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Panel on Development

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

Purpose

This paper reports on the deliberations of the Subcommittee on Redevelopment of Buildings Developed under the Civil Servants' Co-operative Building Society Scheme ("the Subcommittee") formed under the Panel on Development ("the Panel").

Background

2. The Civil Servants' Co-operative Building Society Scheme ("CBS Scheme") is an old 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, together with Government loans, to enable eligible civil servants to build residential buildings through forming co-operative societies ("CBS buildings"). According to the Administration, the concessionary premium was one-third of the full market value of the land concerned. 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) and registered by the Registrar of Co-operative Societies. 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 building has been built since the mid-1980s.

Legal titles of CBS flats

3. Under the respective underlease 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. In the light of CBSs' request and to allow the transfer of legal titles of CBS premises to individual CBS members as well as the dissolution of CBSs, the Administration introduced the Surrender and Regrant Approach in 1987.¹ It was replaced in 1993 by the current arrangement, namely Modification of Lease Approach,² 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. According to the Administration, as at 31 May 2016, of the 238 CBSs, 187 have been dissolved and 51 have yet to be dissolved. Of the 187 dissolved CBSs, 12 had their buildings redeveloped or being developed.

Payment of two-level land premium upon redevelopment of CBS buildings

4. Redeveloping CBS buildings generally involves two levels of land premium payment. The first level is the outstanding two-thirds land premium payable to the Government³ for the removal of the alienation restriction⁴ on

¹ Under the Surrender and Regrant Approach, a CBS can be dissolved subject to the unanimous consent of all members.

² The Modification of Lease Approach was introduced in 1993 to facilitate the implementation of the proposal announced by the then Government on 25 November 1985 to allow the transfer of the legal titles to the respective flats and land from CBSs to individual CBS members, as well as the subsequent sale, letting or other disposal of such properties by CBS members, subject to their acceptance of certain conditions. More details are in paragraph 21.

³ According to the Administration, the land for a CBS to develop a residential building was granted in the early years at a concessionary rate of one-third of the prevailing full market value of the particular site. Therefore, the outstanding land premium is two-thirds of the land value.

⁴ Under the alienation restriction, owners of flats of a CBS building are not permitted to assign, mortgage, underlet, part with possession of, or otherwise dispose of their properties, or enter into any agreement for such purposes without payment of the outstanding two-thirds land premium to the Government. A CBS flat owner can apply to remove the alienation restriction and pay the outstanding two-thirds land premium at any time after the legal title has been transferred to him or her, i.e. not necessarily when the concerned CBS building is ripe for redevelopment.

CBS flats.⁵ The second level is the premium payable if there is a need to seek to modify the terms of the land lease, particularly due to an increase in the permissible gross floor area of the site to achieve the maximum development parameters permitted under the relevant outline zoning plan. The second land premium payment is no different from the requirement for other ordinary redevelopment sites. Some CBS representatives and CBS flat owners⁶ consider that the first-level land premium they have to pay the Government is prohibitively high and has increased the redevelopment cost for private developers, thus dampening private redevelopment initiatives.⁷

Need for redevelopment of CBS buildings

5. CBS buildings are generally old, with many aged over 50 years. The lack of modern-day building facilities, such as lift provision, has posed access problems to aged occupants with impaired mobility. Some flat owners of CBS buildings believe that many CBS flats are vacated because the aged owners have moved to other buildings or homes for the elderly installed with lifts. Yet the owners of these vacant flats cannot rent out the flats.⁸ As CBS buildings are generally located in the urban areas and of low/moderate building heights, it is considered that these buildings possess great redevelopment potential and

⁵ According to the Administration, for the dissolved CBSs, an established mechanism is put in place under the Civil Service Bureau to allow CBS flat owners to apply for a temporary waiver so that they may sign sale and purchase agreements before paying the outstanding land premium. Under the current temporary waiver arrangement, the waiver is valid for a period of nine months. If the owners have a need, they may seek further extension. For those CBSs which have yet to be dissolved, the members may transfer their CBS membership to other interested and eligible civil servants and move out from the CBS flats. In these cases, no payment of premium is involved.
Source: [Official record of proceedings of the Legislative Council meeting of 3 June 2015](#) (pages 12357-12365)

⁶ In this report, CBS flat owners refer to ex-CBS members who have acquired legal titles to their properties as a result of the dissolution of the CBS concerned. They may or may not have paid the Government the outstanding land premium for removal of alienation restriction.

⁷ This was the view expressed by CBS representatives/CBS flat owners at the meetings of DEV Panel on 15 July 2013 and 16 July 2015, and the meeting of the Subcommittee on 1 March 2016.

⁸ Renting out a CBS flat is not allowed unless the CBS flat owner has paid to the Government the relevant land premium for removal of the alienation restriction. For CBS members/flat owners who are serving civil servants and have obtained the CBS membership or acquired the legal titles as a civil service housing benefit defined under the relevant Civil Service Regulation, renting out the CBS flat concerned is prohibited.

their redevelopment can release additional floor areas, increase the supply of residential units, thereby alleviating the acute housing shortage.

6. The Panel discussed the issues related to the redevelopment of CBS buildings in May and July 2013. At the meeting on 15 July 2013, DEV Panel passed a motion urging the Administration to launch redevelopment programmes for buildings developed under the CBS Scheme immediately to increase land supply in the urban areas.

The Administration's preliminary proposals presented in May 2015

7. On 26 May 2015, the Administration briefed the Panel on three preliminary proposals to facilitate the redevelopment of CBS buildings ("the preliminary proposals"). The gist of the proposals is as follows:

(a) The Hong Kong Housing Society to launch a Pilot Scheme to redevelop CBS buildings

The Hong Kong Housing Society ("HKHS") would redevelop CBS buildings for the purpose of providing subsidized sale flats⁹ under a "no loss" principle.¹⁰ HKHS would pay land premium to the Government for lease modification necessary for the redevelopment. The Pilot Scheme would be implemented under a demand-led approach, i.e. it would be for the flat owners themselves to initiate applications to HKHS. HKHS would lay down the eligibility criteria of the Scheme, including the requirement for the applicant CBS flat owners to secure 100% owners' participation from the land lot concerned within a reasonable period of time. HKHS would, on behalf of the CBS flat owners, pay to the Government the outstanding land premium for the removal of the alienation restriction and would purchase the CBS flats from the owners at market price (after deducting the said premium payable to the Government). Under the "no loss" principle, HKHS may offer an acquisition price slightly above the said market price (for example, about 10% above market). Where circumstances permit, the Administration may consider allowing the owners concerned to

⁹ HKHS is granted concession in land premium for developing subsidized sale flats.

¹⁰ A "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.

purchase HKHS units from the "Flat-for-sale Scheme Secondary Market".¹¹

(b) Designation by the Urban Renewal Authority of a dedicated queue for CBS flat owners for its Facilitating Services

The Administration would make a suggestion to the Urban Renewal Authority ("URA") that a dedicated queue be designated for CBS flat owners' applications for the Authority's facilitation services. For CBS flat owners who have secured the consent of owners holding 50% or more of the undivided shares of a CBS building, they may apply to URA for facilitation services under the Facilitating Services (Pilot Scheme).¹² Through URA's assistance, once the owners have assembled not less than 80% (for building age not less than 50 years) or 90% of the undivided shares of the site, a joint sale of their properties to private developers for redevelopment would be arranged.

