of cash compensation calculated on the basis of the value of a notional seven-year-old replacement flat. They could then have a choice of 'in-situ' flats situated in the lowest five to eight floors in the future new development or flats in an FFF Scheme to be developed by the URA on a site at Kai Tak. The unit prices for new flats are fixed at the time of the acquisition offer.

G. DEMAND-LED REDEVELOPMENT PROJECT (PILOT SCHEME) The Urban Renewal Strategy, which was promulgated on 24th February 2011, provides that the URA may respond to a joint approach from building owners to initiate redevelopment of their lot(s) or building(s). The URA has therefore introduced an owner-initiated, demand-led redevelopment scheme to facilitate urban renewal.

H. FACILITATING SERVICES (PILOT SCHEME) The Urban Renewal Strategy, which was promulgated in February 2011, states that the URA may provide assistance to owners as a consultant to help them assemble titles for commencing owner-initiated redevelopment. The URA has set up its wholly-owned subsidiary, Urban Redevelopment Facilitating Services Co. Ltd. ("URFS"), to implement the relevant pilot scheme (Facilitating Services (Pilot Scheme)).

A. APPLICATION FOR LAND RESUMPTION Under the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong), the URA may apply to the Secretary for Development requesting that he recommend to the Chief Executive in Council the resumption of land required for urban renewal. If the Chief Executive in Council decides that the resumption is required for a public purpose, the Chief Executive may order the resumption.

B. NOTICE OF APPROVAL OF LAND RESUMPTION If the Chief Executive approves the URA's resumption application, a Government Notice must be published in the Gazette. Copies of the Government Notice must also be affixed in the redevelopment area and sent to the registered owners of the property, where possible.

C. REVERSION OF OWNERSHIP TO THE GOVERNMENT Under normal circumstances, the ownership of the properties will revert to the Government three months after the notice is published. If there is an urgency to acquire the properties, a shorter period may be given. Upon the date of reversion, all legal rights and interests of the owners no longer exist. Henceforth, the former owners are not entitled to collect rents or fees of any kind from their tenants or the occupants.

D. COMPENSATION Persons affected by land resumption will, subject to eligibility, be offered statutory compensation and an ex-gratia allowance. Eligible persons include the former owner or persons having an interest in the land, such as the tenant. Statutory compensation Legal owners are entitled to the open market value of the resumed properties, assessed on a vacant possession basis or tenancy basis, as appropriate, on the date of reversion. Ex-gratia allowance Owner-occupiers may also receive an ex-gratia allowance, namely the Home Purchase Allowance (HPA). The amount of HPA payable to individual owners is 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.

E. LANDS TRIBUNAL REFERRAL AND APPEAL MECHANISMS IN RESPECT OF PAYMENT OF THE HPA Statutory compensation In the event that an agreement as to the

amount of statutory compensation (if any) cannot be reached between the claimant and the Government, either party may submit a claim to the Lands Tribunal for a determination of the amount of the compensation. The figure awarded is then binding on both the claimant and the Government. Any previous offer from the HPA will be withdrawn upon referral of the case to the Lands Tribunal. Ex-gratia allowance

An owner who considers himself aggrieved by the decision of the Director of Lands in respect of the payment of the HPA (on contentious issues regarding the eligibility for the HPA, the calculation of floor area for payment of the HPA, or other related matters) can, within 60 days of the decision, submit an appeal in writing to the Appeals Committee. The Appeals Committee, after a hearing and investigation, then makes a determination on the decision of the Director of Lands, if necessary. If the Director of Lands does not accept the determination, the case then goes to the Secretary for Development who reviews the case and makes a final decision on it. Appeals on the unit rate (i.e. dollars per square metre) of the notional replacement flats are considered by the Director of Lands. Legal owners are required to submit an appeal in writing within two months from the date of an offer of compensation.

