



香港地產建設商會

THE REAL ESTATE DEVELOPERS ASSOCIATION OF HONG KONG

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20 June 2013

Clerk to Panel on Development
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Attention: Ms. Sharon Chung

Dear Ms. Chung

Stage 2 Public Engagement on Enhancing Land Supply Strategy

We are pleased to enclose a copy of our submission to the Civil Engineering and Development Department on the subject and would be grateful if you would pass it to the Honourable Members of the Panel for their reference.

Yours sincerely

Louis Loong
Secretary General



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Submission by The Real Estate Developers Association of Hong Kong on Stage2 Public Engagement on Enhancing Land Supply Strategy

1. REDA supports the Government's initiative to enhance land supply and we agree that the Government should put forward different options for public consultation.
2. We note that while the title of the current Public Engagement is "Enhancing Land Supply", "reclamation" seems to be the only option that is being given serious consideration in the Public Engagement Digest. This gives the perception, rightly or wrongly, that the objective of the public consultation exercise was to justify the Government's reclamation proposals.
3. We understand the Government's intention to create a land bank, but we have serious concerns about its concept as presented by the Government, i.e., the land reserves created by its current reclamation proposals. We are even more concerned that the Government anticipates that these reclaimed lands may remain idle for some years pending determination of permanent uses. The former Kai Tak Airport site and the West Kowloon Reclamation site are timely reminders of the fact that even urban sites could have left idling for many years due to the debate over optimum land use.
4. There has been some questioning by planning experts on the validity of the consultation exercise which fails to offer a clear basis for the public to assess how the reclaimed land may improve people's lives. As such, the reclamation may end up as a waste of public revenue and resources and worse still, could lead to irreversible damage to our environment. In the absence of a specified land use strategy or a clear vision to justify the reclamation, we have to question the appropriateness of focusing on just one particular land supply approach when the other five approaches have not been given equally detailed consideration. We would therefore recommend a proper balance to be adopted to avoid the public getting impression that it is just "reclamation for its own sake".



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5. We believe the problem lies in the spirit of the proposals which appears to be engineering-led, without addressing the planning concerns. For example, if “reclamation” is to be presented as the favoured option of the “Enhancing Land Supply Strategy”, it should have arisen as an outcome of a planning study to address the future needs of the community based on population growth, employment and social policies, and the relative costs of all the various proposals. With no information of future land use, there can be no meaningful financial studies, no traffic impact studies or environmental impact assessments, and as a result, no meaningful conclusion. We would therefore recommend a fully integrated study be undertaken to assess the projected population profiles, the economic development models, and the anticipated demand on future land uses to justify the need or otherwise of the reclamation proposals. All such information should be available to enable members of the public to engage in a thorough debate and reach an informed decision on the way forward.
6. The Government advocates that the creation of development sites through reclamation can “stabilize the (residential) property market”. Yet out of the proposed six sites of reclamation, only the Ma Liu Shui site is considered suitable for residential use. The others are inappropriate for residential use due to their proximity to incompatible uses or facilities such as the Airport, the container terminals or major power stations. The potential contribution to regulating property prices is, at best, uncertain. Moreover, we consider that the recent surge in property prices was to a large extent due to a very low interest rate environment which is likely to have changed before any reclamation site becomes available.
7. It has been suggested by the Government that the cost of reclamation is cheaper than other land supply options. With respect, we would question this assumption and ask whether it has taken into account the cost of providing infrastructure to serve the reclaimed sites, in particular the artificial islands. The Government may be aiming for a convenient and cost-effective transportation network to support reclamation but past experience has shown that the original cost estimates were often insufficient, resulting in actual Government



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project costs far exceeding their original budget. Further, no account appears to have been taken of the huge social cost to the community and the disruption to the residents relocated to such remote areas as they would need to commute to the urban areas at high transportation costs.

8. Reclamation affects the environment and marine ecology, and is irreversible. We owe our future generations the duty to fully understand all of the consequences of large scale reclamation and avoid making a rushed decision. As pointed out in our Stage 1 submission, as there are still huge land resources to be tapped in the urban and rural areas, a lot of them being “brownfield sites”, reclamation should only be considered as a last resort.
9. Attached is a copy of our submission to the Stage 1 Public Engagement (*Annex*) which proposals we find remain equally valid for this Stage 2. In summary, they are:
 - a. Facilitate rezoning, land exchange and lease modification by liberating the planning and development mechanism from red tapes and protracted procedures.
 - Enhance the lease modification and land exchange process by the following measures:
 - ✓ Allocate more resources and increase manpower responsible for processing applications and assessing premium.
 - ✓ Set up a dedicated team to process applications and centralize valuation works under a single unit.
 - ✓ Inject greater transparency in the premium negotiation process and foster a two-way communication with the applicants.
 - ✓ Adopt a pragmatic attitude in premium valuation.
 - ✓ Simplify lease conditions as far as possible to obviate unnecessary lease modifications on technical issues.
 - Enhance coordination and determination amongst development-related Government departments to expedite process, remove duplicated procedures, and reach decision speedily.
 - Revive the former high level land supply task force to coordinate the



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relevant Departments and facilitate the early implementation of private projects.

