

Public Engagement on Land Supply

**Submission
by
The Real Estate Developers Association of Hong Kong
September 2018**

Public Engagement on Land Supply

Submission by The Real Estate Developers Association of Hong Kong

Contents

1	Introduction	1
2	Our Views on <i>“Current Land Supply Strategy and Ongoing Initiatives”</i>	4
3	Our Views on <i>“Land Supply Options”</i>	13
4	Guiding Principles	19
5	Concluding Remarks	20
Table 1	Distribution of Population by Type of Housing	1
Table 2	Average Household Size	1
Table 3	Stock of Permanent Residential Units	2
Table 4	Number of Domestic Households by Type of Housing and Tenure of Accommodation	2
Table 5	A Comparison of Housing Production: Currently Planned vs Maximum P/R for New NDAs under HKPSG	18
Chart 1	Housing Production and Private Domestic Price Index	3
Chart 2	Number of Successful Lease Modification and Land Exchange Applications with Significant Housing Production	9
Chart 3	Residential Units Produced by Private Sector from Lease Modification and Land Exchange Applications	9
Chart 4	Average Daily Wages of Workers Engaged in Government Building and Construction Projects	18

Appendix – Summary of Recommendations

1. Introduction

- 1.1 REDA welcomes the Government's current Public Engagement on Land Supply (PELS). It provides a list of options for resolving Hong Kong's major land supply problem, on which public comment can be assessed clearly. REDA regularly participates in the Government's consultation exercises on planning and land policy. As on past occasions, we will provide our input from the standpoint of engaged and concerned professionals in the development industry. We also have the wider interests of the community at heart; it is in our interest to enhance Hong Kong's economic growth and social stability, both of which are threatened by the current land shortage.
- 1.2 Because of Hong Kong's relatively small land area, securing a sustainable supply of land is critical to our economic growth generally and to providing affordable housing for all in particular.
- 1.3 To put the problem and the possible solutions outlined in the PELS in context, Tables 1 to 4 below provide a "snap-shot" of the latest statistics on our population and housing stock.

Table 1: Distribution of Population by Type of Housing

	2001		2016	
Total Population	6,702,494		7,336,585	
Public Housing	3,267,316	48.7%	3,292,719	44.9%
Private Housing	3,284,001	49.0%	3,901,743	53.2%
Non-domestic & Temporary Housing	151,177	2.3%	142,123	1.9%

Source: 2001 & 2016 Population Census, C&S D

Table 2: Average Household Size

	2001	2017
All Type of Housing	3.2	2.8
Public Housing	3.3	2.8
Private Housing	3.1	2.9
Temporary Housing	2.6	2.4

Source: Housing in Figures, HA

Population increased by 9.5% in the 15 years to 2016, with over 50% accommodated in private housing, while average household size fell in both public and private quarters.

Table 3: Stock of Permanent Residential Units ('000)

	No. of Units ('000)				Growth
	2003		Q1 2018		
	Total	2,332		2,775	
Public Housing	1,074	46%	1,221	44%	14%
Rental Flats	679	29%	815	29%	20%
Subsidised Sale Flats	395	17%	405	15%	3%
Private Housing	1,258	54%	1,554	56%	24%

Source: Housing in Figures, HA

Table 4: Number of Domestic Households by Type of Housing and Tenure of Accommodation

Year	Public housing ('000) (100%)		Private housing ('000) (100%)		Overall ('000)
	Owner- occupiers	Non-owner- occupiers	Owner- occupiers	Non-owner- occupiers	
2003	354.9 (35.3%)	651.4 (64.7%)	774.8 (69.9%)	332.9 (30.1%)	2,114.0
Q1 2018	370.9 (31.7%)	797.7 (68.3%)	890.8 (64.1%)	499.0 (35.9%)	2,558.4

