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Panel on Development and Panel on Home Affairs

**Joint Subcommittee to Follow Up Issues Relating to the
Redevelopment, Maintenance and Management of Aged Buildings**

**Background brief prepared by the Legislative Council Secretariat for
the meeting on 20 January 2020**

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

Purpose

This paper gives a brief account of past discussions of the Council and its committees regarding the Land (Compulsory Sale for Redevelopment) Ordinance (Cap. 545) ("LCSRO").

Background

2. LCSRO was enacted in 1998 and came into operation in 1999 to facilitate owners of buildings in multiple ownership to redevelop the lots under specified conditions. Under LCSRO, a person or persons who owns or own a specified majority of the undivided shares in a lot ("the majority owners") may apply to the Lands Tribunal ("the Tribunal") for an order for the sale of all undivided shares in the lot for the purposes of redevelopment. The Tribunal may make such an order if the following criteria are met:

- (a) the majority owners own not less than the specified majority (90%) of undivided shares in the lot;
- (b) redevelopment is justified on the ground of age or state of repair of the existing buildings on the lot; and

- (c) the majority owners have taken reasonable steps to acquire all undivided shares of the lot.

There is also a provision in LCSRO that provides for the Chief Executive in Council to make a notice for a lower compulsory sale application threshold of no less than 80% in respect of a specified class of lots.

3. In April 2010, the Administration lowered the application threshold for compulsory sale to be made to the Tribunal from ownership of not less than 90% to not less than 80% of the undivided shares in respect of the following three classes of lot:

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

Deliberations by Members since 2012-2013 session

4. A written question relating to the arrangement for compulsory sale of land for redevelopment was raised at the Council meeting of 17 February 2016. Issues relating to LCSRO were also discussed at the meetings of the Panel on Development and the Subcommittee on the Long Term Housing Strategy on 21 June 2016 and 16 July 2013 respectively. The major concerns and views expressed by Members and the responses given by the Administration are summarized in the ensuing paragraphs.

Application threshold for compulsory sale orders

5. At the meeting of the Subcommittee on the Long Term Housing Strategy on 16 July 2013, members suggested that the Administration should consider further lowering the application threshold for compulsory sale orders under LCSRO to less than 80% of ownership for industrial buildings aged 30 years or above, so as to make it easier for owners of industrial buildings to apply for redevelopment of their buildings.

6. The Administration advised that while there had been calls for further lowering the application threshold to expedite the redevelopment of industrial buildings, the Administration had no plan to do so, bearing in mind that any adjustment to the application threshold would affect the small and medium enterprises operating their business in industrial buildings.

Arrangements for compulsory sale of land for redevelopment

7. At the Council meeting of 17 February 2016, a written question was raised on whether the Tribunal, in granting an order for sale, might specify that the lot concerned be sold by open tender. The Administration advised that it was clearly stipulated in section 5(1)(b) of LCSRO that "if the whereabouts of each minority owner of the lot is known, the lot may be sold by any other means: (i) agreed in writing by each minority owner and majority owner of the lot; (ii) approved by the Tribunal in its absolute discretion; and (iii) in accordance with such conditions, if any, as the Tribunal specifies in directions." Therefore, LCSRO allowed the Tribunal to dispose of land and properties by means other than public auction, including open tender, subject to the above conditions being met.

8. At the meeting of the Panel on Development on 21 June 2016, members expressed concern that under LCSRO, lots under compulsory sale would mainly be sold by auction, but not by open tender. They considered that such an arrangement might bring down the transaction prices of the lots, and hence might reduce the proceeds to be shared among minority owners.

9. The Administration advised that under LCSRO, except under certain conditions, lots subject to compulsory sale orders were to be sold by auction. In this connection, the auction would be subject to a reserve price to be set by the Tribunal, and the reserve price should take into account the redevelopment potential of the subject lot. Records showed that the transaction prices for the relevant auctions conducted so far were about two times of the existing use values of the lots concerned, which indicated that the mechanism under LCSRO had rendered certain protection to the interests of the lot owners.

Relevant papers

10. A list of relevant papers on the Legislative Council website is in the

Appendix.

Council Business Division 2
Legislative Council Secretariat
14 January 2020

**Relevant papers on
Land (Compulsory Sale for Redevelopment) Ordinance**

Meeting	Date of meeting	Paper/Minutes of meeting
Subcommittee on the Long Term Housing Strategy	16 July 2013	Agenda Minutes
Panel on Development	8 October 2014*	LC Paper No. CB(1)16/14-15(01)
Legislative Council	17 February 2016	Official Record of Proceedings (Pages 11-13)
Panel on Development	21 June 2016 (Item V)	Agenda Minutes

* Issue date

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