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Panel on Development

Meeting on 28 May 2013

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

Purpose

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

Background

2. The CBS Scheme is a form of civil servants' housing benefit managed by the Civil Service Bureau. It was launched in 1952 to allow the Administration to grant land at a concessionary premium, usually at one-third of the full market value, to enable eligible civil servants to build residential buildings through forming co-operative societies ("CBS buildings"). CBSs which are responsible for the management and maintenance of the buildings are 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 CBS buildings occupy a total area of about 30 hectares in the territory. No CBS buildings have been built since the mid-1980s. According to the Administration, excluding the buildings of 11 CBSs which have been redeveloped by private developers, if the buildings of the remaining 227 CBSs are to be redeveloped, it is estimated that about 963 000 square metres of domestic gross floor area can be made available

based on the permitted plot ratio of the respective land lots¹. As the Administration has been actively identifying land for housing, the issue of redeveloping CBS buildings, many of which are located at good locations in the urban areas, has attracted public attention.

Need for redevelopment of CBS buildings

3. At the briefing by the Secretary for Development on the relevant policy initiatives in the Chief Executive's 2013 Policy Address to the Panel on Development ("the Panel") on 22 January 2013, a Panel member pointed out that with the deterioration in the conditions and environment of CBS buildings as a result of ageing, many occupants would welcome the redevelopment of the buildings. While there were opinions among Panel members that the Administration should consider initiating the redevelopment of CBS buildings, there were views expressing reservation on inviting the Urban Renewal Authority ("URA") to take part in the redevelopment.

4. At the Council meeting of 23 January 2013, two Members raised questions separately about the measures that the Administration would take to speed up the redevelopment of CBS buildings. On whether URA should be asked to consider implementing a new pilot scheme to proactively acquire CBS buildings for redevelopment, the Administration explained that the existing URA self-initiated redevelopment projects mainly covered dilapidated private buildings aged 50 years or above, in which illegal building works were commonly found and the living conditions of the residents were poor. URA had no intention at present to draw up a new pilot scheme for redeveloping CBS buildings. The Administration added that if a CBS was dissolved and its members had acquired the legal titles to their properties, they might make an application under URA's "demand-led" pilot scheme² for redeveloping the concerned building.

¹ Source: The Administration's reply to an oral question on the CBS Scheme raised at the meeting of the Legislative Council of 23 January 2013 (<http://www.legco.gov.hk/yr12-13/english/counmtg/hansard/cm0123-translate-e.pdf>, p. 5049 - p. 5060)

² The "demand-led" pilot scheme is URA's response to the requests by interested property owners to implement redevelopment of their buildings/lots. Under this approach, consent of majority owners and satisfaction with certain criteria related to building conditions and size of site are required. Three "demand-led" projects have been accepted by URA for implementation in 2012-2013.

Procedures involved in redevelopment of CBS buildings

Dissolution of CBSs

5. Pursuant to the respective underleases that a CBS signed with its members, the legal title of the land and the CBS building is held collectively by the CBS concerned. To allow the transfer of legal titles of CBS premises to individual CBS members and the dissolution of CBSs, the Administration introduced the Surrender and Regrant Approach³ in 1987. It was replaced in 1993 by the current arrangement, namely Modification of Lease Approach, under which a CBS may, upon obtaining the consent of 75% of its members, apply for dissolution. Individual CBS members may then acquire titles to their properties and land by deeds of assignment. The information provided by the Administration to the Panel in April 2013⁴ indicated that out of the 238 CBSs that have been formed, 177 of them (covering 4 640 flats) have been dissolved.

Removal of restrictions on sale of individual flats

6. Upon the dissolution of a CBS, an owner of a flat of a CBS building ("a CBS flat") who has acquired the legal title to his/her flat and intends to sell it may file an application with the Lands Department ("LandsD"). Upon the payment of a land premium as determined by LandsD according to the lease conditions, the Government may remove the alienation restrictions⁵.

Redevelopment of a whole CBS building

7. Upon the completion of the above-mentioned procedures, if the individual owners of a CBS building unanimously agree to demolish the whole building for redevelopment, they must jointly apply to LandsD for lease modification and pay a further land premium. According to the Administration, as at January 2013, among the 177 dissolved CBSs, 13 of them have paid the full land premium of their buildings to LandsD.

³ Under the Surrender and Regrant Approach, a CBS could be dissolved subject to the unanimous consent of all members.

⁴ LC Paper No. CB(1)849/12-13(01)

(<http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/devcb1-849-1-e.pdf>)

⁵ Under the alienation restrictions, 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. According to the Administration, as at end-March 2013, of the buildings under the 177 dissolved CBSs, about 46% of the property owners have applied for removal of the alienation restrictions. Of these owners, some 67% have already paid the assessed land premium to remove the restriction on alienation of their flats.

Simplification of procedures

8. Members raising questions at the Council meeting of 23 January 2013 in general considered that the Administration should facilitate owners of CBS flats who wanted to sell their properties to complete the relevant procedures in a short time. While noting that the Administration had streamlined certain formalities (such as allowing individual ex-CBS members to apply for a short-term waiver of the alienation restrictions on their flats so as to enable them to enter into sale and purchase agreements with purchasers before paying the requisite land premium), some Members were concerned that quite a number of owner-occupants of CBS buildings were unable to sell their flats due to failure in obtaining the consent of 75% of the members to dissolve the CBS. In response, the Administration asserted that there was no plan at present to revise the 75% requirement, having regard to the fact that all CBS members were fully consulted before the introduction of the existing mechanism, which had served to balance the interests of CBS members supporting the dissolution as well as those opposing it.

Recent Development

9. The Administration will discuss with the Panel at its meeting on 28 May 2013 the issues related to redevelopment of CBS buildings.

Relevant papers

10. A list of relevant papers with their hyperlinks is at the **Appendix**.

Appendix

Civil Servants' Co-operative Building Society Scheme

List of relevant papers

Date	Meeting/Event	References
23 January 2013	Council meeting	Hansard -- oral question (No. 4) raised by Hon Dr Hon CHIANG Lai-wan on redevelopment of quarters developed by civil servants' cooperative building societies (p. 5049 - p. 5060) http://www.legco.gov.hk/yr12-13/english/communmtg/hansard/cm0123-translate-e.pdf
23 January 2013	Council meeting	Hansard -- written question (No. 16) raised by Hon Mrs Regina IP on quarters developed by civil servants' cooperative building societies (p. 5153 - p. 5163) http://www.legco.gov.hk/yr12-13/english/communmtg/hansard/cm0123-translate-e.pdf
11 April 2013	-	The Administration's information paper to the Panel on Development on Civil Servants' Co-operative Building Society Scheme (LC Paper No. CB(1)849/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/dev/papers/devcb1-849-1-e.pdf