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29 March 2023

Ms Bernadette LINN, JP  
Secretary for Development  
Development Bureau  
18/F, West Wing  
Central Government Offices  
2 Tim Mei Avenue, Tamar  
Hong Kong

Dear Bernadette,

**Re: Consultation on Proposed Measures to Update and Streamline  
the Compulsory Sale Regime**

The Hong Kong General Chamber of Commerce welcomes the opportunity to respond to the captioned consultation.

We welcome and support the proposals to update and streamline the Compulsory Sale Regime and believe this is in the right direction to expedite the pace of urban redevelopment and help address Hong Kong's chronic housing shortage. We venture to suggest that there may be scope for further refining the proposals to ensure that the measures proposed are sufficient to induce market-driven initiatives for larger-scale and comprehensive redevelopment while taking into account minority owners' interests

Our comments are set out in the attached. We hope you will find our comments useful.

Yours sincerely,

George Leung  
CEO

*Encl.*

## **Proposed Measures to Update and Streamline the Compulsory Sale Regime**

The Hong Kong General Chamber of Commerce (“HKGCC”) welcomes the opportunity to comment on the captioned public consultation proposals as outlined in Legislative Council Panel on Development discussion paper number CB(1)776/2022(05) (“LC paper”).

2. Housing has been and continues to dominate Hong Kong’s policy agenda as a livelihood issue. In our submission to the 2022-23 Policy Address, we set out a number of strategic and technical recommendations on land and housing, including the pressing need to review the relevance of existing development-related policies and procedures to remove administrative inefficiencies which hinder urban renewal of old areas. As the stock of buildings aged 50 years or above continue to increase at a rapid rate outstripping the pace of redevelopment efforts by URA and the private sector, we welcome and support the proposals put forth by Development Bureau to update and streamline the compulsory sale regime under the Land (Compulsory Sale for Redevelopment) Ordinance (“LCSRO”), which should help expedite the pace of redevelopment.

3. We set out below specific comments on some of the proposals in the LC paper.

### **Compulsory Sale Application Thresholds**

4. We welcome the proposals for lowering the application thresholds for compulsory sale applications as set out in paragraphs 7-12 of the LC paper. In the interest of expediting urban rejuvenation, we venture to suggest that there may be scope for further refining the thresholds proposed, such that the thresholds are sufficient to induce market-driven initiatives for larger-scale and comprehensive redevelopment while taking into account minority owners’ interests. In this connection, priority focus should be accorded to facilitating redevelopment in old districts such as Yaumatei, Shamshuipo, Tokwawan and Tai Kok Tsui, where old tenement residential buildings and “three-nil buildings” aged 50 years or above are commonly found.

### **Multiple Adjoining Lots**

5. We support the proposal to provide more flexibility for compulsory sale applications through a weighted averaging arrangement for adjoining lots with buildings erected thereon. There are, however, cases where buildings of different ages are located within a single lot. We suggest applying the same principle as proposed for multiple adjoining lots to buildings of different ages within a single lot, as depicted in the illustration in **Annex 1**.

### **Streamlining the process of compulsory sale regime**

#### Tests for assessing “age” and “state of repair”

6. With regard to paragraph 25 of the LC paper, we support the proposal to specify the tests which the Lands Tribunal would apply to determine the “age” and “state of repair” of the existing development on the lot when considering whether redevelopment is justified. This would enable

both applicants and minority owners to focus on the relevant procedures, thereby shortening the processing time of compulsory sale applications.

7. To this end, we suggest further refining the test mechanism to facilitate dispute resolution and expedite case hearings through the following:

- i. setting quantifiable standards for the tests proposed in paragraph 25 for a justified redevelopment. An example would be when the redevelopment value exceeds the existing use value, or when a deteriorated building has a ratio of over 20% between repair costs and costs of redevelopment.
- ii. defining the standard of “tenantable condition” when assessing the repair costs to bring a building to tenantable condition, which could be based on comparable modern day buildings as per present-day code of regulations, as well as market and construction standards.

Cases with no dispute on “age” and “state of repair”

8. To streamline the legal process of compulsory sale applications, we welcome the proposed measure to confine the factors for justifying redevelopment to “age” or “state of repair” only. As for the proposal to dispense with the requirement for an applicant to justify redevelopment where all buildings on the lot are at least 50 years of age and all minority owners affected by the compulsory sale application have given written consent to confirm no dispute with redevelopment, we suggest that consideration be given to whether setting a high percentage threshold for minority owners’ written consent would suffice for the purpose.

**Support services for minority owners**



9. We welcome the proposal to set up a dedicated office within the Government to provide one-stop support services to minority owners at different stages of compulsory sale. Facilitating minority owners’ access to professional advice and assistance in a timely manner, including encouragement to mediate rather than litigate, should help resolve disputes and reduce the time and uncertainties involved in compulsory sale. We recommend allocating sufficient resources to both this dedicated office for minority owners as well as the Lands Tribunal to ensure that they have the necessary capacity to handle the anticipated increase in compulsory sale-related work.

HKGCC Secretariat  
March 2023

**A Hypothetical example illustrating the calculation of ownership percentage and application threshold in a single lot with buildings of different ages by way of weighted average**

	Block A	Block B	Block C	Block D	Block E
No. of undivided shares	200	600	200	200	400
Building age (years)	72	56	58	48	65
Ownership percentage	75%	60%	100%	75%	85%
Proposed application threshold*	60%	70%	70%	90%	70%

**Legend-**

-  Lot boundary
-  Compulsory Sale Application

Weighted Average
<ul style="list-style-type: none"> <li>• <b>Overall ownership percentage</b>  <math>(200 \times 75\% + 600 \times 60\% + 200 \times 100\% + 200 \times 75\% + 400 \times 85\%) \div (200 + 600 + 200 + 200 + 400)</math>                      = <b>75.0%</b></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Overall application threshold</b>  <math>(200 \times 60\% + 600 \times 70\% + 200 \times 70\% + 200 \times 90\% + 400 \times 70\%) \div (200 + 600 + 200 + 200 + 400)</math>                      = <b>71.3%</b></li> </ul>
Eligible Application $\checkmark$

*\*The Proposed application thresholds above follow the thresholds proposed in the LC Paper.*