

**For discussion
on 20 January 2020**

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT AND
PANEL ON HOME AFFAIRS**

**JOINT SUBCOMMITTEE TO FOLLOW UP ISSUES
RELATING TO THE REDEVELOPMENT,
MAINTENANCE AND MANAGEMENT
OF AGED BUILDINGS**

Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545)

PURPOSE

This paper briefs Members on the implementation of the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) (“the Ordinance”) and the support rendered to minority owner through the Outreach Support Service for Minority Owners (“OSSMO”).

BACKGROUND

2. As part of the Government’s urban renewal strategy promulgated in the 1996 policy statement “Urban Renewal in Hong Kong”, the Land (Compulsory Sale for Redevelopment) Ordinance came into operation in 1999 to facilitate owners of buildings in multiple ownership to redevelop their lots. Under the Ordinance, any person who owns not less than 90% of the undivided shares in a lot (“the majority owner”) may make an application to the Lands Tribunal for an order for the compulsory sale of all of the undivided shares in the lot for the purposes of redevelopment.

3. To further facilitate the redevelopment of old buildings or the owners to sell their lots jointly, and to tackle the problem of dilapidated buildings without proper maintenance and address the changing economic needs of Hong Kong, the Land (Compulsory Sale for Redevelopment) (Specification of Lower Percentage) Notice (“the Notice”) was brought into operation on 1 April 2010. The Notice specifies a lower threshold for the application for an order for sale, i.e. from owning not less than 90% of the undivided shares in the lot to not less than 80%, in respect of the following three classes of lots –

- (a) a lot with each of the units representing more than 10% of all the undivided shares in the lot;
- (b) a lot with all buildings aged 50 years or above; and
- (c) a lot that is not located within an industrial zone and each of the buildings erected thereon is an industrial building aged 30 years or above.

4. The Lands Tribunal, being one of the courts of justice independent from the executive authorities and the legislature, will consider each compulsory sale application carefully, and shall not make an order for compulsory sale unless it is satisfied that the redevelopment of the lot is justified due to the age or the state of repair of the existing development and that reasonable steps have been taken by the applicant to acquire all the undivided shares in the lot.

5. The majority owner is required to assess the market values of all the properties standing on the lot, on a vacant possession and existing use basis, and thereafter attach a valuation report to the application for an order for sale. The valuation report will form the basis for pro rata apportionment of future sale proceeds to each majority owner and each minority owner in accordance with the existing use values of their respective properties as assessed in the report. The Lands Tribunal will hear and determine the dispute in case any minority owner of the lot lodges any objection or disputes the value of any property as assessed in the application submitted by majority owner(s) under the Ordinance.

6. If the Lands Tribunal decides to grant a compulsory sale order after hearing the case, the entirety of undivided shares in the lot will be sold by public auction by a trustee appointed by the Lands Tribunal to achieve the best possible price (except when all owners of the lot have agreed to seek the Tribunal's approval under the Ordinance for selling the lot by other means). A reserve price, to be approved by the Lands Tribunal and which takes into account the redevelopment potential of the lot, will be set so as enable the minority owner(s) to receive a share in the potential redevelopment value of their properties. This also ensures transparency and reasonable protection of the minority owners. Moreover, the Ordinance imposes a condition that the redevelopment of the lot by the purchaser is to be completed within six years or such shorter period as the Lands Tribunal may specify in the order for sale. If the purchaser fails to complete the new development within the time limit or such further period as the Lands Tribunal may allow on the application of the purchaser, the Government is entitled to re-enter the lot under and in accordance with the provisions of the Government Rights (Re-entry and Vesting Remedies) Ordinance (Cap. 126).

PROGRESS OF IMPLEMENTATION

7. Up to 31 October 2019, the numbers of compulsory sale applications received and processed since the Ordinance came into operation in 1999 are tabulated below -

Total no. of compulsory sale applications filed	344 ¹
No. of compulsory sale orders granted	114
No. of applications discontinued / withdrawn / adjourned	161
No. of applications dismissed/ struck out	2 ²

¹ Out of the 344 applications, 192 applications were filed under the 80% threshold specified by the Notice.

² A case was dismissed as the applicant has failed to satisfy the Lands Tribunal that redevelopment was justified due to the age or state of repair of the existing development. Another case was struck out as the application threshold could not be met.

No. of applications in progress (as at 31 October 2019)	67
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The numbers of compulsory sale applications and orders for sale granted in the past 10 years are tabulated below -

Year	No. of compulsory sale applications filed	No. of compulsory sale orders granted³
2010 (Apr to Dec)	20	4
2011	46	9
2012	57	6
2013	16	27
2014	25	13
2015	17	4
2016	11	8
2017	15	11
2018	39	4
2019 (as at 31 Oct)	33	6

8. Of the 114 cases in which compulsory sales orders were granted by the Lands Tribunal, 78% of the cases (89 cases) were granted the order within 24 months from filing of applications. The shortest processing time (from application to grant of order) was five months and the longest was 43 months. For those cases which compulsory sale orders were granted by the Lands Tribunal and the subject lots were successfully sold by public auction subsequently, the transaction prices were on average about two times the existing use values of the lots at the prevailing time⁴. The proceeds apportioned to each minority owner after public auction were about two times the then market value of their respective units.

³ Sales orders granted in a year do not correspond to those applications filed in the same year as processing of an application may straddle across years.

⁴ Based on available information of 106 cases.

Outreach Support Service for Minority Owners (OSSMO)

9. Since 2011, the Development Bureau (DEVB) has commissioned a non-governmental organisation (NGO) to provide tailor-made outreach support service for elderly owners who may have difficulties in accessing comprehensive information on the Ordinance. Following the recommendations of a consultancy review engaged by DEVB in 2014, the outreach support service has been expanded to cover non-elderly minority owners and publicity/public education programmes on the Ordinance and mediation in compulsory sale cases, and was renamed as Outreach Support Service for Minority Owners (“OSSMO”).

10. The OSSMO provides the following services, mainly targeting at minority owners -

(a) Outreach advisory service

The NGO compiles its own database on aged buildings, online property transaction records, past compulsory sale cases and reports of private developers to identify buildings which are potential targets of compulsory sales. Based on information compiled, it sends a designated team comprising social workers and trained volunteers to distribute leaflets and conduct visits to minority owners and their immediate family members residing in target buildings to introduce its services. The NGO also operates a telephone hotline to provide general information on the procedures of compulsory sale, rights of minority owners, reference prices of properties, and reserve prices of past compulsory sale cases, etc.

(b) Case service

The NGO provides consultation service and counselling support to minority owners and their immediate family members affected by compulsory sales. Its designated team explains to minority owners the procedures under the Ordinance and accompanies them to meet the acquisition agents and attend call-over hearings

arranged by the Lands Tribunal (if requested by minority owners). Where necessary, it refers minority owners to relevant professionals (such as solicitors, mediators and surveyors) and accompanies them to seek professional advice. It also provides assistance to those who have difficulties in relocation at short notice.

(c) Public education

Talks, workshops and roadshows are organised from time to time to explain the general practice of property acquisition and the process of compulsory sale under the Ordinance. The NGO also promotes understanding on mediation in compulsory sale. Such public education programmes are often held in districts/areas with high acquisition rate.

11. From 2011 to 2019 (up to 31 October), the NGO has rendered assistance to minority owners affected by compulsory sale in 473 cases and organised about 300 public education programmes to promote the understanding of compulsory sale under the Ordinance and mediation in compulsory sale.

Advice sought

12. Members are invited to note the implementation of the Ordinance and support services for minority owners.

Development Bureau
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