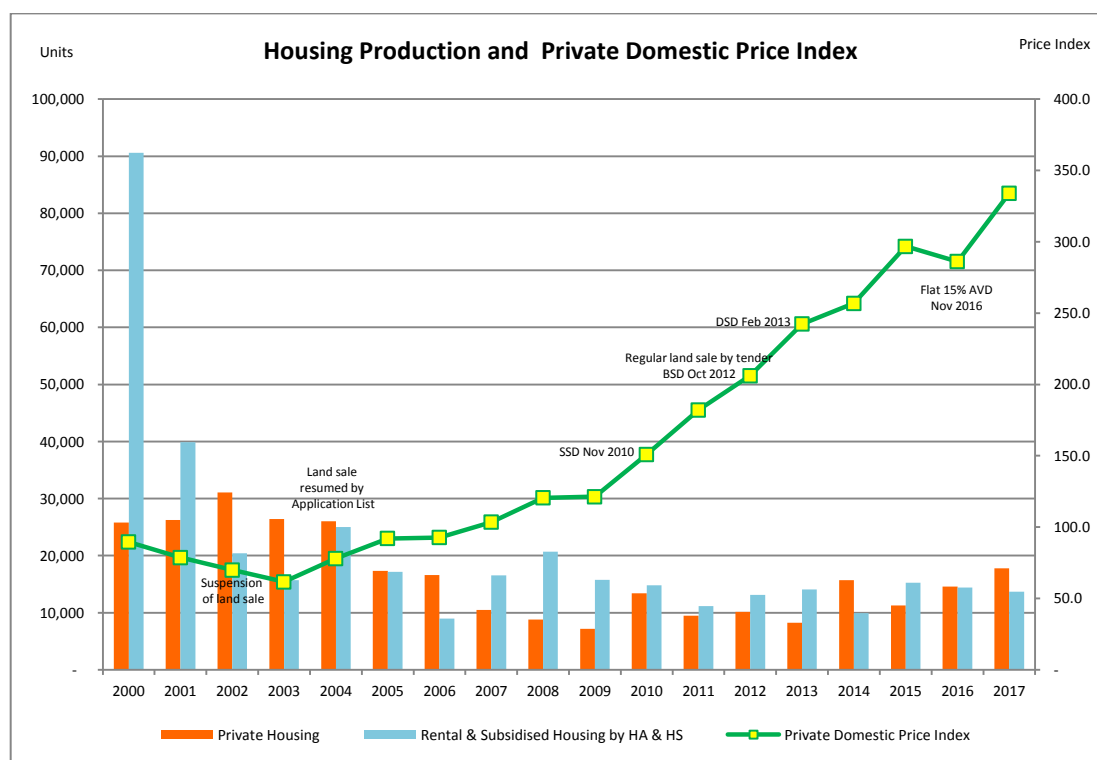
Source: General Household Survey, C&S D

Total housing stock increased by 19% in the past 15 years with stronger growth registered in the private sector, while owner occupation ratios fell in both private and public sectors.

- 1.4 Over the past two decades, Hong Kong's economy (including the property market) has experienced upswings and (notably in 2002) downturns. Amongst measures taken by the Government to stabilise the market in the aftermath of the Asian Financial Crisis, land sales were suspended near the end of 2002. They were resumed in January 2004, but only through the Application List.
- 1.5 The Application List is a market-driven mechanism and has contributed to safeguarding the market against excessive volatility. Yet its tight "triggering threshold", added to high land valuations, made it increasingly difficult for sites to be released for sale. This has constricted land supply and housing production. Coupled with the rebound in the economy in and after 2006, the increase of liquidity as a result of the 2008 global financial crisis and resultant low interest rates, this has intensified the imbalance between supply and demand, resulting in fewer and smaller flats at higher prices. The Government's attempts to address this problem through various demand

management measures, such as special stamp duties, have distorted the market and made purchase of property more difficult for many households. The failure of these short-term measures combined with the failure to tackle the basic supply shortage is illustrated in Chart 1 below.

Chart 1: Housing Production and Private Domestic Price Index



Source: RVD, HA

- 1.6 Many factors have thus contributed to the current shortage of land and housing, but the solution is in principle straightforward. The Government should ensure an adequate and stable land supply to the market and an efficient land and planning approval system for timely delivery of housing production. It should continue to build more public rental flats to take care of households in genuine need. It should harness the resources and the expertise of the private sector to provide housing for people aspiring for home ownership or private sector rental. REDA has been rehearsing the above message for many years.
- 1.7 The PELS opens with a chart of Hong Kong's land resources. About 24.3% of our land is developed and, out of this, only 6.9% is used for housing. This is one of the lowest ratios in the world, which is good news as it suggests that Hong Kong is not devoid of potentials as far as land supply is concerned.

2. Our Views on “*Current Land Supply Strategy and Ongoing Initiatives*”

Chapter 3 of the PELS is a report on the *Current Land Supply Strategy and Ongoing Initiatives* adopted by the Government. While some may argue that since these initiatives are already in existence, they may not bring about additional and substantial early housing supply; however, we are of the view that with the enhancements we recommend herewith, these ongoing initiatives will bring about immediate and greater housing production in the short to medium term.

2.1 Land Use Review

(PELS 3.2)

- 2.1.1 The PELS Document cites change of land use as a major source of land supply. It also refers to some of the many difficulties involved in the approval process.
- 2.1.2 The first hurdle that a land use conversion proposal from the private sector must overcome is securing the approval of the Town Planning Board (TPB). This has become increasingly difficult in recent years. More applications would be approved and thus housing supply increased if a more pragmatic attitude is adopted by the TPB.
- 2.1.3 Every development proposal rejected means opportunities foregone for housing supply. The TPB could within existing legislation and policy framework adopt a more proactive attitude in examining proposals and considering how measures could be undertaken to facilitate development while addressing other valid concerns such as infrastructure and environment, etc. The reluctance to be proactive in this way does not, contrary to some reports, come from the private sector: having businesses to run, there is little reason for developers to withhold land from productive use. Given the current acute housing shortage, many worthy development projects with potentially significant contributions to flat supply should receive more favourable consideration by the TPB.
- 2.1.4 To rectify the current situation where planning applications are often rejected by the TPB due to lack of regional and local infrastructure, when the Government earmarks a planning area for major housing developments, it should at the same time take the initiative to plan and implement the supporting infrastructure. This will ensure that sites within the planning area could be zoned to higher intensity, which in turn will act as a catalyst for land use conversion applications by the private sector.

Entrusted works should also be allowed to ensure infrastructure will synchronise with population intake.

CDA Zoning

- 2.1.5 The PELS also touches on Comprehensive Development Area (CDA) sites, which is a subject that our Long Term Housing Strategy (LTHS) submission¹ examined in 2013. At that time there were 50 parcels of land zoned CDA that had not been developed, over half of which were in multiple ownership and had been zoned as CDA for over 15 years. We suggested then that in order to eliminate the delays arising from scattered ownership, some at least could be rezoned to other uses, including housing.
- 2.1.6 The TPB eventually examined the CDA zoning issue in 2017 for both urban and rural areas. Despite this, many of the sites cited in our LTHS submission in 2013 remain undeveloped, in multiple ownership and still, as before, zoned as CDA. The only difference now is that five more years have elapsed.
- 2.1.7 The multiple-ownership of these CDA sites poses a major challenge for development – there is a high threshold of land ownership as a condition for planning approval. Small owners of buildings in particular have less ability to initiate development, and tend to wait for acquisition by bigger players. This is unproductive for all concerned.
- 2.1.8 To unlock the potential land supply of these sites, the Government should consider accelerating the rezoning process. To facilitate early development, large CDA sites should be allowed to be subdivided into smaller CDA sites even under same ownership, and means be explored to accelerate consolidation of ownership through proper incentives as necessary.

