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Panel on Development

Meeting on 16 December 2010

Updated background brief on Development Opportunities Office

Purpose

This paper provides background information on the Development Opportunities Office (DOO) set up under the Development Bureau on 1 July 2009, and summarizes the concerns and views expressed by Members during past discussions on the subject.

Background

2. The Administration's plan to set up DOO came to light when the Financial Secretary delivered the Budget Speech for 2009-2010 on 25 February 2009, which revealed that construction works completed by the public sector only accounted for about 30 to 50 per cent of the overall construction output in the past 10 years preceding 2009. The Administration considered private sector construction projects crucially important to Hong Kong in terms of their contributions to the economy and to meeting housing and other demands, and in creating jobs. Since the onset of the financial tsunami in late 2008, there had been a slow down in private sector investment in construction. While the Administration would continue to press ahead public sector infrastructure development, the public sector alone would unlikely sustain the entire construction industry and jobs in the sector. The Administration therefore found it necessary to encourage private development projects to support jobs in the construction sector and various parts of the economy.

3. According to the Administration's paper provided to the Panel on Development (the Panel) for the meeting on 28 April 2009, a main obstacle

inhibiting development is that project proponents often find it difficult to get through various government authorities and statutory processes. Although project proponents recognise the need for development projects to go through various statutory procedures like seeking planning permission from the Town Planning Board, submitting building plans, and executing lease modification or land exchange before construction could proceed, there is no dedicated unit to take a broad view of the proposed projects in terms of their merits. Project proponents also find it difficult to access all relevant bureaux/departments on their own. A holistic approach would be more conducive to development, particularly for more complex projects crossing traditional departmental boundaries.

4. The Administration therefore considers that a dedicated office playing a liaison and co-ordinating role will provide focused policy steer and stronger co-ordination between the relevant government bureaux and departments in the assessment of private development proposals, and allow efficient processing of such proposals. In order to better seize development opportunities and to facilitate infrastructure and building development undertaken by the private sector and non-governmental organizations (NGOs), the Administration has decided to set up DOO to provide one-stop advisory and co-ordinating support to land development proposals considered to be beneficial to the community at large.

5. The Administration briefed the Panel on its proposal to set up DOO at the meeting on 28 April 2009. The Establishment Subcommittee recommended and the Finance Committee approved the Administration's proposal on 27 May 2009 and 12 June 2009 respectively.

Purview of the Development Opportunities Office

6. According to the Administration, projects going through DOO should meet the following criteria --

- (a) the projects are proposed by proponents in possession of land but the use of the land for the proposed project may require rezoning or town planning application and subsequently land exchange of lease modification, although some flexibility may be allowed with regard to projects by the NGO sector; and
- (b) the projects should not be exclusively residential but should contain components of wider economic value, e.g., contributing for example to tourism, logistics, services,

heritage or nature conservation, community uses (elderly services, religious uses or sports), etc.

7. DOO will not replace the existing statutory procedures, public consultation and regulation. Land premium and fees, if applicable, must be paid in accordance with established government policies and generally in full. DOO is not meant to be an approving authority, but a dedicated agent to provide one-stop co-ordinated advice to the private sector as well as NGOs in respect of their land development proposals. The setting up of DOO would also possibly play a useful role in further promoting the development projects in the six economic areas¹ identified by the Task Force on Economic Challenges.

8. The specific responsibilities of DOO are as follows --

(a) *performing the first-stop in receiving land development proposals*

DOO receives proposals and attends presentations to better understand the proposals and identifies the policy and practical implications and the relevant bureaux and departments involved;

(b) *liaising with bureaux and departments*

DOO gathers and analyses the proposal against the latest information on government policies and statutory requirements and procedures with a view to providing comprehensive and co-ordinated advice to the project proponent; and

¹ The six economic areas are (1) testing and certification; (2) medical services; (3) innovation and technology; (4) cultural and creative industries; (5) environmental industry; and (6) educational services.

(c) *servicing the Land and Development Advisory Committee*²

DOO provides secretariat service to the Land and Development Advisory Committee (LDAC). DOO refers the development proposals received together with preliminary assessments with relevant bureaux' and departments' inputs to LDAC for consideration and advice on the merits or otherwise of the proposed projects as well as any necessary follow-up measures to address any public concern. DOO also communicates the advice of LDAC to the relevant government bureaux and departments and the project proponent for consideration.

Work Progress of the Development Opportunities Office

9. On 30 March 2010, the Administration briefed the Panel on the work progress of DOO since its establishment. Up to March 2010, DOO had provided assistance to 35 proposed land development projects meeting the eligibility criteria. For nine of them, DOO had identified the major problems and where applicable had worked out in conjunction with the project proponents practical ways to take forward the projects. DOO had reported each of those nine projects to LDAC for advice and support. As regards the other 26 projects, DOO was considering them in conjunction with the project proponents and relevant bureaux and departments.

10. According to project proponents' own submissions, those 35 projects, if successfully implemented, would involve a capital cost of about \$7.3 billion (excluding land premium). The total gross floor area of these projects was about 1.08 million m² and they would create 18 100 jobs during the construction phase and 6 500 jobs during the operational phase³.

11. In addition, DOO had handled 14 project enquiries for which a concrete project proposal had yet to be drawn up or the land required had yet to become available.

² The Land and Development Advisory Committee is an advisory committee advising the Government on policies and procedures in relation to planning, land and building matters; and on specific development proposals and projects initiated by non-Government or private proponents which carry a broader economic or social value. It is chaired by a non-official, and its membership comprises mainly non-officials. All non-officials are appointed on an ad personam basis, with some being nominations from related professional and trade organizations.

