

Panel on Development

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

**Summary of Views Expressed by Deputations/Individuals at the Meeting on 1 March 2016 and in the Submissions
and the Administration's Response**

Views/concerns of deputations/individuals	Administration's response
<i>Land premium</i>	
<p>1. The Administration should provide documents to substantiate its claim that members of Civil Servants' Co-operative Building Societies ("CBSs") had only paid 1/3 of the land premium in earlier years when the land was granted to them for developing the buildings.</p>	<p>The contractual/supporting documents are set out in Annexes III to VII to "The Administration's response to issues raised by members at the meeting on 25 January 2016" (LC Paper No. CB(1)592/15-16(02)).</p>
<p>2. The Administration should waive the payment of outstanding land premium, if any, upon the removal of the alienation restrictions on CBS flats, because the concessionary land premium offered in earlier years was the only housing benefit given by the then Administration to CBS members.</p>	<p>The provision of civil service housing benefits for eligible civil servants is governed by the officers' terms of appointment, and the terms and conditions of the respective housing schemes.</p> <p>The CBS Scheme was launched in 1952 for the purpose of providing accommodation for CBS members and their families. Under the Scheme, CBSs formed by eligible civil servants (under the Co-operative Societies Ordinance, Cap. 33) were granted land by the Government at a concessionary</p>

Views/concerns of deputations/individuals	Administration's response
3. If CBS members are required to pay land premium for the removal of alienation restrictions, CBS members would have enjoyed no housing benefit at all.	premium, together with Government loans at preferential rates of interest, to enable them to build residential buildings for occupation by CBS members and their families. The CBS membership is a kind of civil service housing benefit, which does not involve legal titles of the premises.
4. The requirement for CBS members to pay land premium for the removal of alienation restrictions was an unfair condition imposed by the then colonial government and should be abrogated.	<p>In response to the requests of CBS members, the Government announced in 1985 arrangements for allowing the transfer of the legal titles of the land and the residential buildings originally held by the CBSs to individual CBS members subject to certain specified conditions (including payment of the two-third outstanding land premium for removing the alienation restrictions). Whether to accept such arrangements and relevant conditions are the choices of individual CBSs/CBS members.</p> <p>If an officer has obtained a legal title to an ex-CBS flat and land as a civil service housing benefit defined under the relevant Civil Service Regulation (e.g. through accepting the first assignment of a lease to a flat and land which belonged at some time to a CBS, and the officer was a member of the CBS immediately before such assignment, other than where he/she became a member through beneficial succession), he/she is no longer eligible for other civil service housing benefits. It is solely the decision of CBS members on whether to remove the relevant alienation restrictions by paying the two-third outstanding land premium.</p>
5. If the Administration insists that CBS members must pay the "outstanding" land premium when they would like to have the alienation restrictions on CBS flats removed, the amount of the land premium payable should be the	Lands Department ("LandsD") has all along assessed the land premium payable by CBS flat owners for removal of the alienation restrictions based on the approach as specified in the lease conditions.

Views/concerns of deputations/individuals	Administration's response
outstanding amount at the time of the grant of the land, with or without the accumulated interest.	
6. If CBS members had paid the outstanding land premium for removal of the alienation restrictions, they should have full titles to their properties and should not be required to pay the "second-level" land premium for redeveloping their buildings.	The Guidelines promulgated by the Administration in 1987 stipulate that a further land premium payment for making the necessary modification to the lease concerned would be required for redeveloping CBS buildings so as to fully utilize the maximum development parameters permitted under the relevant Outline Zoning Plans. Similar requirement also applies to other private redevelopment projects.
7. The Administration should introduce a mechanism whereby CBS members could sell their flats to a developer and the developer would pay the first-level and second-level land premia to the Government in one go.	<p>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.</p> <p>In addition, under the existing mechanism, the owner of an ex-CBS flat can apply to Civil Service Bureau for a waiver for temporary removal of the alienation restrictions prior to payment of the land premium. The waiver, which has a nine-month validity period, aims to provide flexibility for the owner in making financial arrangements for payment of the land premium (e.g. by entering into a sale and purchase agreement prior to payment of the land premium). In any circumstances, the outstanding land premium the owners owe the Government and the lease modification premium to effect redevelopment of the site must be paid contemporaneously before the</p>