(c) Consolidating the existing procedures of the Lands Department to facilitate the assessment of land premium involved in redevelopment of CBS buildings

the Lands Department ("LandsD") would consolidate the existing procedures to enable developers interested in acquiring property interests from CBS flat owners and redeveloping CBS buildings to, with authorization from all the CBS flat owners concerned, apply to LandsD for lease modification and for ascertaining contemporaneously the respective amount of: (a) the outstanding land premium payable by flat owners, and (b) the land premium payable for the necessary lease modification to redevelop the site. Such contemporaneous assessments would facilitate private developers in making an informed assessment on the overall cost of the redevelopment proposals.

¹¹ According to the Administration, 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-day building facilities (e.g. lifts) from the secondary market.

¹² URA has set up a wholly-owned subsidiary, Urban Redevelopment Facilitating Services Company Limited, to implement the Facilitating Services (Pilot Scheme) to help owners of buildings in multiple-ownership to assemble titles for redevelopment. To submit a joint application to URA for the service, owners should have at least 50% or more of the undivided shares of the interests of each lot of the site. URA will not be involved in the acquisition of any interest in the buildings.

8. While Panel members welcomed the idea of making use of the sites of the CBS buildings to develop subsidized sale flats to increase the supply of such flats to the public, they generally considered the requirement of securing 100% owners' participation in HKHS' Pilot Scheme for redevelopment of CBS buildings ("HKHS' Pilot Scheme") a very high threshold that was almost impossible to achieve. Some members were concerned that the acquisition price to be offered by HKHS, after deducting the land premium payable to the Government, would only enable a CBS flat owner to purchase a replacement flat of a much smaller size in the same area.

9. On 16 July 2015, the Panel held a special meeting to receive public views on these preliminary proposals. The CBS representatives and flat owners who attended the meeting generally held the view that the proposals under HKHS' Pilot Scheme were unacceptable. The Panel passed a motion urging the Administration, within six months, to formulate other proposals which are more compassionate towards the retired civil servants affected and more practicable.

The Subcommittee

10. At the meeting held on 22 July 2015, the Panel decided to set up a dedicated subcommittee to study the issues relating to the redevelopment of CBS buildings and, if appropriate, make recommendations on ways to facilitate the redevelopment of these buildings. The membership list and terms of reference of the Subcommittee are in **Appendices I** and **II** respectively. The Subcommittee commenced work in January 2016.

11. Under the chairmanship of Hon Tony TSE Wai-chuen, the Subcommittee held a total of five meetings and received views from 36 deputations and individuals. A list of the deputations and individuals that have submitted views to the Subcommittee is in **Appendix III**. A summary of the major views and concerns raised by the deputations/individuals and the Administration's written responses thereto can be found in the [Annex](#) to LC Paper No. CB(1)747/15-16(02).

Deliberations of the Subcommittee

12. The major deliberations of the Subcommittee cover the following areas:
- (a) Redevelopment potential of CBS building sites (paragraphs 13-17);

- (b) The Administration's requirement for CBS members to pay land premium to remove alienation restriction (paragraphs 18-29);
- (c) The Government Built Housing Scheme (paragraphs 30-34);
- (d) Viability and shortcomings of the Administration's proposals (paragraphs 35-50); and
- (e) Alternative approaches proposed by CBS members/flat owners (paragraphs 51-64).

Redevelopment potential of CBS building sites

Premier locations and low density

13. The Subcommittee considers that, as CBS buildings enjoy premier locations in the urban areas (e.g. Kowloon City, To Kwa Wan, Sham Shui Po, Wan Chai, Shau Kei Wan, etc.), have low/moderate heights and high vacancy rates, if the Administration could facilitate the redevelopment of these building sites, more housing units would be made available to address the housing shortage problem. Noting that the Administration has conducted a broad-brush desktop study for estimating the additional aggregate floor space that could be released from all the then 174 dissolved CBSs¹³ upon the redevelopment of the buildings concerned, the Subcommittee has requested the Administration to provide an analysis on the redevelopment potential of individual CBS building sites, and information about the location, lot size, estimated as-built gross floor area ("GFA"), maximum permissible plot ratio, maximum GFA under the maximum permissible plot ratio, etc., of each of these sites.¹⁴

The Administration's assessment

14. According to the Administration's analysis conducted in 2015, only those sites with "redevelopment ratio" (by comparing the floor area of the site after redevelopment with the current floor area of the CBS site) at or above two would stand a chance of the redevelopment project breaking even or, in some cases, yielding a surplus. It was roughly estimated that only around 85 CBS

¹³ 174 refers to the number of CBSs dissolved, with the buildings concerned yet to be redeveloped, as at May 2015.

¹⁴ The relevant information provided by the Administration is in Annex I to [LC Paper No. CB\(1\)592/15-16\(02\)](#).

sites¹⁵ had such redevelopment potential. Redeveloping all these 85 sites would yield an additional floor area of some 230 000 square metres ("m²") at maximum. Assuming that the size of each redeveloped unit measures 50 m², there would only be a net gain of over 4 000 units, with an average of 50 more units per site.¹⁶ In the Administration's view, the redevelopment potential of the CBS sites as a whole is not as high as generally perceived.

15. The Administration has stressed that "redevelopment ratio" is not the only factor that needs to be taken into account in estimating the redevelopment potential of a CBS site. Factors including the physical constraints of individual sites (e.g. the presence of slope, the shape of the site, etc.) would also affect the ultimate achievable floor area of individual sites. Other site specific factors such as specific lease conditions, specific requirements under the Building (Planning) Regulations, the attitudes of owners and developers, the prevailing market condition, the level of interest rates, the location of the property, positioning of the redevelopment in the property market, etc., are all relevant factors in assessing the redevelopment potential of individual sites. Moreover, 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.

16. In the Administration's opinion, the conditions of CBS buildings, when compared to other old buildings in the urban area, do not justify any dire need of redevelopment. The Administration considers that there are insufficient grounds for it to deviate from the established policy of premium charging and/or to make use of public funds to facilitate redevelopment of CBS buildings for the purpose of releasing the redevelopment potential of these sites.

Suggestion of increasing the maximum permissible plot ratios of CBS sites

17. Some members have suggested that the Administration should consider increasing the maximum permissible plot ratios of CBS sites yet to be redeveloped so that developers would have more incentives to acquire the sites for redevelopment. The Administration considers that a blanket relaxation of development restriction as stipulated in the outline zoning plans in respect of CBS sites is not practicable; and whether the development restriction of a

¹⁵ According to the Administration, the 85 CBS sites are mainly located in the Kowloon City, Eastern, Wan Chai and Sham Shui Po districts.
Source: [Official record of proceedings of the Legislative Council meeting of 3 June 2015](#) (pages 12357-12365)

¹⁶ Source: [LC Paper No. CB\(1\)860/14-15\(06\)](#)

particular site can be relaxed has to be considered in light of various factors such as site characteristics, prevailing planning parameters, etc. A developer applying for the relaxation is required to conduct detailed technical assessments on the impact of the relaxation and seek Town Planning Board's approval for the application.

The Administration's requirement for CBS members to pay land premium to remove alienation restriction

18. The Subcommittee considers that the Administration's requirement for CBS members/flat owners to pay two-thirds of the prevailing land value, which is a huge amount, of their respective flats for removing the alienation restriction on the flats (before the flats could be sold) is a major barrier to the redevelopment of CBS buildings. Even if a CBS flat is successfully sold, the proceeds from the sale, after deducting the land premium payable to the Government, would not be sufficient for the flat owner concerned to purchase a new flat of the same size in the same area. On the other hand, if it is expected that the private developer interested in redeveloping a CBS site should pay the aforesaid land premium for the CBS members/flat owners, the amount would increase the redevelopment cost of the developer and discourage it from taking forward the redevelopment project.

