

Principles Adopted by the Urban Renewal Authority in Property Acquisition (Other than Industrial Properties)

This leaflet briefly outlines the Urban Renewal Authority (“URA”)’s principles in the acquisition of properties (other than industrial properties) from owners affected by URA’s urban renewal projects.

Domestic Properties

1. URA will offer an owner-occupier of domestic property the market value (valued on vacant possession basis) of his property plus an ex-gratia allowance, namely Home Purchase Allowance (“HPA”), for purchase of the property. In the assessment of HPA, HPA means the difference between the market value of the property being acquired and the value of a notional replacement flat, which is a notional seven-year-old flat of similar size and in similar locality to the property being acquired and located at the middle floor with average orientation.
2. “Owner-occupier” here means an owner who occupies his property as his sole residence. If an owner does not reside in his property as his sole residence, the occupancy status of his property will be treated as “Vacant” and will be offered Supplementary Allowance (“SA”) instead of HPA. SA is a percentage of HPA. The criteria for determining whether an owner occupies his property as his “sole residence” will be determined by URA according to URA’s prevailing policy.
3. An owner-occupier is entitled to receive HPA for no more than three properties in a redevelopment project. (Please see Appendix I for example of calculation of HPA and Appendix II for HPAs available in different scenarios.)
4. Property used as sole residence by an owner’s “immediate family members” will be treated as being occupied by the owner himself as sole residence for the purpose of ascertainment of his eligibility to HPA. “Immediate family members” of an owner means parents, children, dependent brothers and sisters, grandparents, grandchildren, stepparents, spouse’s parents and spouse’s stepparents.
5. An owner who leaves his property vacant will be offered the market value (valued on vacant possession basis) of his property plus SA.
6. An owner who lets his property out will be offered the market value (valued on vacant possession basis) of his property plus SA.
7. An owner of tenanted or vacant properties is entitled to receive SA for no more than two properties in a redevelopment project. (Please see Appendix I for examples of calculation of SA and Appendix II for different SAs available in different scenarios.)
8. If a property is owned by joint owners (whether as joint tenants or tenants in common) / a company, each joint owner / shareholder of that company will be subject to the same principles applicable to individual owners. The HPA and SA will be calculated pro rata to the shares of each joint owner and the shareholdings of each shareholder in the company.

9. In addition to HPA or SA, URA will offer an incidental cost allowance to owners of domestic properties to assist payment of removal expenses and expenditure relating to the purchase of a replacement property. The actual amount of this allowance shall be determined and announced by URA as and when an offer to purchase is made for each individual project.
10. If the amount of actual expenses reasonably incurred by an owner of domestic property in purchasing a replacement property including (i) removal cost; (ii) stamp duty; (iii) agency fee; and (iv) legal cost exceeds the amount of incidental cost allowance offered by URA, the owner may be reimbursed with the difference, provided that the owner has accepted the initial acquisition offer within the validity period of the offer and the reimbursement claim is made within 12 months after the property is sold to URA.

For the avoidance of doubt, the reimbursable amount for stamp duty and agency fee of a replacement property would be subject to a maximum amount to be calculated on the basis of 110% of the market value plus the sum of HPA/SA of the initial acquisition offer. Subject to the production of invoices / receipts proving payments actually incurred by the owner on condition that the payments are of a reasonable amount, the removal cost and legal cost would be reimbursed by URA to the owner in the purchase of a replacement property. For the avoidance of doubt, URA reserves the right to determine the final amount of the reasonable expenses for purchasing a replacement property in each case.

11. If a property has been sub-divided into several flats (“sub-divided flat”) and an owner of a sub-divided flat elects not to receive the HPA, subject to eligibility criteria and other requirements, the owner will be offered re-housing.
12. The HPA is payable to an owner-occupier of non-domestic property which has been issued with an occupation permit other than for domestic use but nevertheless has been used for domestic purpose for a long time (generally about 10 years) provided that such use is not prohibited under the Government lease of the property.
13. For URA redevelopment projects which are commenced after the promulgation of the new Urban Renewal Strategy on 24 February 2011:
 - (i) Subject to the conditions and provisions contained in the “Urban Renewal Authority Flat-for-Flat Pamphlet” (“the Pamphlet”), domestic owner-occupiers of properties in the redevelopment projects, who are entitled to receive HPA, can opt to participate in URA’s “Flat-for-Flat” Scheme (“the Scheme”). Please refer to the Pamphlet for details of the Scheme.

