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COLLECTIVE REDEVELOPMENT SCHEME (CRS)

The invention relates to collective redevelopment of property by the owners of the estate as a means of redeveloping and rejuvenating the estate.

Many old developments are nearing, or have passed, their useful and economic life span. Some of them do not have common facilities, such as swimming pools and gymnasiums. Quite a few multi-storeyed buildings do not even have lifts, and occupiers have to trudge up old fashioned staircases to reach the top storeys.

As a result, the units comprised in these developments have low capital values, and could only be rented out at low rents.

The current way of resolving these problems is to embark on an en bloc sale under section 84A to 84FB of the Land Titles (Strata) Act (Cap 158).

Such 'en bloc sales' have a number of problems, leading to disenchantment in many cases on the part of owners who have undergone the process in their previous estates. Included amongst these problems are: the complicated and cumbersome procedures that the owners have to go through, the uncertainties over the en bloc exercise, and the usually long time frame for the owners to be paid their proceeds (if the en bloc succeeds at all). These difficulties, amongst others, have resulted in lesser numbers of successful en bloc sales. and even. in some extreme cases. in expensive and protracted litigation. The problems are exacerbated in cases where there are a large number of owners.

Moreover, some of the old estates have already been built to their maximum, or close to the maximum, allowable plot ratio. There is therefore little enhancement in the gross floor areas. En bloc sales in these cases are not economically feasible. Such estates are disregarded by the 'en bloc sale' market.

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The present invention is set out in the claims. The invention addresses the problems encountered in the current method of 'en bloc sales'.

The invention comprises a tool which can be used in trade and commerce and which indeed will promote and benefit trade and commerce, in particular in relation to property development. The invention also posits a socially advantageous outcome, allowing for the redevelopment of aging properties which might be an eyesore upon the modern cityscape whilst ensuring that building densities are maximised in the face of population growth and land constraints. The invention applies to a situation where a group of two or more owners of units in a property where each unit has its own separate subsidiary title wish to redevelop the property. The property may be a multi-storey building, consisting of flats or commercial units with separate subsidiary strata certificates of title comprised in a strata titled plan or separate subsidiary certificates of title, or separate long leases.

In such a development, some of the owners of the units agree to redevelop their site under a 'collective redevelopment scheme' (CRS).

Owners agree to redevelop the estate themselves, and do not collectively sell any part of the common property, including the land on which the estate is situated, or the unconsumed Gross Floor Area (GFA), to any third party. On the contrary, an owner may decide to sell his unit, or his entitlement to the new unit (at the enhanced value after the approval of the new strata title plan for the redevelopment and the allocation of the strata lot number for the new unit) on an individual basis, without reference to, or without the consent of, the other owners in the estate.

Owners in the CRS agree to enjoy the unconsumed GFA amongst themselves in a just and equitable manner, most probably according to the proportion of the existing strata title areas.

A CRS would involve surrendering the old subsidiary strata certificates of titles by the owners. New subsidiary strata certificates of title would be issued upon

the completion of the new development.

Under the agreement, each owner is entitled to a new unit or units in the new redevelopment, in place of the existing unit or units. The owners are able to sell their respective entitlements to the new units, at any time, but especially after the approval of the new Strata Title Plan for the redevelopment, and the allocation of the strata lot numbers to their respective new units.

Depending upon the configuration of the redevelopment, there might be extra units allocated to the owners in the proportion which would be just and equitable.

Material enhancement in a redevelopment over and above the current built up area might allow for an owner to possess a new, larger unit. This excess would translate to enhancement in the value of the new unit.

Even if the plot ratio of the development has been maximized, CRS creates value for the owners by virtue of the fact that the redeveloped units would be new; the new development would have modern designs and layout, and facilities (where appropriate and practical) such as swimming pools, underground car parks, and lifts. In the case of estates with leasehold tenure, there would be fresh and longer leases, allowing the new units to fetch higher capital values, as units with shorter leases are valued at lower capital prices, especially if the existing leases have fallen below the psychologically critical threshold of 60 years. Therefore, even if the new units are smaller than the previous units, value would still be created by the above factors. Moreover, the new units should be rented out at higher rents. The capital and rental enhancement should at least offset the cost of the redevelopment.

The detailed and precise terms of the agreement amongst the owners would depend on negotiations, but as a guideline, outlines on certain parameters for the redevelopment will be as follows:

(1) The minimum unit entitlement of each owner in the new development in exchange for the present strata title area would be prescribed.

(2) A configuration of the new units in the redevelopment would be prescribed, such as the minimum area of each unit, in the development, and, where appropriate, the minimum number of bedrooms in a unit.

Under the proposed CRS, the onerous requirement of getting 80% agreement from the owners under section 84A to 84FB can be dispensed with. Under the relevant legislation, a court order can be applied for, in order to terminate the existing strata subdivision scheme to enable the redevelopment to be carried out, even though less than 80 percent of the existing owners have agreed to the CRS. Indeed, there is no prescribed percentage of the existing owners needed for an application under the relevant section. This is a marked advantage over the present method of 'en bloc sales' under section 84A to 84FB.