19. Noting that in the 1950s and 1960s, when land was granted by the then Administration to CBSs to develop residential buildings, there was no reference in the land leases entered between the then Government and CBSs to the requirement for CBS members to pay any outstanding land premium in future to remove alienation restriction, the Subcommittee has requested the Administration to produce documentary proofs to substantiate its claim that CBS members/flat owners are required to pay outstanding land premium when they sell the flats.

Records relating to the requirement for CBS members/flat owners to pay land premium for removal of alienation restriction on CBS flats

20. The Administration has provided the Subcommittee with the following documents¹⁷ to show the development of the issue of requiring CBS members/flat owners to pay two-thirds of the prevailing land premium for removal of alienation restriction on CBS flats:

¹⁷ In Annexes III to VII to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

<u>Document</u>	<u>Relevant part of the document</u>
Secretariat Temporary Circular No. 74 dated 10 December 1952 (as varied by Secretariat Standing Circular No. 9 dated 11 June 1956) — Housing Assistance towards Housing of Local Officers	Paragraph 3 of the former Circular and paragraph 2(b) of the latter one
Note of a meeting held on 14 February 1967 of the Sub-Committee appointed by the Finance Committee of the then Legislative Council to discuss Item B.7 of the Agenda for the meeting on 15 February 1967 — Development Loan Fund — Housing Loans: Local Government Officers	Paragraph 2
Letter dated 25 November 1985 from the Secretary for the Civil Service to the Chairmen, All Co-operative Societies and Others — Review of Civil Servants' Co-operative Housing Scheme to Permit the Transfer of Legal Title to Existing Flats and Land	Paragraphs 2(c) and 2(d)
Press Release on 28 November 1985 — Review of Civil Servants' Co-operative Housing Scheme	Paragraphs 7(c) and 7(d)
Chapter 1 of Guidelines to be Followed to Achieve the Transfer of Title to Flats and Land from Civil Servants' Co-operative Building Societies to their Individual Members under the Modification of Lease Approach	Clause (2)(F) of the Second Schedule of Sample Modification Letter in Appendix V to Section 1 (<i>on pages 71 and 72</i>), paras. (e) and (f) of Section 3 (<i>on page 87</i>), Section 7 (<i>on pages 107 and 108</i>)

21. The Administration has explained that according to the land policy in the 1950s, CBS sites were granted by private treaty at a concessionary rate of half of the upset price, which was generally equivalent to one-third of the prevailing full market value, of the sites. The CBS Scheme was launched with the main objective of providing accommodation to eligible local civil servants and their families, and individual CBS members did not possess the legal titles to the premises. In the 1980s, when some CBS members had fully repaid their

respective loans, they began to seek permission to dispose of the CBS flats. Having consulted the then Executive Council ("ExCo"), a letter¹⁸ 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. The then Administration promulgated the relevant guidelines in 1987,¹⁹ which specified the requirements for CBS members, after the legal titles to the flats were transferred to them, to pay the outstanding land premium before they were allowed to freely sell their flats in the open market. The basis for calculating the outstanding land premium was set out in the relevant guidelines and modification letters to the leases entered between the then Government and CBSs for transferring the legal titles to the respective flats and land to individual CBS members. The said guidelines also stipulated that a further land premium payment for lease modification (the so-called "second-level" land premium) would be required where such a lease modification would be necessary for redevelopment of a CBS building up to a scale not permitted under the current lease, e.g. when the redevelopment sought to fully utilize the maximum development parameters permitted under the relevant outline zoning plan but not permitted under the current lease.

Whether CBS members have paid one-third or half of the land value when the land was granted to them for developing CBS buildings

22. The Subcommittee has taken note of the views of some CBS members that the land for developing CBS buildings was granted to them at half of the prevailing land price in the early years, i.e. they have already paid half of the prevailing land price, and they do not agree that they have only paid one-third of the land price. The Subcommittee has asked the Administration to explain why it claims that the outstanding land premium is two-thirds (not half) of the land value.

¹⁸ In Annex V to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

¹⁹ "Guidelines to be Followed to Achieve the Transfer of Title to Flats and Land from Civil Servants' Co-operative Building Societies and Government Built Housing Schemes to their Individual Members and Underlessees" (i.e. the Surrender and Regrant Approach). This approach, which required the consent of all the relevant members for the title transfer, was later replaced by the Modification of Lease Approach (requiring consent of 75% of the members) in 1993 to facilitate the process.

23. The Administration has explained that the land was granted to CBSs at a concessionary premium of half of the 'upset price' of the land, and the 'upset price', a term used in the 1950s and 1960s, was generally equivalent to two-thirds of the prevailing full market value, meaning that CBSs have paid one-third of the full market value (half of the 'upset price') and the outstanding land premium was two-thirds of the full market value. The Administration has quoted for Subcommittee members' reference Clause (2)(F) of the Second Schedule of the Sample Modification Letter²⁰ to support its explanation. An extract of Clause (2)(F) is in **Appendix IV**. The Administration has further advised that, as recorded in the note of a meeting on 14 February 1967 of a subcommittee appointed by the Finance Committee of the then Legislative Council, it is clear that all CBSs were granted land at one-third of the full market value. An extract of paragraph 2 of the note of the aforesaid meeting is in **Appendix V**.

Principles and methods for assessing the outstanding land premium

Land value at the time of land grant vis-à-vis land value at the time of removal of alienation restriction

24. Some members have queried whether the Administration should calculate the land premium payable to the Government for the removal of alienation restriction on CBS flats on the basis of the land value at the time of the land grant instead of the current market value of the land, which is more than one hundred times of the value of the land 50 years ago and exceeds the financial ability of the CBS flat owners, most of whom are retired civil servants. The Administration's position is that LandsD all along follows the same principle for assessing the outstanding land premium payable to the Government for the removal of alienation restriction, i.e. the premium is always based on the prevailing market value of the land at the time of removal of alienation. For instance, the principle has been applied to the 12 successful cases of redevelopment of CBS sites, as well as the sale of second-hand subsidized flats provided by the Hong Kong Housing Authority or HKHS in the open market.

²⁰ As explained in paragraph 21, the basis for calculating the outstanding land premium was set out in the relevant guidelines and modification letters to the leases entered between the then Government and CBSs.

Existing use land value vis-à-vis redevelopment value

25. The Subcommittee has taken note that, according to the views of some CBS representatives, before April 2013, the Administration assessed the amount of land premium payable by CBS flat owners 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 the land premium a greater amount. CBS representatives call on the Administration to re-adopt the 'existing use land value' as the basis for assessing the land premium payable.

26. The Administration has explained that, according to the conditions set out in the modification letters²¹ to the leases entered between the (then) Government and CBSs for transferring the legal titles to the respective flats and land to individual CBS members, the Director of Lands will adopt the 'existing use land value' or the 'redevelopment value', whichever is the higher, as the basis in assessing the land premium for removal of the alienation restriction payable by CBS flat owners. The Administration has quoted for Subcommittee members' reference: (a) Clause (2)(F) of the Second Schedule of the Sample Modification Letter; (b) paragraph (e) of Section 3; and (c) Section 7 in/of the Chapter 1 of "Guidelines to be Followed to Achieve the Transfer of Title to Flats and Land from Civil Servants' Co-operative Building Societies to their Individual Members under the Modification of Lease Approach" to support its explanation. Relevant extracts are in **Appendices IV, VI and VII**. The Administration has stressed that it has not changed the principles or methods for assessing the land premium payable to the Government upon the sale of CBS flats or redevelopment of CBS buildings.