For redevelopment projects implemented under Demand-led Redevelopment Project (Pilot Scheme), URA will provide the details and option under the Scheme to eligible domestic owner-occupiers only upon the fulfillment of the conditions precedent stipulated in the conditional acquisition offers; and

- (ii) Elderly owners of tenanted domestic properties in the redevelopment project will be offered an Elderly Domestic Owner-Landlords Compassionate Allowance (“Allowance”), in addition to the market values of their properties and SA as described in Paragraph 6 above, by URA subject to the elderly owners concerned meeting the eligibility criteria set by URA. Eligible elderly owners can apply for the Allowance after they have accepted the initial acquisition offer

from URA both unconditionally and within the validity period of the offer. Please refer to the pamphlet of “Elderly Domestic Owner-Landlords Compassionate Allowance” for details of the eligibility criteria and the arrangement.

For redevelopment projects implemented under Demand-led Redevelopment Project (Pilot Scheme), URA will release the Allowance to the eligible elderly owners of tenanted domestic properties only upon satisfactory proof of the elderly owners’ eligibility to the Allowance and the fulfillment of the conditions precedent stipulated in the conditional acquisition offers.

Non-domestic Properties (Other than Industrial Properties)

14. An owner of non-domestic property (other than industrial property) will receive the market value of his property (valued on vacant possession basis). URA will also pay the owner an allowance. The allowance for tenanted or vacant non-domestic property (other than industrial property) is 10% of its market value (valued on vacant possession basis) or one time its Rateable Value, whichever is higher. The allowance for owner-occupied non-domestic property (other than industrial property) is 35% of its market value (valued on vacant possession basis) or 4 times its Rateable Value, whichever is higher. “Owner-occupier” here means an owner who occupies and operates his business at the property.

15. In addition to the allowance described in Paragraph 14 above, an additional payment of ex-gratia business allowance (“EGBA”) is payable to any owner-occupier of non-domestic property (other than industrial property) who had commenced occupying the premises for business use before the date of Freezing Survey of the project and have accepted the initial acquisition offer from URA both unconditionally and within the validity period of the offer. The amount is directly proportional to the number of years of continuous operation by the owner-occupier as business owner in the property. In calculating the number of years of continuous operation, the expiry date of continuous operation is 2 years from the date which URA issues initial acquisition offer to property owners. The amount of the EGBA is payable at a rate of 0.1 times the Rateable Value for each year that the owner-occupier has operated the business as the business owner in the property concerned, subject to a maximum of 30 years. For an incomplete year, the amount of EGBA is calculated on a pro-rata basis to the nearest month. The amount of EGBA is subject to a maximum amount of \$700,000 and a minimum amount as described in the table below:

Years of Continuous Operation	Minimum EGBA
10 years or less	HK\$110,000 (amount is subject to annual review)
More than 10 years (maximum of 30 years)	Additional HK\$10,000 for each completed year

In the application for EGBA, the owner-occupier is required to substantiate the period of continuous operation in the property as business owner.

For redevelopment projects implemented under Demand-led Redevelopment Project (Pilot Scheme), URA will release the EGBA to eligible owner-occupiers of non-domestic property (other than industrial property) only upon satisfactory proof of the owner-occupiers’ eligibility to the EGBA and the fulfillment of the conditions precedent stipulated in the conditional acquisition offers.

16. An owner-occupier may choose to claim for business loss as an alternative to the above two allowances.

For redevelopment projects implemented under Demand-led Redevelopment Project (Pilot Scheme), if an owner-occupier of non-domestic property interest (other than industrial property) has accepted the conditional acquisition offer from URA within the validity period of the conditional acquisition offer and has entered into a legally binding agreement for sale and purchase of the property with URA, the owner shall be taken as not having chosen to claim for business loss as an alternative to the above two allowances.

Domestic Properties being used for Non-domestic Purposes

17. If a property with an occupation permit for domestic use is used for non-domestic purpose, an owner-occupier will be offered market value (valued on vacant possession basis) of his property and the allowance for Non-domestic Properties (Other than Industrial Properties) or SA, whichever is higher. An owner of tenanted property will be offered market value (valued on vacant possession basis) of his property and the allowance for Non-domestic Properties (Other than Industrial Properties) or SA less 3 times the Rateable Value of the property, whichever is higher.