1. WHEN DOES THE GOVERNMENT MAKE AN OFFER OF COMPENSATION OR INVITE CLAIMS FOR COMPENSATION?

1. WHEN DOES THE GOVERNMENT MAKE AN OFFER OF COMPENSATION OR INVITE CLAIMS FOR COMPENSATION? The Government will make an offer of compensation in respect of the resumption to the former owner and to any person having an estate or interest in the land immediately before reversion or invite claims for compensation from them within 28 days of the date of reversion. When there are legal issues, such as title issues or right-of-way issues, pertaining to the resumed land, the Government invites the related parties to make claims for compensation. Those who are invited to submit their claims for compensation must submit their claims in a form specified by the Director of Lands, setting out the amount of compensation claimed. They must also provide to the Director of Lands any accounts, documents or particulars the Director of Lands may reasonably require in support of such claims. It is common practice for the claimant to submit his claim to the Director of Lands in writing.

2. WHAT SHOULD A PERSON DO IF HE IS AFFECTED BY LAND RESUMPTION BUT OFFERED NO COMPENSATION?

2. WHAT SHOULD A PERSON DO IF HE IS AFFECTED BY LAND RESUMPTION BUT OFFERED NO COMPENSATION? Any person who considers that he has a compensatable interest in the resumed land, and who has been neither offered compensation nor invited to claim compensation may, within one year from the date of reversion, submit a claim in writing to the Director of Lands stating the nature of his estate or interest in the land and the amount of compensation which he claims for the resumption of that estate or interest. This situation usually occurs when it was thought that the Government and the owner or person entitled to compensation would reach an agreement and the land would be purchased rather than resumed.

1. PRINCIPLES OF THE PILOT SCHEME

1. PRINCIPLES OF THE PILOT SCHEME Just as with URA-initiated redevelopment projects, demand-led redevelopment projects are implemented under the Urban Renewal Authority Ordinance (Cap. 563 of the Laws of Hong Kong) (the "URAO"). The Pilot Scheme covers only development projects which may be implemented under Section 26 of the URAO, so amendments to the Outline Zoning Plan are not required. The prevailing principles adopted by the URA in the acquisition of properties will be applicable to the demand-led redevelopment projects implemented subsequent to the Pilot Scheme. The prevailing principles adopted by the URA for the provision of re-housing and ex-gratia payments will be applicable to any demand-led redevelopment projects implemented subsequent to the Pilot Scheme.

2. APPLICATION REQUIREMENTS

2. APPLICATION REQUIREMENTS The application must meet the following criteria: It should be a joint application by the owners of not less than 80% of the undivided shares in each lot within the site. Residential building conditions within the site should be "poor" or "varied". The total area of the site should be larger than 700 square meters. Unless there is special needs or if the site can be combined with its adjoining sites for joint development, smaller sites will not be considered by the URA. The site does not comprise buildings/structures of historical, architectural or cultural significance unless they can be integrated into the future development. The site is situated within redevelopment zones and not situated within any of the proposed preservation areas identified by the District Urban Renewal Forum, if