Concessionary land premium as a form of housing benefits

27. Some members consider that, as the concession on the land premium granted to CBSs in early years was a form of civil servants' housing benefit, it may not be justifiable to require a CBS member to pay land premium to the Government for the removal of alienation restriction, and the payment of the land premium would mean that their housing benefits are withdrawn by the Administration.

²¹ As reported in paragraph 3, the Modification of Lease Approach was introduced in 1993 to facilitate the implementation of the proposal announced by the then Government on 25 November 1985 to allow the transfer of the legal titles to the respective flats and land from the CBSs to individual CBS members, as well as the subsequent sale, letting or other disposal of such properties by CBS members, subject to their acceptance of certain conditions.

28. The Administration's view is that, as far as the CBS Scheme is concerned, the CBS membership (for an existing CBS) or the legal title to a CBS flat (for a dissolved CBS) obtained/acquired by a civil servant in his/her own right is a kind of civil service housing benefit provided to the officer concerned. The CBS Scheme allows a CBS member to retain the CBS membership upon retirement and transfer the membership to his/her nominated successors. Whether a CBS is going to dissolve to facilitate its members to acquire legal titles under the specified conditions, and whether CBS flat owners are going to pay the outstanding land premium to remove the alienation restriction on a CBS flat is the choice of individual CBSs/CBS flat owners.

Redeveloping CBS buildings without involving transfer of legal titles

29. The Subcommittee has enquired whether CBS members do not have to pay land premium to the Government if they redevelop their buildings at their own cost. The Administration has advised that generally speaking, if the proposed redevelopment of the CBS site complies with its lease conditions and lease plan, and it does not involve any "transfer of legal titles" in relation to individual flats and any breach of the alienation restriction imposed on individual flats, no lease modification and land premium payment would be involved. However, the lease of each CBS site contains different conditions and restriction, and whether any proposed redevelopment of the site is permissible without a modification to the lease depends on its lease conditions and restriction (which may not only set out the detailed development parameters of the site, but also restrict the use of any development on the site). If members of a CBS (or flat owners of an ex-CBS building) wish to seek lease modification with a view to fully utilizing the maximum development parameters permitted under the relevant outline zoning plans which are above those permitted under the current lease, a land premium payment (i.e. the second-level land premium) would be required, which is no different from the situation of other private redevelopment projects.

The Government Built Housing Scheme

30. During the course of studying the issues relating to redevelopment of CBS buildings, the Subcommittee notes that residents of the buildings developed under the Government Built Housing Scheme ("GBHS")²² are facing problems similar to those of CBS members/flat owners in redeveloping their aged buildings. According to the Administration, GBHS buildings were built by the then Government in the 1960s and 1970s and the flats were leased to

²² There are only two residential developments under GBHS, i.e. Lung Cheung Court (296 flats) (built in 1969) on Broadcast Drive, Kowloon Tong, and Hong Lee Court (431 flats) (built in 1973) on Hong Lee Road, Kwun Tong.

eligible civil servants who participated in the scheme. GBHS residents (the individual underlessees) do not think that they should be required to pay land premium to the Government to remove the alienation restriction. In their view, CBS Scheme and GBHS are two distinct schemes, therefore the two schemes should not be treated in the same light. The Subcommittee has asked the Administration to explain in detail the conditions for assigning the flats under GBHS to civil servants in the early years.

31. The Administration has explained that GBHS, which was introduced in 1963, was modelled on and derived from the CBS Scheme. Both schemes aimed to provide accommodation to eligible civil servants and their families. The two schemes are different in the sense that, under GBHS, it was the Government, rather than individual CBSs, which was responsible for developing the housing units. The Financial Secretary Incorporated ("FSI") holds the title to the buildings developed under GBHS and grants underleases to eligible civil servants and their beneficial successors. According to the Administration, similar to CBS members, the underlessees under GBHS did not possess the titles to the flats of the buildings. Upon acquisition of the legal titles to the respective properties by individual ex-GBHS underlessees, the relevant properties are subject to the alienation restriction provided under the modified Government lease conditions of the subject lot and the relevant assignment. Successful applicants under GBHS were required to repay the loans to the then Government in 20 years by instalments. By now, all underlessees have fully repaid their loans.

Records relating to the requirement for GBHS underlessees to pay land premium for removal of alienation restriction on GBHS units

32. The Administration has provided the Subcommittee with the following records²³ to show that land was granted on concessionary terms (at one-third of the full market value) to the individual underlessees of GBHS flats, and it was announced in 1985 that, should the ex-GBHS underlessees seek to remove the alienation restriction on their flats, similar to the arrangements for CBS flat owners, the ex-GBHS underlessees are required to pay the outstanding land premium:

²³ In Annexes VIII to XIII to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

<u>Document</u>	<u>Relevant part of the document</u>
Agenda Item B.8 (deferred from the previous meeting) for the Finance Committee meeting of the then Legislative Council on 1 February 1967 — Development Loan Fund — Housing Loans: Local Government Officers	Paragraph 6(i)
Note of a meeting with the Representatives of Successful Applicants for Flats at Lung Cheung Court on 13 June 1969	Paragraph (h)
Reply dated 17 July 1969 to the South China Morning Post on the Selling Price for Lung Cheung Court	Paragraphs (b) and (c)
Letter dated 25 November 1985 from the Secretary for the Civil Service to the Chairmen, Government Built Housing Schemes and Others — Review of Civil Servants' Co-operative Housing Scheme to Permit the Transfer of Legal Title to Existing Flats and Land	Paragraphs 2(c) and 2(d)
Notes of Twentieth Meeting with Staff Side of the Senior Civil Service Council in Room 149, Government Secretariat on 14 January 1986 — Co-operative Housing Scheme for Civil Servants	Paragraphs 10 to 12
Guidelines to be Followed to Achieve the Transfer of Title to Flats and Land of Government Built Housing Scheme from Financial Secretary Incorporated to Individual Underlessees	Paragraph 5 of Chapter 1 (<i>on page 6</i>), paragraph 3 of Chapter 3 (<i>on page 10</i>) and paragraphs 1(f) and 1(g) of Chapter 4 (<i>on pages 13 and 14</i>)

33. As regards the redevelopment potential of the two GBHS sites, the Administration's assessment as reported in paragraph 14 has included these sites.

34. Members of the Subcommittee understand the Administration's position that both CBS flat-owners and ex-GBHS underlessees are subject to the same

restriction in respect of the sale and redevelopment of their flats. Members have urged the Administration to resolve the common problems that the flat-owners under the two Schemes²⁴ are facing in selling and redeveloping their flats.

Viability and shortcomings of the Administration's proposals

The Administration's updates on the proposals to facilitate the redevelopment of CBS buildings

35. During the course of work of the Subcommittee, the Administration has updated the Subcommittee on the preliminary proposals that it presented in May 2015 to the Panel for facilitating the redevelopment of CBS buildings.²⁵ The Administration has advised that it has developed more concrete details on the proposals in collaboration with HKHS, URA and relevant bureaux/departments, taking into consideration the views received from Panel members and concerned parties since the preliminary proposals were presented.

