

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

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

Domestic Properties

1. URA will offer an owner-occupier of domestic property within a URA Project the market value (assessed on vacant possession basis) of the affected property plus an ex-gratia allowance, namely Home Purchase Allowance (“HPA”), for purchase of the affected property. The amount of HPA payable to individual owners is the difference between the value of a notional replacement flat and the market value of the property being acquired. The notional replacement flat is based on a seven-year-old flat of a size similar to the affected property and in the same locality. The notional replacement flat is assumed to be in a comparable quality building, situated in a similar locality in terms of characteristics and accessibility. The notional replacement flat will be situated at the middle floor of a notional building with average orientation, i.e. not facing south or west, and without sea view.
2. “Owner-occupier” here means an owner who occupies the affected property as his/her sole residence. If an owner does not reside in the affected property as his/her sole residence, the occupancy status of the affected property will be treated as “Vacant” and the owner will be offered Supplementary Allowance (“SA”) instead of HPA. SA is a percentage of HPA. The criteria for determining whether an owner occupies the affected property as his/her “sole residence” will be determined by URA according to URA’s prevailing policy.
3. An owner-occupier will be offered HPA for no more than three properties in a redevelopment project. (Please see **Appendix I** for examples 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/herself as sole residence for the purpose of ascertainment of his/her eligibility for HPA. “Immediate family members” of an owner means parents, children, dependent brothers and sisters, grandparents, grandchildren, step-parents, spouse’s parents, and spouse’s step-parents.
5. An owner who leaves the affected property vacant will be offered the market value (assessed on vacant possession basis) of the affected property plus SA. In addition, URA will offer an Allowance for Vacant Property (“AVP”) to the owner who has (i) left the affected property vacant on the first day of the freezing survey conducted for the relevant URA Project (“FS Date”) and thereafter; (ii) accepted URA’s initial acquisition offer within the validity period of the offer; and (iii) sold the affected property with vacant possession to URA. AVP is equivalent to 2 times the amount of the Rateable Value of the affected property.
6. An owner who lets the affected property out will be offered the market value (assessed on vacant possession basis) of the affected property plus SA.

7. An owner of tenanted or vacant properties will be offered SA for no more than two properties in a URA Project. (Please see **Appendix I** for examples of calculation of SA and **Appendix II** for different SAs available in different scenarios.)
8. In addition to HPA or SA, URA will offer an Incidental Cost Allowance (“ICA”) to owners of domestic properties to assist the owners’ payment of removal expenses and expenditure relating to the purchase of a domestic replacement flat and the legal cost incurred in the sale of the affected properties to URA. The actual amount of ICA shall be determined and announced by URA as and when an offer to purchase is made for each individual project. If the owner does not accept the initial acquisition offer within the validity period of the offer but URA still decides to negotiate with the owner for the purchase of his/her property despite the lapse of the offer (which shall be at the absolute discretion of URA whether or not to do so), the amount of ICA will be deducted by 30%.
9. If the amount of necessary and reasonable expenses actually incurred by the owner of a domestic property in selling the affected property to URA, namely (i) legal cost incurred by selling the affected property to URA; (ii) stamp duty, agency fee and legal cost incurred in purchasing a domestic replacement flat and (iii) removal cost, exceeds the amount of ICA offered by URA, the owner may be reimbursed with the difference (“the Expense”). The owner can only submit one single reimbursement claim for each domestic property sold to URA, and must fulfill the following eligibility criteria:
 - (a) The owner must have accepted the initial acquisition offer of URA within the validity period of the offer;
 - (b) The reimbursement claim must be made within 12 months from the date of execution of assignment of the affected property sold to URA, and the reimbursable amount must be the actual expenses already paid by the owner within 12 months after the property is sold to URA;
 - (c) The domestic replacement flat must be located in Hong Kong and must be purchased after the date of issuance of initial acquisition offer by URA; and
 - (d) The owner should be the sole registered owner or one of the registered owners of the domestic replacement flat, and his/her interest in the replacement flat must be recorded in the land register.
10. In general, the principles in assessing the reimbursable amount of the Expense as described in Paragraph 9 above are:
 - (a) The reimbursable amount for stamp duty should be calculated at the lower rates (Scale 2) of the ad valorem stamp duty payable for a domestic replacement flat;
 - (b) The reimbursable amount for real estate agency fee should follow the general market practice but not exceed 1% of the purchase price of the domestic replacement property;
 - (c) The reimbursable amounts in both item (a) and item (b) above will be subject to a ceiling to be calculated on the basis of a domestic replacement property with a purchase price of 110% of the total of (i) the market value of the affected

property and (ii) the sum of HPA/SA as stipulated in the initial acquisition offer of URA;