³ It should be noted that not all project proponents are ready to disclose the relevant information and where the information is provided, the DOO has not verified them.

Members' concerns and views expressed during past discussions

12. From April to June 2009, Members had expressed the following concerns and views at the meetings of the Panel, the Establishment Subcommittee and the Finance Committee about the proposal of setting up DOO --

- (a) there had been insufficient co-ordination among government departments and the Administration should tackle the problem at root;
- (b) the eligibility criteria for the projects processed by DOO should be designed in such a way that there should be no room for exploitation by project proponents;
- (c) it would be imperative to ensure fairness and maintain transparency in DOO's service and work, and a fair and level-playing field should be provided for proponents from all sectors; and
- (d) the Administration should consider how the effectiveness of DOO would be assessed and whether an independent panel would conduct the relevant review.

13. On 30 March 2010, the Administration briefed the Panel on Development the progress of work of DOO. The concerns and views expressed by members at the Panel meeting are summarised below.

Land development in rural areas for residential purpose

14. A member enquired whether DOO could play a more active role in facilitating land development in rural areas for residential purpose so as to ease the housing shortage in the territory. SDEV advised that DOO was set up to handle land development proposals with wider social and economic value and would not process proposals of a purely residential nature. The Development Bureau would continue its existing efforts to simplify and shorten the land development process in general. The member urged the Administration to improve the coordination among various government bureaux and departments, act flexibly and enhance efficiency to facilitate land development in Hong Kong.

Offering advice to developers

15. A member expressed worries that DOO might end up as a consultancy unit offering free advice and services to private developers so that they could steer their proposals through the various hurdles in land development. DOO might become a superior entity overshadowing all government bureaux and departments, in particular the Planning Department, in land development. The member further warned that DOO should exercise extreme care in processing proposals on development of columbarium, since projects of this nature could lead to disputes and confrontations. Though non-residential in nature, such projects could be highly profitable.

16. SDEV advised that the work of DOO would be subject to public monitoring, since progress reports would be submitted to the Panel from time to time. None of the DOO projects that LDAC had considered was proposed by a major developer. As regards the development of columbarium, she advised that the Town Planning Board required that columbarium could only be set up in specific zones. Under the highly transparent town planning process, public consultation would be required for such proposals.

Double processing

17. As proponents of land development proposals had to take forward their projects according to the requirements under the Town Planning Ordinance (Cap. 131), a member was of the view that the establishment of DOO reflected on the inadequacies of the existing town planning and land development mechanisms. The member expressed doubts on having two channels for processing land development proposals, and urged the Administration to review the existing town planning and land development mechanisms.

18. SDEV advised that the Administration would review the work of DOO based on the experience gained in one or two years' time. DOO would operate in the pre-town planning stage of land development, and would facilitate rather than obstruct the planning process thereafter. It also dealt with proposals which might not involve town planning implications.

Public-private partnership in land development

19. A member highlighted the importance for the Administration to collaborate with the private sector in certain land development projects. SDEV advised that for development projects involving joint participation of the public and private sectors, gaining support from the relevant policy bureaux would be of great importance. DOO had a role to play in this respect.

Meetings of the Subcommittee on Harbourfront Planning

20. At the meeting of the Subcommittee on Harbourfront Planning on 2 July 2010, a member considered that DOO should play a more active role to follow through development proposals. The Subcommittee would follow up to discuss the role of DOO in facilitating harbourfront development in the 2010-2011 session.

Latest development

21. On 16 December 2010, the Administration will brief the Panel on the progress of work of DOO.

Relevant papers

22. A list of the relevant papers with their hyperlinks is in the **Appendix**.

Development Opportunities Office

List of relevant papers

Council/Committee	Date of meeting	Paper
Panel on Development	28 April 2009	<p>Administration's paper on "Proposed Creation of a Supernumerary Post of Administrative Officer Staff Grade B in the Development Bureau" (LC Paper No. CB(1)1347/08-09(06)) http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev0428cb1-1347-6-e.pdf</p> <p>Minutes (LC Paper No. CB(1)2336/08-09) http://www.legco.gov.hk/yr08-09/english/panels/dev/minutes/dev20090428.pdf</p>
Establishment Subcommittee Finance Committee	27 May 2009 12 June 2009	<p>Administration's paper on "Proposed creation of one supernumerary post of Administrative Officer Staff Grade B (D3) in the Office of the Secretary for Development under the Planning and Lands Branch of Government Secretariat: Development Bureau for a period of three years with effect from 1 July 2009 to head the new Development Opportunities Office" (EC(2009-10)6) http://www.legco.gov.hk/yr08-09/english/fc/esc/papers/e09-06e.pdf</p> <p>Minutes (LC Paper No. ESC43/08-09) http://www.legco.gov.hk/yr08-09/english/fc/esc/minutes/esc20090527.pdf</p> <p>Minutes (LC Paper No. FC5/09-10) http://www.legco.gov.hk/yr08-09/english/fc/fc/minutes/fc20090612.pdf</p>

Council/Committee	Date of meeting	Paper
Panel on Development	30 March 2010	Administration's paper on "Work Progress of the Development Opportunities Office" (LC Paper No. CB(1)1447/09-10(06)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/dev0330cb1-1447-6-e.pdf Minutes http://www.legco.gov.hk/yr09-10/english/panels/dev/minutes/dev20100330.pdf
Subcommittee on Harbourfront Planning	2 July 2010	Minutes http://www.legco.gov.hk/yr09-10/english/panels/dev/dev_hfp/minutes/hfp20100702.pdf
Subcommittee on Harbourfront Planning	24 September 2010	Minutes http://www.legco.gov.hk/yr09-10/english/panels/dev/dev_hfp/minutes/hfp20100924.pdf