- Adopt a proactive approach in processing various approvals such as DD&H, tree-felling, Master Layout Plan, and landscaping proposal approvals under lease in order to expedite project progress.
- b. Inject greater flexibility and efficiency in the planning regime by improving the existing town planning system, increasing the transparency of the process and adopting a fair objection hearing procedures at Town Planning Board meetings.
- c. Speed up the long-drawn process on various consultations on the new development areas in the New Territories in order that land could be funneled to the market as soon as possible.
- d. Unlock development potential in the urban and the rural areas where land is readily available and capitalize on the advantage of existing and planned infrastructure and railway link by adopting a more realistic attitude with height and density controls.

The Real Estate Developers Association of Hong Kong
June 2013



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Annex

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Stage 1 Engagement Exercise on Enhancing Land Supply Strategy – Submission by The Real Estate Developers Association of Hong Kong

The Public Engagement Exercise and the Public Engagement Digest (the PE Digest) provided by the Government seems to focus on justifying reclamation outside Victoria Harbour and rock cavern development only. The existing land supply options of rezoning land in under-utilized industrial and rural land and redevelopment of older urban areas were not given adequate discussion, apart from mentioning a few key limitations/challenges.

On the rezoning land option, the PE Digest mentions the following key limitation/challenge: “Involving private owners and developers, or different Government departments, it requires a longer process. Actual development hinges on market response. Timing of development is less predictable.”

On the redevelopment option, the PE Digest mentions the following key limitation/challenge:

“Private owners and developers take the leading role. Comparing with other options implemented by the Government, it is less predictable.”

We wish to point out that rezoning/ land exchange/ lease modification was once an important source of land supply in Hong Kong. The limitations/challenges mentioned in the PE Digest are well understood by the industry and practitioners. However, these limitations and challenges, to a large extent, arise from the current bureaucratic system/ policies of the Government, which has resulted in a drastic drop in land supply from rezoning of private land/land exchange/lease modification in recent years. This is reflected in the information given in the PE Digest. The chart “Land supplied by different options in the past decade” in the PE Digest shows that land supply from “Rezoning Land” in 2001-2005, during a period of property market crash after SARS, was over 300 Ha. However in 2006-2010, a period witnessing a



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significant property market boom, land supply from “Rezoning Land” surprisingly dropped to less than 100 Ha. This drastic drop in supply appears to act against the normal market behaviour that when price goes up, the supply goes up. The reason why the market had not responded by an increase in supply is, to a large extent, due to the increasingly conservative and extremely rigid planning controls introduced by the Government in recent years which has virtually frozen the development potential of private land to status quo. The current planning system has not only failed to plan for the anticipated population growth, but also failed to respond to private initiatives to produce more developable land to meet market needs. The current planning system has in fact been working in the opposite way by lowering the development densities both in urban and rural areas, which further aggravates the demand and supply gap.

Another aggravating factor is that the Government has not undertaken timely action in the planning and implementation of the New Development Areas which have been studied over and over again since 1999. These NDAs, when firstly promulgated by the Government 13 years ago, were supposed to be the “long-term” land supply to meet with the demand in the current days. It now becomes a “long-term” land supply again but still with no concrete implementation proposal and time frame.

Persistent shortage in land supply has been a major factor in the rise in properties prices in recent years, causing serious public outcries for more land supply. REDA has in the past suggested to the Government various improvement measures. We consider that the difficulties mentioned in the PE Digest on the existing land supply options of rezoning land and redevelopment can be overcome if Government will take a more positive and pragmatic approach in the land and planning policy so as to facilitate private owners and developers to provide more land supply. Given the right development environment and Government framework, private owners will be most willing to develop or redevelop their land which in turn will result in more housing supply.