- (d) URA will only reimburse the Expense which is reasonable, absolutely necessary and actually paid by the owner in relation to the expenses described above;
 - (e) The owner should provide sufficient documentary evidence for the Expenses submitted in the reimbursement claim; and
 - (f) URA will consider each reimbursement claim on its own merits, and URA has the sole discretion in determining the amount of the Expenses reimbursable in each case.
11. If a domestic property has been sub-divided into several flats with undivided shares (“sub-divided flat”) before the FS date and an owner-occupier of a sub-divided flat elects not to receive the HPA, subject to eligibility criteria and other requirements, such an owner-occupier will be offered re-housing.
12. The HPA or SA may be payable for non-domestic property which has been issued with an occupation permit other than for domestic purpose but nevertheless has been used by the same owner for domestic purpose for a long time (generally about 10 years) in the following situation:
- (a) An owner-occupier who has used the affected property for domestic purposes for a long time will be offered market value (assessed on vacant possession basis) of the affected property plus the higher of:
 - (i) HPA and ICA as a domestic property; and
 - (ii) the allowance applicable to non-domestic properties (other than Industrial Properties).
 - (b) An owner of tenanted property which has been occupied for domestic purpose for a long time will be offered market value (assessed on vacant possession basis) of the affected property plus the higher of:
 - (i) SA and ICA as a domestic property less the Ex-gratia Allowance payable to a domestic tenant; and
 - (ii) the allowance applicable to non-domestic properties (other than Industrial Properties).
13. For URA Projects which are commenced after the promulgation of the new Urban Renewal Strategy on 24 February 2011:
- (a) Subject to the conditions and provisions contained in the “Urban Renewal Authority Flat-for-Flat Pamphlet” (“the Pamphlet”), eligible owner-occupiers of domestic properties in URA Projects, who will be offered HPA, can opt to participate in URA’s “Flat-for-Flat” Scheme (“the Scheme”). For details of the Scheme, please refer to the Pamphlet which will be available when an offer to purchase is made for each individual project.

- (b) Elderly owners of tenanted domestic properties in URA Project may apply for the Elderly Domestic Owner-Landlords Compassionate Allowance (“EDOLCA”) in addition to the market values of their properties and SA as described in Paragraph 6 above, subject to the eligibility criteria set by URA. Eligible elderly owners can apply for EDOLCA after receiving URA’s initial acquisition offers. EDOLCA is only payable to eligible elderly owners who have accepted the initial acquisition offers of URA 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.

Non-domestic Properties (Other than Industrial Properties)

14. URA will offer an owner of a non-domestic property (other than industrial property) the market value of the affected property (assessed on vacant possession basis) and an ex-gratia allowance. The amount of the ex-gratia allowance for tenanted or vacant non-domestic property (other than industrial property) is equivalent to 10% of its market value (assessed on vacant possession basis) or one time its Rateable Value, whichever is higher. In addition, URA will offer AVP at 2 times the amount of the Rateable Value of the affected property to the owner who has (i) left the affected property vacant on the FS Date and thereafter; (ii) accepted URA’s initial acquisition offer within the validity period of the offer; and (iii) sold the affected property with vacant possession to URA. The amount of ex-gratia allowance for owner-occupied non-domestic property (other than industrial property) is equivalent to 35% of its market value (assessed on vacant possession basis) or 4 times its Rateable Value, whichever is higher. “Owner-occupier” here means an owner who occupies and operates his/her business in the affected property.
15. In addition to the ex-gratia allowance described in Paragraph 14 above, an additional payment of the Ex-gratia Business Allowance (“EGBA”) is payable to an owner-occupier of non-domestic property (other than industrial property) who had commenced occupying the premises for business use before the FS Date and have accepted the initial acquisition offer from URA both unconditionally and within the validity period of the offer. The amount of EGBA is directly proportional to the number of years of continuous operation by the owner-occupier as business owner in the affected property. In calculating the total number of years of continuous operation, the last date of the continuous operation is set at 2 years from the date on which URA issues initial acquisition offer to the property owner. The amount of 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:

