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Asia

Briefing

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RICS Submission on NENTNDA

27 November 2012

Background

RICS is the world's leading qualification when it comes to professional standards in land, property and construction. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining RICS status is the recognised mark of property professionalism. Over 100 000 property professionals working in the major established and emerging economies of the world have already recognised the importance of securing RICS status by becoming members. RICS is an independent professional body that since 1868 has been committed to setting and upholding the highest standards of excellence and integrity – providing impartial, authoritative advice on key issues affecting businesses and society. RICS is a regulator of both its individual members and firms enabling it to maintain the highest standards and providing the basis for unparalleled client confidence in the sector.

RICS, in its capacity as a professional body, upholds the public interest. We draw on our global experience to offer the best practical advice to Governments; our aim is to support sustainable land, property and construction markets.

In the past, development of new towns in the New Territories and reclamation of harbor and waterfront were the main solutions to the land shortage problem. Other methods, including rezoning, urban renewal and land resumption, have also been used to meet the needs of housing, social and economic development in different times. In recent years, the pace in the formation of developable land has dropped drastically. One of the main reasons is the public strong aspiration of protecting and preserving Victoria Harbor as a special public asset and natural heritage conservation.

The surge of flat price and shortage of office supply has already invoked the need for a steady long term land supply in Hong Kong. In longer term, it is not disputed that more land is required to accommodate the population growth, cope with the rising aspiration for quality living environment and sustain the economic development. It is noted that the Government has announced in its 2011-2012 Budget that it will conduct relevant studies and public engagement exercises to explore the options to enhance the land supply, to expand land resources and to build up a sufficiently large land reserve over a period of time in order to ensure stable land supply, particularly for the residential property market with a view to making available sufficient land for building small and medium sized residential flats to keep their prices affordable. Several questions still need to be addressed: how many hectares of land for different uses is required per year in the next 10 and 20 years; where are the suitable locations for such land supply; what would be the mode of land supply; and how such land demand can be fulfilled?

In recognizing that Hong Kong is facing a serious shortage of land supply and to echo the Government's North East New Territories New Development Areas (NENT NDAs) public consultation, RICS invited CEDD and Planning Department to conduct a special briefing on the

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NENT NDA's for RICS members on 25 September 2012 and subsequently collected comments and views from RICS Members. The **Planning and Development Professional Committee** of RICS HK formed a Working Group to review the NENT NDAs proposal and consolidated members' feedback on the proposed NDAs. Below please find a summary of the views RICS:

1. Objectives of New Town – Further Consultations

- 1.1 According to the Stage 3 Public Engagement Digest, The NENT NDAs will provide about 54,000 new housing flats (about 43% of which is PRH) to accommodate an additional population of about 152,000. The three NDAs will provide more than 52,000 new employment opportunities. The RICS HK agrees that there is a serious shortage of housing land supply, and the NENTNDA is an initiative that can potentially alleviate the pressure. However, it is important to first come to a community consensus on the kind of objectives we want to set for this new town. For example, in Kowloon East, RICS HK hopes the Government to consider an overall vision of “Work, Live & Play” while creating another prime office location for businesses.
- 1.2 According to the consultation document, the KTN NDA adopts ‘Mixed Development Node’ theme providing a mix of commercial, residential, and R&D uses. The availability of business opportunities will have a bearing on the attractiveness of the district and hence the completed housing flats as well as the commercial space. Although it is difficult to predict future demand, in order to ensure a new town is lively and sustainable, a critical mass of population is required and therefore the total population for each area should be carefully planned. While RICS HK is in support of the NDAs to increase land supply we recommend further consultations be conducted with relevant chambers, trade associations and professional institutes on the right type of non-residential space to be provided, the mode of development, the kind of incentives to provide, and the corresponding ancillary facilities required in order to position the theme of these living towns and encourage self-sustainable elements.

2. Development Potential of NDAs – Flexibilities

- 2.1 It is understood that plot ratios of the “Residential Zone 2” (“R2”) and “Residential Zone 3” (“R3”) sites in the KTN and FLN NDAs have already been increased from 3 to 3.5 and from 1 to 2 respectively in the RODPs to provide for the 54,000 new housing flats mentioned under point 1.1. RICS HK is of the view that land is a scarce resource in HK, where land costs comprise a high proportion of total accommodation costs, it would be preferable for the plot ratio in these NDAs to be maximized to meet the demand pressures in the community and potentially reduce the total accommodation costs. RICS considers that with such a large area of developable land (151 ha) and the extensive land resumption requirement, it is prudent to review the development density from a more practical perspective.
- 2.2 For new town developments like NDAs, which are started from scratch, there should be flexibility for Government to plan for more intensive land use and higher density, as long as certain criteria such as transportation and community facilities can also be met.



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2.3 This may potentially decrease the scale of the overall land resumption, which would also address some concerns expressed by green groups, the local residents and the farming villagers. Flexible urban planning can help to safeguard public spending and potentially shorten the time frame required in completing the land resumption process.

3. Connectivity – Getting There and Getting Around

3.1 There is an assumption that 80% of the population in the KTN and FLN NDA will reside within 500 m of proposed railway stations. While the public transportation for future residents may seem adequate, the Government should consider the needs of the industries operating in the KTN. The additional consultations under point 1.2 should provide the Government some insights on the infrastructural needs in ensuring that the businesses will want to move into this area.

