

12 March 2008

By fax and mail

Clerk to Panel on Development
Legislative Council Secretariat
8 Jackson Road
Central
Hong Kong

Attention: Mr. Wong Siu-ye

**LegCo Panel on Development
Meeting on 6 March 2008
Land (Compulsory Sale for Redevelopment) Ordinance**

As promised, we have recapped below the views we presented to the Honourable Members at the meeting of 6 March. We would also wish to put forward a few additional points for their consideration.

We believe all cities need to constantly adjust to changing circumstances in order to improve the quality of life for their residents and adapt to shifting economic conditions whilst, at the same time, respecting heritage and cultural traditions which give a city its “roots”. Being a small physical city, but with an important economic role and changing political environment both internally and externally, Hong Kong is especially prone to these forces of change.

The need for urban renewal and rejuvenation, subject of course to appropriate safeguards and constraints, is now well recognized but the mechanism to effect such changes has inevitably been relying on the Government. We believe this should be a shared responsibility and not rely purely on Government institutions but also harness the resources of the private sector in a fair and reasonable manner.

The enactment of the Land (Compulsory Sale for Redevelopment) Ordinance in 1998 has been an important piece of legislation in facilitating these market forces. The law to date has functioned in two principal ways:

1. It has allowed private owners of underutilized property to work together in order to release the latent value of their assets, thereby creating increased individual

wealth and new job opportunities for the service sector especially the Hong Kong construction industry.

2. It has allowed investors and developers to take a more proactive role in urban renewal as there is “light at the end of the tunnel” for without this, investors would not be interested.

However, experience over the last decade has clearly illustrated a number of problem areas, some of which were identified at the initial inception of the legislation but were not considered appropriate to introduce in 1998, but would be revisited in the light of experience. We are now at that stage.

As far as the current Government proposal is concerned, which is to reduce the threshold for compulsory sale to 80% for two classes of lots, viz

- i. a lot with all units but one acquired;
- ii. a lot with all buildings aged 40 years or above,

we support fully and unreservedly in the interest of the city as a whole.

We wish to point out that there are also a number of problems with the existing legislation which we believe need addressing in order to enable it to function more efficiently. These are summarized below:

1. The question of missing or untraceable owners which was originally included in the latest consultation process needs to be addressed.
2. Under the existing mechanism, the threshold is determined lot by lot on a separate basis. This has posed unnecessary hurdles to site amalgamation and is not conducive to comprehensive urban regeneration. We propose that contiguous lots should be allowed to be pooled together for the purpose of determining the threshold.
3. It should be recognized that the neighbourhood of a building may have changed drastically over time such that the building has become obsolete and incongruous with the surrounding and the OZP. For example, an industrial building of some 20 years of age is found to be incompatible with its surrounding residential/commercial buildings in a redeveloped area. It is in the interest of the neighbourhood that the industrial building should be allowed to be redeveloped notwithstanding it being short of the age threshold of 40 years. We would propose making “obsolete use in the context of the neighbourhood and OZP” another class of lots to be subject to the lower threshold of 80%.

At the Panel meeting, we have heard some concerns that Government's proposal might open the floodgate to compulsory sale which was considered to be detrimental to the interests of the minority owners. This is not going to happen as the current proposal seeks to lower the threshold for two specific types of lots only. It should be noted that each application will still be required to go through the Lands Tribunal. The original power vested with the Lands Tribunal to consider the merits of each case will remain unchanged, thereby assuring the integrity of the built-in safeguard mechanism for the protection of minority interests under the Ordinance.

We would be pleased to elaborate on any of the above points should the Honourable Members so require.

Yours sincerely

Louis Loong
Secretary General

c.c. Mr. Tommy Yuen,
Deputy Secretary for Development (Planning and Lands) 2