Continuous Operation for	Minimum Amount of EGBA
(a) 10 years or less	HK\$110,000 (effective from 1 April 2020 and subject to annual review)
(b) More than 10 years (maximum 30 years)	The minimum amount for (a) above plus an additional HK\$10,000 for each completed year after 10 years.

In applying for EGBA, an owner-occupier is required to substantiate the period of continuous operation in the property as business owner. The owner-occupier may choose to claim for severance payments payable to his/her employees under the Employment Ordinance (Chapter 57) as an alternative to EGBA.

16. URA will also offer ICA to owners of non-domestic properties (other than industrial property) to assist their payment of expenditure relating to the purchase of a non-domestic replacement property and the legal cost incurred in the sale of the affected properties to URA. The amount of ICA payable is 5% of the market value (assessed on vacant possession basis) of the affected property. Payment of the ICA is subject to the condition that the owner must have accepted the initial acquisition offer of URA within the validity period.
17. If the amount of necessary and reasonable expenses actually incurred by the owner in selling the affected non-domestic property to URA, namely (i) legal cost incurred by selling the affected non-domestic property to URA and (ii) stamp duty, agency fee and legal cost incurred in purchasing a non-domestic replacement property, exceeds the amount of ICA offered by URA, the owner may be reimbursed with the difference (“the Expense for Non-domestic Property”). The owner can only submit one single reimbursement claim for each non-domestic property sold to URA, and must fulfill the following eligibility criteria:
 - (a) The owner must have accepted the initial acquisition offer of URA within the validity period of the offer;
 - (b) The reimbursement claim must be made within 12 months from the date of execution of assignment of the affected property sold to URA, and the reimbursable amount must be the actual expenses already paid by the owner within 12 months after the property is sold to URA;
 - (c) The non-domestic replacement property must be located in Hong Kong and must be purchased after the date of issuance of initial acquisition offer by URA; and
 - (d) The owner should be the sole registered owner or one of the registered owners of the non-domestic replacement property, and his/her interest in the replacement property must be recorded in the land register.
18. In general, the principles in assessing the reimbursable amount of the Expense for Non-domestic Property as described in Paragraph 17 above are:
 - (a) The reimbursable amount for stamp duty shall be calculated at Scale 2 rates of the ad valorem stamp duty payable for a non-domestic replacement property;
 - (b) The reimbursable amount for real estate agency fee should follow the general market practices but not exceed 1% of the purchase price of the non-domestic replacement property;
 - (c) The reimbursable amounts in both item (a) and item (b) above will be subject to a ceiling to be calculated on the basis of a non-domestic replacement property with a purchase price of 110% of the market value of the affected property as stipulated in the initial acquisition offer of URA;

- (d) URA will only reimburse the Expense for Non-domestic Property which is reasonable, absolutely necessary and actually paid by the owner in relation to the expenses described above;
 - (e) The owner should provide sufficient documentary evidence for the expenses submitted with the reimbursement claim; and
 - (f) URA will consider each reimbursement claim on its own merits, and URA has the sole discretion in determining the amount of the Expenses for Non-domestic Property reimbursable in each case.
19. An owner-occupier may choose to claim for business loss as an alternative to all the above-mentioned allowances for an affected non-domestic property.

Domestic Properties being used for Non-domestic Purposes

20. If an affected property with an occupation permit for domestic use has been used for non-domestic purpose, the owner-occupier will be offered market value (assessed on vacant possession basis) of the affected property plus the higher of:
- (i) the allowances applicable to owner-occupied non-domestic properties (other than industrial properties); and
 - (ii) SA and ICA for domestic properties.
21. An owner of an affected property with an occupation permit for domestic use being leased out for non-domestic use will be offered market value (assessed on vacant possession basis) of the affected property plus the higher of:
- (i) the allowances applicable to tenanted non-domestic properties (other than industrial properties); and
 - (ii) SA plus ICA for domestic properties less 3 times the Rateable Value of the affected property.

