



REJUVENATION OF HOUSING DEVELOPMENT THROUGH COLLECTIVE SALES LEGISLATION

by

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Abstract

Real estate goes through a life cycle from the predevelopment to the redevelopment stages. However, with the building of more multi-owner residential communities in the form of strata-titled developments, it is difficult to consider redevelopment as it is necessary to secure the consent of all owners to proceed with the redevelopment exercise. This paper discusses the planning strategy adopted in Singapore to undertake the rejuvenation efforts to ensure that the city-state would continue to be built with vibrant and modern residential developments. The pros and cons of such a strategy using the collective sales legislation are discussed. The collective sales law allows a majority of residents rather than all the residents to agree to the sale and redevelopment of the existing old developments. The legislation has been a subject of much criticism the main of which are the uprooting of existing owners, and the waste of building resources because of the demolition of fairly new buildings. This paper puts forth some recommendations for a modified strategy to ensure a more orderly and productive use of resources. The rejuvenation strategy, however, has useful relevance for speeding up urban development in a densely populated city.

Keywords: collective sale, rejuvenation, residential development, Singapore

1. Introduction

Land is generally developed to satisfy a particular function, typically by the building of a structure. There is a distinct cycle in the demand for developed land and in the ability of a built-up property to satisfy the market needs. An important concept in understanding urban planning and development is the life cycle of a property. This concept explains the evolution of the property from the beginning as an undeveloped land through the completion of the building to the end when the structure is demolished and the site re-developed.

This rhythm of obsolescence and renewal in a property over its life is known as the theory of property life cycle (Thorncroft, 1969). The planning and design of the development signifies the first stage of a property life. It carries on through its construction and completion. And finally, with the passage of time, a building becomes obsolete when it is physically exhausted or when it is no longer economically worthwhile to keep it in use, and a decision may be made to redevelop the property.

The redevelopment initiative is easily undertaken when the land belongs to a single owner. In the context of multi-owner residential developments in the form of strata-titled development, it is difficult to consider redevelopment as it is necessary to secure the consent of all owners to proceed with the redevelopment exercise. This impediment is serious in a country which is highly urbanised and subject to rapid changes in the environment. The purpose of this paper is to discuss the planning strategy adopted in Singapore to undertake the rejuvenation efforts to ensure that the city-state would continue to be built with vibrant and modern residential developments to meet the needs of the new environment.

2. High density and strata developments

High residential densities have become an increasingly important feature of compact urban environments like Singapore and Hong Kong. While there have been arguments against high density living such as congestion (Mitchell 1971), overcrowding (Baum and Davis 1980), and difficulties of maintenance (Dredge and Coiacetto, 2011), there are positive reasons for encouraging high rise developments. Some of the advantages of high residential densities include equitable access to a range of key services within walking distance and the development of a strong local identity. However, in view of the urban planning challenges in most capital city cities, the trend is towards higher and not lower densities. These challenges include reduced availability of land, the need to accommodate growing urban populations and the need to ensure economic viability of public transport systems and other community infrastructure.

There is considerable consensus nowadays that medium-density and high-density development will provide the major source of urban housing in the future and is a key response to urban planning challenges in most capital city cities (Randolph and Easthope, 2007). Indeed, increasing density through the adoption of median-density and high-density residential development is thought to improve the efficiency of urban settlement patterns and achieve more sustainable urban forms (Randolph, 2006).

Strata title provides a key property rights mechanism to deliver medium-density and high-density development. A strata scheme is a development or collection of buildings where individuals have title to, or can own, a small portion known as a lot, and share access to and responsibility for the maintenance of common property which is jointly owned by all the owners. In an apartment building, a buyer purchasing a unit would receive title to a lot comprising a private apartment and a share in the common property that includes areas such as lifts, stairwells, car parks, recreation facilities such as pools or tennis courts. Most compact cities have legislations providing for the building of such multi-owner developments. Similarly Singapore introduced the Land Titles (Strata) Act in 1967 to provide for such developments.

3. Studies on rejuvenation and reurbanisation

In a modern urbanised city, several medium and high density structures are a common feature of these cities. However, when high-density developments reach their old age and become functionally obsolete, rejuvenation and renewal would have to be considered in order to retain the vibrancy of the urban city.

