

**For Discussion  
on 26 May 2015**

## **LEGISLATIVE COUNCIL PANEL ON DEVELOPMENT**

### **Facilitating the Redevelopment of Buildings under the Civil Servants' Co-operative Building Societies Scheme**

#### **Purpose**

At the meeting of the Panel on Development held on 15 July 2013, Members passed a motion on the “Redevelopment of Civil Servants’ Co-operative Building Societies (CBSs), urging the Government to launch redevelopment programmes for buildings developed under the civil servants’ CBSs immediately so as to increase land supply in urban areas and to submit feasible proposals acceptable to both sides. This paper aims to report on the findings of the Government’s study on facilitating the redevelopment of CBS buildings since the meeting in July 2013, as well as the Government’s proposals.

#### **Background**

2. CBS flat owners have called for Government intervention to facilitate the redevelopment of CBS buildings mainly for the following reasons -

- (a) CBS buildings possess redevelopment potential as they are generally located in the urban area and of moderate building height. Redevelopment of CBS sites can release additional floor area upon redevelopment, increase the supply of residential units, thereby alleviating the acute shortage;
- (b) CBS flat owners are of the view that the outstanding two-thirds land premium they have to pay back to the Government as stipulated in their assignments is prohibitively high. They think that this high land premium has increased the

redevelopment cost for private developers, thus dampening private redevelopment initiatives; and

- (c) 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 for elderly owners.

3. The Development Bureau, together with relevant departments and organisations, has conducted in-depth study on the justifications for facilitating the redevelopment of CBS buildings and possible ways to proceed. This is found to be fraught with much difficulty. Our major considerations are as follows.

## **Major Considerations**

### *Land Premium Concession*

4. CBS flat owners have made repeated calls for concession on land premium. Redeveloping CBS buildings generally involves two levels of land premium payment. The first level is the two-thirds outstanding land premium payable to the Government for the removal of alienation restriction on the CBS flat. The second level is the premium payable by the lot owner of the site if there is a need for him to seek to modify the terms of the land lease before the permissible gross floor area of the site can be fully utilised so as to achieve the maximum development parameters permitted under the outline zoning plan. It follows that the owner concerned has to apply to the Lands Department (LandsD) and to pay the premium required for the said lease modification. The first land premium is an outstanding debt owed to the Government. The second land premium payment is no different from the requirement for other ordinary redevelopment sites. Any concession on both premium payments will be a departure from established Government policy and practice and must be supported by robust justifications.

## *Land Supply*

5. We have considered whether, on the premise of increasing land supply, there are sufficient grounds for us to deviate from the Government's established policy so as to facilitate the redevelopment of CBS buildings. Our study has 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.

6. For the 173 dissolved but yet to be redeveloped CBSs (involving 178 CBS sites), not all of them have redevelopment potential. Based on the parameters of those already redeveloped CBS sites, it is projected that, generally speaking, only those 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 project breaking even or, in some cases, yielding a surplus. Among the 178 CBS sites, it is roughly estimated that only 85 have the potential for redevelopment (i.e. the redevelopment project may not incur a loss), and redeveloping all these 85 sites will only yield additional floor area of some 230 000 square metres at maximum (as the 85 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.) Assuming that the size of each redeveloped unit measures 50 square metres, there will be a net gain of over 4000 units, with an average of 50 more units per site. 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, if concessionary premium to facilitate the redevelopment of CBSs is contemplated, there can hardly be any justifications to support such policy priority. As a matter of fact, the other old building sites, upon redevelopment, can also release additional floor area. If the owners of these sites also come forth to ask Government for concession in redevelopment, how should we respond? In the face of limited public resources, should the Government not accord priority to the redevelopment of those other old and dilapidated buildings first?

### *Redevelopment by the Urban Renewal Authority*

7. In the past, CBS flat owners have called for the intervention of the Urban Renewal Authority (URA) to help redevelop their sites. As we have explained on various occasions in the past, the purposes of URA are to undertake, encourage, promote and facilitate urban renewal so as to improve the standard of housing in Hong Kong. It is the priority of URA to assist in the redevelopment of buildings in poor and dilapidated conditions. CBS buildings are relatively better kept in general, and their need for redevelopment is not imminent. It is inappropriate for URA to accord priority to the redevelopment of CBS buildings at the expense of the more dilapidated buildings with greater urgency for redevelopment. That notwithstanding, eligible CBS buildings may still seek redevelopment under the “Demand-led Redevelopment Project Pilot Scheme” of URA. If they meet the eligibility criteria, these buildings may be selected.