2.2 Increasing Development Intensity

(PELS 3.3)

- 2.2.1 The PELS puts forward increasing development intensity as a way to increase housing supply.

¹ REDA's Submission on Long Term Housing Strategy:
<http://www.reda.hk/wp-content/uploads/2016/02/131202-Submission-on-LTHS.pdf>

2.2.2 Starting from 1993 the Government has systematically introduced building height restrictions and plot ratio controls in OZPs². During the Public Engagement on Building Design to Foster a Quality and Sustainable Built Environment in 2009, we pointed out in our submission³ that the danger of this policy was that it would put severe constraints on housing supply, decrease the attraction of redevelopment, aggravate the dereliction of older urban areas and depress the value of housing stock held by small owners.

2.2.3 As in a number of international cities, Hong Kong's success is based on a high-density living model. We agree with the PELS that there is ample case to increase development intensity in principle. "Hong Kong should continue to showcase the way how a high density, livable and sustainable "World City" can be achieved." (REDA's submission on HK2030+, 2017⁴).

² On 24 December 1993, TPB gazetted amendments to 16 OZPs covering Kowloon and New Kowloon. The significant changes brought about by these amendments consisted of:

- a. The abolition of the Commercial/Residential Zone and its rezoning as either a Commercial or Residential (A) Zone;
- b. The introduction of a two-tier plot ratio system and the criteria for additional plot ratio as opposed to a single tier plot ratio system, and
- c. The imposition of restriction on maximum plot ratio which were lower than that permitted under the Building (Planning) Regulations (B(P)R).

Subject to individual site particulars, the following table illustrates a comparison of the maximum plot ratio in general for different types of development:

	Maximum P/R on OZPs	Maximum P/R Permitted under B(P)R
Commercial	12	15.0
Pure residential (domestic)	7.5	10
Composite residential	Non-Domestic: 1.5 Domestic: 7.5 Total: 9	Depends on provisions of different components. Combinations for examples: Non-Domestic: 1.5 Domestic: 9 Total: 10.5 Non-Domestic: 3 Domestic: 8 Total: 11

REDA lodged an objection to these OZPs with the TPB in 1994. In our objection, we raised concern for "the vast number of individual land owners and flat owners that suffer from the amendments to the 16 OZPs for having their plot ratio reduced and/or the use of their land changed from Commercial/Residential to Residential (A)", and also highlighted that "owing to the limited new land supply in urban areas, further down-zoning the development intensity of Kowloon and New Kowloon would mean further reducing the production of residential properties from redevelopment projects, thereby further pushing up property prices."

³ REDA's Submission on Building Design to Foster a Quality and Sustainable Built Environment:

http://www.reda.hk/wp-content/uploads/2015/04/20091031_Position-Statement.pdf

⁴ REDA's Submission on HK2030+:

http://www.reda.hk/wp-content/uploads/2016/04/HK2030plus_Submission_View_Collection_Form.pdf

New Development Areas (NDAs)

- 2.2.4 In NDAs, substantial costs have been incurred to assemble large land areas and provide them with rail and other infrastructure. To make sure these huge investments provide an optimal return in terms of housing supply, plot ratios should generally be increased in both public and private housing sites, with particular emphasis on sites within close proximity of mass transport nodes and railway stations.

Urban Areas and the New Towns

- 2.2.5 In urban areas, the Government should continue to explore innovative ways to overcome transport and infrastructure constraints in order to relax restrictions on development intensity and free up sites for redevelopment. Taller buildings will mean greater air space and smaller footprints on street fronts, which will be conducive to ventilation and create a more dynamic environment for pedestrians and more potential for the creation of quality open space and recreational amenities. These principles apply *a fortiori* in the New Towns, where the scope for increasing urban density whilst improving the environment has been less explored so far.
- 2.2.6 For a well-planned NDA with both private and public housing, the planning of infrastructure, especially transport facilities, is essential to allowing sites to be zoned with higher intensity to make more efficient use of scarce land resources. Timely implementation in advance of population intake is also important as the lack of them will cause serious inconvenience to the inhabitants. Transport infrastructure proposed in the Railway Development Strategy to serve the NDAs, such as the Northern Link, the Tuen Mun South Extension and the Tung Chung West Extension, should be implemented as soon as possible.

2.3 Better Use of Industrial Buildings

(PELS 3.7)

- 2.3.1 The Chief Executive announced in her 2017 Policy Address the policy objective of reactivating the revitalisation of industrial buildings. We support this policy initiative and reiterate that there are a lot of benefits associated with revitalisation - not only can the latent potential of these industrial buildings be unlocked for viable uses, but the issues of dilapidation and building safety can be addressed, and the risk of incompatible mix-use prevailing in certain industrial buildings minimised.

2.3.2 To fully realise this potential, the following obstacles need to be overcome:

- The existing definition of “Industrial” and “Godown” should be reviewed to introduce a greater variety of allowable uses.
- Negotiations on premium for redevelopment of industrial buildings often come to an impasse as the current approach of the Lands Department (LandsD) is to assess site value only and disregard the economic value of the building derived from its existing use. The resultant hefty premium can be discouraging. To increase the incentive for more redevelopment, a review of the “before” value should be undertaken to better reflect the economic value of the premises with regard to their existing and similar uses and take into account the costs required for redevelopment.
- Improved inter-departmental coordination and a means of resolving conflicting priorities is crucial (see “HOUSCOM” under Paragraph 3.2.5 below).