Urban decay is an inevitable result of growth of a city based on the property life cycle (Thorncroft, 1969). However, urban regeneration is not a “slash and burn” process (Planning and Lands Bureau, 2001). It is a process by which dilapidated structures and deteriorated buildings are improved through various means, ranging from upgrading, modernisation, rehabilitation, and redevelopment (Prasad, 1989).

Urban regeneration has been defined as “...comprehensive and integrated vision and action which leads to the resolution of urban problems and which seeks to bring about a lasting improvement in the economic, physical, social and environmental condition of an area that has been subject to change” (Roberts 2000 p17). The primary aim of urban regeneration is to upgrade a whole neighbourhood through improving blighted areas, ameliorating traffic situation and providing open space and better urban infrastructure (Couch, 1990; Zielenback, 2000).

Most of the previous studies discussed the challenges encountered in the urban regeneration process. Poor institutional arrangements (Adams and Hastings, 2001), non-people-centred policy (Ng et al, 2001), and dislocation of people (Sigsworth and Wilkinson, 1967) are some of the difficulties encountered. In some counties, governments are blamed for their ad hoc and patchy efforts in urban regeneration (Yung and Ho 2008).

Over the past decade there is evidence suggesting that many countries such as many English cities are experiencing a degree of reurbanisation with the emergence of city centre living after numerous years of counter-urbanisation (Couch et al, 2009).

Private housing investment in these areas has re-emerged during the 1990s and has become an established trend during the 2000s. The process of reurbanisation involves the movement of people back into the cities, and the repopulation of the city centre and inner ring. It has been argued that reurbanisation represents a phase of urban development in the urban lifecycle model (van den Berg and Klassen, 1987).

However, the redevelopment of a site with existing old structures, and the repopulation of the site require much efforts. Very often they could only be undertaken with the support of legislative powers. In the context of housing developments which are owned by multiple owners such as strata titled developments, the decision of each of the owners has been to be obtained before a redevelopment initiative can be undertaken. To overcome the difficulty, Singapore's government introduced an amendment to the strata title legislation in 1999 allowing a majority rather than all residents to agree to the sale and redevelopment of the existing old developments. This has facilitated the rejuvenation process as a few minority owners cannot now upset the initiative. The legislation has, however, been a subject of much debate and criticism the main of which are the uprooting of existing owners, and the waste of building resources because of the demolition of fairly new buildings. The following provides a detailed description of the approach to rejuvenation planning in Singapore.

4. Collective sales legislation

In Singapore, a strata title development may consist of purely residential, commercial or industrial premises or any combination of these properties. The nature of these developments is typically high-rise and high-density. The residential developments, mainly condominiums, must have a minimum plot size of 0.4 hectare. The larger condominiums are provided with the full range of amenities and facilities such as car parks, swimming pools, saunas, gymnasium, squash and tennis courts, putting green, clubhouse, a multi-purpose hall, barbecue pits, supermarkets and shops. The smaller condominiums may only be able to provide a small swimming pool. A 24-hour security system is a common feature in many condominiums.

The body corporate which is known as management corporation comprises all owners of the strata development. To enable the management corporation to obtain the necessary funds to carry out its duties and functions, it is empowered to levy contributions determined by it at a general meeting. Each subsidiary proprietor or owner is required to contribute an amount proportional to the share value of his respective lot. The share value is commonly allotted based on the floor area groupings of 100m² (or 50m² for newer properties). A larger unit with a higher share value would therefore contribute a higher levy.

An enbloc sale or a collective sale refers to the sale of the properties owned by individual owners in a strata titled development undertaken collectively to a purchaser who is usually a developer. In other words, the sales of these properties are undertaken together at one go simultaneously. The process for an enbloc sale is provided by an amendment in 1999 of the Land Titles (Strata) Act (Cap. 158), which is explained as follows:

- For developments less than ten years old, the owners with at least 90 per cent of the total share values and at least 90 percent of the total strata areas must agree to the enbloc sale. For developments ten years or more, the owners with at least 80 per cent of the total share values and at least 80 percent of the total strata areas must agree to the enbloc sale.
- The sale committee comprising up to 14 members must be elected at a general meeting of the management corporation by an ordinary resolution.
- General meetings must be called to consider the appointment of lawyer, property consultant and marketing agent, the apportionment of sales proceeds, the terms and conditions of the collective sale agreement, and the terms and conditions of the sale and purchase agreement.
- A lawyer must be present to witness the signing of the collective sale agreement to sell the properties.
- Owners are given a five-day cooling-off period after signing the collective sale agreement but they can change their mind only once.
- The sale must be by public tender or auction, after which negotiation is possible if the reserved price is not obtained but the negotiation must be concluded within ten weeks.
- A four-weekly report must be given by the sale committee to keep the owners updated of the progress of support by the majority.
- A valuation report on the worth of the site as at the date of the close of the tender is required to be carried out (Lim, 2010).

