

## **Principles Adopted by the Urban Renewal Authority in Property Acquisition (only applicable to Properties in the Buildings developed under the Civil Servants' Co-operative Building Society Scheme)**

This leaflet briefly outlines the principles adopted by the Urban Renewal Authority ("URA") in the acquisition of properties in the buildings developed under the Civil Servants' Co-operative Building Society ("CBS") Scheme which are situated within the two pilot projects commenced by URA in May 2020.

### **Notes to Owners of CBS Properties and Members/Ex-members of CBS**

1. Registered owners of CBS properties are eligible for URA's acquisition offers. If the CBS properties are still subject to alienation restriction under the lease, acquisition by URA can only be completed after the owners have settled with the Government the premium required to remove the alienation restriction. Upon the owners' request, URA would make arrangements with the Government so that the premium for removal of alienation restriction could be deducted from the amounts payable to the owners for acquisition of their properties.
2. As for the members of the yet to be dissolved CBSs and the ex-members of dissolved CBSs who have not taken up the legal titles of their properties, while URA's acquisition offers may also be issued to them for reference, their acceptance of the offers would only be valid after they have become the registered owners of their properties and have registered their legal titles in the Land Registry.

### **Domestic Properties**

3. URA will offer an owner-occupier of domestic property the market value (assessed on vacant possession basis) of his/her property plus an ex-gratia allowance, namely Home Purchase Allowance ("HPA"), for purchase of the property. The amount of HPA payable to individual owner 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 flat being acquired 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.
4. "Owner-occupier" here means an owner who occupies his/her property as his/her sole residence. If an owner does not reside in his/her property as his/her sole residence, the occupancy status of his/her 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/her property as his/her "sole residence" will be determined by URA according to URA's prevailing policy.

5. 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 payable in different scenarios.)
6. 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 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.
7. An owner who leaves his/her property vacant will be offered the market value (assessed on vacant possession basis) of his/her property plus SA.
8. An owner who lets his/her property out will be offered the market value (assessed on vacant possession basis) of his/her property plus SA.
9. An owner of tenanted or vacant properties will be offered 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 payable in different scenarios.)
10. If a property is owned by joint owners (whether as joint tenants or tenants in common) or 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.
11. In addition to HPA or SA, URA will offer an incidental cost allowance ("ICA") to owners of domestic properties to assist payment of removal expenses and expenditure relating to the purchase of a domestic replacement flat. 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.
12. If the amount of necessary and reasonable expenses actually incurred by the owner of a domestic property in purchasing a domestic replacement flat (i.e. removal cost, stamp duty, agency fee and legal 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:
  - (i) The owner must have accepted the initial acquisition offer of URA within the validity period of the offer;
  - (ii) The reimbursement claim must be made within 12 months from the date of execution of assignment of the 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;
  - (iii) 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
  - (iv) The owner should be the sole registered owner or one of the registered owners of the domestic replacement flat.

13. In general, the principles in assessing the reimbursable amount of the Expense as described in Paragraph 12 above are:
- (i) The reimbursable amount for stamp duty should be calculated at the lower rates (Scale 2) of ad valorem stamp duty payable for a domestic replacement flat;
  - (ii) The reimbursable amount for real estate agency fee will be subject to a ceiling with reference to the general market practice;
  - (iii) The reimbursable amount of the aforesaid two items will be subject to a ceiling to be calculated on the basis of 110% of the sum of (a) the market value of the property and (b) the HPA/SA stipulated in the initial acquisition offer of URA;
  - (iv) URA will only reimburse the Expense which is reasonable, absolutely necessary and actually paid by the owner in relation to his/her purchase of a domestic replacement flat and his/her removal from the property sold to URA;
  - (v) The owner should provide sufficient documentary evidence for the Expenses submitted in the reimbursement claim; and
  - (vi) 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.
14. If a property has been sub-divided into several flats with undivided shares (“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.
15. 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 will be offered HPA, can opt to participate in URA’s “Flat-for-Flat” Scheme (“the Scheme”). URA will provide the details under the Scheme to eligible domestic owner-occupiers after the project was approved for implementation .
  - (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 8 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 offers from URA both unconditionally and within the validity period of the offers. Please refer to the pamphlet of “Elderly Domestic Owner-Landlords Compassionate Allowance” for details of the eligibility criteria and the arrangement.