2.4 Reviewing and Streamlining Development Control Procedures

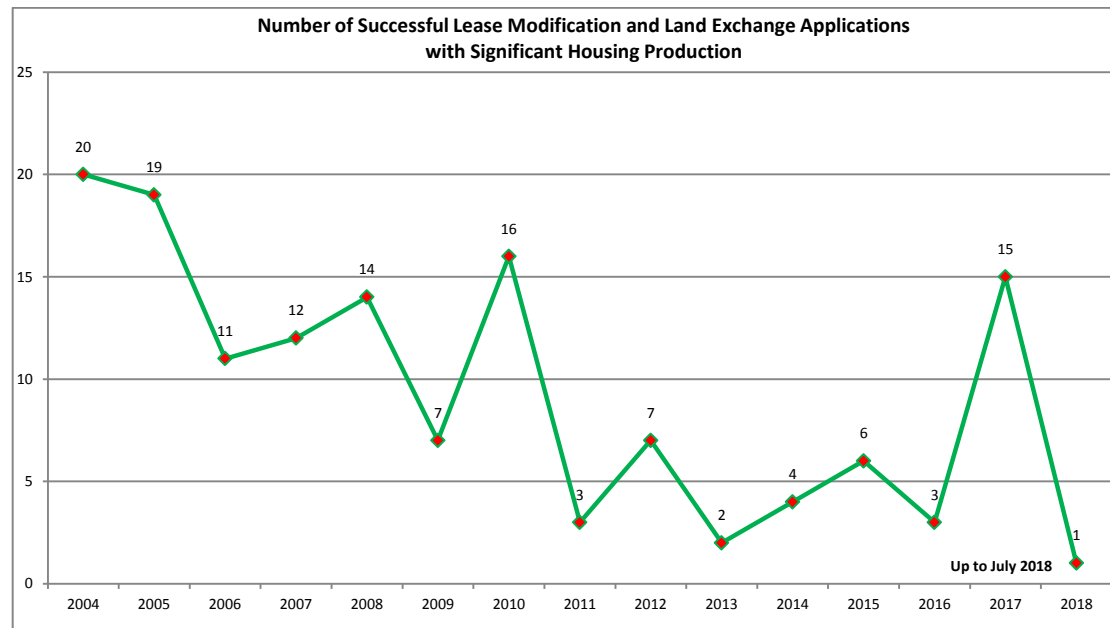
(PELS 3.8)

2.4.1 The PELS points out the need to align development control parameters currently under the separate purview of BD, LandsD and PlanD.

2.4.2 REDA has been advocating the principle of inter-departmental alignment for the past two decades. Different definitions, interpretations and exemption practices for GFA, site coverage and building height adopted by the three departments continue to cause serious and unnecessary delays in the development process, with consequent loss of housing production. As a general rule, we consider that BD’s decisions, which are based on statutes, on GFA, site coverage and building height should be followed, whilst LandsD should facilitate this by adopting a more flexible attitude in lease interpretation and with the issuance of Practice Notes.

2.4.3 The private sector contributes to Hong Kong’s housing supply by turning land banks into development projects. Through rezoning, land exchange and lease modification, the private sector has *always* been an important source of land supply and public revenue generation, benefiting the public through the revitalisation of urban areas and the development of New Towns. Unfortunately, this constructive social role has been undermined in recent years by an increasingly conservative and rigid planning control and development regime.

Chart 2: Number of Successful Lease Modification and Land Exchange Applications with Significant Housing Production

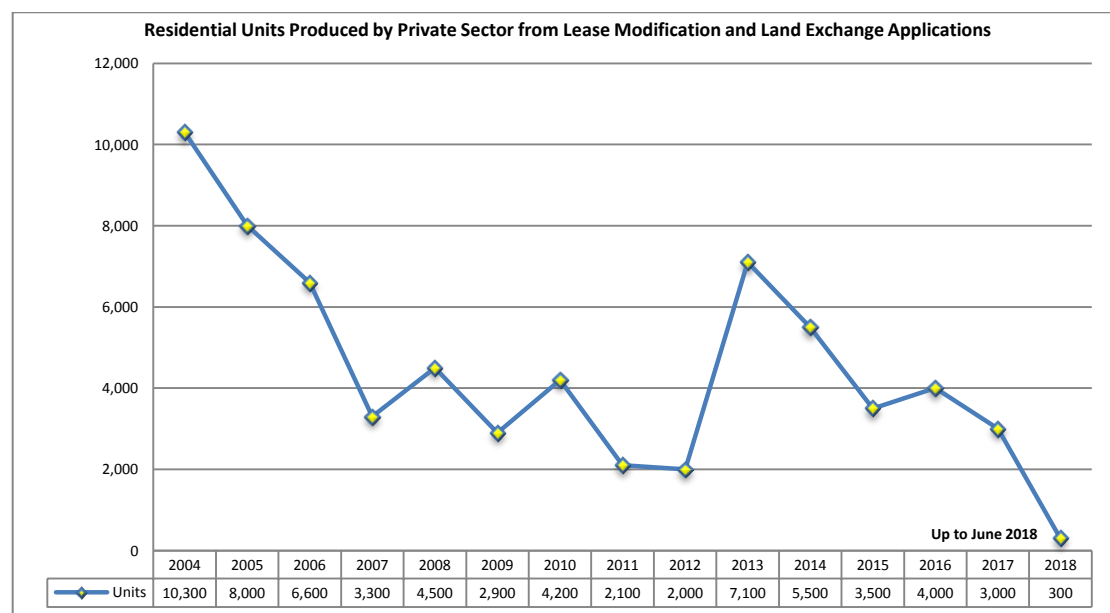


Source: LandsD

Note:

Residential uses only. Projects of MTRC, URA, HA/HS, and luxurious projects of less than 5 houses are excluded.

Chart 3: Residential Units Produced by Private Sector from Lease Modification and Land Exchange Applications



Source: Administration's Answers to LegCo Questions, BD, LandsD, SRPE

Note:

Figures rounded up to the nearest hundred.