Views/concerns of deputations/individuals	Administration's response
	redevelopment takes place.
<p>8. In the past, the Administration assessed the amount of land premium payable by CBS members based on the 'existing use land value' of their flats. However, the assessment has been changed to base on the 'redevelopment value'. This change has made it more difficult for CBS members to pay the land premium required. The Administration should re-adopt the 'existing use land value' in assessing the land premium payable.</p>	<p>According to the lease conditions, LandsD will adopt the existing use value or the redevelopment land value, whichever is the higher, as the basis in assessing the land premium for removal of the alienation restrictions payable by CBS flat owners.</p> <p>The aforesaid basis for calculating the land premium for removal of the alienation restrictions is clearly set out in the relevant Guidelines and modification letters to the leases entered between the Government and CBSs for transferring the legal titles to the respective flats and land to individual CBS members.</p>
<i>Redevelopment and rehousing arrangements</i>	
<p>9. The Administration should acquire the land occupied by CBS buildings and redevelop the buildings with reference to the acquisition offers made to the 11 successful cases of redevelopment of CBS buildings.</p>	<p>Our previous broadbrush desktop study revealed that while the maximum plot ratios of some of the CBS sites have not been fully utilised, the redevelopment potential of the CBS buildings as a whole is not as high as generally perceived. Specifically, it is roughly estimated that around half of the CBS sites would have potential for redevelopment on an aggregate basis. As these sites are scattered across the territory and may not be redeveloped as a whole, and given that each site is subject to its own constraints, the additional floor area that can ultimately be achieved will possibly be even less. Furthermore, the conditions of these CBS buildings, when compared to other old buildings in the urban area, do not justify any dire need of redevelopment. Therefore, the Administration has concluded that there are insufficient grounds for us to deviate from Government's established policy of premium charging and to make use of public funds to facilitate redevelopment of CBS buildings on the premise of increasing land supply.</p>
<p>10. The cost for redeveloping CBS sites is much lower than the cost for the Administration to develop North East New Territories ("NENT"). If the Administration adopts the 'existing use land value' in assessing the land</p>	

Views/concerns of deputations/individuals	Administration's response
<p>premium payable, the cost for redeveloping 4 000 CBS flats is \$12 billion (to provide 20 000 new residential units), while the cost for developing NENT is \$120 billion.</p>	<p>Notwithstanding the above, to facilitate the redevelopment of CBS buildings by the private sector, URA will designate a dedicated queue to provide facilitating service for CBS buildings with a view to arranging for the joint sale of property interests in CBS buildings.</p>
<p>11. Once a CBS building has been redeveloped, the Administration should allow each former CBS member of the building concerned to have a replacement flat in the redeveloped building. The size of the replacement flat should be the same as the member's old CBS flat ("foot-for-foot replacement"). During the redevelopment period, the Administration should make rehousing arrangements or provide removal allowances and rents for CBS members.</p>	<p>The redevelopment potential of any specific CBS site is subject to an array of site specific factors, and it would be inappropriate for the Administration to take a view on the issue.</p>
<p>15. When the Administration says that the redevelopment of CBS buildings should not involve expenditure of public monies, the Administration should make clear what and how much the expenditure is.</p>	
<p>17. It will be unfair for the Administration or the Urban Renewal Authority ("URA") to accord priorities to the redevelopment of CBS sites. There are</p>	

Views/concerns of deputations/individuals	Administration's response
<p>financially needy people who live in buildings of poorer conditions. They have more imminent needs for the government's assistance.</p>	
<p>12. Redevelopment of CBS buildings should be undertaken by URA in an approach similar to that of URA-initiated projects. URA should set up a dedicated team for the redevelopment of CBS sites so that the manpower resources for URA's other projects would not be affected.</p>	<p>Under the Urban Renewal Strategy, it is the priority of URA to assist in the redevelopment of buildings in poor and dilapidated condition. Therefore, it is inappropriate for URA to accord priority to the redevelopment of CBS buildings at the expense of more dilapidated buildings with greater urgency for redevelopment.</p> <p>That said, eligible CBS flat owners may apply for redevelopment of their buildings under the “Demand-led Redevelopment Project Pilot Scheme” of URA. URA will consider such applications under its existing mechanism and in accordance with the established criteria.</p>
<p>13. The financial viability of URA undertaking the redevelopment of CBS sites is higher due to the benefit of lease modification premium exemption.</p>	
<p>14. The Administration should set up a dedicated team to work out an acceptable and fair solution to the problems faced by CBS members/flat owners regarding the redevelopment of CBS buildings.</p>	<p>The Development Bureau will continue to coordinate the efforts of relevant Bureaux/Departments and organisations to facilitate the redevelopment of CBS buildings.</p>
<p>16. When the Administration says that CBS buildings are relatively well-kept, the Administration should make clear the basis for such assessment and why these buildings have no imminent needs for redevelopment.</p>	<p>When URA considers self-initiated projects and demand-led projects, building condition is one of the major and most important considerations. According to the building condition survey conducted by URA, most of the existing buildings in the CBS sites are in “good” condition.</p>