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

22. The title of the rooftop property must be legal.
23. An owner of a tenanted 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 ex-gratia allowance at 10% of the said market value.
24. An owner of a vacant rooftop property will be offered the market value of the property on an open roof basis (disregarding any illegal structure) plus an ex-gratia allowance at 10% of the said market value. In addition, URA will offer the owner AVP at 2 times of the Rateable Value of the affected rooftop property if the owner has (i) left the rooftop property vacant on the FS Date and thereafter; and (ii) accepted the initial acquisition offer within the validity period of the offer; and (iii) sold the affected rooftop property with vacant possession to URA.

25. 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) plus:
- (a) rehousing if the owner-occupier fulfills the normal eligibility criteria for public rental housing application of Hong Kong Housing Authority or Hong Kong Housing Society, or
 - (b) an ex-gratia allowance at 10% of the market value (on open roof basis disregarding any illegal structure) of the property if the owner-occupier is not eligible for re-housing or does not opt for re-housing. In addition, if the owner-occupier has accepted the initial acquisition offer within the validity period of the offer, URA will offer him/her an allowance at 2 times of the Rateable Value of the property.

Buildings in Single Ownership

26. An owner of a building in single ownership will be offered the higher of (a) and (b) below:
- (a) The total amount of the existing use values of individual units of the building plus the allowances applicable to the non-domestic units (if any) of the building and the allowances applicable to the domestic units (if any) of the building, as if the building is in multiple ownership.
 - (b) The redevelopment value of the building (assuming redevelopment of the building on its own) plus:
 - (i) an ex-gratia allowance at 5% of the redevelopment value; and
 - (ii) ICA at 5% of the redevelopment value, subject to the condition that an owner must have accepted the initial acquisition offer of URA within the validity period. An owner may claim for reimbursement of the actual expenses in selling the affected building to URA and purchase of a replacement building in accordance with the same criteria and principles described in Paragraphs 17 to 18 above but the replacement property must be a building in single ownership.

Vacant Sites

27. An owner of a vacant site will be offered:
- (a) the redevelopment value of the vacant site (assuming redevelopment of the site on its own);
 - (b) an ex-gratia allowance at 5% of the redevelopment value; and
 - (c) ICA at 5% of the redevelopment value, subject to the condition that an owner must have accepted the initial acquisition offer of URA within the validity period of the offer. An owner may claim for reimbursement of the actual expenses in purchasing a replacement site in accordance with the same criteria and principles

as described in paragraphs 17 to 18 above but the replacement property must be a vacant site.

Other General Rules

28. 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).
29. For the purpose of calculating the value of the notional replacement flat, URA will appoint seven professional surveyor firms to provide the assessments.
30. URA will provide an allowance to the owner, who has employed a professionally qualified surveyor to assess the market value of the affected property (which shall not include any ex-gratia allowance, such as HPA and SA etc.), as a subsidy for the owner's payment of the surveyor's fees for the relevant services. Please refer to the pamphlet of "Allowance for Surveyor's Fees" for details of the arrangement.
31. If an owner only purchased the affected property in the project on/after the FS Date, URA will not pay to such owner any of the above-mentioned HPA, SA, AVP, EDOLCA or any allowances applicable to non-domestic property, separate rooftop interest, single-owned building and vacant site.
32. URA will consider acquiring property from a holder of a valid adverse possessory order granted by the Court in favour of him/her. 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.
33. 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.
34. 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.
35. URA's acquisition offer is made by reference to the occupancy status of an owner's property on the FS Date 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 FS Date but is let out at the time URA's acquisition offer is made will only be offered the allowances for the acquisition of the affected property on a tenanted basis.

