

**For discussion
on 25 January 2016**

LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT

Subcommittee on Redevelopment of Buildings Developed under the Civil Servants' Co-operative Building Society Scheme

Progress Update on Facilitating the Redevelopment of Buildings under the Civil Servants' Co-operative Building Society Scheme

Purpose

At the meeting of the Panel on 26 May 2015, Members were briefed on the three preliminary proposals to facilitate the redevelopment of buildings under the Civil Servants' Co-operative Building Society Scheme (CBS). This paper aims to update Members on the latest progress of the implementation of the proposals.

Background

2. In response to calls by CBS building owners for assistance to facilitate redevelopment of their buildings, the Administration had, in consultation with the Hong Kong Housing Society (HKHS), the Urban Renewal Authority (URA) and relevant government bureaux and departments, drawn up the following three preliminary proposals to facilitate the redevelopment of CBS buildings –

- (a) HKHS' Pilot Scheme for the Redevelopment of CBS buildings;
- (b) designation by URA of a dedicated queue for applications by CBS building owners for its facilitating services; and
- (c) institution of administrative arrangements by Lands Department (LandsD) to enable private developers to ascertain the amount of land premium payable with a view to facilitating them in making assessments on their redevelopment proposals of CBS sites.

3. At the special meeting of the Panel held on 16 July 2015, comments were raised by Members and the deputations on the three preliminary proposals, notably on the broad terms of the proposed framework of the HKHS' Pilot Scheme. Taking into account such comments, the Administration has been developing more concrete details on the preliminary proposals in collaboration with HKHS, URA and relevant bureaux/departments.

Details on the Proposals on Facilitating the Redevelopment of CBS Buildings

HKHS' Pilot Scheme for Redevelopment of CBS buildings

4. As explained in paper CB(1)860/14-15(06), the HKHS Pilot Scheme was developed to, on one hand, respond to some CBS building owners' wish to redevelop their buildings and, on the other hand, contribute to the increase in the supply of subsidised sale flats (SSFs) to the community. Therefore, the Scheme is designed having regard to the following principles and parameters –

- (a) the Scheme will be implemented under a demand-led approach, and it will be for the CBS building owners themselves to initiate and submit an application to HKHS. The CBS building owners have to secure 100% owners' participation before application for redevelopment of the CBS buildings would be considered and taken forward;
- (b) the site occupied by CBS buildings will be developed by HKHS to provide SSFs under a "no loss" principle¹. HKHS will pay land premium to the Government for lease modification necessary for redevelopment pursuant to existing policy, as well as acquisition costs and expenses;
- (c) HKHS will purchase individuals CBS flats from the owners at market price, while at the same time pay to LandsD the two-third outstanding land premium that the CBS flat owners owe the Government under the assignments of their CBS flats. Under the "no loss" principle and depending on market situation, HKHS may offer an acquisition price slightly above the market price (about 10% above the market price) for acquisition of these CBS flats;

¹ "No loss" principle means that in taking on a redevelopment project, HKHS will expect that the gross receipt from the project will at least be capable of paying for all the development and acquisition costs and expenses.

- (d) to maximise the development potential of the site and in line with other SSF developments, the site area/aggregated site area of the CBS buildings should be no less than 1,400 sq.m; and
- (e) the CBS building owners concerned will be allowed to purchase secondary market units under HKHS' "Flat-for-sale Scheme"².

5. Based on the above principles and parameters, and having consulted relevant bureaux/departments, HKHS has devised the details of the Scheme, which are set out in **Annex**. HKHS is now seeking legal advice regarding the implementation details and plans to roll out the pilot scheme in the **second quarter of 2016**.

6. When formulating the implementation details, we have taken note of the concerns expressed by some CBS building owners about the difficulty in meeting the requirement for securing 100% owners' participation before application for redevelopment of the CBS buildings would be considered and taken forward. However, we also recognise that there are some 500 serving civil servants residing in CBS flats and their right to continue to reside at the CBS flats is a civil service housing benefit to which they are entitled. Therefore, it may not be fair to require them to leave the CBS flats and give up their housing benefits with a view to enabling the redevelopment of the CBS buildings. Besides, there have already been successful cases of redevelopment of CBS buildings, and it appears that 100% owners' consent is not an insurmountable hurdle to the redevelopment of CBS buildings.

