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Panel on Development

Meeting on 26 May 2015

**Updated background brief on
Civil Servants' Co-operative Building Society Scheme**

Purpose

This paper provides updated background information on the Civil Servants' Co-operative Building Society ("CBS") Scheme and summarizes the views and concerns expressed by Members since the 2012-2013 legislative session on the subject.

Background

2. The CBS Scheme is a form of civil servants' housing benefit managed by the Civil Service Bureau. It was launched in 1952 to allow the Administration to grant land at a concessionary premium, usually at one-third of the full market value, to enable eligible civil servants to build residential buildings through forming co-operative societies ("CBS buildings"). The legal titles of the land and the buildings are held by the respective CBSs which were set up under the Co-operative Societies Ordinance (Cap. 33) ("CSO") and registered by the Registrar of Co-operative Societies.

3. A total of 238 CBSs have been formed in Hong Kong so far and they are responsible for the management and maintenance of CBS buildings which occupy a total area of about 30 hectares in the territory. No CBS buildings have been built since the mid-1980s. According to the information provided by the Administration in January 2013, excluding the buildings of 11 CBSs which had been redeveloped by private developers, if the buildings of the remaining 227 CBSs were to be redeveloped, it was estimated that about

963 000 square metres of domestic gross floor area could be made available based on the permitted plot ratio of the respective land lots¹.

Need for redevelopment of CBS buildings

4. The Panel on Development ("DEV Panel") discussed issues related to the redevelopment of CBS buildings at the meetings in May and July 2013. Some Panel members pointed out that most CBS buildings were lacking in modern-day building facilities such as lifts, hence posing access problems to aged occupants with impaired mobility. With the deterioration in the conditions and environment of these buildings, many occupants would welcome the redevelopment of them.

Procedures involved in redevelopment of CBS buildings

Dissolution of CBS

5. Under the respective underleases that a CBS signed with its members, CBS members have the right to use the flats but do not possess the legal titles to them. To allow the transfer of legal titles of CBS premises to individual CBS members and the dissolution of CBSs, the Administration introduced the Surrender and Regrant Approach² in 1987. It was replaced in 1993 by the current arrangement, namely Modification of Lease Approach, under which a CBS may, upon obtaining the consent of 75% of its members, apply for dissolution. Individual CBS members may then acquire titles to their properties and land by deeds of assignment.

6. According to the Administration, of the 238 CBSs, 184 have been dissolved and 54 have yet to be dissolved as at 31 January 2015.³ Some Members opined that it was difficult for CBS members who wished to sell their flats to obtain the consent of 75% of the members to dissolve the CBS. On the question of whether the threshold could be relaxed, the Administration advised that the 75% threshold was a requirement under CSO and was applicable not only to CBSs, but also to other co-operative societies registered

¹ Source: The Administration's reply to an oral question on redevelopment of CBS buildings raised at the meeting of the Legislative Council of 23 January 2013

(<http://www.legco.gov.hk/yr12-13/english/counmtg/hansard/cm0123-translate-e.pdf>, p.5049 - p.5060)

² Under the Surrender and Regrant Approach, a CBS could be dissolved subject to the unanimous consent of all members.

³ The Administration's reply to a written question on redevelopment of CBS buildings raised at the meeting of the Legislative Council of 18 March 2015

(<http://www.legco.gov.hk/yr14-15/english/counmtg/hansard/cm20150318-translate-e.pdf>, p. 7323 - 7325)

under the Ordinance. Before making any changes to the requirement, the Administration had to conduct an extensive consultation to ensure that the changes were widely supported by those who would be affected.

Removal of restrictions on sale of individual flats

7. Upon acquisition of the legal titles of their flats, former members of a dissolved CBS will execute legal charge on their flats in favour of the Financial Secretary Incorporated, such that the title deeds of the flats will be retained by the Government and the flats will be subject to alienation restrictions. To remove the alienation restrictions, former CBS members may apply to the Lands Department, and upon payment of land premium, the Government will approve the removal of the alienation restrictions of the flats. The title deeds of the flats will be returned to the owners, who will be at liberty to dispose of the flats as they wish.

8. At the meeting on 15 July 2013, DEV Panel received public views on issues related to the redevelopment of CBS buildings. Many CBS members attending the meeting expressed concern that they could not afford to pay the outstanding premium for the removal of the alienation restrictions in their underleases prior to redevelopment. They stressed that they were not seeking a fortune through redevelopment, but were only looking for a decent shelter as the conditions of their CBS flats had been deteriorating over time. While some CBS members opined that the Urban Renewal Authority should introduce a redevelopment scheme for CBSs to provide a way out for CBS occupants, some hoped that the Administration would grant concession or waive the land premium that they were required to pay so as to expedite the redevelopment of CBS buildings to make better use of land resources.