**Non-domestic Properties (Car-parking Spaces)**

16. An owner of a car-parking space will receive the market value of the car-parking space (assessed on vacant possession basis) plus an allowance equivalent to 10% of the

market value (assessed on vacant possession basis) of the car-parking space. If the owner concerned is also the occupier of the car-parking space, he/she will receive an additional allowance equivalent to the Rateable Value of the car-parking space.

### **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 (assessed on vacant possession basis) of his/her property plus either (i) the allowance for Non-domestic Properties (i.e.35% of its market value (valued on vacant possession basis) or 4 times its Rateable Value, whichever is higher) or (ii) SA, whichever is higher. An owner of tenanted property will be offered market value (assessed on vacant possession basis) of his/her property plus either (i) the allowance for Non-domestic Properties (i.e. 10% of its market value (valued on vacant possession basis) or one time its Rateable Value, whichever is higher) or (ii) 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. To be eligible for URA's acquisition offer, owner of the rooftop property must have legal title.
19. An owner of tenanted or vacant rooftop property will be offered the market value of the property assessed on an open roof basis (disregarding any illegal structure or any rent passing) plus an allowance at 10% of the said market value.
20. 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. If the owner-occupier does not meet the re-housing criteria or does not elect for re-housing, URA will offer him/her an allowance at 10% of the said market value.

### **Buildings in Single Ownership**

21. URA's acquisition offer to the owner of a building in single ownership is either (i) the existing use value of the building plus the applicable ex-gratia allowances for non-domestic units (if any) in the building and the applicable HPA/SA and ICA for domestic units (if any) in the building, assuming that the building is in multiple ownership, or (ii) the redevelopment value of the building (assuming redevelopment of the building on its own) plus an ex-gratia allowance of 5% of the redevelopment value, whichever is higher.

### **Vacant Sites**

22. URA's acquisition offer to the owner of a vacant site is the redevelopment value of the vacant site (assuming redevelopment of the site on its own) plus an ex-gratia allowance of 5% of the redevelopment value.

## **Other General Rules**

23. 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).
24. For the purpose of calculating the unit rate of the notional replacement flat, URA will appoint seven professional surveyor firms to provide the assessment.
25. URA will provide an allowance to the owners, who have employed a professionally qualified surveyor to assess the market value of his/her property interest (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.
26. If an owner only purchased his/her property in the project after the date of the Freezing Survey, URA will not pay to such owner any of the above-mentioned HPA/SA, Elderly Domestic Owner-Landlords Compassionate Allowance, Allowance for Non-Domestic Use, Ex-gratia Business Allowance, 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.
27. URA will consider acquiring property from a holder of 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.
28. 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.
29. 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.
30. URA's acquisition offer 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 acquisition offer is made will only be offered the allowances for the acquisition of his/her property on a tenanted basis.

31. Particularly, URA would draw the attention to owners whose properties were being 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: -
- (i) the properties are subsequently left vacant; or
  - (ii) the owners have entered into new tenancies, whether with the existing tenants or new tenants; or
  - (iii) the owners are now occupying their properties for their own self-use. URA will not offer HPA to owners in this situation. Such owners will be offered SA.
32. 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.

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**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.**

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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 assumed HPA will then be HK\$1,200,000 accordingly.