Views/concerns of deputations/individuals	Administration's response
<i>Government-built Housing Scheme ("GBHS") (referring to Lung Cheung Court and Hong Lee Court)</i>	
<p>18. When civil servants were invited to participate in GBHS in 1968, the relevant circular (Establishment Circular No. 69/68) did not mention that there would be any requirement for payment of arrear land premium in the future. It was stated in para. 7 that the selling price of the flats included the land cost and the administration cost. Even on 13 June 1969, when Mr Akers-Jones met with successful applicants for GBHS, he did not mention that there would be a requirement for arrear land premium payment.</p>	<p>Establishment Circular No. 69/68 was promulgated to announce the details of the GBHS, and to invite applications from interested and eligible officers. Given that the GBHS's initial objectives were to provide accommodation to eligible civil servants and their families and the titles of the flats were not granted to the civil servants, the issues of alienation restrictions and payment of arrear land premium should neither arise at the time of the promulgation of the Circular, nor when the land lease for Lung Cheung Court was issued.</p> <p>In the 1980s, when some CBS members and GBHS underlessees had fully repaid their respective loans, they began to seek permission to dispose of the flats under the CBS Scheme and the GBHS. Having consulted the then Executive Council (ExCo), a standard letter was issued on 25 November 1985 to inform relevant civil servants of ExCo's decision to permit CBSs to transfer the titles to the respective flats and land to individual CBS members, and to allow the sale, letting or other disposal of such properties by CBS members, subject to their acceptance of certain specified conditions including the payment of the outstanding land premium. It was an optional arrangement for CBS members and such arrangement was also applicable to Lung Cheung Court and Hong Lee Court under the GBHS.</p>
<p>19. When the land lease for Lung Cheung Court was issued on 27 June 1969, there was no mention in it that arrear land premium payment would be required.</p>	
<p>20. The requirement for GBHS members to pay land premium to remove the alienation restrictions was only made known to members in 1985. The requirement was unreasonable, harsh, and is in contravention of the Sale of Goods Ordinance, the Unconscionable Contracts Ordinance and the Trade</p>	<p>For further details of the case of Lung Cheung Court, please refer to Annex II(b) of "The Administration's response to issues raised by members at the meeting on 25 January 2016" (LC Paper No. CB(1)592/15-16(02)).</p>

Views/concerns of deputations/individuals	Administration's response
<p>Descriptions Ordinance.</p>	
<p>21. GBHS is different from CBS Scheme in terms of mode of development and financial assistance. Removal of alienation restrictions on GBHS flats should not be subject to the same conditions as those for CBS flats.</p>	<p>The main objectives of both the CBS Scheme and the GBHS are to provide accommodation to eligible civil servants and their families. Except for the developers of the buildings concerned (i.e. Government under the GBHS and individual CBSs for the CBS Scheme), the eligibility criteria and the form of assistance (e.g. Government loans, land grant on concessionary terms, and right of occupation) rendered to the civil servants under these two schemes at the material time are essentially the same.</p> <p>The arrangements set out in the relevant Guidelines (first promulgated by the Government in 1987) on the transfer of titles to flats and land from CBSs and GBHS to their individual members and underlessees, including the conditions for removing the relevant alienation restrictions, are applicable to both the CBS Scheme and the GBHS.</p>
<p><i>Redevelopment potential of CBS sites</i></p>	
<p>22. CBS sites, situated in the urban areas, have high redevelopment potentials. The Administration should not allow precious land to be under-utilized and eventually deserted.</p>	<p>As mentioned in the LC Paper No. CB(1)860/14-15(06), we had roughly estimated that around half of the CBS sites would have potential for redevelopment. Our assessment at that time was based on a broad-brush desktop study which focused on estimating the additional aggregate floor space that could be released from all the dissolved CBSs upon their redevelopment (should redevelopment be financially viable). It aimed to allow us to assess whether there would be sufficient grounds to justify a deviation from Government's established policy of premium charging and to make use of public funds to facilitate redevelopment of CBS buildings on the premise of increasing land supply.</p>
<p>23. It is unfair for the Administration to conclude that the redevelopment value of CBS sites is not high. The Administration should provide data to support this view and make it clear what sites have high redevelopment value.</p>	