36. Particularly, URA would draw the attention to owners whose properties had been tenanted out on the FS Date that URA will not make a higher offer to them to acquire their properties in the following situations:
- (a) the properties are subsequently left vacant; or
 - (b) the owners have entered into new tenancies, whether with the existing tenants or new tenants; or
 - (c) the owners have subsequently obtained possession and occupied their properties for their own self-use.
37. 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 gaining for himself/herself or others or to defraud against URA. URA will report to the enforcement authorities on all cases of suspected criminal offences.

This pamphlet 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 pamphlet. 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 pamphlet is hereby reserved.

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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 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 VP 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 VP 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

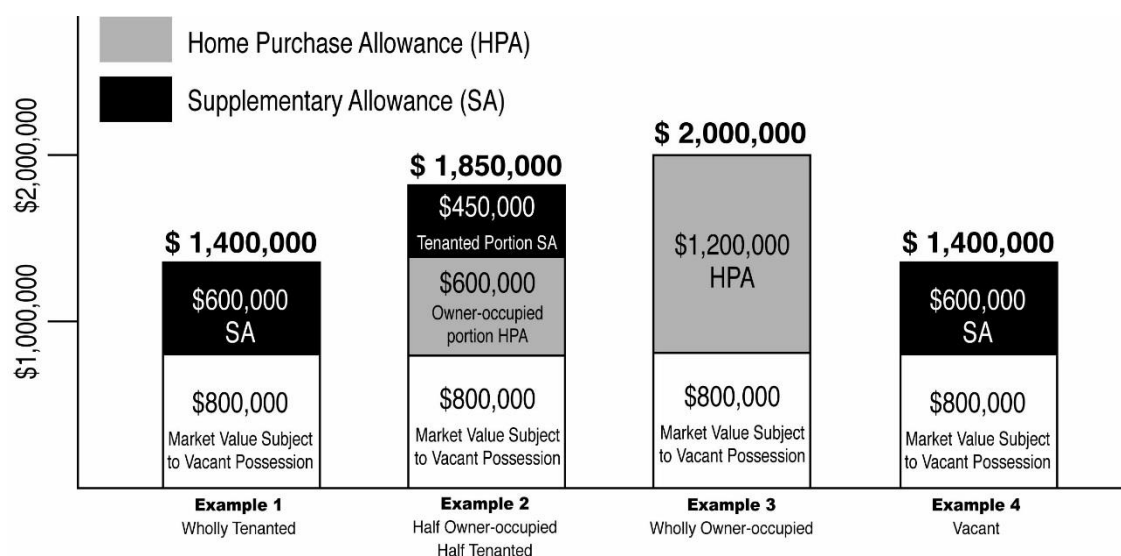
An owner of the above domestic flat who occupies the entire flat for his own use

This owner will get the market value of his flat (on VP basis), 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


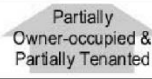
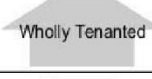

An owner of the above domestic flat who leaves the entire flat vacant

The owner will get the market value of his flat (on VP basis), 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.


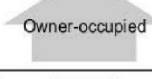
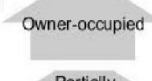
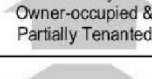

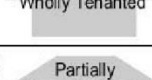
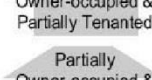


Appendix II : Domestic Properties - Diagrammatic Illustration of HPA, SA & EUV



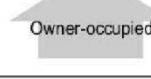


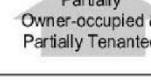
One Flat

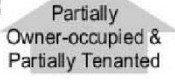
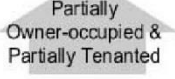
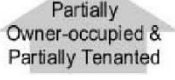
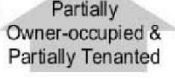
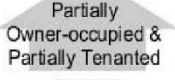
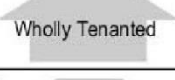
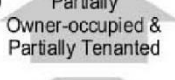

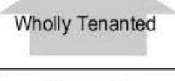


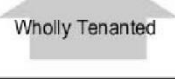

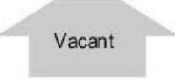

Occupation Status	HPA	SA	Market Value
1  Owner-occupied	100%		EUV(VP)
2  Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
3  Wholly Tenanted		50%	EUV(VP)
4  Vacant		50%	EUV(VP)

Two Flats

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

Three Flats

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