HKHS' Pilot Scheme for redevelopment of CBS buildings

36. HKHS' Pilot Scheme will be rolled out in mid-2016. In addition to the principles and parameters mentioned in paragraph 7(a), other principles and parameters of the Pilot Scheme have been confirmed as follows:

- (a) To maximize the development potential of the site and in line with other developments providing subsidized sale flats, the site area/aggregated site area of the CBS building(s) for redevelopment should be no less than 1 400 m².
- (b) The CBS flat owners concerned will be allowed to purchase secondary market residential units under HKHS' "Flat-for-Sale Scheme" and "Subsidized Sale Flats Scheme".

37. HKHS expects to receive one to two applications under the Pilot Scheme at the initial stage. It will take at least six to seven years from the processing of an application from CBS flat owners to the completion of a redevelopment project. HKHS will review the effectiveness of the Scheme when the first redevelopment project is taking shape and consider how to further refine the Scheme.

²⁴ Where appropriate, the reference to CBS Scheme in this report includes GBHS.

²⁵ Please see paragraph 7.

38. The Subcommittee notes that the Administration's proposal to invite HKHS to launch the Pilot Scheme under the "no loss" principle²⁶ would obviate the need for the Administration to use public funds to subsidize the redevelopment of CBS buildings. Under HKHS' Pilot Scheme, 100% owners' consent is required for HKHS to consider an application for redeveloping a CBS building. Members consider that this participation level remains the major obstacle for CBSs to accept the proposal, taking in view that, in a CBS building, there are missing owners or deceased owners who are intestate. Members call on the Administration and HKHS to relax the participation threshold.

39. The Administration has explained that, 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. Besides, there are hundreds of 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 to enable the redevelopment of the CBS buildings. Besides, in view of the past successful cases of redevelopment of CBS buildings, the Administration does not consider that 100% owners' consent is an insurmountable hurdle to the redevelopment of CBS buildings.

40. Members note the concern of CBS flat owners that under HKHS' Pilot Scheme, for a CBS flat of 1 000 square feet, the owners concerned will only receive a compensation of around \$3 million from HKHS (after deducting the first-level land premium payable to the Government). This amount is not sufficient for an owner to buy a small flat in the same area. Members have asked HKHS to consider offering higher acquisition prices and the Administration to reduce the land premium payable.

41. According to the Administration, 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) in HKHS' "Flat-for-Sale Scheme/Subsidized Sale Flats Scheme Secondary Market". HKHS is not a profit-making organization and does not receive direct subsidy from the Government. It is a self-financing organization that has to bear the market risk of its projects. A redevelopment project to be undertaken under the Pilot Scheme will not be financially viable if the acquisition offer is significantly above the existing use land value or redevelopment value of the CBS building, since HKHS is required to pay the

²⁶ Please see footnote 10.

outstanding land premium (the so called "first-level land premium") to the Government for the removal of the alienation restriction of the flats, and the level of the land premium will be assessed according to the prevailing land lease of the CBS building.

42. The Administration has stressed that the Pilot Scheme as proposed is intended to strike a balance between the operating principles of the HKHS and the wish of some CBS flat owners for redevelopment and move out. The Administration understands that the Pilot Scheme may not meet the expectation of all CBS flat owners, and this precisely reflects the complexity involved in balancing the various public interest considerations in the redevelopment of CBS buildings. The Pilot Scheme has been proposed to provide CBS flat owners with an alternative to redevelopment by private developers.

43. Members opine that, although CBS flat owners are allowed to purchase HKHS units in HKHS' "Flat-for-Sale Scheme/Subsidized Sale Flats Scheme Secondary Market", the units are small and the market is inactive. Apart from allowing CBS flat owners participating in HKHS' Pilot Scheme to purchase such units, the Administration should give special consideration to offering them a wider range of housing choices, such as giving them priorities in purchasing the Hong Kong Housing Authority's Home Ownership Scheme ("HOS") units.

44. The Administration considers that subsidized sale flats (such as HOS units and the flats offered for sale under the HOS Secondary Market Scheme) are precious public resources, they should be allocated with due care to cater for the needs of low-income households (such as the households with Green Form status). If CBS flat owners, after selling their flats to HKHS, are allowed to purchase HOS units or flats from the HOS Secondary Market, it will reduce the supply of subsidized sale flats to prospective home owners eligible for HOS flats.

Designation by URA of a dedicated queue for CBS members/flat owners for URA's Facilitating Services

45. Approved by the URA Board, URA launched a pilot scheme ("URA's Pilot Scheme") on 3 May 2016 to designate a dedicated queue for CBS flat owners to facilitate the joint sale of property interest in CBS buildings.²⁷ The Pilot Scheme provides an option for CBS flat owners who fail to secure 100%

²⁷ The Pilot Scheme also covers GBHS residents/buildings.

owners' participation requirement under HKHS' Pilot Scheme. The main features of URA's Pilot Scheme are as follows:

- (a) There is no site area requirement;
- (b) In general, CBS flat owners holding undivided shares of 50% or more in each lot in the application site may apply;
- (c) All the CBS(s) in the application site have been dissolved²⁸ and the applicants have obtained the necessary waiver from the Civil Service Bureau of the alienation restriction on their units;
- (d) Once CBS flat owners holding undivided shares of 90% or more (or 80% by making reference to the Land (Compulsory Sale For Redevelopment) (Specification Of Lower Percentage) Notice)²⁹ in each lot 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) CBS flat owners do not have to settle the premium for removal of the alienation restriction before the sale by auction or tender. After a successful joint sale, the premium will be settled out of the sale proceeds receivable from the purchaser during the assignment stage; and
- (f) Concurrent applications under URA's Demand-led Redevelopment Project (Pilot Scheme) or HKHS' Pilot Scheme will not be allowed.

46. To allow adequate resources for implementation, URA will introduce a separate processing quota of two projects to be handled at any one time, subject to review. URA has informed all dissolved CBSs about the introduction of the Pilot Scheme.

²⁸ URA's Pilot Scheme does not apply to CBSs yet to be dissolved because the CBS members do not possess legal titles to the flats. For GBHS buildings, it is required that a letter of modification to modify the Government lease of the building site has been granted to allow transfer of titles to individual underlessees.

²⁹ 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.

47. Members notes CBS flat-owners' opinion that, since developers are still required to pay a huge amount of land premium for lease modification to fully utilize the permissible gross floor area of the building site under the relevant outline zoning plan (the so-called "second-level land premium") under URA's Pilot Scheme, there is little incentive for developers to redevelop a CBS building. Members consider that the response of both flat owners and developers to the Pilot Scheme will be lukewarm.

48. The Administration opines that the dedicated queue for the facilitating services to be provided by URA to CBS flat owners will assist the latter in assembling interests for a joint sale. With URA's facilitating services, developers' acquisition time will be effectively reduced and it will improve the incentive for developers to redevelop CBS buildings. In assessing the value of individual sites, developers will consider many relevant factors, including not only the land premium payable to the Government, but also the redevelopment potential, market condition and location.