### *Lack of Basic Facilities*

8. Some CBS flat owners had pointed out that the lack of modern day building basic facilities at the CBS buildings, such as lift provision, had posed access problems to them and aggravated the need and urgency for redevelopment. This is fully appreciated by the Government. However, the same situation arises at the other old buildings where there might even be sub-divided units with poor conditions. The need for Government assistance is more imminent at these buildings rather than the CBS buildings which are relatively more spacious and well-kept. As a matter of fact, CBS flat owners who have a need to move out from the CBS flats have the following ways to do so. For the dissolved CBSs, the owners concerned may move out after paying the Government the outstanding two-thirds land premium and then sell their flats in the market. There is an established mechanism under the Civil Service Bureau to allow these owners to apply for a short term waiver so that they can sign sale and purchase agreements before paying the outstanding land premium. Under the current short term waiver arrangement, the waiver is valid for a period of nine months. If the owners have a need, they can seek further extension. For those CBSs which have yet to be dissolved, the owners may transfer their CBS membership to other interested and eligible civil servants and move out from the CBS flats. No payment of

premium is involved. After disposal of their CBS flats, these owners can choose to move to live in smaller-sized units with lift provision according to their own needs.

### *Preliminary Proposals*

9. Based on the considerations above, it is very difficult for us to make use of public funds to support the redevelopment of CBS buildings.

10. That notwithstanding, considering Members' wish to redevelop CBS buildings so as to release more land for housing supply, some CBS owners' wish to redevelop their CBS buildings, and the fact that some CBS sites, when redeveloped, can help contribute to the housing supply, we have tried to explore whether public organisations may assist in the redevelopment of CBS buildings without involving additional expenditure.

### *The Hong Kong Housing Society's Pilot Scheme for Redevelopment of CBSs*

11. The Government and the Hong Kong Housing Society (HKHS) have initially explored the launch of a pilot scheme to facilitate the redevelopment of CBSs by HKHS. The broad terms of the proposed framework are as follows –

- (a) HKHS will launch a pilot scheme to redevelop CBS buildings for subsidised sale flats (SSF) purpose under a “no loss” principle, and will pay land premium to the Government for lease modification necessary for redevelopment pursuant to existing policy (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) ;
- (b) The scheme will be implemented under a demand-led approach and it will be for the owners themselves to initiate application to HKHS;

- (c) HKHS will lay down the eligibility criteria of the scheme, including the requirement for the applicant CBS owners to secure 100% owners' participation within a reasonable period of time, and for site sizes to meet specified requirements so as to achieve development and planning gains;
- (d) HKHS will pay to LandsD the two-thirds outstanding land premium the CBS owners owe the Government under the assignments of their CBS flats. HKHS will also purchase the CBS flats from the owners at market price. Under the "no loss" principle, HKHS may offer an acquisition price slightly above the market price (for example, about 10% above market) for acquisition of these CBS flats; and
- (e) Where circumstances permit, the Government may consider allowing the owners concerned to purchase the HKHS units from the "Flat-for-sale Scheme Secondary Market".

The proposed pilot scheme may provide another channel for the CBS owners to dispose of their flats at a price slightly above the market price and to have a chance to purchase an HKHS "Flat-for-sale Scheme" unit from the Secondary Market if they have such a need. Furthermore, the supply of subsidised sale flat to the community may be increased after the redevelopment of the CBS sites. We will invite HKHS to devise details of the scheme.

#### *Facilitating Services (Pilot Scheme) by URA*

12. We will also suggest to URA for it to designate a queue for applications for facilitation from CBS owners. For CBS owners who have secured the consent of owners holding 50% or more of the property interests of the CBS buildings, they may apply to URA for facilitation service under the Facilitating Services (Pilot Scheme). Through URA's assistance, once the owners have assembled 80% or more of the property interests of the site, a joint sale of their properties to private developers for redevelopment will be arranged.

*Administrative Arrangements to be Put in Place by LandsD to Facilitate Premium Payment Applications*

13. We will also ask LandsD to consolidate the existing procedures to enable developers interested in acquiring the property interests from CBS owners and redeveloping the CBS buildings to, with authorisation from the CBS flat owners, apply to LandsD for lease modification and ascertain the amount to be paid to settle the outstanding two-thirds land premium the owners owe the Government and the amount payable for lease modification to redevelop the site. This will facilitate the private developers in making their own assessment on the redevelopment proposal.

**Advice Sought**

14. Members are invited to offer views on the preliminary proposals outlined above.

**Development Bureau  
May 2015**