2.4.4 Chart 2 shows the number of successful lease modification and land exchange applications has been on a declining trend over the past 15 years. This is also confirmed by Chart 3 which shows the same declining trend but in

terms of number of residential units produced through lease modification and land exchange over the same period of time. Lease modification and land exchange applications can be a significant source of housing supply if the private sector's efforts are supported by an efficient planning and land approval mechanism. To improve the efficiency of processing, we propose:

2.4.5 A Bureau-level Committee

An inter-departmental committee within the Development Bureau should be set up and chaired by a senior official. This Bureau-level Committee would be the decision-maker to resolve any conflict of view between different departments and ensure that the objectives of the Bureau's policies are delivered.

2.4.6 Establish Performance Pledges

To improve efficiency and transparency, performance targets should be set for processing and turn-around time, and their operation enhanced by an online case-monitoring system accessible to project applicants and with regular reviews of compliance.

2.4.7 Confine the lease conditions to landlord and tenant issues

Many contractual terms in leases are already covered by Ordinances under the purview of specific government departments. Such terms should be removed to allow the statutorily responsible departments to oversee their fulfilment and free the LandsD to focus on its core role. This would obviate the need for many of the lease modifications.

2.4.8 Set up dedicated teams for lease modification and land exchange applications

Dedicated staff to concentrate resources on application approval will enable close monitoring of the overall process, communication with applicants and speedy resolution of issues.

2.4.9 Centralise premium assessment work at LandsD Headquarters

This will remove the duplicatory process of initial assessment by District Land Offices.

2.4.10 Improve inter-departmental coordination

LandsD should fulfil its stated role of a hub-manager⁵ and iron out conflicting demands from different departments by closer communication at an early stage. However, this is apparently lacking especially in the conduct of discussions at District Land Conference.

⁵ Lands Department has stated that it sees itself as a hub-manager responsible for bringing relevant parties together for resolution of matters. The department would continue its efforts to process cases proactively in conjunction with other departments and applicants (Annex III to BCTF Paper 4/07).

2.4.11 Standardise definitions and interpretations

Guidelines should be produced to standardise definitions and interpretations of lease terms for ready reference by staff, thus shortening time for processing and enhancing transparency and consistency. PlanD has made a good start by publishing a list of “Definition of Terms used in Statutory Plans”. We welcome the Chief Executive’s announcement in her 2017 Policy Address to set up a Steering Group on Streamlining Development Control to consolidate and rationalise the standards and definitions adopted by BD, LandsD and PlanD, and we look forward to seeing the deliverables from this initiative.

2.4.12 Improve organisational skills and transform the mindset of departmental staff

A facilitative attitude should be promoted amongst departmental staff to foster closer communication with applicants and discussions to reach mutual understanding in a bid to resolving issues and engendering greater transparency in departmental practices and guidelines.

2.4.13 Most of the above recommendations were put forward in a Consultancy Report commissioned by the Economic Analysis and Business Facilitation Unit in 2007. To this day they remain largely unimplemented. Had they been implemented, housing production over the past decade would have been significantly greater.

Arbitration Mechanism on Land Premium

2.4.14 Another hurdle in the lease modification and land exchange process is agreement on the land premium. The industry, including the professional institutes, has been complaining that it is very difficult to reach agreement with LandsD on the level of premium in many projects, resulting in long delay in housing production. Arbitration on Land Premium was introduced in 2014, as a pilot scheme, in an attempt to resolve the impasse. This mechanism has provided a useful platform for an independent Arbitration Panel to adjudicate on premium figures. We support the continuation of this Mechanism as a permanent feature. For it to be fully effective, however, it is necessary that:

- Greater transparency is ensured by disclosing the rationale of the Arbitration Panel in reaching its decision to allow the industry to understand how the mechanism operates and to have greater confidence in using it.
- The option to use this mechanism should be open to all projects to resolve deadlock swiftly.
- The matters for arbitration should not be set by the LandsD unilaterally but should be freely agreed with the applicants.

2.5 Urban Renewal

(PELS 3.9)

2.5.1 As pointed out in the PELS, the current housing stock is ageing rapidly. There will be some 300,000 private housing units aged 70 years or more by 2046. Urban renewal is an important aspect of enhancing land and housing supply, while through timely redevelopment and rejuvenation projects, urban dereliction can also be arrested for safeguarding building safety as well as improving community amenities. With proper facilitation, the locked-up value of run-down properties can be released. To give new impetus to urban renewal, we propose:

2.5.2 Judiciously increase plot ratios and relaxing building height restrictions

This could provide the incentive to redevelop urban sites where significant new investment cannot be justified under current plot ratios and/or building height restrictions. For instance, the plot ratio and height restrictions imposed on many OZPs in the Kowloon areas could be reviewed and wherever appropriate, relaxed in order to encourage redevelopment. Criteria for relaxation could be administered judiciously taking into account the state of disrepair of buildings, implications for transport and infrastructure, and the overall benefit to the community.

2.5.3 Relax the 100% ownership requirement for General Building Plan Submissions

A relaxation of the ownership requirement to a lower threshold will allow project proponents to test the development potential of their land with greater certainty which in turn will benefit every party in the site assembly process.

2.5.4 Lands Administration Office Practice Note on “House” Definition

The former practice of house definition under the LAO PN 3/2000 should be reinstated to revive redevelopment initiatives, thereby releasing the equity trapped in dilapidated properties in older districts. The Government could also designate sites in urgent need of rejuvenation, such as Kowloon City, Tai Kok Tsui and Sham Shui Po, as pilot areas and provide incentives to owner-initiated collective sale schemes. Such incentives could be in the form of a higher development intensity, in exchange for a proportion of the flats produced to be returned to the Government for use as subsidised housing.

2.5.5 Land (Compulsory Sale for Redevelopment) Ordinance

The power of this Ordinance in facilitating land assembly can be fully realised by expanding the categories that qualify for a lower threshold for compulsory sale and allowing the calculation of aggregate shares in contiguous lots. Apart from the criteria such as the age and state of repair of the building, consideration should be given to conditions such as incompatibility of the building under question with its neighbourhood/OZP as a ground for

redevelopment. In addition, it now takes more than two years for compulsory sale applications to be assigned a hearing date in the Lands Tribunal. This logjam needs to be broken.