Compulsory sale for redevelopment

49. On joint sale of property interests, the Subcommittee has studied whether the Land (Compulsory Sale For Redevelopment) Ordinance (Cap. 545) ("LCSRO") applies to CBS flat owners who have yet to remove the alienation restriction on their flats (so that they can make an application to the Lands Tribunal for an order for the sale of all the undivided shares in the land lot of their building for the purpose of redevelopment). The Subcommittee notes that there is no provision in LCSRO which prevents these CBS flat owners from making an application to the Lands Tribunal for an order of compulsory sale of all the undivided shares of the CBS site as long as the statutory requirements set out in section 3³⁰ of LCSRO are satisfied. Whether the Lands Tribunal may grant a compulsory sale order is a matter for the Lands Tribunal to decide. Members consider that an application (if any) to the Lands Tribunal made under LCSRO by CBS flat owners (who have not yet paid the land premium for removal of the alienation restriction on their flats) for compulsory sale of

³⁰ Section 3 of LCSRO provides that 'Subject to subsection (5), the person or persons who owns or own, otherwise than as a mortgage, not less than 90% of the undivided shares in a lot may make an application, accompanied by a valuation report as specified in Part 1 of Schedule 1, and to the [Lands] Tribunal for an order to sell all the undivided shares in the lot for the purposes of the redevelopment of the lot.' Section 3(5) of LCSRO provides for specification of a lower percentage i.e. 80% of the undivided shares in respect of a lot which belongs to a class of lots specified under the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (Cap. 545A). Please see also footnote 29.

undivided shares would be a test case on whether the alienation restriction is a barrier to compulsory sale.

Consolidating the existing procedures of the Lands Department to facilitate the assessment of land premium involved in redevelopment of CBS buildings

50. LandsD instituted new administrative arrangements in July 2015 to provide one-stop service to process requests for processing lease modification applications and then assessment of the two levels of premium for any CBS building site at the same time. The Subcommittee welcomes the introduction of the new administrative arrangements and notes that no request for the aforesaid one-stop service of LandsD has been made since July 2015.

Alternative approaches proposed by CBS members/flat owners

51. The Subcommittee has examined with the Administration the feasibility of the alternative approaches proposed by CBS members/flat owners for redeveloping CBS buildings.³¹

The Government to redevelop CBS buildings

52. Some CBS members/flat owners have suggested that the Government should acquire the land occupied by CBS buildings and redevelop the buildings with reference to the acquisition offers made to the 12 successful cases of redevelopment of CBS buildings. Some CBS members/flat owners further request that once a CBS building has been redeveloped by the Government, the Government should allow each former CBS member/flat owner 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/owner's old CBS flat ("foot-for-foot replacement"). During the redevelopment period, the Government should make rehousing arrangements or provide removal allowances and rents for CBS members/flat owners.

53. Some Subcommittee members hold the view that, as the land occupied by CBS buildings is precious land in the urban areas of which the development potential should be maximized to increase housing land supply, and the land premium issue is a major obstacle to redevelopment of CBS buildings by the private sector, the Administration should take a flexible and active approach in assisting the redevelopment of CBS buildings.

³¹ The submissions from CBS members/flat owners to the Subcommittee are accessible at [this hyperlink](#). A summary of views expressed by deputations at a meeting of the Subcommittee on 1 March 2016 is in the [Annex](#) to LC Paper No. CB(1)747/15-16(02).

54. The Administration has reiterated its stance that the redevelopment potential of the CBS buildings as a whole is not as high as generally perceived, and the conditions of these buildings, when compared to other old buildings in the urban area, do not justify any dire need of government intervention in redevelopment. The Administration maintains its view that there are insufficient grounds for it to deviate from the established policy of premium charging and/or to make use of public funds to facilitate redevelopment of CBS buildings.

The Urban Renewal Authority to redevelop CBS buildings

55. Some other CBS members/flat owners hold the view that redevelopment of CBS buildings should be undertaken by URA in an approach similar to that of URA-initiated projects. The financial viability of URA undertaking the redevelopment of CBS sites/buildings is high, as URA is given lease modification premium exemption and the redevelopment does not affect any shop owners/tenants. Some CBS members/flat owners request that, similar to the owner-occupiers of properties acquired by URA for redevelopment, they should be offered compensation based on the value of a seven-year-old flat in a comparable quality building and situated in a similar locality. Moreover, URA should set up a dedicated team for the redevelopment of CBS sites/buildings so that the manpower resources for URA's other projects would not be affected.

56. The Administration has advised that, 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. 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. 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 CBS buildings are in "good" condition.

57. Some Subcommittee members have pointed out that CBS flat owners have not been successful in their applications for joining the "Demand-led Redevelopment Project Pilot Scheme" of URA. Some members opine that, though the conditions of CBS buildings are better than those of some other aged buildings in the urban areas, the conditions of CBS buildings are deteriorating, and the need for URA to assist in the redevelopment of CBS buildings is only a matter of time.

58. The Administration has drawn the Subcommittee's attention to the fact that there are at present 5 900 buildings aged 50 years or more in Hong Kong and the number will increase by 580 annually. Many of such buildings are not properly maintained and are in poor and dilapidated condition. Lack of modern-day building basic facilities such as lift provision is not uncommon in these buildings. The Administration maintains its view that, to uphold the principle of allocating limited public resources to meet the most imminent needs, it is not appropriate for the Administration or URA to accord priority to undertaking the redevelopment of CBS buildings at the expense of more dilapidated buildings with greater urgency for redevelopment. Nonetheless, URA launched a pilot scheme on 3 May 2016 to designate a dedicated queue for CBS flat owners to facilitate the joint sale of property interest in CBS buildings.

59. Some members have pointed out that, in undertaking building redevelopment, URA should take into account the benefits of the renewal of a large area to the community, and should not simply consider redevelopment proposals on a building-by-building basis. In other words, a building that is not so dilapidated may deserve URA's assistance in redevelopment when the building is considered together with other buildings in the same area.

60. The Administration acknowledges that more district-based redevelopment projects are being pursued by URA with a view to revitalizing/regenerating a larger area. When considering the merits of proposed redevelopment projects, URA will take into account the overall benefits to the community, as well as other relevant factors such as planning considerations, financial viability, condition of the buildings, and implementation issues.

Waiver of or reduction on the land premium payable for removal of alienation restriction

61. CBS members/flat-owners urge for a waiver of the requirement for them to pay land premium for removal of the alienation restriction on CBS flats. In their view, the requirement, never set out in the original land leases for CBS sites, was an unfair condition imposed by the then Government in the 1980s and should be abrogated. They query that, if they are required to pay a huge sum of land premium to the Government before they can sell their flats, the housing benefits that they had obtained would be a big difference from that enjoyed by the civil servants who have joined the Home Purchase Scheme (launched in the 1980s). They urge the Administration not to simply consider the issues related to the redevelopment of CBS buildings from a land development perspective, but to resolve the associated problems from the

perspective of civil servants' housing benefits, and to review the policy of requiring CBS flat owners to pay the huge land premium for removal of alienation restriction.

62. Some CBS members/flat-owners consider that, if the Administration insists that CBS members must pay the "outstanding" land premium when they would like to have the alienation restriction on CBS flats removed, the amount of the land premium payable should be the outstanding amount at the time of the grant of the land, with or without the accumulated interest, but not two-thirds of the prevailing market value of the land at the time of removal of alienation restriction.

63. The Administration has stressed that any concession on land premium payment required for the removal of alienation restriction on CBS flats or for lease modifications to redevelop CBS buildings would be a departure from established Government policy and practice and must be supported by robust justifications. Furthermore, if established government policy should be adjusted to facilitate the redevelopment of CBS buildings on the ground of increasing land supply, then, on parity grounds, the Administration should also subsidize the redevelopment of other old building sites which could release additional floor area with public funds. In the Administration's view, this approach is not in line with community expectation.