Separate Roof Top Interest (Not ancillary to any Domestic/Non-Domestic Property)

18. The title of the rooftop property must be legal. An owner of tenanted or vacant rooftop property will be offered the market value of the property on an open roof basis (disregarding any illegal structure or any rent passing) plus an allowance at 10% of the said market value.
19. An owner-occupier of a rooftop property will be offered the market value of the property on an open roof basis (disregarding any illegal structure). If the owner-occupier meets the normal Hong Kong Housing Authority and Hong Kong Housing Society eligibility criteria, he may elect for re-housing. However, if he does not elect for re-housing, URA will also pay the owner an allowance at 10% of the said market value.

Buildings in Single Ownership

20. A building in single ownership is valued either on (i) its existing use value plus ex-gratia allowances for shops and HPA/SA and incidental cost allowance for domestic units in multiple ownership (whichever is applicable) or (ii) its redevelopment value (assuming redevelopment of the building on its own) plus an ex-gratia allowance of 5%, whichever is higher.

Vacant Sites

21. A vacant site is valued on its redevelopment value basis (assuming redevelopment of the site on its own). URA will also pay the owner 5% of the redevelopment value of a vacant site as ex-gratia allowance.

Other General Rules

22. Calculation of the market value of a property is based on the saleable area of the property. The definition of saleable area shall follow the Code of Measuring Practice issued in March 1999 and the Supplement to the Code of Measuring Practice issued in July 2014 by the Hong Kong Institute of Surveyors. Subject always to the owner having good title to the property or any part thereof, area calculations may be based on the boundary of the property as delineated on the assignment plan and the area as measured from the latest relevant building plans approved by the Buildings Department (if any).
23. For the purpose of calculating the value of the notional replacement flat, URA will appoint seven professional surveyor firms to provide the assessment.
24. URA will provide an allowance to the owners, who have employed the services of a professionally qualified surveyor to assess the market value of his/her property interest (which shall not include any ex-gratia allowance, such as Home Purchase Allowance and Supplementary Allowance etc.) as a subsidy for the owner's surveyor's fees for the services. Please refer to the pamphlet of "Allowance for Surveyor's Fees" for details of the arrangement.
25. If an owner only purchased his property in the project after the date of the Freezing Survey, URA will not pay to the new owner any HPA / SA, Elderly Domestic Owner-Landlords Compassionate Allowance, Allowance for Non-Domestic Use, EGBA, Allowance for Separate Roof Interest, Allowance for Single-owned Building on its Redevelopment Value Basis or Allowance for Vacant Site on its Redevelopment Value Basis, whichever is applicable.
26. URA will consider acquiring property from a holder with valid adverse possessory order granted by the Court in favour of him. Depending on the circumstances of individual cases, URA may impose appropriate additional requirements to safeguard the interest of URA when acquiring properties with adverse possessory title.
27. URA will not purchase a structure which is not erected in compliance with the Buildings Ordinance or the terms of the Government lease and no value, compensation or allowance will be paid by URA in respect of such structure.
28. If an owner is found to have given false or misleading information to URA, URA reserves the right to revise its offers and/or take legal action against such owner and/or report the matter to relevant enforcement authorities.
29. URA's offer to purchase is made by reference to the occupancy status of an owner's property on the date of Freezing Survey of the project and in accordance with the URA's prevailing principles and practice for property acquisition. One of such prevailing principles is that an owner whose property was owner-occupied on the date of Freezing Survey but is let out at the time URA's offer to purchase is made will only be offered allowances for the acquisition of his property on a tenanted basis.
30. Particularly, URA would draw the attention to owners whose properties had been tenanted out on the date of Freezing Survey that URA will not consider offering a higher offer to them to acquire their properties in the following situations:-

- (a) properties being left vacant; or
- (b) owners entering into new tenancies, whether with the existing tenants or new tenants; or
- (c) owners occupying their properties for their own self-use [URA will not offer HPA to owners in this situation. Such owners will be offered SA].