#### **Example One**

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

This owner will get the market value 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 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**

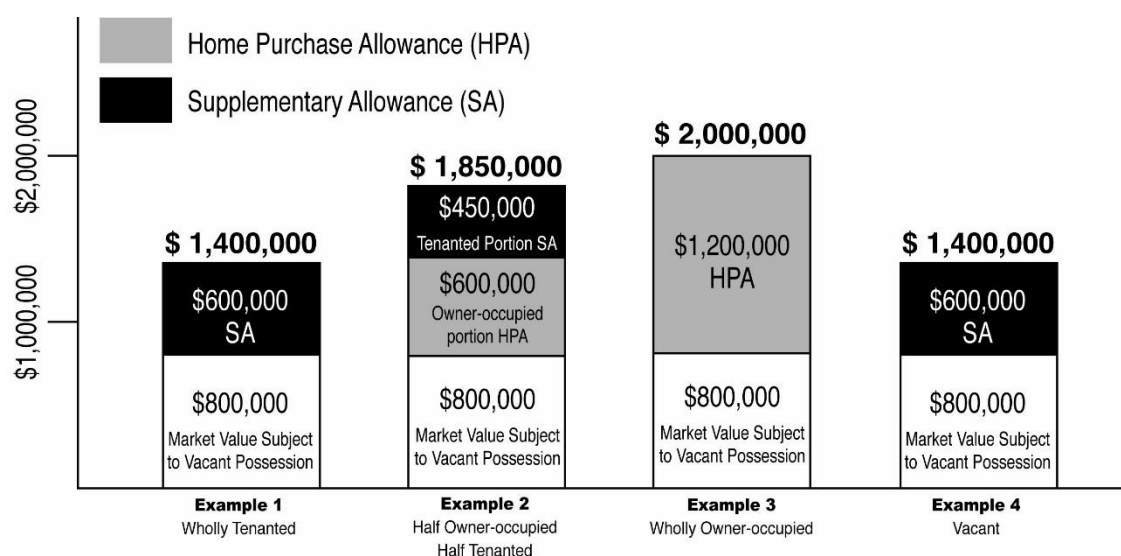
An owner of the above domestic flat who occupies the entire flat for his/her own use

This owner will get the market value of 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 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
<b>1</b> Owner-occupied	100%		EUV(VP)
<b>2</b> Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
<b>3</b> Wholly Tenanted		50%	EUV(VP)
<b>4</b> Vacant		50%	EUV(VP)

### 🏠🏠 Two Flats

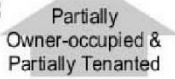
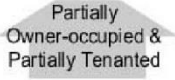
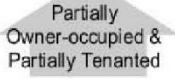
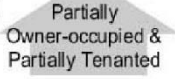
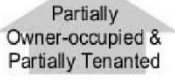
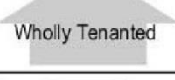
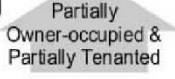

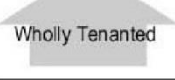






Occupation Status	HPA	SA	Market Value
<b>5</b> Owner-occupied Owner-occupied	100%		EUV(VP) EUV(VP)
<b>6</b> Owner-occupied Partially Owner-occupied & Partially Tenanted	100%	Owner-occupied portion : 100%	EUV(VP) EUV(VP)
<b>7</b> Owner-occupied Wholly Tenanted	100%	50%	EUV(VP) EUV(VP)
<b>8</b> Partially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

### 🏠🏠🏠 Three Flats

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



## Appendix II

Occupation Status	HPA	SA	Market Value
<b>18</b>  Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
<b>19</b>  Partially Owner-occupied & Partially Tenanted  Partially Owner-occupied & Partially Tenanted  Wholly Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
		50%	EUV(VP)
<b>20</b>  Partially Owner-occupied & Partially Tenanted  Wholly Tenanted  Wholly Tenanted	Owner-occupied portion : 100%	Tenanted portion : 75%	EUV(VP)
		50%	EUV(VP)
		25%	EUV(VP)
<b>21</b>  Wholly Tenanted  Wholly Tenanted  Wholly Tenanted		50%	EUV(VP)
		25%	EUV(VP)
			EUV(VP)
<b>22</b>  Vacant  Vacant  Vacant		50%	EUV(VP)
		25%	EUV(VP)
			EUV(VP)

### Abbreviations:

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