64. As regards housing benefits, the Administration has reiterated that the provision of civil service housing benefits is subject to the terms and conditions governing the respective housing schemes. For the Home Purchase Scheme, the participants will receive a monthly allowance for repayment of mortgage of a residential property for a maximum entitlement period of 10 years only, whereas a CBS member may retain the CBS membership upon retirement and transfer the membership to his/her nominated successors. Whether a CBS is going to dissolve to facilitate its members to acquire legal titles under the specified conditions, and whether CBS flat owners are going to remove the alienation restriction on a CBS flat (which in turn involves the payment of outstanding land premium) is the choice of individual CBSs/CBS flat owners.

Recommendations and the way forward

65. The Subcommittee holds the view that the Administration should work out feasible solutions to solve the problems relating to the redevelopment of CBS buildings with a view to improving the living conditions of the aged occupants as well as optimizing the use of the precious land resources in the urban areas. Some members consider that the Administration should make

flexible or special arrangements for CBS flat owners on compassionate grounds for them to sell or redevelop their buildings, taking into account the contributions they have made to the society when they were civil servants. The Subcommittee has the following recommendations:

Review of the two Pilot Schemes

66. In view of the limitations of HKHS' Pilot Scheme (e.g. the requirement of 100% owners' participation, the small amount of compensation that CBS members/flat owners will receive from HKHS after deducting the land premium payable to the Government) and URA's Pilot Scheme (e.g. no change to the requirement for paying the two levels of land premium for redevelopment of CBS sites) and the negative comments from CBS members/flat owners on the two Pilot Schemes, members of the Subcommittee doubt whether there will be good response to the Schemes. Members have suggested that the Administration should set a timeframe for reviewing the implementation of the two Schemes.³² If there is no response to the Schemes or the response is poor, the Administration should consider withdrawing them and launch other initiatives which are acceptable to CBS members/flat owners and more effective in facilitating the redevelopment of CBS buildings.

67. The Administration has undertaken that if the response to the two Pilot Schemes is not satisfactory, it will coordinate a review with URA and HKHS on the effectiveness of the schemes in around mid-2017.

Suggestions and issues to be followed up

68. The Subcommittee is constrained by the limited time allowed for its work. There are suggestions and issues already raised by individual members relating to the redevelopment of CBS buildings or resolving the difficulties faced by CBS members/flat owners but not yet thoroughly discussed with the Administration. The Subcommittee recommends that Members of the next Legislative Council should follow up individual members' suggestions including:

- (a) *Offering loans to CBS members/flat owners for redeveloping their buildings*

On the premise of not removing the alienation restriction on the CBS flats concerned and not developing the sites concerned over its original

³² Some members have suggested that the timeframe should be six months, while some have suggested a longer period, taking in view that the Pilot Scheme for Arbitration on Land Premium (launched by LandsD in October 2014) has a trial period of two years.

development parameters (no gain in the GFAs) (not involving payment of any land premium), the Administration or HKHS should consider offering interest-free loans to CBS members/flat owners with a long repayment period for them to redevelop their buildings and to install modern building facilities (such as lifts). During the redevelopment period, assistance should be offered to the occupants for interim housing. This suggestion is made on the assumption that the amount of the loan for redeveloping a CBS building is less than the amount of the land premium payable for removing the alienation restriction, thus more affordable for the CBS members/flat owners.

(b) *The Government to redevelop CBS buildings under a "no loss" principle*

Some members have pointed out that, so long as CBS members/flat owners are not required to pay land premium and move out of their community, they are willing to have a smaller flat in the same building after their buildings have been redeveloped and equipped with modern-day building facilities. To this end, the Government should consider taking the initiative to redevelop aged CBS buildings and provide more units (say, double the original numbers), with or without increasing the GFA of the site, in the redeveloped buildings. During the redevelopment period, assistance should be offered to the occupants for interim housing. After redevelopment, some of the units will be allocated to the CBS members/flat owners, the other units should be put up for sale in the property market to recover the redevelopment cost paid by the Government.

(c) *Improving the conditions and facilities of CBS buildings*

The Subcommittee notes that the Building Maintenance Grant Scheme for Elderly Owners ("BMGSEO") administered by HKHS provides financial assistance to eligible elderly owner-occupiers of private buildings for carrying out repair and maintenance works to their properties, and those who meet the relevant income and asset criteria may receive a subsidy up to \$40,000 each under BMGSEO. Members consider that the amount may not be sufficient to finance the installation of lifts and improvement of building and sanitary facilities (e.g. replacing electrical wiring, water pipes and underground drainage), or many CBS members/flat owners may not be able to meet the application criteria. Some Subcommittee members have urged the Administration to actively offer assistance to CBS members/flat owners for improving the conditions and facilities of CBS buildings, including

installing lifts, if their needs in respect of building improvement cannot be met by BMGSEO.

(d) *Providing professional/technical assistance for building renovation*

The Subcommittee is well aware that URA provides technical assistance to eligible building owners for building repair and maintenance works under its Integrated Building Maintenance Assistance Scheme ("IBMAS"). In particular, URA would provide general advice to building owners on the rehabilitation workflow, and assign an independent professional to advise building owners on the tender documents for engaging contractors and provide a cost estimate for the works involved. Some members opine that, to cater for the special needs of CBS members/flat owners, URA should provide assistance, in addition to that covered by IBMAS, for conducting feasibility studies on installing lifts and other modern-day building facilities in their buildings.

(e) *Enhancing URA's facilitating services*

Under URA's Pilot Scheme, on behalf of the owners, Urban Redevelopment Facilitating Services Company Limited³³ ("URFS") will engage consultants (e.g. solicitors, valuation and property agency consultants) to provide services to the CBS flat owners in the process of reaching a joint sale (by public auction or tender) of the building lot concerned to a developer. If an application to the Lands Tribunal for compulsory sale under LCSRO for redevelopment of the lot is needed, the developer will make the application. Some members have suggested that URFS should go one step further to help the CBS flat owners (the applicants), i.e. URA/URFS to make the application to the Lands Tribunal for redevelopment of the lot (if no developer shows interest in acquiring the available undivided shares of the lot). Moreover, URFS should not charge the applicants any consultancy fees and related expenses incurred in the joint sale process³⁴ unless the joint sale is successful. Members consider that UFRS' offer of free and enhanced service will provide incentives for CBS flat owners to join URA's Pilot Scheme.

³³ It is a wholly-owned subsidiary of URA established to implement URA's facilitating services. Please see also footnote 12.

³⁴ Under URA's Pilot Scheme, if the joint sale is unsuccessful, the applicants do not have to pay URFS but still have to pay the consultancy fees and related expenses.

The way forward

69. The Subcommittee considers that the issues relating to the redevelopment of CBS buildings should be properly addressed by the Administration. Otherwise, the physical conditions of these buildings will continue to deteriorate and the precious land in the urban area occupied by these buildings will continue to be under-utilized. In this connection, the Subcommittee further recommends that:

- (a) the Panel of the next Legislative Council should continue to follow up the issues relating to the redevelopment of CBS buildings; or
- (b) the Panel may consider setting up a policy subcommittee in the next term to follow up the issues.