5. Impact of legislation on development

The amendment to the strata title legislation enabling collective sales has the following impacts on urban planning and development.

- Enbloc sales are undertaken because a greater potential is possible when there is a higher plot ratio is allowed on the site. The existing site may be under-utilised, that is, not fully developed or the existing building is already physically obsolete, and need to be re-developed.
- Enbloc sales provide an important source of vacant lands which will hasten the redevelopment process in a highly built-up city.

- The redevelopment of older buildings will yield modern and vibrant projects with up to date features, amenities and design. A necessary element in a rejuvenation project is physical improvement (Jeffrey and Pounder, 2000).
- Investments in development projects will contribute to the economy. As new investments are always larger than the value of existing developments, they would promote economic activities.

These positive impacts are beneficial for a compact city like Singapore which provided private owners the opportunity to redevelop their existing old buildings and rejuvenate the environment, and for the planning authority to better plan the overall physical landscape and infrastructure of the city.

Despite the various positive impacts, there are also negative influences of the collective sale law on planning and development. They include possible social disturbance and the destruction of social networks of existing residents and communities (Needleman, 1966), the displacement of businesses (Thomas, 1977) and the waste of building stocks if the existing developments are fairly recent. These are some of the reasons why rehabilitation rather than redevelopment is preferred. There is therefore the need to consider the balance between retaining existing social communities with a strong sense of belonging, and redeveloping an old site to a modern, vibrant neighbourhood in line with the changing trend and developments of the surrounding environment.

6. Recommendations

The two key criticisms of the rejuvenation approach adopted in Singapore are that building resources are wasted, and the untimely dismantling of existing homes and neighbourhoods. The following are proposed solutions that may help reduce the objections raised.

In order to overcome the demolition of fairly new buildings and the uprooting of existing communities, a longer period may be mandated before a collective sale is being considered. In other words, no collective sale should be undertaken unless the buildings are say, at least 20 years old. An exception can be allowed for buildings which are in a poor state of repairs. To identify such buildings, a government or an independent professional review panel can be established whose function is to assess the state of repairs of the building. Developments which are in a good state of repairs and functional would not be approved for collective sales.

Alternatively, a higher percentage of owners' approval may be considered for collective sales. In other words, for developments less than ten years old, the law may provide for owners with at least 95 per cent of the total share values and at least 95 percent of the total strata areas must agree to the enbloc sale. For developments ten years or more, the owners with at least 85 per cent of the total share values and at least 85 percent of the total strata areas must agree to the enbloc sale. A higher majority level of owners required for the approval of collective sale will certainly help to prevent strong existing communities from undertaking collective sales.

Whatever new proposals are introduced or imposed to overcome some of the negative influences of the collective sale law, there is a need to strike a balance between retaining existing development and undertaking redevelopment. In a situation where the building maintenance has not been properly taken care of, the city would be filled with old and dilapidated buildings. The benefit of a redeveloped neighbourhood would certainly outweigh that of retaining the identity of the existing communities located in an unpleasant environment.

7. Conclusion

In a highly compact city and where housing developments are jointly owned by multiple owners, opportunities should be provided to allow these property owners to decide on issues governing the retention, upgrading and redevelopment of their developments. With rapid changes in the environment and the advancement in building technology, property developments can easily become both functionally and economically obsolete. In addition, for residential developments, the changing lifestyles and rising living standards will exert a greater need for change for such developments to improve their facilities and services. All these developments affect the vibrancy and rejuvenation of an urban city.

The Singapore's approach to rejuvenating housing developments in the urban city is one useful planning strategy which can be adopted. This paper makes recommendations for ensuring a more orderly and productive use of resources to speed up the urban development process in a densely populated city.

8. References

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