



Response of The Law Society of Singapore's Conveyancing Practice Committee to the Urban Redevelopment Authority's Public Consultation on Proposed Amendments to the Housing Developers Rules

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**The Law Society of Singapore’s Conveyancing Practice Committee’s (“CVPC”) feedback to
Urban Redevelopment Authority’s (“URA”)
Public Consultation on Proposed Amendments to the Housing Developers Rules**

No.	Key proposed amendments to the Housing Developers Rules (kindly refer to Annex A)	Feedback from CVPC
1.	<p><u>Paragraph 2</u></p> <p>For developments for which Temporary Occupation Permit (TOP) or Certificate of Statutory Completion (CSC) have been obtained, developers will be required to state the TOP or CSC date in the advertisements. The stipulation of the TOP or CSC date will allow home buyers to know when they can move into the units once they have settled payments due.</p>	<p>The current rules require that the expected date of delivery of vacant possession and legal completion to be advertised. URA may wish to clarify whether the proposed amendment is an additional requirement for developments that have already obtained TOP or CSC and does not abrogate the requirements to advertise the expected dates (as is currently required).</p>
2.	<p><u>Paragraph 5</u></p> <p>Developers will be required to provide more details in the plans given to home buyers. These include additional information on the location of key communal facilities in the site plan and storey plan. Developers will have to provide more detailed information in the unit floor plans (e.g. mark out void areas in the unit, explain abbreviations used in floor plan, etc.) for home buyers’ reference. For landed</p>	<p>The additional requirement should be clearly listed so that developers are aware of the scope of their obligations.</p> <p>URA has provided some examples of key communal facilities that was qualified as "including but not limited to". It might be difficult for the developers to comply with an open-ended requirement.</p>

	<p>properties, developers will be required to provide a scaled floor plan showing each storey of the landed property based on the approved building plan, in addition to the current requirement to provide a plan showing the land area.</p>	
<p>3.</p>	<p><u>Paragraph 7</u></p> <p>In the current payment schedule, the timing for the payment of the final 15% of the purchase price can vary depending on whether the Certificate of Statutory Completion (CSC) or Completion Date (i.e. completion of the sale and purchase) occurs first. The process will be simplified such that home buyers will only need to follow one sequence flow for the payment schedule, i.e. to first make payment due at CSC stage (i.e. 8% to developers and 5% to be held by Singapore Academy of Law), followed by the final payment (of 2%) to the developers when the Completion Date payment notice is served after CSC.</p>	<p>This arrangement affects the time of recoverability of instalments under the payment schedule as developers currently can recover 2% (LC) or 5% (Final Payment Date) of the purchase price even prior to CSC being issued.</p> <p>With the amendments, it appears that the developer is unable to call for legal completion AND/OR final payment date prior to CSC being issued. This can be a potential cash flow problem if the payment schedule is so strict. There are quite a number of projects where CSC is issued very much later (a year or more) after legal completion and/or end of Defects Liability Period (DLP). There are also no contractual deadlines as to the developer's obligation to obtain the CSC. From the purchaser's perspective, it simplifies paperwork substantially.</p> <p>It might be helpful for URA to consult REDAS on the simplified payment schedule as it will likely affect the financial arrangements of the developers.</p> <p>Please clarify that where DLP expires prior to CSC being issued, can the 5% be called for and paid to developer? Or does it mean that the 5% will only be paid to developer after issuance of CSC and there is no need to pay to SAL?</p>

<p>4.</p>	<p><u>Paragraph 8</u></p> <p>Under the current Sale and Purchase Agreement, the 1-year DLP will commence after the 15th day after receipt of the notice of TOP payment or the actual date the unit is delivered to the home buyer, whichever is the earlier. The home buyer's liability for maintenance charges will commence on the 15th day after receipt of the notice of TOP payment or the actual date the unit is delivered to the home buyer, whichever is the earlier. The revised DLP and home buyer's liability for maintenance charges will commence later on the 35th day after receipt of the notice of TOP payment, or the actual date the unit is delivered to the home buyer, whichever is the earlier. The 35th day takes into account the 14 days for home buyers to make payment for the instalment due at TOP stage and the 21 days for developers to deliver vacant possession of the unit upon receipt of payment from the home buyer.</p>	<p>The proposed amendments would align the DLP and maintenance charges start date. This is reasonable for purchasers to begin their defects checks only after they get vacant possession or deemed to be. However, it may be helpful to note that the remaining outgoings (property tax etc.) will be payable from the day after the service of 5.1.3 documents</p> <p>In addition, the alignment of the liability for property tax with DLP & maintenance charges could pose extra administrative work for filing of "update property ownership" as well as property tax reimbursement calculations.</p>
<p>5.</p>	<p><u>Paragraph 10</u></p> <p>In addition to the approved building plans, developers are required to build in accordance with the scaled unit floor plan and site plan provided to home buyers before the acceptance of booking fee. If the developer wishes to make any change to the unit floor plan or any substantive change to the site plan for the common facilities, the developer will have to seek consent from the home buyers, unless the changes are needed to comply with new requirements issued</p>	<p>URA may wish to clarify whether the compliance required by developers include compliance with the Storey Plans.</p> <p>In relation to the enhanced refund coverage, if Sale and Purchase Agreement ("SPA") is annulled due to changes to building plans which purchaser doesn't consent to (changes to approved building plans are quite common), buyer may use this as an escape route to get out of the SPA since developer will cover all his costs now including interest on loan and loan penalty/ cancellation fees. As such, the benefit of doubt on necessity and reasonableness of the</p>

	<p>by the relevant authorities after the Option to Purchase issue date.</p>	<p>changes should be given to the developers who face the uncertainty of changes to redevelopment plans.</p>
<p>6.</p>	<p><u>Paragraph 11</u></p> <p>Currently, in the event that a Sale and Purchase Agreement is annulled, developers are required to refund all instalment payments and any stamp duty paid by the home buyer. However, home buyers may incur other costs when they purchase a property. Hence, developers will also be required to refund interest paid on loans, loan cancellation charges and legal fees paid by home buyer, subject to a cap of 15% of the purchase price.</p>	<p>15% cap appears to be reasonable - for a developer who completes constructions within 5 years, the recovery rate of 15% cap allows the first 5 years' worth of amortised interest on a 75% loan quantum at the usual 30 years tenure interest rates on mortgaged loans to fluctuate up to just below 4.5% (appears to be within interest rates fluctuations for recent years).</p> <p>Proposed amendments should be made to new project launches and not for projects where units are already sold. It will be administratively very cumbersome for developers and lawyers to track payment schemes and conditions of SPA for different batches of units sold under the different payment schedules, DLP periods taking into consideration other amendments in the proposed format.</p> <p>Further, some projects may have already served legal completion before CSC and if so, new payment schedule will not work for such projects.</p>