3. Our Views on “*Land Supply Options*”

We note that there are eighteen *Land Supply Options* put forward in the PELS. While in principle REDA would support all reasonable options which serve to increase land supply, we have in this submission focused only on those options which offer the most significant gains in terms of speed or volume of housing production, or both.

3.1 Developing Brownfield Sites (PELS 5.1)

- 3.1.1 As stated in the PELS, there are 760 ha of brownfield sites that have the potential to be developed for housing, but the lack of infrastructural support, scattered ownership and relocation are cited as problems that need to be addressed.
- 3.1.2 The existing uses of brownfield sites are often incompatible with their surrounding environment. There are clearly significant opportunities for well-planned housing developments on these sites, through which innovative designs and remedial “clean-up” measures could be implemented, thereby creating a better environment for the whole local community. With the introduction of facilitative policies, such as selective increase in plot ratio and the adoption of greater flexibility in site amalgamation criteria by the Government, owners of these sites would be motivated to undertake development schemes.
- 3.1.3 To overcome obstacles to site assembly and clearance posed by Tso/Tong lands, the current system of consent by District Officer should be improved, and the concerned District Officers should be more proactive in promoting dialogues to resolve conflicting views and facilitating disposals.
- 3.1.4 Constraints in infrastructure should not be a reason to stop development. Given the urgency of fulfilling its housing objectives, the Government has every reason and all the means to invest more in the infrastructure required and provide them before population intake. In addition, entrusting works to the private sector is a viable alternative to ensure synchronisation of housing and infrastructure development.

3.2 Tapping into the Private Agricultural Land Reserve in the New Territories (PELS 5.2)

- 3.2.1 The PELS puts forward the concept of “**Public-Private-Partnership**” to tap into the resources of agricultural land and suggests that a model for its operation could be developed. There is also a suggestion that a new **PPP Authority** should be established to oversee such projects.

Use the Existing Land Use Conversion Mechanism

- 3.2.2 There is indeed already a long-standing land use conversion mechanism in Hong Kong which is capable of delivering the policy objective of tapping into agricultural land resources. Under this existing mechanism, the private sector has historically worked in partnership with the public sector to develop its land banks, both agricultural and urban lands, through the practice of applying for planning permission to be followed by lease modification and premium payment. Any additional approval procedure, be it in the form of a *PPP Authority* or an advisory committee, is bound to create an additional layer of bureaucracy with the risk of adding uncertainty, inefficiency and delay to the already difficult land conversion process.
- 3.2.3 Instead, the Government should encourage more agricultural land owners to submit their land use conversion applications by providing suitable incentives such as increased plot ratio and rezoning. In exchange, an appropriate segment of the site in question could be surrendered to Government for public housing purpose.
- 3.2.4 The existing mechanism is
- straightforward as applications will go through normal and established approval procedures under PlanD/TPB and LandsD regimes;
 - market-driven and open to all land owners;
 - well-tested as the private sector has proven to be more efficient when it comes to the delivery of housing production in a timely manner;
 - a low-cost solution to the Government which can retain the surrendered land for public housing development without the cost of site clearance and compensation, and with the costs of entrusted works to developers and the value of the land to be surrendered to Government taken into account in the premium assessment.
- 3.2.5 The Government should fully harness the power of this mechanism by reviving the former HOUSCOM, chaired by the Financial Secretary or Chief Secretary in person, to oversee the coordination of responsibilities of all concerned government departments with the aim of speeding up the land

development process. This will both demonstrate the Government's determination at the highest level to solve the housing shortage issue, and provide a practical means of overcoming some of the inevitable obstacles in the way.

- 3.2.6 In addition, to improve the transparency and safeguard the independence of the premium assessment process, the Arbitration Mechanism on Land Premium could be formalised after incorporating the improvements we suggested in 2.4.14.

Infrastructure

- 3.2.7 There is a proposition in the PELS that as the provision of infrastructure will help increase the development intensity of private land owned by developers, developers should be asked to pay for this benefit either by provision of public housing at a certain ratio in return or bear the costs of infrastructure.
- 3.2.8 It should be noted that infrastructure is put in place to serve both private housing and public housing in a well-balanced community. Development intensity cannot be increased without such supporting infrastructure, and it is difficult to differentiate which part of the infrastructure is serving private housing and which part is not, as the benefit is for the community as a whole. Besides, developers have already paid for such infrastructure through the premium on land sales, lease modifications and land exchange. Investment in infrastructure is recouped in full from the premium levied on concerned projects. Under the current mechanism, premium assessment has always assumed that the infrastructure has been fully provided upon completion of development projects. In other words, the enhancement in value of the land being developed has already taken into account the provision of the necessary infrastructure, which will be paid by developers in the form of premium. Without the necessary infrastructure, the development simply cannot go ahead and the Government cannot collect any premium, unless works are entrusted to private developers and cost are deducted from premium.

Site Amalgamation

- 3.2.9 Missing owners and defective titles often hinder site amalgamation of agricultural land and slow down the implementation not only of housing projects but also roads and other public infrastructure. Supportive policies to be modeled on the Land (Compulsory Sale for Redevelopment) Ordinance should be put in place to address this problem.

- 3.2.10 In the case of lands owned by Tso/Tong, the requirement for unanimous agreement to sell has made full assembly virtually impossible. The Government should consider lowering the threshold of agreement in the sale of Tso/Tong lands, and whenever circumstances warrant, resume lands with title problems to facilitate proper planning and implementation in the greater interest of the community.