Advice sought

70. Members of the Panel are invited to note the work and recommendations of the Subcommittee.

Panel on Development

Subcommittee on Redevelopment of Buildings

Developed under the Civil Servants' Co-operative Building Society Scheme

Membership list

Chairman Hon Tony TSE Wai-chuen, BBS

Members Hon Abraham SHEK Lai-him, GBS, JP
Hon Cyd HO Sau-lan, JP
Hon CHAN Hak-kan, JP
Hon CHAN Kin-por, BBS, JP
Hon Alan LEONG Kah-kit, SC
Hon YIU Si-wing, BBS
Hon CHAN Yuen-han, SBS, JP

(Total: 8 members)

Clerk Ms Sharon CHUNG

Legal Adviser Miss Winnie LO

Panel on Development

Subcommittee on Redevelopment of Buildings

Developed under the Civil Servants' Co-operative Building Society Scheme

Terms of Reference

To study issues relating to redevelopment of buildings developed under the Civil Servants' Co-operative Building Society Scheme and, if appropriate, make recommendations on ways to facilitate the redevelopment of these buildings.

Panel on Development

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

**List of the deputations and individuals
that have submitted views to the Subcommittee**

1. A group of members/flat owners of Civil Servants' Co-operative Building Societies
2. Mr HO Kar-wai
3. Mr HO Kwok-wing
4. Mr LEE Yuen-kee
5. Mr LAU Tak-man
6. Mr NG Ping-yiu
7. Mr TUNG Shu-shing
8. Mr YIP Kin-hung
9. Ms CHENG Suk-wan
10. Ms KU Pak-suet
11. Ms LEE Po-sim
12. Ms LEUNG Tak-yee
13. Ms MACK Wai-kwan
14. Ms TAI Lan-ying
15. Ms YIU Yuen-lan
16. Nairn Court業主立案法團

17. Residents of GBHS Lung Cheung Court
18. The Hong Kong Institute of Surveyors
19. The Incorporated Owners of Merricourt Scheme I
20. The Incorporated Owners of the Thesaurus Court
21. The Lion Rock Institute
22. The Peerless Co-operative Building Society Ltd.
23. Mr 黃訓茂
24. 大坑龍鳳台業主立案法團
25. 公務員建屋合作社重建權益關注小組
26. 沙宣道震旦大廈業主立案法團
27. 秀明閣業主立案法團
28. 昇平建屋合作社
29. 柏苑業主立案法團
30. 重建公務員建屋合作社關注小組召集人
31. 順寧閣業主立案法團
32. 達利樓業主立案法團
33. 塘尾道185-191號業主立案法團
34. 靠背壟道93-101號業主立案法團
35. 靠背壟道/美善同道40個業主立案法團及建屋合作社聯會
36. 鴻運樓建屋有限責任合作社社員麥小嫻女士

Appendix IV

**Extract of Clause (2)(F) of the Second Schedule
of the Sample Modification Letter in Appendix V to Section 1 in
Chapter 1 of Guidelines to be Followed
to Achieve the Transfer of Title to Flats and Land
from Civil Servants' Co-operative Building Societies
to their Individual Members under the Modification of Lease Approach**

"Any owner (including the Owners' Corporation but only in accordance with Clause (2)(C)(f) and Clause (2)(D) above) of a Relevant Interest in the said piece or parcel of ground may assign mortgage or charge underlet part with the possession of or otherwise dispose of or permit or suffer any other person to use or occupy such Relevant Interest if ...he/she/it shall have first paid to the Government either an amount equal to two-thirds of the existing use land value of the Relevant Interest or if the said piece or parcel of ground is economically suitable for re-development at the relevant date an amount equal to two-thirds of such sum as the Director shall on a fair and impartial valuation certify to be the full market value of such Relevant Interest at the said date it being agreed and declared that upon payment of either of the amounts as hereinbefore provided in respect of any Relevant Interest the restriction on alienation contained in Clause (2) hereof shall be null and void and shall cease to have effect but only in so far as it relates to such Relevant Interest and no further.

IT IS FURTHER AGREED AND DECLARED THAT:-

- (1) For the purposes of the terms and conditions and covenants set forth in the Second Schedule to this Modification Letter:-
 - (a) the expression "Relevant Interest" means an undivided share in the said piece or parcel of ground and the building(s) erected thereon the owner of which share as between himself and the owners of other undivided shares in the said piece or parcel of ground is entitled under the terms of an instrument registered in the Land Registry to exclusive possession of premises in the building(s) erected thereon;
 - (b) the existing use land value means an amount equal to such sum as the Director shall on a fair and impartial valuation certify to be the full market value of the said piece or parcel of ground at the relevant date multiplied by such sum as the Director shall on a fair and impartial valuation having regard to the age and general condition of the building on the said piece or parcel of ground certify to be the full

market value of the Relevant Interest at the same date divided by such sum as the Director shall on a fair and impartial valuation certify to be the full market value at the same date of a residential unit similar in gross floor area to the Relevant Interest in a building in a newly completed residential or partly residential development in the same locality as the said piece or parcel of ground;

- (c) the said piece or parcel of ground shall be deemed to be economically suitable for re-development if in the opinion of the Director (whose decision shall be final and binding on an owner of a Relevant Interest) the land value of the said piece or parcel of ground is greater than the value of the building on the said piece or parcel of ground at the relevant date;
- (d) the expression "the relevant date" means the date on which any amount required to be paid under Clause (2)(F) above is assessed by the Director."

Source: Annex VII to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

**Extract of Paragraph 2 of
"Note of a meeting held on 14th February, 1967, of the Sub-Committee
appointed by Finance Committee of the then Legislative Council to discuss
Item B.7 of the Agenda for the meeting on 15th February, 1967 —
Development Loan Fund — Housing Loans: Local Government Officers"**

"[T]he meeting noted that the policy of offering Local Officers' Co-operative Building Societies land at 1/3 the full market value applied also to private employers' staff and workers' housing schemes and to the Housing Authority, Housing Society and other non-profit organizations ... The present policy had been operative since 1953 when values were very much lower. It was also felt that, since Government stood in the position of employer vis a vis participants in the schemes, it was reasonable that the 1/3 f.m.v. condition should remain inviolate in so far as these schemes were concerned."

Source: Annex IV to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

**Extract of paragraph (e) of Section 3 of
Chapter 1 of Guidelines to be Followed
to Achieve the Transfer of Title to Flats and Land
from Civil Servants' Co-operative Building Societies
to their Individual Members under the Modification of Lease Approach**

"A restriction will be placed on future sale, letting or other disposal, which includes use or occupation by any other person of the property, until an OC has been formed and the flat owner has paid to the Government a land premium assessed at two-thirds of the "existing use value" of the land on which the building stands, unless the Director of Lands considers that there is immediate redevelopment potential, whereupon the premium will be assessed at two-thirds of the full market value of the land."

Source: Annex VII to [LC Paper No. CB\(1\)592/15-16\(02\)](#)

Appendix VII

**Extract of Section 7 of
Chapter 1 of Guidelines to be Followed
to Achieve the Transfer of Title to Flats and Land
from Civil Servants' Co-operative Building Societies
to their Individual Members under the Modification of Lease Approach**

"Premium for modifying a lease to permit an individual flat owner to be able to freely sell his flat will be assessed at two-thirds of the existing use value of the land...(Note: In the event that the land is ripe for immediate redevelopment existing use value will not arise and market value will apply.)"

Source: Annex VII to [LC Paper No. CB\(1\)592/15-16\(02\)](#)