

“Maintenance Cost Reimbursement Scheme”

General Information

Introduction

- 1) It is the property owners' responsibility to maintain their buildings in a safe and sound condition and free from unauthorized building works.
- 2) Relevant Government Departments may issue orders or notices requiring building owners to remove any illegal structures or dangerous elements from their properties within a specified period.
- 3) The Urban Renewal Authority (the Authority) fully supports the measures taken by the relevant Departments to safeguard public safety and would urge property owners as responsible citizens to comply with such work requests promptly.
- 4) The Authority implements the “Maintenance Cost Reimbursement Scheme” (MCRS) in the following projects:
 - a) **Peel Street / Graham Street Development Scheme**
 - b) **Staunton Street / Wing Lee Street Project**
 - c) **Shanghai Street/Argyle Street Project**
 - d) **Prince Edward Road West/Yuen Ngai Street Project**
 - e) **Sai Wan Ho Street Project**
 - f) **Kowloon City Road/ Sheung Heung Road Project**
 - g) **Kwun Tong Town Centre Project**
 - h) **Nga Tsin Wai Village Project**
 - i) **Anchor Street / Fuk Tsun Street Development Scheme**
 - j) **Pak Tai Street / San Shan Road Project**
 - k) **Fuk Wing Street Project**
 - l) **Reclamation Street/ Shantung Street Project**
 - m) **205-211A Hai Tan Street Project (Demand-Led Redevelopment Project)**
 - n) **Pine Street / Oak Street Project (Demand-Led Redevelopment Project)**
 - o) **777-783 Yu Chau West Street Industrial Building Redevelopment Pilot Scheme Project**
 - p) **Tonkin Street/ Fuk Wing Street Development Project**
 - q) **Kowloon Road / Kiu Yam Street Demand-Led Redevelopment Project**
 - r) **Tung Chau Street/ Kweilin Street Demand-Led Redevelopment Project**
 - s) **Fuk Chak Street / Li Tak Street Demand-Led Redevelopment Project**
 - t) **Kai Ming Street Demand-Led Redevelopment Project**
 - u) **Castle Peak Road / Un Chau Street Development Project**

The MCRS aims to provide an ex-gratia allowance to encourage the owners to carry out maintenance and repair works requested by the relevant Government Departments although the buildings are likely to be redeveloped in a few years' time.

- 5) Upon application by the relevant owners, who have accepted the Authority's purchase offers and have **signed the sales and purchase agreement for their properties**, the Authority will consider providing an **ex-gratia allowance** to them for the **expenditure incurred** in carrying out the maintenance and repair works by themselves in compliance **with orders or notices issued under the following conditions**, and based on **the value of the remaining useful life ^{Note 4} of the relevant works:-**

"The work is required by

- (i) Buildings Department under Sections 26, 26A and 28 of Buildings Ordinance Chapter 123, or
- (ii) Fire Services Department under the Fire Safety (Commercial Premises) Ordinance (Chapter 502) or Fire Safety (Buildings) Ordinance (Chapter 572), or
- (iii) EMSD under the Lifts and Escalators (Safety) Ordinance (Chapter 327)"

- 6) The Authority will periodically review the MCRS and reserves all rights to terminate the MCRS or to change the details of the MCRS at any time in light of the result and experience of the implementation.

Application

- 7) Owners who have accepted the Authority's acquisition offers and have incurred expenditure for repair works (together with associated professional services) for complying with orders or notices as described in **item 5 above** may obtain a **standard application form** from the Authority to apply for the ex-gratia allowance. The application and all supporting documents should be submitted **within seven days after** the signing of the sales and purchase agreement. To expedite the processing, the applicant may only submit one application form which includes all ex-gratia allowance applications under the MCRS.
- 8) Supporting documents to prove the following will be required to be submitted by the applicant together with the application:-
- a) The applicant's identity as the registered owner of the concerned property
 - b) The relevant orders / notices and proof of the discharging of such orders/ notices
 - c) Proof of the expenditure (such as contractor's/consultant's quotation and receipt; minutes of owners' general meeting, relevant OC contribution notices and payment receipt etc.)
- 9) Where a property is owned by more than one owner, all registered owners should jointly apply for the allowance.
- 10) Upon receipt by the Authority of a completed application form with all requisite information and substantiating documents, the applicant will be notified of the result within **thirty days**. The payment of the approved ex-gratia allowance will only be made after the completion of the sale and purchase of the property.