there are any in the district in which the site is located. 3. SELECTION 3. SELECTION The URA will consider all applications which fulfill the selection criteria. All applications will be assessed with reference to the following factors: Residential building conditions For example: A high proportion of the residential buildings in poor condition, indicated by building decay and dilapidation, such as concrete spalling, cracking, bulging, leakage or seepage; A high proportions of the residential buildings with confirmed signs of sub-divided units; or Residential buildings with permanently obstructed means of escape from the ground floor to the roof. Planning gains For example: The redevelopment allows for set-back/road widening, etc. (if the Government's intentions are known) or has the potential for this; The redevelopment allows for pavement widening/corner set-back /realignment of a public passageway; The redevelopment allows for better vista and air-ventilation; The redevelopment allows for the provision of at-grade open space, or space for social enterprise or GIC use; Buildings/structures within the proposed project are of historical, architectural or cultural significance, and are deemed to be able to add value to the future development by providing a viable theme; The redevelopment allows for designs to mitigate current noise impact; Existing use includes obnoxious trades, or unauthorized or illegal activities, the removal of which by way of redevelopment would have a positive impact on local living environment; or Poor living conditions: e.g. a high degree of sharing (if discernible). Planning impact For example: Redevelopment of the proposed site would compromise the potential of implementing a more comprehensive project for the benefit of the community; Existing use (with a distinct local character) would be removed by redevelopment; or Over-concentration of projects in that district in the same year. Other planning factors For example: A clear indication of local aspirations; Ownership structure; Re-housing resources in the district; or Abnormal spate of tenant evictions. If there is/are suitable demand-led redevelopment project(s) that satisfy all the application requirements, the URA may exercise its absolute discretion, while considering whether the URA has sufficient resources to undertake any such demand-led redevelopment projects within a reasonable period. Demand-led redevelopment projects selected by the URA have to be approved by the Financial Secretary for implementation. The URA conducts a freezing survey for the building(s) within the site of an approved project for commencement. This indicates that the relevant application has been approved and that the relevant project has commenced. 4. IMPLEMENTATION 4. IMPLEMENTATION Implementation of the approved projects is subject to the fulfillment of the following two conditions precedent: Acceptance of URA's conditional offers and the signing of Sale and Purchase Agreements by the owners of not less than 80% of the undivided shares of the lots in the site under application within a period of not more than 90 days of the issue of the URA's conditional offers; and Within one year of the issue of the URA's conditional offers, the granting of authorization by the Secretary for Development for the URA to implement a development project under Section 24 of the URAO for the site under application, with no appeals received upon the expiry of the appeal period, or the dismissal of all appeal(s), if any. If the above conditions precedent have been fulfilled, the URA notifies the owners in writing to complete the relevant Sale and Purchase Agreement within one month after the date of fulfillment of all conditions. If any of the two conditions precedent above cannot be met, the URA will not proceed any further with the approved project and will cancel any Sale and Purchase Agreements already signed with any owners. 1. SERVICES PROVIDED UNDER FACILITATING SERVICES (PILOT SCHEME) 1. SERVICES PROVIDED UNDER FACILITATING SERVICES (PILOT SCHEME) The URFS provides Facilitating Services to eligible owners. No acquisition, compensation, re-housing or resumption action on the part of URA/URFS is involved. At the current stage, the URFS mainly helps owners assemble titles for the joint sale of their property interests. The services include: appointment of consultants on behalf of the owners, and co-ordinating and monitoring the services provided by the consultants; and persuading yet-to-commit owners to join the Facilitating Services (Pilot Scheme) for the joint sale of their property interests under the Scheme. 2. APPLICATION REQUIREMENTS 2. APPLICATION REQUIREMENTS All applications received by URFS are screened to see if each application meets the following criteria: Joint application is made by the owners of not less than

50% of the undivided shares in each lot within the site; The building conditions are “poor” or “varied”; The site does not form a part of the area of a redevelopment project commenced by the URA; The buildings of the site are not for industrial use or those where 50% or more of the floor area is under existing commercial use; and The site is situated within redevelopment zones or at least not situated within a proposed preservation area identified by the District Urban Renewal Forum, if there is one in the district in which the site is located.

3. APPLICATION PROCEDURES

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Application and project selection Owners interested in joining the Facilitating Services (Pilot Scheme) must jointly submit an application form, together with the relevant information, to the URFS. The URFS decides whether to select the application for preliminary processing. In deciding whether to select a particular application for preliminary processing, the URFS considers whether the application requirements are satisfied, assesses the available manpower and financial resources of the URFS at the time, and considers any other factors it deems relevant, including, but not limited to, the ownership structure of the buildings, etc. For applications selected by the URFS for preliminary processing, the URFS, at its own cost, engages a valuer, selected by the owner-applicants who signed the application form from a list prepared by URFS, to assess the financial viability of the joint sale of property interests.

Facilitation Agreement(s) If the report from the URFS’ s valuers indicates that the joint sale of property interests is financially viable, the application after preliminary processing is then treated as an approved project under the Facilitating Services (Pilot Scheme) for formal implementation (the “Approved Project”). The URFS then signs Facilitation Agreements with each applicant and all subsequent owners who join the Approved Project. The Facilitation Agreement details the rights and obligations of both the URFS and the applicants under the Approved Project, key milestones of the Approved Project, contributions to work expenses to be made by each applicant, withdrawal/termination events, etc. The URFS, on behalf of the participating owners, engages consultants for the Approved Project (including, but not limited to, solicitors, valuers and auction consultants), coordinates and monitors their work, and tries to persuade yet-to-commit owners to join the Approved Project.

