

Urban Redevelopment – Compulsory Purchase in Hong Kong

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SUMMARY

The problem of urban decay and redevelopment is one of the hot topics which prompt much discussion in the public over the last decades. Good maintenance planning and proper upkeep of the building stock would be a way to arrest building deterioration in the territories. For buildings which are determined to be physical obsolescence, demolition for redevelopment in generating new urban fabric may be a good way for tackling the problem. The enactment of the Land (Compulsory Sale for Redevelopment) Ordinance (hereafter referred to as “LCSRO”) (Cap. 545) in Hong Kong played a key role in facilitating private sector’s redevelopment efforts. As part of the Government’s urban renewal strategy promulgated in the 1996 policy statement “Urban Renewal in Hong Kong”, the Hong Kong Government has enacted the Ordinance to facilitate owners of buildings in multiple ownership to redevelop their lots. Under the Ordinance, persons who have acquired a specified majority of the undivided shares in a lot (not less than 80%) may make an application to the Lands Tribunal for an order for the sale of all of the undivided shares in the lot for the purpose of redevelopment. The Lands Tribunal will make such an order if it is satisfied that redevelopment is justified and that the majority owner making the proposal has taken reasonable steps to acquire all the shares of the lot. In determining any application, the Lands Tribunal shall first hear and determine any dispute on the assessed value of any property under the application. If the Tribunal agrees to make an order, it will approve the reserve price for the auction of the lot. This is to ensure transparency and protection of the minority owners. The reserve price will take into account the redevelopment value of the lot. Any person, including the minority owners, is free to bid at the auction of the lot. This paper aims to explain the operation mechanism of the LCSRO in Hong Kong and the valuations for the compulsory purchase.