Assessment principles

- 11) The following works will not be covered by the MCRS:
- a) Clearance of any unauthorized building works and illegal structures from the property
 - b) Decorative/renovation or similar improvement works not arising from the relevant orders or notices
 - c) Any other routine maintenance works or other building works not falling within the description of item 5 above
- 12) The ex-gratia allowance, subject to adequate information and substantiating documents being provided by the applicant, will be assessed according to the following principles:-
- a) The allowance shall be based on the remaining useful life of the maintenance and repair works carried out. The useful life for all type of completed maintenance and repair works required by relevant government departments shall be set at **seven (7) years.** ^{Note 1}
 - b) The maximum allowance payable for the works required by the relevant government department will be capped at a ceiling amount, arrived at by multiplying a fixed unit rate (**Fixed Unit Rate**) ^{Note 2} by the **saleable area** ^{Note 3} **of the owner's property** and subject to the validity of the **remaining useful life** ^{Note 4} of the works carried out. (See Note 5 below for an illustration)
 - c) Where there are more than one complied order or notice, the total ex-gratia allowance payable is subject to a maximum, arrived at by multiplying a Fixed Unit Rate by the saleable area of the subject property.
 - d) Works in connection with removal of **unauthorized building works and illegal structures** as required by the relevant government departments are not eligible for any allowance. In the event that property owners cannot provide supporting documentation properly demarcating the **maintenance and repair works** covered under the MCRS from those in connection with **unauthorized building works and illegal structures**, the Authority has the sole discretion to apportion the substantiated cost incurred for the former works. The maximum allowance payable will be capped at a ceiling amount, arrived at by multiplying a Fixed Unit Rate by the saleable area of the subject property and subject to the validity of the remaining useful life of the maintenance and repair works carried out.
 - e) In the event that the property owners cannot provide supporting documentation properly demarcating the maintenance and repair works covered under the MCRS from those in connection with **other works (such as decorative, upgrading, improvement, fitting-out works, etc)**, the Authority has the sole discretion to apportion the substantiated cost incurred for the former works. The maximum allowance payable will be capped at a ceiling amount, arrived at by multiplying a Fixed Unit Rate by the saleable area of the owner's property and subject to the validity of the remaining useful life of the maintenance and repair works carried out.
 - f) In respect of the above paragraphs 12(b) to 12(e), the Fixed Unit Rate is as follows:

<u>Item</u>	<u>Fixed Unite Rate</u> ^{Note 2}
(i) Works required by Electrical and Mechanical Services Department as described in paragraph 5 (iii)	HK\$300/m ² (about HK\$27.9/sf)

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| (ii) Works required by Buildings Department as described in paragraph 5 (i) | HK\$400/m ² (about HK\$37.2/sf) |
| (iii) Works required by Fire Services Department as described in paragraph 5 (ii) | HK\$800/m ² (about HK\$74.3/sf) |

Note 1 - The useful life span of any repair works varies extensively from case to case and is dependent on the nature of works, material and workmanship as well as environmental conditions. For consistency in assessment, the seven-year life is used for the administration of the MCRS.

Note 2 - In practice, repair works arising from statutory orders may, to a greater or lesser extent, include decorative or up-grading works, which fall outside the scope of the MCRS and are not eligible for the ex-gratia allowance. To avoid extensive proof being required from the applicants or disagreements arising from the scope and extent of works carried out in compliance with an order, the Fixed Unit Rate is introduced to speed up the assessment process. The Fixed Unit Rate is obtained from historical cost data for similar maintenance or repairs works required by the relevant government departments in past redevelopment projects and is subject to periodic review at the discretion of the Authority for the assessment of the ex-gratia allowance under the MCRS.

Note 3 - The saleable areas are inclusive of all areas within the definition of “Saleable Area” and “Ancillary Accommodation” as defined in the Code of Measuring Practice issued by the Hong Kong Institute of Surveyors.

Note 4 - The Remaining Useful Life (RUL) will be calculated as follows: -

$$RUL = 7 \text{ years} - [Date of Completion of Sale and Purchase MM/YY - Date of Completion of Maintenance and Repair Works MM/YY]$$

(Date of Completion of Maintenance and Repair Works shall be the date of acknowledgment by the relevant Government Department on the compliance of the order or notice, or, in the absence of such acknowledgement date and if considered appropriate by the Authority, the date of notification to the relevant Government Department of completion of works requested)

Note 5 - Maintenance Cost Reimbursement Amount will be the lesser of the following two calculated amounts: -

<i>Substantiated costs of Maintenance and Repair works required by relevant departments</i>	X	$\frac{\text{Remaining Useful Life of Maintenance \& Repair Works}}{\text{Useful Life of Maintenance \& Repair Works set at 7 years}}$
<i>Saleable Area of the property unit</i>	X <i>Fixed Unit Rate</i>	$\frac{\text{Remaining Useful Life of Maintenance \& Repair Works}}{\text{Useful Life of Maintenance \& Repair Works set at 7 years}}$

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