Joint Sale Agreement When the percentage of undivided shares of participating owners reaches 90% (or between 80% and 90%, subject to the absolute discretion of the URFS), the URFS arranges for the participating owners to sign a binding Joint Sale Agreement. The percentage of undivided shares of participating owners who eventually sign the Joint Sale Agreement must reach 90% (or between 80% and 90%, subject to the absolute discretion of the URFS). The Joint Sale Agreement binds all the participating owners who sign the Joint Sale Agreement to sell their property interests by auction, subject to a reserve price, and to share the sales proceeds among themselves in accordance with an agreed sharing ratio schedule. The reserve price and the sharing ratio schedule are determined by a valuer and have to be accepted by all the participating owners who sign the Joint Sale Agreement.

Auction The property interests covered by the Joint Sale Agreement are sold by auction to the purchaser offering the highest bid which meets or exceeds the reserve price. If no one offers a bid or the reserve price is not met in the auction, the joint sale is deemed “unsuccessful” and the Joint Sale Agreement is terminated at once. If the property is successfully sold by auction, the sale proceeds, less the contribution to the URFS, are distributed to the participating owners who signed the Joint Sale Agreement in accordance with the agreed sharing ratio schedule.

4. KEY MILESTONES

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Within one year from the date of signing of the first Facilitation Agreement, the percentage of undivided shares of the Participating Owners must reach 60%. Within two years from the date of signing of the first Facilitation Agreement, the percentage of undivided shares of participating owners must reach 90% (or between 80% and 90%, subject to absolute discretion of the URFS). Subject to the URFS’ s absolute discretion and with the unanimous consent of all participating owners, these owners will be allowed one opportunity to put up the assembled interests for joint sale even if the percentage of undivided shares of participating owners has not reached 80%. In accordance with the Facilitation Agreement, within three months from the date of the percentage of undivided shares of participating owners reaching 90% (or between 80% and 90%, subject to absolute

discretion of the URFS), the participating owners must sign a Joint Sale Agreement with the auction company and with the URFS (if deemed necessary by the URFS), and the related auction must be conducted within that three-month period.

5. FEES 5. FEES In the process of reaching a joint sale, the URFS will, on behalf of the participating owners, engage related consultants (including, but not limited to, solicitors, valuers and auction consultants) to provide relevant services to the Participating Owners. The participating owners must pay all the related work expenses. The work expenses attributable to each participating owner are calculated according to the undivided shares that he owns in a lot. After signing the Facilitation Agreements, the participating owners must make an advance contribution to the work expenses used to pay the consultancy fees. The URFS undertakes to contribute to the work expenses in proportion to the undivided shares of the yet-to-commit owners. Owners participating in the Approved Project at a later stage have to reimburse the work expenses to the URFS in proportion to the undivided shares they own in a lot. Upon the successful joint sale of the property interests, a contribution of 1% of the sale proceeds derived from the joint sale will be charged by the URFS. At the same time, the participating owners' earlier contributions will be refunded by the URFS. If an Approved Project fails after the signing of the Facilitation Agreement(s) for whatever reason(s), the participating owners and the URFS can recover their share of balance of their contribution to the work expenses that have not been expended, if any, in proportion to their contribution to the work expenses. Any participating owners who decide to withdraw from the Facilitating Services (Pilot Scheme) on their own accord at any time prior to the signing of the JSA are eligible for a refund of any expended or pre-paid contributions to the work expenses.

6. WITHDRAWAL/TERMINATION 6. WITHDRAWAL/TERMINATION If the key milestones are not met, all the signed Facilitation Agreements are terminated and the Approved Project is aborted. After signing the Facilitation Agreement, a Participating Owner is entitled to withdraw from the Facilitation Agreement at any time prior to his/her entering into the Joint Sale Agreement. Neither expended nor pre-paid work expenses are refunded.