3.3 Near-shore Reclamation Outside Victoria Harbour & Developing the East Lantau Metropolis

(PELS 5.4)

- 3.3.1 We agree with the PELS Document that reclamation has historically been the key to Hong Kong's development and has the potential to provide Hong Kong with an adequate land supply in the medium to long term. The concept of the East Lantau Metropolis proposed in the HK2030+ Planning Vision and Strategy demonstrates how reclamation can create substantial new land for housing supply and economic development and be a testing ground for innovative planning ideas for the creation of modern, "smart" urban environments.
- 3.3.2 The Government should address concerns on impacts on the environment and the ecosystem by supporting its case for reclamation projects with strong evidence of feasibility and mitigation measures. More generally, it should adopt new methods made possible by advances in construction technology to shorten the time needed for reclamation works. As reclamation remains a medium to long term option and there are still huge land resources to be tapped in the urban and rural areas, the Government should take up the various recommendations put forward in this submission on how to address the need for quick land supply through utilising these existing land resources.

3.4 More New Development Areas (NDAs) in the New Territories

(PELS 5.6)

- 3.4.1 We support the designation of more New Development Areas in the New Territories to ensure a steady and sizeable land supply in the medium to long term. However, there have been major delays with the implementation even of already designated NDAs.
- 3.4.2 The North East New Territories and the Hung Shui Kiu Area were identified by the Government as NDAs in 1999. Subsequent planning studies and consultations have lasted over a decade. In 2013 the Government finally announced that it would use the Enhanced Conventional New Town Approach to implement these NDAs.

Enhanced Conventional New Town Approach (ECNTA)

3.4.3 The ECNTA has been applied in these NDA developments but the process has been very slow. We propose the following suggestions to improve its application:

- Dispense with the restriction of a minimum site area requirement for land exchange. This will encourage participation of private owners and developers from a wider spectrum of market size, and foster a greater variety of developments to suit different market segments.
- Greater flexibility and a more pragmatic attitude in the consideration of site boundaries, private land ownership patterns and intervening government land plots. Land exchange application for a site straddling two different planning zones should be allowed.
- A reasonable and practicable timeframe, not deadline, for submissions of land exchange applications by landowners should be set taking into account the time of the approval of the first Outline Zoning Plan and the completion of infrastructure, which is outside the control of developers.
- Strict conformity by government departments to processing targets and schedules.
- To overcome the timing mismatch between the Government's funding programme and development progress, infrastructure such as public roads, footbridges, open space and underground utilities may be entrusted to concerned developers so that they will be provided before population intake.

Unreasonably Low Plot Ratio in NDAs

3.4.4 Another issue of concern is the underutilisation of land resources with unreasonably low plot ratios than appropriate in the NDAs. The creation of NDAs involves major public expenditure on infrastructure. Higher plot ratios resulting in a greater quantity of flats than currently planned for the NDAs should be considered. Our repeated appeals, submissions and representations to the TPB for optimisation of land development potential to achieve greater housing production have so far been to no avail.

Table 5: A Comparison of Housing Production: Currently Planned vs Maximum P/R for New NDAs under HKPSG

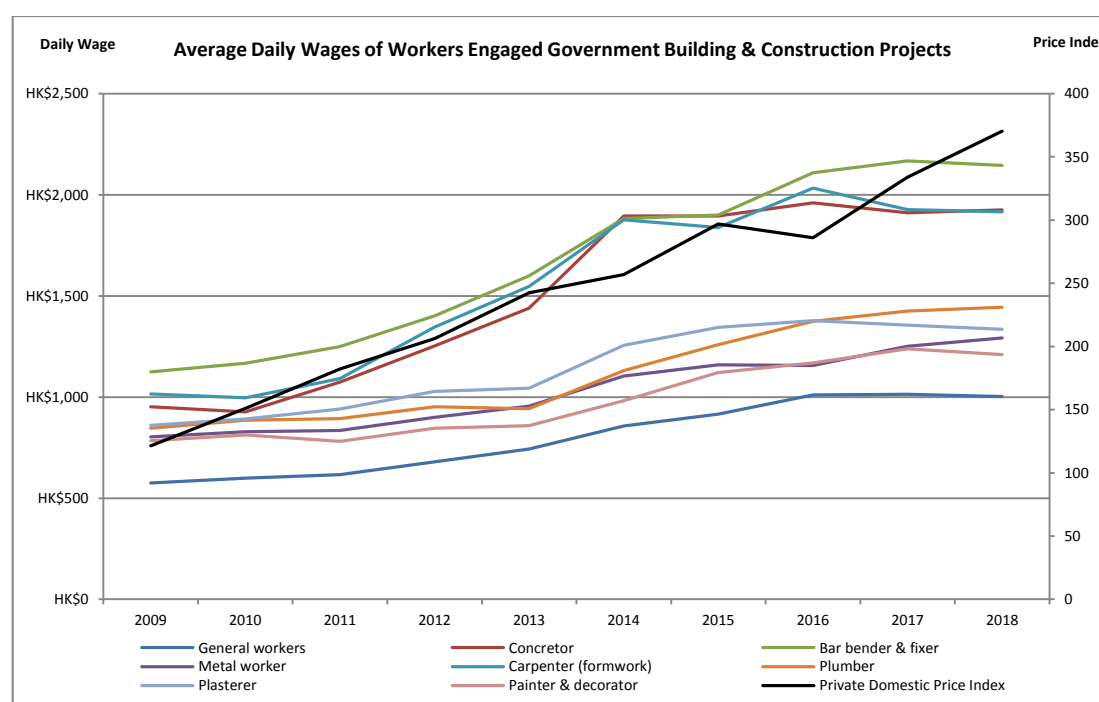
	Currently Planned		Maximum P/R by HKPSG		Increase (%)
	No. of Flats	Population	No. of Flats	Population	
Fanling	25,326	73,446	36,022	104,463	42%
Kwu Tung	35,331	101,754	53,481	154,026	51%

3.4.5 By adopting the HKPSG maximum residential plot ratio for new towns for the respective residential zoning groups (instead of the unreasonably low plot ratios as currently stipulated), these NDAs would be capable of providing substantially more housing units.