9. The Administration advised that public views were divided on the suggestion to exempt former members of dissolved CBSs from the payment of land premium as this was tantamount to providing them with subsidy from the public purse. As some dissolved CBSs had already paid full land premium for their buildings to remove alienation restrictions⁴, any proposed changes to the existing mechanism required careful deliberation. In response to the question of whether the Administration would allow former members of dissolved CBSs to redevelop the buildings first and pay the necessary premium later, the Administration advised that as there were no provisions for

⁴ According to the Administration's reply to a written question on redevelopment of CBS buildings raised at the meeting of the Legislative Council of 18 March 2015, as at January 2015, among the 184 dissolved CBSs, 13 of them have paid full land premium to the Lands Department, 171 CBSs have yet to pay up in full the land premium for their buildings, including 50 CBSs which have not paid any land premium at all and 121 CBSs which have paid the land premium for some of the flats.
(<http://www.legco.gov.hk/yr14-15/english/counmtg/hansard/cm20150318-translate-e.pdf>, p. 7323 - 7325)

payment deferment in the lease conditions of the CBS sites, the suggestion raised both technical and policy issues which had to be carefully examined within the Administration.

Policy review to facilitate the redevelopment of CBS buildings

10. DEV Panel members in general held the view that the Administration should adopt a new line of thinking on redevelopment of CBS buildings in the light of the changing needs and aspirations of the society. The solution to be put up by the Administration must be fair to CBS members as well as the general public. They considered that the Administration should engage CBSs in working out a mutually acceptable solution and draw up a policy to facilitate redevelopment of CBS buildings. DEV Panel passed a motion at the meeting on 15 July 2013 urging the Administration to launch redevelopment programmes for CBS buildings immediately so as to increase land supply in urban areas, and to submit feasible proposals acceptable to both sides in six months.

11. At the Council meeting of 18 March 2015, Dr Hon Priscilla LEUNG Mei-fun raised a question on the Administration's progress of work in formulating concrete proposals on the way forward for CBS buildings. In reply, the Administration explained that as the redevelopment of CBS buildings was more complicated than expected and public subsidy might be involved, the Development Bureau was working with the relevant bureaux, departments and organizations to explore the issue with a view to assisting owners of CBS buildings to seek redevelopment opportunities in a fair and equitable manner.

Recent development

12. The Administration will report to DEV Panel at the meeting on 26 May 2015 the findings of a study on facilitating the redevelopment of CBS buildings.

Relevant papers

13. A list of relevant papers with their hyperlinks is in the **Appendix**.

Civil Servants' Co-operative Building Society Scheme

List of relevant papers

| Date | Meeting/Event | References |
|-----------------|----------------------|--|
| 23 January 2013 | Council meeting | Hansard -- oral question (No. 4) on redevelopment of quarters developed by civil servants' cooperative building societies (p. 5049 - p. 5060) http://www.legco.gov.hk/yr12-13/english/communmtg/hansard/cm0123-translate-e.pdf |
| 23 January 2013 | Council meeting | Hansard -- written question (No. 16) on quarters developed by civil servants' cooperative building societies (p. 5153 - p. 5163) http://www.legco.gov.hk/yr12-13/english/communmtg/hansard/cm0123-translate-e.pdf |
| 11 April 2013 | - | The Administration's information paper to the Panel on Development on civil servants' cooperative building society scheme (LC Paper No. CB(1)849/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/devcb1-849-1-e.pdf |
| 28 May 2013 | Panel on Development | Minutes of meeting (LC Paper No. CB(1)56/13-14) http://www.legco.gov.hk/yr12-13/english/panels/dev/minutes/dev20130528.pdf |
| 15 July 2013 | Panel on Development | Minutes of meeting (LC Paper No. CB(1)282/13-14) http://www.legco.gov.hk/yr12-13/english/panels/dev/minutes/dev20130715.pdf The Administration's written response to the motion passed at the meeting on 15 July 2013 (LC Paper No. |

| Date | Meeting/Event | References |
|---------------|-----------------|--|
| | | CB(1)1721/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/dev0715cb1-1721-1-e.pdf |
| 18 March 2015 | Council meeting | Hansard -- written question (No. 10) on redevelopment of buildings developed under the civil servants' cooperative building society scheme (p. 7323 - 7325) http://www.legco.gov.hk/yr14-15/english/committees/unmtg/hansard/cm20150318-translate-e.pdf |