Views/concerns of deputations/individuals	Administration's response
	<p>Our previous assessment only represents a broad-brush desktop analysis of the aggregate redevelopment potential of the CBS sites by employing the “redevelopment ratio” methodology, and has not taken into account the meticulous and detailed site-specific considerations of individual CBS sites. The redevelopment potential of any specific CBS site is subject to an array of site specific factors, and it would be inappropriate for the Administration to take a view on the issue.</p> <p>For details on the methodology which we have adopted in conducting the aforesaid analysis as well as basic information and key parameters of the CBS sites, please refer to paragraphs 3-11 of “The Administration's response to issues raised by members at the meeting on 25 January 2016” (LC Paper No. CB(1)592/15-16(02)).</p>
<i>Hong Kong Housing Society (HKHS)'s Pilot Scheme</i>	
<p>24. It is quite impossible to meet the requirement of having the consent of 100% of the owners of a CBS building to participate in the Scheme.</p>	<p>As HKHS has no statutory land resumption power, it has to secure the legal titles of all flats in a participating CBS building to ensure the smooth implementation of the redevelopment project.</p> <p>Besides, 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 should be respected. 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.</p>
<p>25. Under this Scheme, for a CBS flat of 1000 square feet, the CBS member concerned will only receive a compensation of around \$3 million from HKHS (after deducting the land</p>	<p>A project to be undertaken under the Scheme will not be financially viable if the acquisition offer is significantly above the existing use value of the CBS building since HKHS is required to pay the outstanding land premium to LandsD for the removal of the alienation restrictions of the flats.</p>

Views/concerns of deputations/individuals	Administration's response
<p>premium payable to the government). This amount is not sufficient for the member to buy a small flat in the same area.</p>	<p>Based on HKHS's 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) in HKHS's Flat-for-Sale Scheme ("FFSS") Secondary Market.</p>
<p>26. Although CBS members are allowed to purchase secondary market units under HKHS' "Flat-for-sale Scheme", the units are small and the supply is scarce.</p>	<p>Currently there are about 10,000 subsidized sale units built under HKHS's Flat-for-Sale Scheme which could be available for purchase in the Secondary Market by CBS flat owners participating in HKHS' Pilot Scheme.</p>
<p><i>Urban Renewal Authority's Pilot Scheme (Facilitating Service)</i></p>	
<p>27. Since developers are required to pay a huge amount of land premium for lease modification, there is little incentive for them to redevelop a CBS building.</p>	<p>There are many relevant factors which will be considered by developers in assessing the value of individual sites such as redevelopment potential, market condition and location.</p> <p>Assembly of property interests is a time-consuming process. The dedicated queue for facilitating service to be provided by URA to CBS owners will assist owners in assembling interests for a joint sale. Developers' acquisition time will be effectively reduced and it will improve the incentive for developers to redevelop CBS buildings.</p>

Views/concerns of deputations/individuals	Administration's response
<i>Other issues</i>	
<p>28. The rezoning of the land lots occupied by four CBS buildings at 83-111 Tai Hang Road from Residential (Group B) to Residential (Group C) was a mistake and had no legal basis. The Administration should rectify the mistake.</p>	<p>The Causeway Bay Outline Zoning Plan (OZP), which had incorporated the zoning amendment from Residential (Group B) to Residential (Group C) in respect of the land occupied by the four CBS buildings at 83-111 Tai Hang Road, was approved by the Chief Executive in Council in 2003.</p> <p>Should the owners of the four CBS buildings concerned wish to revise the development restrictions and parameters governing the lots on the extant OZP, they may, depending on the circumstances, submit planning applications under section 16 or section 12A of the Town Planning Ordinance (Cap.131) for consideration by the Town Planning Board.</p>
<p>29. The Administration should facilitate the dissolution of the remaining 52 CBSs to pave the way for their redevelopment.</p>	<p>The main objective of the CBS Scheme is to provide accommodation to eligible civil servants and their families. It is solely the decision of CBS members on whether to dissolve the CBSs and seek redevelopment of the CBS buildings.</p>