3.5 Shortage of Construction Labour

3.5.1 One dimension of the housing problem in Hong Kong which has not been touched on in the PELS is the labour supply in the construction industry. The persistent shortage of skilled construction labour has become a significant factor in hindering development progress, and the drive to recruit skilled labour to ensure product quality also serves to drive up construction costs. Chart 4 below demonstrates that for some trades, the rise in wages over the last 10 years has been in excess of 100%. While acknowledging its positive effect in narrowing the wealth gap in the community, it should be noted that rising wages is one of the factors contributing to the high cost of housing.

Chart 4: Average Daily Wages of Workers Engaged in Government Building and Construction Projects



Source: C&S D

- 3.5.2 To address the labour shortage problem, Government should reinstate the Special Labour Importation Scheme in respect of those special trades for which demand is most acute. For the protection of the employment and wage level of our local labour force, the Scheme should be confined to works in the public sector.

4. Guiding Principles

At the end of the day, it is the Government who is the landlord and land administrator that has the biggest say both on land supply and planning policy. The housing production process, largely controlled by the Government, is equally (if not more) important than the land supply options listed in the PELS. It would be futile if land supply were to be increased but the conduit for bringing the housing units to the market remains congested by bureaucratic procedures. By stating the obvious, we wish to remind ourselves (and the Government) of the following principles:

4.1 Respect Private Property Rights

Private property rights are the cornerstone of our free market system as enshrined in the Basic Law. The recent CFA judgment on the Hysan case has laid down the principle of *“striking a reasonable balance between the societal benefits of the encroachment and the inroads made into the constitutionally protected rights of the individual, asking in particular whether pursuit of the societal interest results in an unacceptably harsh burden on the individual.”*

4.2 A Facilitative Mindset

It is time for the Government to move on from the mindset of a controller to that of a facilitator. By way of examples, infrastructure constraints may be overcome by early planning and timely implementation; entrusting works to the private sector is a desirable means to ensure timely completion. The Government should address the different views on planning initiatives by engaging stakeholders in a careful weighing of the various needs of the society and develop a consensus on the priority of these needs accordingly. It should also show greater determination to implement its policy goals by giving stronger direction to the relevant departments in adherence to the development programmes. A central committee like the former HOUSCOM should be established to drive departmental priorities and resources, monitor development progress, and resolve conflicting views amongst government departments.

4.3 Clarity and Consistency in Policy

The planning approval system will be more efficient if operated with greater clarity. More practice notes and guidelines should be issued after full consultation with the industry and professional bodies. Interactive forums with practitioners should be regularly held to facilitate mutual understanding which in turn will help to reduce case rejections and resubmissions due to misunderstanding of the regulations.

Policy changes should be based on sound reasoning and should only be introduced upon thorough consultation. Definition of terms and interpretations of regulations should be applied consistently. Clarity, certainty and consistency in policy are of paramount importance in engendering an operating environment where the private sector may find a way to flourish and fulfil the Government's policy objectives at the same time.

5. Concluding Remarks

5.1 Developers have been playing an active part in providing housing and infrastructure in accordance with Government's plans and policies. Without developers' participation, Government policies will stay on paper as policies only. Hong Kong's story is not one of collusion, but of performance and contribution.

- Private developers have contributed to the construction of 1,554,000 flats, providing accommodation to 56% of domestic households in Hong Kong.
- The real estate development industry contributes 20% to Hong Kong's GDP, creating a lot of job opportunities. Over 253,000 people, or 9% of Hong Kong's workforce, are working in real estate development related fields.
- In the course of implementing the Government's land, planning and housing policies, we are also creating wealth for the community at large.

5.2 As we have said in the beginning, it is in our interest to enhance Hong Kong's economic growth and social stability because Hong Kong is our home. It is our sincere hope that the Government will act upon the findings of this Public Engagement decisively and expeditiously.

The Real Estate Developers Association of Hong Kong
September 2018

Appendix - Summary of Recommendations

Guiding Principles	<p>Government should</p> <ul style="list-style-type: none"> – Respect private property rights – Adopt a facilitative mindset – Ensure clarity and consistency in policies 	
Land Use Options	Our Recommendations	Reference
Land Use Review	Town Planning Board to adopt a more facilitative mindset in assessing land use conversion applications.	2.1
Increase Development Intensity	Increase development intensity and relax building height restrictions to fully utilise the increased development potential made possible by newly completed and planned infrastructure.	2.2
Better Use of Industrial Buildings	Review the definition of “Industrial” and “Godown” and the “before” value of existing industrial buildings to better reflect true economic value.	2.3
Streamline Development Control	Improve the development approval mechanism with our enhancement measures, cut red tape and foster inter-departmental coordination.	2.4
Facilitate Urban Renewal	Incentivise redevelopment through rezoning, greater development intensity, and more relaxed criteria for site amalgamation.	2.5
Developing Brownfield Sites	Offer incentives through rezoning and supporting infrastructure.	3.1
Tapping into private agricultural land reserve	Offer incentives through rezoning and supporting infrastructure. Enhance the efficiency of the approval mechanism with our proposed measures. Revive the former HOUSCOM to oversee the coordination of all concerned departments for speeding up land development process.	3.2
Reclamation	While adopting reclamation as a medium to long term solution, Government should also implement our recommendations herewith to address immediate demand.	3.3
Facilitate NDA Development	Remove minimum site area requirement, apply higher plot ratios, and introduce greater flexibility and efficiency into the approval process.	3.4
Address construction labour shortage	Reinstate the Special Labour Importation Scheme for public works.	3.5