Designation by URA of a Dedicated Queue for CBS Building Owners for its Facilitating Services

7. Notwithstanding our concern about redeveloping CBS buildings without 100% owners' consent by HKHS, we also recognised that there may be cases whereby the failure to obtain 100% owners' participation arises from deceased owners who are intestate or missing owners. Modelling on the existing pilot scheme to provide facilitating services for the joint sale of property interests in old buildings, URA has devised a dedicated new pilot scheme to facilitate the joint sale of property interests in CBS buildings.

8. URA's pilot scheme, which was approved by the URA Board in September 2015, would provide an option for CBS building owners who fail to secure 100% owners' participation requirement under HKHS' pilot scheme. The main features of the URA's pilot scheme are as follows –

² There are at present around 10,000 HKHS' units in the secondary market. Based on HKHS' assessment, CBS flat owners should be able to use the proceeds from the sale of their CBS flats to purchase a flat which is relatively smaller in size but is equipped with modern building facilities (e.g. lifts) from the secondary market.

- (a) there is no site area requirement;
- (b) in general, CBS building owners holding undivided shares of 50% or more of the property interests in each lot in the application site may apply;
- (c) all the CBS buildings in the application site should have already been dissolved and are ready for joint sale;
- (d) once CBS building owners holding 90% (or 80% by making reference to the Land (Compulsory Sale For Redevelopment) (Specification Of Lower Percentage) Notice)³ of the undivided shares in the application site agree to participate in the pilot scheme within a specific time frame, joint sale of their properties by public auction or tender will be arranged;
- (e) the CBS building owners do not have to settle the premium for removal of the alienation restriction before the sale by auction or tender. After successful joint sale, the premium will be settled out of the sale proceeds receivable from the purchaser during the assignment stage; and
- (f) concurrent application under the Demand-led Redevelopment Project (Pilot Scheme) of the URA or the Scheme of HKHS mentioned above will not be allowed.

9. URA will designate a separate queue for applications from CBS building owners. To allow adequate resources for implementation, a separate processing quota of 2 projects to be handled at any one time will be introduced, subject to review. The URA's pilot scheme will be launched in the **first quarter of 2016**.

Administrative Arrangements by LandsD to Process Lease Modification to Ascertain the Amount of Premium Payable

10. The redevelopment of CBS building sites involves two types of premium payment. The first is the payment of the two-third outstanding premium owed to the Government for the removal of the restriction on alienation in the assignment of each CBS flat payable by the respective CBS

³ According to the Land (Compulsory Sale For Redevelopment) Ordinance, Cap 545, owners of not less than 90% of the undivided shares in a lot may make an application for an order to sell all the undivided shares in the lot for the purpose of the redevelopment of the lot. Under the Land (Compulsory Sale For Redevelopment) (Specification Of Lower Percentage) Notice, Cap 545A, 80%, instead of 90% is applicable for certain classes of lots, e.g. the building erected on the lot is not less than 50 years old.

building owner. The second is the payment of the premium by developer for lease modification (if necessary) to enable the redevelopment of the CBS building site according to the redevelopment plan.

11. To facilitate private developers in making their own assessment of proposals to redevelop CBS sites, LandsD has already instituted new administrative arrangements since July 2015 to provide one-stop service to process requests for processing lease modification application and then assessment of the two types of premium for any CBS building site at the same time, i.e. to proceed with the lease modification application in accordance with the current practice if a developer / agent has obtained authorization from all owners of the CBS building. As of today, no application has been received.

Advice Sought

12. Members are invited to note the progress of the proposals being pursued outlined above.

**Development Bureau
Civil Service Bureau
Lands Department
Hong Kong Housing Society
Urban Renewal Authority**

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Flow Chart of the HKHS' Pilot Scheme for Redevelopment of CBS Buildings