Another problem encountered in the traditional 'en bloc sale' process which generates considerable controversy and contention, and stymieing a considerable number of such sales, is the method of apportionment of the sales' proceeds amongst the owners of a development. The problem is exacerbated where the units sought to be sold on an 'en bloc' basis are for different users, whether for retail, office, residential, factory, warehouse, car park purposes.

Even amongst units which are all residential, the controversy relating to the method of apportionment has arisen amongst the owners of penthouses on the one hand and the other units in the same project. Where the controversy is sought to be averted by using the valuation method, this may worsen the problem, because it would raise issues such as the facing of an owner's unit (as traditionally, west facing units are less desirable than those facing either north or south, as the former would be much more affected by the hot afternoon sun in tropical Singapore than the latter.)

Moreover, penthouse units usually have less share values than non-penthouse units, proportionate to the strata title floor area.

Under the CRS however, every unit, whether it be for the purpose of retail, residence, office, warehouse, factory, or car park, would be reallocated new units for the same user as the old unit in the redeveloped estate.

Moreover, as much as possible, the new unit would be located in the identical position and location (including the storey level of the unit) within the new development as the old unit is in the existing development. As much as possible, though not necessarily, the floor plans of the new development should remain the same, or substantially the same, as those of the existing development.

The CRS could further allow the owners, whose new units are substantially larger in size than the existing units, to have the new unit comprised in more than one subsidiary strata title. This would effectively mean that the owner would be entitled to two separate units in the new development. The owner is then free to deal with the unit or units in the redevelopment, or his entitlement to them as he thinks appropriate, as noted above.

The owners are expected to pay for all costs of the redevelopment, including the construction costs, as well as any stamp duty or applicable fees incurred in the CRS. It would be ideal for them to seek a bridging loan from a financier for the duration of the term of the redevelopment, commencing from the demolition of the existing building to the time when Temporary Occupation Permit (TOP) of the redevelopment is obtained. It is noted that owners renting their apartments out would be forgoing rental income for the duration of the redevelopment. Owners who occupy their units would also have to seek alternative accommodation during the redevelopment phase. Because of these potential financial exertions, owners should endeavour to obtain a moratorium on servicing the principal repayment of the loan during the transition from vacant possession of the old units until TOP of the new units have been obtained.

The scheme also allows existing encumbrances on the owners' old units to 'cross over' to the owners' entitlements to the new units. The traditional method of assigning the entitlements under contract is applied, coupled to a mortgage in escrow, as the 'temporary' security pending the issue of the title to the new units.

It will be seen, therefore, that the invention both identifies problems associated with existing arrangements of an en bloc sale for cash only and provides solutions to those problems. Although the situation is discussed with particular reference to Singapore, it will be seen that it is applicable to any situation in which a plurality of owners of a property of any type require a level of certainty in relation to their entitlement following an enhancement of that property. In states other than Singapore, similar considerations will arise where there is equivalent or similar legislation and it will be seen that the methods and calculations outlined above will be appropriate for any such set of circumstances.

CLAIMS

1. A method of enhancing the value of a property comprising a plurality of units to be so enhanced through collective redevelopment, each unit having a separate title, the method comprising the steps of obtaining agreement amongst the existing owners of the estate to redevelop the estate collectively into a new development, wherein each owner is entitled to a new unit in the redevelopment, and paying for the cost of the redevelopment themselves.

2. A method according to claim 1, wherein the property includes a multi-storey building.

3. A method according to claim 1, wherein the classification of the property to be redeveloped is regardless of the particular user of the units, whether they be residential, mixed, commercial, office, industrial or any other category.

4. A method according to claim 1, wherein the separate titles include separate subsidiary strata certificates comprised by a strata titled plan, separate subsidiary certificates of title or separate long leases.

5. A method according to claim 1, wherein at least one of the new units allocated have larger floor areas than those of the corresponding units to be enhanced.

6. A method according to claim 5, wherein at least one of the new units allocated have larger floor areas than those of the corresponding units to be enhanced, and those larger units are larger so as to comprise separate units.

7. A method according to claim 1, wherein at least one of the new units allocated have smaller floor areas than those of the corresponding units to be enhanced.

8. A method according to claim 1, wherein at least one of the new units

allocated have floor areas equal to the floor areas of the corresponding units to be enhanced.

9. A method according to claim 1, wherein the leasehold tenure of the new units is increased or enhanced to a larger number of years than the tenure of the old units.

10. A method according to claim 1, wherein the freehold tenure of the new units remains the same for the existing units.

11. A method according to claim 1, where the new development includes the provision of common facilities, not found in the existing estate.

12. A method according to claim 1, where the new development does not include the provision of common facilities.

13. A method according to claim 1, wherein the orientation, floor level, and the location of the units relative to the other units are the same, or substantially the same, as those of the existing units, or are different from those of the existing units, subject to the agreement of the owners.

14. An application to the courts under the relevant legislation, to terminate the existing strata title scheme, to authorize the collective redevelopment of the existing estate or development, regardless of the share value percentile of the owners who have agreed to the CRS, provided that the requirements of the legislation are met.