31. URA would remind owners that it is an offence for a landlord to unlawfully deprive a tenant of occupation of property or to make an unwarranted demand with menaces with a view to gain for himself or others or to defraud against URA. URA will report to the enforcement authorities on all cases of suspected criminal offences.

This leaflet is issued for the purpose of general reference only. The information contained herein is with reference to the principles and practice of the Urban Renewal Authority prevailing at the date of issue of this leaflet. It shall not constitute any representation on the part of the Urban Renewal Authority or give rise to any expectation whatsoever and shall not be relied on as such. Each case will be considered on its own merits having regard to all factors and circumstances. The terms of acquisition to be offered are subject to the principles and practice of the Urban Renewal Authority prevailing at the time the offer of acquisition is made and are subject to review from time to time as the Urban Renewal Authority shall at its absolute discretion consider appropriate. The Urban Renewal Authority's right to add to, amend or delete the whole or any part of this leaflet is hereby reserved.

For enquiries, please call URA External Relations Department:
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Address: 26/F, COSCO Tower, 183 Queen's Road Central, Hong Kong

July 2017

Appendix I

Examples (Domestic Properties)

(Figures are based on assumption and for reference only)

Assuming the market value of a domestic flat on vacant possession (VP) basis is HK\$800,000 and the value of a notional replacement flat is HK\$2,000,000. The HPA will then assume to be HK\$1,200,000.

Example One

An owner of the above domestic flat who lets out the entire flat

This owner will get the market value of his flat (on vacant possession basis) of HK\$800,000 and SA of HK\$600,000 (HK\$1,200,000 x 50%). In total, this owner will receive HK\$1,400,000.

Example Two

An owner of the above domestic flat who occupies half of the flat and leases out the other half

This owner will get the market value of his flat (on vacant possession basis) of HK\$800,000 and HPA of HK\$600,000 for the owner-occupied portion and SA of HK\$450,000 (HK\$600,000 x 75%) for the tenanted portion. In total, this owner will receive HK\$1,850,000.

Example Three

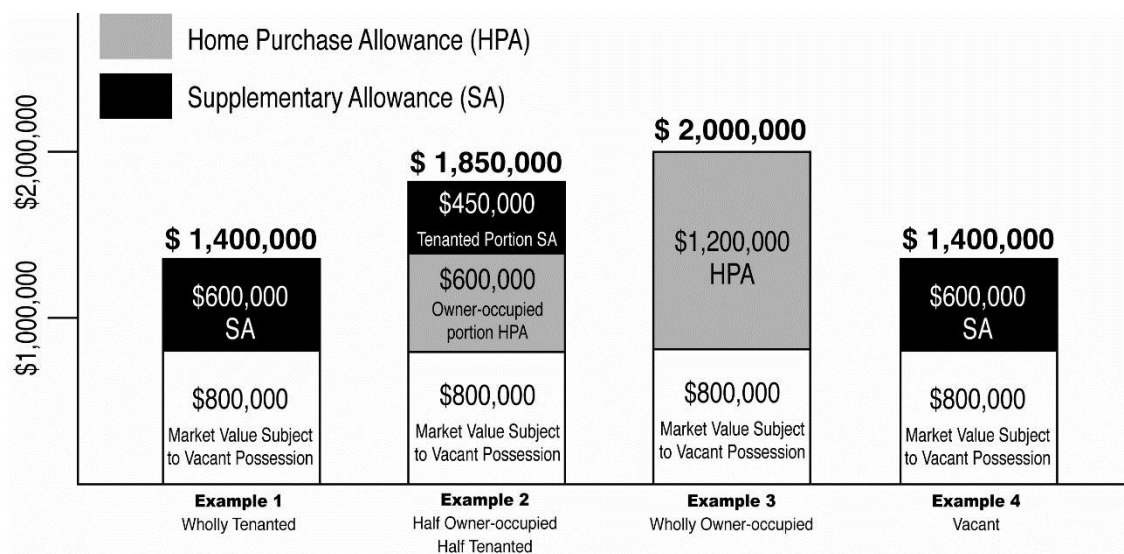
An owner of the above domestic flat who occupies the entire flat for his own use

This owner will get the market value of his flat (VP), which is HK\$800,000, plus HPA which is HK\$1,200,000. In total, this owner will receive HK\$2,000,000.