3.2 RICS HK supports the promotion of accessibility and connectivity via public transport, but other modes of transport for people to move within the region ought to be explored. Cycling is growing in popularity in other countries and anecdotally interest is also increasing in Hong Kong. For example, the Sustainable Sydney 2030 concept calls for the future of getting around in the city by means of walking, light-rail and cycling. Provision of cycle lanes or dedicated cycle route will encourage this activity, which is also environmentally sustainable.

3.3 Given the location, businesses attracted to move into this area will likely to have strong ties with mainland China. The Government should not rule out the infrastructural need for connectivity to and from Lok Ma Chau / Sha Tau Kok border crossing.

4. Land Resumption – Burden on Society and Finances: a Monetized Land Exchange Certificate Proposal

4.1 The current proposal is to use the conventional New Town approach to resume land for NDA development. The scale of resumption would be very large since the private lots totally amount to some 265 ha or about half of the total development area. However, it is noted that developments of various new towns in the past were partly by the Government and partly by private developers. The holistic approach on land resumption and property development will not allow private developers / owners the opportunity to participate in the development through the traditional land exchange process. It is understood that such development approach is to ensure orderly and timely implementation of the NDAs. RICS HK is of the view that private owner participation through the traditional land exchange approach in new town development should be allowed wherever feasible.

4.2 In facing such a huge resumption of private land, the process can potentially be very time consuming considering the possibility of individual land owner(s) applying for judiciary review over the misuse of Cap 124 or disputes over compensation. Furthermore, the total cost would create a significant burden on Government finances and taxpayers. RICS HK, therefore, recommends a 3rd option which can potentially be a



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win-win alternative. The Government can consider, as a pilot scheme within NENT, a “Monetized Land Exchange Certificate” to substitute cash compensation for voluntary surrender of land. A similar mechanism was used prior to 1997: the “New Territories Land Exchange Entitlements” (Letter A/B) system was used in resuming land in the New Territories. Letter A/B holders were entitled to exchange, as an alternative to cash compensation, for building land at a specific conversion ratio between building land and agricultural land, and the land surrendered or resumed was credited with a face value assessed with reference to the level of land value at the time the land was being surrendered or resumed.

4.3 RICS recommends the Government to adopt a similar but slightly modified system of Monetized Land Exchange Certificate (herein referred to as Letter M) whereby land owners, instead of receiving cash compensation, will surrender their land back to the Government in exchange for a certificate which gives them a right to purchase future developable land¹ exclusively reserved within the same district. This mechanism encourages private land owner’s participation by way of guaranteed future land acquisition priority within the same district with the following potential conditions:

- 4.3.1 It can only be used as cash to purchase future developable land or pay modification premium within NENT;
- 4.3.2 There is no land exchange ratio in the Letter M, thus the Government has no accumulation of land debts.
- 4.3.3 At the time of issue it will have a face value equivalent to the then Government land compensation rate, but when it is used as cash for land premium payment, its value will be equivalent to the Government land compensation rate at the time of redemption. This mechanism will allow its value to appreciate with the market value of agriculture/building land in N.T. Alternatively its value can be linked to a recognized property index.
- 4.3.4 To control its volume in the market, there is a last redemption date and a Government buy back option;
- 4.3.5 Letter M holders can participate in future “restricted” land sales that only open for them by way of auction or tender within NENT NDAs;
- 4.3.6 It can be, subject to HKMA regulations, treated as a securitized product which can be traded in a secondary market;

5 **Environment – Ecological Value of Long Valley**

5.1 RICS supports protecting the ecological value of Long Valley. For example, it is part of an Important Bird Area recognized by Bird Life International, the international authority on birds and their habitats. According to the Government’s nature conservation policy, Long Valley is recognized as one of the 12 sites of outstanding ecological value. The Government’s Environmental & Conservation Fund has given NGO’s funding to manage

¹ Developable land refers to ‘mature’ land which all the necessary site formation, access roads, drainage and utilities works are completed and is ready for property development (foundation and superstructure building works).



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areas in Long Valley to enhance its biodiversity and to conserve its agricultural heritage, and to make these values accessible to the general public.

5.2 The idea of designating the 37 hectares of land in the core area of Long Valley of high ecological value as a Nature Park should be upgraded to “Conversation Area” or “Nature Reserve.” RICS HK supports the Government to resume the land in that area for building the Kwu Tung North New Town into a sustainable community with its roots connected to Nature and Heritage.

6 Community Engagement – An Expanded Scope

6.1 In recent years, there is a significant evolution in the way the Hong Kong people view “development”, and the willingness to participate in the debate even though those raising concerns may not reside anywhere near the affected area. The Queen’s Pier and the CGO West Wing are prime examples of how the Hong Kong community is now placing much higher values on heritage and culture. During the 3 stages of consultation, RICS recognizes the Government has already gone out to almost every relevant stakeholder for comments and ideas. Changes had been made to the original plans, but it appears that some concerns have not yet been addressed.

6.2 Although this is outside of the surveying profession, RICS recommends the Government to engage the public via unconventional approaches. The use of social media, the deployment of mobile apps, and online marketing campaign can ensure a wider audience is reached during the official consultation period. There may be additional publicity expenditure, but the public will appreciate the Government’s effort in reaching out and the objective is to ensure that all the public concerns are well addressed and discussed in an open and transparent manner.

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