To revive the land supply from Rezoning Land, which we believe will effectively help relieve the critical shortage of land supply in the short to medium term, we have the



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following suggestions:

1. In the rezoning process, there are different Government departments involved and the lack of adequate co-ordination and determination amongst some departments has often led to futile attempts apart from the fact the process has become very lengthy in recent years. There is a large reserve of land resources in the urban and rural areas which can be released. This requires Government to adopt an open, positive, sensible and realistic planning and land policy to enable the market to respond positively. We suggest that Government should revive the former high level land supply task force to co-ordinate relevant Government departments, and to oversee and facilitate the early implementation of private sector projects. This will result in more predictable land supply.
2. Rezoning requests of under-utilized industrial and rural land can be expedited by a more streamlined and efficient town planning/development process. REDA has in the past suggested various measures to the Government to improve the existing town planning system, such as enhancing the transparency of the town plan making process and adopting a fair objection hearing procedure at Town Planning Board meetings.
3. The current control of developable land in some rural areas to very low-density (e.g. PR 0.2) is unreasonable and unrealistic and is a waste of scarce land resources. A proper balance should be struck in fulfilling the society needs for development and protection of the environment. Subject to acceptable or surmountable environmental impacts, sites could be upzoned to higher density to make more efficient use of scarce land resources and to take advantage of existing and planned infrastructure and railway link. This will also enable more greenery space to be spared for the society's enjoyment.
4. The different Government departments involved in the planning and land policy should adopt a proactive approach in the implementation of the Outline Zoning Plans. Even if sites are zoned or rezoned for certain uses, which may have remained in the Outline Zoning Plans for many years, the lengthy and



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complicated process in getting approvals from various Government departments has affected their eventual implementation. In cases where the processing of development projects is not subject to any statutory time limit, such as applications for land exchange and lease modifications, the processing time has been unreasonably lengthy. This has, as a result, delayed the supply of housing units to the market.

The Lands Department, in particular, should adopt a proactive approach in processing land exchange and lease modifications, premium valuations, and various approvals under lease (e.g. DD&H, tree-felling, Master Layout Plan, and landscaping proposal approvals) as these have a direct consequence on the housing supply.

5. In some projects, the lack of adequate infrastructure, such as roads, drainage, sewage, and noise barrier, has delayed the early implementation of housing development. The Government as a whole should take a proactive and leading role in the co-ordination of relevant departments to speed up the provision of adequate infrastructure so as to facilitate early development of available land.
6. On the redevelopment of older urban areas to improve the local environment and to better utilize the land, the enactment of the Compulsory Sale for Redevelopment Ordinance has greatly facilitated the urban redevelopment process. The lowering of the threshold for compulsory sale to 80% for some categories of existing buildings has helped to expedite the process. Government should monitor the effect of the process and consult the public regularly to review and expand, if appropriate, the categories that can qualify for this lower threshold.
7. The existing large housing stock available for redevelopment is a huge resource of future housing supply. If private owners and developers are expected to take the leading role, there should be adequate incentives for redevelopment. Overly rigid and stringent planning controls will suffocate and even kill potential redevelopment projects. Urban redevelopment can be encouraged and facilitated by relaxing the development density and adopting a flexible building



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height profile to make redevelopment projects more viable. It should be pointed out that Hong Kong is a compact city and high density development is an efficient use of scarce land resources. Flexible building heights will facilitate the creation of space between buildings for better lighting and ventilation.

8. As announced in the 2011-2012 Policy Address, Government is exploring the possibility of converting into housing land agricultural land in North District and Yuen Long currently used mainly for industrial purposes or temporary storage, or which is deserted. As a part of this measure, Government should speed up the planning of the new development areas in the northern New Territories and produce a clear implementation programme so that the land supply can be quickly released and will become more predictable. Infrastructure, if not yet available, can be provided by the private owners and be deducted from the land premium so as to facilitate early development of available land.

As there are still huge land resources to be tapped in the urban and rural areas, reclamation should only be considered as a last resort to create land for housing. We note that reclamation will have negative impact on the environment and marine ecology. There are also the connectivity and commuting problems associated with some reclaimed sites proposed by the Government. Government's rationale for creating more land by reclamation is partly based on a policy to lower the development density and building height profile of existing urban and rural land. This artificial redistribution of population to remote reclaimed land will result in loss of social bonds of the residents. Reclamation will also require additional capital costs when compared with existing land. While we do not know the development density to be set for the reclaimed land, the distribution of development density from existing urban and rural land to the reclaimed land will reduce the development rights of private owners and the value of their land. As the affected private owners will not be compensated, Government will be seen to be taking away their land value but benefiting itself from receiving huge revenue from selling the reclaimed land.

We note that Government is placing some new facilities inside caverns e.g. Island West Transfer Station, and some existing Government facilities, e.g. Sha Tin Sewage



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Treatment Works. We consider that rock cavern development may be suitable for some offensive uses such as columbaria but this is not relevant to enhancing housing supply.

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