Example Four

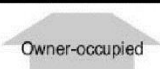
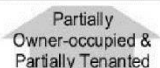

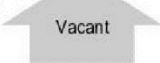
An owner of the above domestic flat who leaves the entire flat vacant

The owner will get the market value of his flat (VP), which is HK\$800,000, plus SA of HK\$600,000 (HK\$1,200,000 x 50%). In total, this owner will receive HK\$1,400,000.

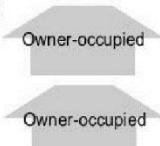


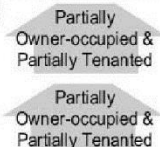


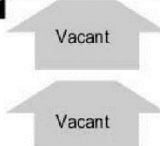


Appendix II : Domestic Properties - Diagrammatic Illustration of HPA, SA & EUV

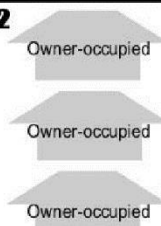
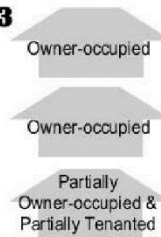
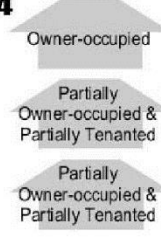
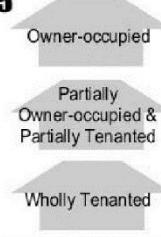

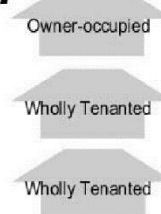
🏠 One Flat

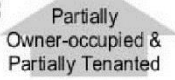
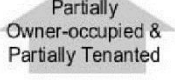
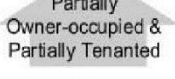
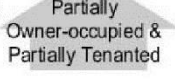
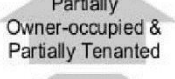
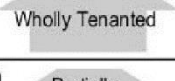
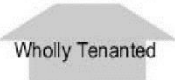
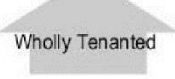
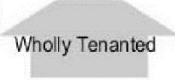
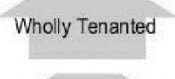
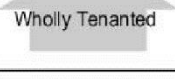
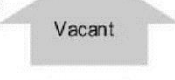
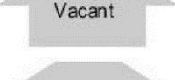
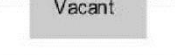
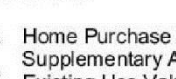
Occupation Status	HPA	SA	Market Value
1  Owner-occupied	100%		EUV(VP)
2  Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
3  Wholly Tenanted		50%	EUV(VP)
4  Vacant		50%	EUV(VP)

🏠🏠 Two Flats

Occupation Status	HPA	SA	Market Value
5  Owner-occupied Owner-occupied	100%		EUV(VP)
6  Owner-occupied Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
7  Owner-occupied Wholly Tenanted	100%	50%	EUV(VP)
8  Partially Owner-occupied & Partially Tenanted Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
9  Partially Owner-occupied & Partially Tenanted Wholly Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
10  Wholly Tenanted Wholly Tenanted		50%	EUV(VP)
11  Vacant Vacant		50%	EUV(VP)

🏠🏠🏠 Three Flats

Occupation Status	HPA	SA	Market Value
12  Owner-occupied Owner-occupied Owner-occupied	100%		EUV(VP)
13  Owner-occupied Owner-occupied Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
14  Owner-occupied Partially Owner-occupied & Partially Tenanted Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
15  Owner-occupied Partially Owner-occupied & Partially Tenanted Wholly Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
16  Owner-occupied Owner-occupied Wholly Tenanted	100%	50%	EUV(VP)
17  Owner-occupied Wholly Tenanted Wholly Tenanted	100%	50%	EUV(VP)

Occupation Status	HPA	SA	Market Value
18 Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted 	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
19 Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted  Wholly Tenanted 	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
20 Partially Owner-occupied & Partially Tenanted  Wholly Tenanted  Wholly Tenanted 	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
21 Wholly Tenanted  Wholly Tenanted  Wholly Tenanted 		50%	EUV(VP)
22 Vacant  Vacant  Vacant 		50%	EUV(VP)

Abbreviations:

HPA Home Purchase Allowance
SA Supplementary Allowance
EUV Existing Use Value
VP Vacant Possession